

Rating Action: Housing Financing Fund

Moody's places HFF on review for possible downgrade

London, 30 September 2008 -- Moody's Investors Service has today placed the Aa1 issuer rating and local currency ratings of Iceland's Housing Financing Fund ("HFF") on review for possible downgrade. This rating action has been prompted by Moody's decision to place Iceland's government bond and foreign currency ceiling for bank deposits on review for possible downgrade.

HFF's special status as a Treasury Part C institution means that HFF's owner, the Icelandic government, has unlimited liability for it. This closeness to the government is the rationale for Moody's action on HFF's ratings.

The Aa1 rating of HFF reflect the application of Moody's rating methodology for government-related issuers ("GRIs") and is based on (i) the intrinsic strength of HFF, which is represented by a Baseline Credit Assessment, (ii) the Aaa local currency deposit ceiling of the Republic of Iceland, (iii) the high default dependence between HFF and the Icelandic government, and (iv) a high probability of systemic support for HFF.

Headquartered in Reykjavik, Iceland, HFF is a 100% government-owned residential mortgage lender focused on supporting the government's housing policy. At the end of June 2008, it posted total assets of ISK663 billion (EUR5 billion).

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