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Research Update:

Republic of Iceland, HFF, And Landsvirkjun L-T Ratings Placed On Credit Watch Negative

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Rationale

On April 1, 2008, Standard & Poor's Ratings Services placed its 'A+' long-term foreign currency and 'AA' long-term local currency sovereign credit ratings on the Republic of Iceland on CreditWatch with negative implications. At the same time, the 'A-1' short-term foreign currency and 'A-1+' short-term local currency ratings on Iceland, along with the 'AA+' transfer and convertibility assessment on the sovereign, were affirmed.

In addition, Standard & Poor's placed its 'A+' long-term foreign currency and 'AA-' long-term local currency issuer credit ratings on Ibudalanasjodur (Housing Financing Fund), the state-owned enterprise for housing finance, and state-owned and guaranteed power company Landsvirkjun on CreditWatch with negative implications. The 'A-1' short-term foreign currency and 'A-1+' short-term local currency ratings on Ibudalanasjodur and Landsvirkjun were affirmed.

The CreditWatch placements reflect our lack of information regarding the Icelandic government's official strategy on how to address the country's increasing economic policy issues. These issues in large part stem from the pressure on Iceland's external funding, which may lead to direct government support of the Iceland's three largest commercial banks--Glitnir Bank (A-/Watch Neg/A-2), Landsbanki Islands (not rated), and Kaupthing Bank (not rated).

Standard & Poor's aims to resolve the CreditWatch listings on the sovereign and the two owned entities in the next two weeks.

Ratings List

	To	From
Republic of Iceland		
Foreign currency issuer credit rating	A+/Watch Neg/A-1	A+/Negative/A-1
Long-term local currency issuer credit rating	AA/Watch Neg/A-1+	AA/Negative/A-1+
Ibudalanasjodur		
Foreign currency issuer credit rating	A+/Watch Neg/A-1	A+/Negative/A-1
Local currency issuer credit rating	AA-/Watch Neg/A-1+	AA-/Negative/A-1+
Landsvirkjun		
Foreign currency issuer credit rating		

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	A+/Watch Neg/A-1	A+/Negative/A-1
Local currency issuer credit rating		
	AA/Watch Neg/A-1+	AA/Negative/A-1+

NB: This list does not include all ratings affected.

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