

Rating Action:

Moody's Announces Bank Rating Actions Resulting From Implementation Of JDA Methodology -- Iceland

London, 24 February 2007 -- As part of the planned application of its joint default analysis (JDA) methodology and its updated bank financial strength rating (BFSR) methodology, Moody's Investors Service today published the rating results for banks in Iceland.

In February 2007 Moody's published a Special Comment, entitled "Incorporation of Joint-Default Analysis into Moody's Bank Rating Methodology". The JDA methodology identifies four potential sources of external support for banks:

- (1) parental support,
- (2) support from a cooperative or mutualist group,
- (3) support from a regional or local government, and
- (4) systemic support.

The methodology uses Moody's joint default analysis to increase the transparency of Moody's bank ratings. Starting with a bank's Bank Financial Strength Rating (BFSR), the methodology uses Moody's rating for each relevant support provider, together with estimates of the probability of extraordinary support from each supporter and the default dependence between the bank and that supporter, to determine the bank's deposit rating. Bank debt ratings are then determined based on Moody's standard notching guidelines, although in some countries certain debt obligations may receive less systemic support than deposit obligations.

Also in February 2007, Moody's published its updated BFSR methodology, entitled "Bank Financial Strength Ratings: Global Rating Methodology". BFSRs evaluate the stand-alone financial strength of banks without reference to external support factors. Moody's said that the methodology enhances both the transparency and consistency of this type of rating.

As Moody's announced when it published the final methodologies, given the large number of issuers potentially affected, the methodologies are being implemented country by country, with results being announced on a weekly basis. For those banks with a parent bank located in another country where the methodologies have not yet been implemented, we have only concluded on the bank subsidiary's own BFSR. Because these banks may potentially benefit from support from the parent bank, among other potential sources of support, there may be changes to the deposit and debt ratings at such banks when we conclude on the parent's ratings.

Due to the extensive number of issuers and issues, in this press release we are only listing the names of the issuers whose ratings have been changed, affirmed or put on review. For a complete list of bank ratings that have been changed or put on review, please click on the link that will refer you to the document entitled "List of Banks and

Ratings Affected by JDA and Updated BFSR Rating Methodologies". This list will be posted on the JDABanks page in Moodys.com (www.Moodys.com/JDABanks) and reflected on individual bank pages this weekend after all rating changes have been processed.

Below is a list of the banks whose ratings have been changed:

Glitnir banki hf

Kaupthing Bank hf

Landsbanki Islands hf

London
Adel Satel
Managing Director
Financial Institutions Group
Moody's Investors Service Ltd.
JOURNALISTS: 44 20 7772 5456
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London
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