

Rating Action: Landsbanki Islands hf

Moody's places Landsbanki on review for possible downgrade

London, 30 September 2008 -- Moody's Investors Service has today placed on review for possible downgrade the A2 long-term ratings, P-1 short-term ratings and C- bank financial strength rating ("BFSR") of Landsbanki Islands hf ("Landsbanki").

Moody's rating action was triggered by further weakened financial fundamentals within the Icelandic banking system in light of the global tightening of liquidity. Yesterday's announcement of the nationalisation of Glitnir and the collapse of its major shareholder highlights Moody's increased concerns over high related-party exposures and concentrated loan portfolios among banks in the country. "Given the small size of the Icelandic economy, Moody's believes that it may not be possible for these events to be fully isolated and that they could have implications for the whole banking system," says Kimmo Rama, Vice President -- Senior Analyst in Moody's Financial Institutions group.

During the review process, Moody's will focus on Landsbanki's asset quality development, particularly its exposure to investment companies and related parties. Moody's will also focus on assessing the impact of current market events on the bank's liquidity position. Finally, the review will also address the government's longer-term plans for the Icelandic banking system and the systemic support that may be available to local and foreign currency creditors respectively.

The following ratings were placed on review for possible downgrade:

Bank Deposits: A2

Bank Financial Strength: C-

Issuer Rating: A2

Senior Unsecured: A2

Subordinate: A3

Jr Subordinate: Baa1

Preferred Stock: Baa1

Commercial Paper: P-1

Other Short-Term: P-1

Headquartered in Reykjavik, Iceland, Landsbanki reported total assets of ISK3,970 billion (EUR32 billion) at the end of June 2008.

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