

Rating Action: Landsbanki Islands hf

Moody's downgrades Landsbanki (Iceland) and will withdraw ratings

London, 10 March 2009 -- Moody's Investors Service today downgraded the long-term deposit rating of Landsbanki Islands hf (Landsbanki) to C from Caa1 and its senior debt ratings to C from Caa2. The bank's E bank financial strength rating and Not Prime short-term local and foreign currency deposit ratings were affirmed. The outlook on all the ratings is stable. This rating action concludes the review of Landsbanki's long-term ratings.

Moody's will subsequently withdraw the ratings for business reasons within the next few days. Please refer to Moody's Withdrawal Policy, "Moody's Guidelines for the Withdrawal of Ratings", available on www.moodys.com.

Today's rating action reflects Landsbanki's preliminary asset valuations, which were disclosed on 20 February 2009. The downgrade of the senior debt ratings reflects Moody's expectation that recoveries by senior creditors are likely to be low with estimated recovery rates of below 50% on senior unsecured debt, which is consistent with a C rating.

Commenting on the downgrade of the long-term deposit ratings to C, Moody's said that it understands there are uncertainties with regard to the implementation of Act No. 125/2008, which provides deposits with a priority of claim in the event of insolvency proceedings. More specifically, it remains uncertain which liabilities or deposits this law applies to and how it should be implemented. Therefore, Moody's has not made any distinction between deposits and senior unsecured debt.

The last rating action on Landsbanki was on 4 November 2008, when its long-term deposit and senior debt ratings were placed under review for possible downgrade.

The principal methodologies used in rating Landsbanki are "Bank Financial Strength Ratings: Global Methodology" and "Incorporation of Joint-Default Analysis into Moody's Bank Ratings: A Refined Methodology", which can be found at www.moodys.com in the Credit Policy & Methodologies directory, in the Ratings Methodologies subdirectory. Other methodologies and factors that may have been considered in the process of rating Landsbanki can also be found in the Credit Policy & Methodologies directory.

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

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