

Announcement: Landsbanki Islands hf

Moody's says Icelandic banks' acquisition plans do not affect ratings

London, 22 May 2007 -- Moody's Investors Service says that the acquisitions announced over the past week by two of Iceland's three rated banks, Glitnir banki and Landsbanki hf, will not affect the banks' ratings.

Specifically, Moody's believes that the strategic direction and size of the acquisitions -- namely, Landsbanki's proposed acquisition of the UK-based Bridgewell plc, and Glitnir banki's planned acquisition of the Swedish company Tamm & Partners Fondkommision -- means that the ratings of the Icelandic banks remain unchanged. Moody's believes that the announced acquisitions are part of the Icelandic banks' attempts to diversify their sources of income in response to the competition-driven tightening of net interest margins, similar to that experienced by other Nordic banks.

LANDSBANKI HF

Landsbanki hf has announced that it has agreed to acquire -- subject to regulatory approval -- 100% of Bridgewell plc for GBP60.3 million (EUR88.1 million), of which approximately GBP6.0 million is payable in cash and the remainder in Landsbanki shares. Bridgewell is a small UK brokerage and investment bank.

In Moody's opinion, this is a small acquisition for Landsbanki, equating to roughly 0.3% of the bank's total assets as at 31 March 2007 of ISK2.3 trillion (EUR27.2 billion) and requiring only a small amount of cash. Moody's believes that the integration process should be relatively smooth due to Landsbanki's prior experience in acquiring firms like Bridgewell. In 2005, the bank acquired three European securities firms that deal in securities and prepare equity research.

Bridgewell will be acquired by Landsbanki with the aim of merging it with Landsbanki's UK subsidiary, Teather & Greenwood. The firms have similar business operations but different client bases. Moody's believes that the acquisition of Bridgewell would strengthen Landsbanki's activities in the UK by significantly boosting the number of brokerage customers and extending its research capability.

GLITNIR BANKI

Having only recently completed the acquisition of the Finnish asset management company FIM, Glitnir banki last week announced its proposed acquisition of Tamm & Partners Fondkommision, a small privately held securities firm in Sweden. Founded in 2004, the company's main activities are asset management, brokerage and corporate finance. It employs 11 people and has offices in Stockholm and St. Petersburg. Tamm & Partners will be acquired by Glitnir banki's Norwegian subsidiary, Glitnir AB. The purchase price is less than EUR5 million as compared to Glitnir banki's total assets as at 31 March 2007 of ISK 2.26 trillion (EUR26.8 billion).

Moody's believes that the business activities of Tamm & Partners complement those of Glitnir banki and should strengthen the bank's corporate finance team. The rating agency expects integration to proceed smoothly given that Glitnir banki has made many similar acquisitions in 2005 and 2006.

Overall, Moody's believes these acquisitions will have a neutral rather than a positive impact on Landsbanki's and Glitnir banki's ratings. As with previous acquisitions, Moody's will -- if the respective transactions go ahead -- monitor firstly whether risk management and controls are in place quickly, and secondly, whether management talent will remain once the earn-out period has been completed.

Headquartered in Reykjavik, Iceland, the ratings of Landsbanki hf (rated Aa3/P-1/C) and Glitnir banki hf (rated Aa3/P-1/C) have a stable outlook.

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