

Last week, the country's third largest bank was nationalised. This week, the government dismissed the board of directors of Landsbanki, its second-largest bank, and put it into receivership. On Monday, the Prime Minister, Geir Haarde, warned its citizens the country faces bankruptcy.

Iceland, with a population the size of Bristol, is rated by the UN as the most developed society on earth. But it now faces less welcome distinction as the country worst exposed to the credit crunch, with banking debts several times bigger than its economy.

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