

Rating Action: [Kommunalkredit Austria AG](#)

Moody's downgrades BFSR of Kommunalkredit International Bank (Cyprus)

Senior debt and issuer ratings, Prime-1 commercial paper and short-term issuer ratings remained at current levels but maintained on review for possible downgrade

Limassol, February 18, 2009 -- Moody's Investors Service has today downgraded the bank financial strength rating (BFSR) of Kommunalkredit International Bank Ltd (KIB) to D from C- and kept it on review for possible further downgrade. At the same time, Moody's kept KIB's A1 senior debt and issuer ratings and its Prime-1 commercial paper and short-term issuer ratings on review for possible further downgrade.

Today's rating actions follow KIB's announcement that it expects to incur significant losses for FY2008, exceeding its current equity level. A Cyprus-based bank, KIB is a wholly owned subsidiary of Kommunalkredit Austria AG (KA), which has been recently nationalised by the Austrian government. According to the announcement, KA, in conjunction with the Austrian government, is considering its options to absorb the activities of KIB and to gradually cease its operations in Cyprus.

KIB's BFSR has been lowered to the same level as that of KA (see separate rating action on KA dated 17 February 2009), reflecting the likely absorption of the bank by its parent. KIB's ratings remain closely aligned to those of KA given that KIB is a 100% subsidiary and integral part of KA, and will eventually converge with the parent bank's ratings. Moody's review of KIB's ratings will be completed in tandem with the review of KA's ratings.

Moody's previous rating action on KIB was on 5 November 2008, when the BFSR was downgraded to C- from C and was kept on review for possible further downgrade, and the A1 senior debt and issuer ratings and its Prime-1 commercial paper and short-term issuer ratings were placed on review for possible downgrade.

The principal methodologies used in rating KIB are the "Incorporation of Joint-Default Analysis into Moody's Bank Ratings: A Refined Methodology" and the "Bank Financial Strength Ratings: Global Methodology". These can be found at www.moodys.com in the Credit Policy & Methodologies directory, in the Ratings Methodologies subdirectory.

Headquartered in Limassol, Cyprus, Kommunalkredit International Bank had assets of EUR11.2 billion as of June 2008.

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