

Rating Action: [Kommunalkredit Austria AG](#)

Moody's downgrades Kommunalkredit International Bank to C-

All ratings on review for possible downgrade

Limassol, November 05, 2008 -- Moody's Investors Service today downgraded the bank financial strength rating (BFSR) of Kommunalkredit International Bank Ltd (KIB) to C- from C and maintained it on review for possible further downgrade. At the same time, Moody's placed KIB's A1 senior debt and issuer ratings and its Prime-1 commercial paper and short-term issuer ratings on review for possible downgrade.

Today's rating actions follow Moody's recent rating action on KIB's parent Kommunalkredit Austria AG (KA), in which its BFSR was downgraded to C- from B- and maintained on review for possible further downgrade and its Aa3 senior debt and deposit ratings were placed on review for possible downgrade.

The KA rating actions were prompted by the reduced access to funding experienced by the group companies, both from the market and inside their group structure. As a result, their existing business model of being public sector lenders has become no longer viable without support. Moreover, recent exposures to problem cases at both KA and KIB have weakened their financial flexibility. As a result, KA has applied for support under the Austrian government support package for banks. Accordingly, the Republic of Austria acquired a 99.78% ownership stake in KA and will ensure that the bank has a sufficient level of liquidity and capitalisation. (For more details, see separate press release dated 3 November.)

KIB's ratings remain closely aligned to those of KA given that KIB is a 100% subsidiary and integral part of KA. Moody's review of KIB's ratings, to be completed in tandem with the review of KA's ratings, will assess the future role of KIB within the KA group following the change in ownership of KA, the potential ongoing benefit that KIB might derive from the Austrian government's support to KA and KIB's financial performance in light of the recent liquidity stress and exposure to problematic assets. It will also take into account the rating outcome of the review for KA.

Moody's previous rating action on KIB was on 1 October 2008, when the long-term senior unsecured debt rating downgraded was to A1 from Aa3.

Kommunalkredit International Bank is headquartered in Limassol, Cyprus. As of June 2008, it had assets of EUR11.2 billion.

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