

October 9, 2008

Research Update:

Glitnir Bank Rating Lowered To 'D' On Receivership

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Rationale

On Oct. 9, 2008, Standard & Poor's Ratings Services lowered its long-term and short-term counterparty credit ratings on Iceland-based Glitnir Bank to 'D' from 'CCC' and 'C', respectively, after the bank was placed into receivership by the country's banking supervisor.

The rating action follows a decision by the Icelandic government via the Icelandic Financial Services Authority (FME) to assume the powers invested in Glitnir's shareholders and board of directors. The FME has accordingly placed Glitnir in receivership, which will afford the bank temporary protection from payment of debts and obligations as they fall due. The action taken by the FME on Glitnir and the other two major Icelandic banks (not rated) is an attempt to ring-fence the safety of domestic deposits. This action effectively reverses a government proposal on Sept. 29, 2008 to acquire Glitnir through a €600 million capital injection.

A 'D' rating is assigned when Standard & Poor's believes that there will be a general default and that the obligor will thereby fail to pay all or substantially all of its obligations as they come due. We believe that future payments on Glitnir Bank's obligations to creditors outside Iceland will not be honored as they come due. This includes maturities due within the next week. Obligations to creditors outside Iceland constitute more than 90% of the bank's total obligations (excluding deposits). We understand that Glitnir may have failed to pay one or more financial obligations that fell due earlier this week.

Glitnir's Norwegian subsidiary, Glitnir Bank ASA, has secured liquidity through financing of Norwegian krone 5 billion from the Norwegian Banks' Guarantee Fund. The sale of the subsidiary has been initiated.

Ratings List

Ratings Lowered

Glitnir Bank

	To	From
Counterparty Credit Rating	D/D	CCC/Watch Neg/C
Certificate Of Deposit	D/D	CCC/C/Watch Neg

NB: This list does not include all ratings affected

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