

Rating Action: Glitnir banki hf

Moody's downgrades Glitnir's ratings

London, 11 February 2009 -- Moody's Investors Service today downgraded the long-term deposit rating of Glitnir banki hf (Glitnir) to C from Caa1 and the senior debt ratings to C from Caa2. The bank's E bank financial strength rating and Not Prime short-term local and foreign currency deposit ratings were affirmed. The outlook on all the ratings is stable. This rating action concludes the review for possible downgrade on Glitnir's long-term ratings.

On 8 October 2008, in its last rating action on the bank, Moody's downgraded Glitnir's ratings and placed them on review for possible downgrade after the Icelandic supervisory authority (FME) announced that it had taken control of Glitnir. The bank is currently protected from creditors by a moratorium, which will formally expire on 13 February 2009, although the rating agency understands that a nine-month extension has been requested by the bank.

Today's rating action reflects Glitnir's preliminary asset valuations, which were disclosed on 6 February 2009. The downgrade of the senior debt ratings reflects Moody's expectation that recoveries by senior creditors are likely to be low with estimated recovery rates of below 50% on senior unsecured debt which is consistent with the C rating.

Commenting on the downgrade of the long-term deposit ratings to C, Moody's notes there are uncertainties with regards the implementation of Act No. 125/2008 that provides deposits with a priority of claim in the event of insolvency proceedings. However, it remains uncertain which liabilities or deposits this law applies to and how it should be implemented. It is possible that certain deposits could potentially exhibit a higher claim priority. Nevertheless, the rating agency does not distinguish between different deposit classes. Moody's notes that all Glitnir's retail deposits have been transferred to New Glitnir.

The principal methodologies used in rating Glitnir are "Bank Financial Strength Ratings: Global Methodology" and "Incorporation of Joint-Default Analysis into Moody's Bank Ratings: A Refined Methodology", which can be found at www.moody.com in the Credit Policy & Methodologies directory, in the Ratings Methodologies sub-directory. Other methodologies and factors that may have been considered in the process of rating Glitnir can also be found in the Credit Policy & Methodologies directory.

Headquartered in Reykjavik, Iceland, Glitnir banki hf reported total assets of ISK3,863 billion (EUR31 billion) at the end of June 2008.

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