

Rating Action: Hypo Alpe-Adria-Bank International AG

Moody's Reviews for Possible Downgrade the Debt and Deposit Ratings of Hypo Alpe Adria

London, 11 November 2008 -- Moody's Investors Service has today placed on review for possible downgrade the A2 long-term bank deposit and senior debt ratings of Hypo Alpe-Adria-Bank International AG ("Hypo Alpe-Adria"). The bank's subordinated debt (rated A3) and preference stock (Baa2) as well as the short term debt and deposit ratings of P-1 have also been placed on review for possible downgrade.

At the same time, Moody's affirmed (i) Hypo Alpe Adria's backed Prime-1 short-term rating and the backed Aa2 rating for the bank's grandfathered obligations; (ii) the D- bank financial strength rating with its positive outlook.

The review of the support factors has been prompted by the recent news that Hypo Alpe-Adria is looking to receive a capital increase from its shareholders and are in discussions with the Austrian Government to take up the Austrian financial market's support package. Given the 7-notch uplift for Hypo Alpe Adria, that mainly stems from the State of Carinthia, the review will focus on the willingness and ability of all potential support providers to continue to provide strong support that underpins this ratings uplift. Hypo Alpe Adria is majority owned by Bayerische Landesbank (rated Aa2/C-, owning a 57.49% stake) and has the State of Carinthia as significant minority shareholder (16.04%). A greater reliance on Bayerische Landesbank - which has a lower rating than the Land of Carinthia (rating unpublished) and is facing its own current credit challenges - as key support provider could put downward pressure on the deposit rating.

Moody's said that the review will focus on:

(i) the probability of support of the majority shareholder BayernLB. In this connection, Moody's will consider the ability to support, given that the bank itself has asked for support both from its owners and under the German Government rescue package. Moreover, Moody's will need to address the issue whether BayernLB can "pass through" support funds to a group company in Austria, when it has asked its owners and/or the German State to support its own financial health.

(ii) the probability and ability of the state of Carinthia to provide support.

Moody's has currently no intention of reviewing systemic support in connection with the ratings of Hypo Alpe-Adria.

The current A2 long-term bank deposit and debt ratings reflect a seven-notch uplift from the bank's BFSR of D-.

The following ratings were placed on review for possible downgrade:

Hypo Alpe-Adria International AG:

Long-term bank deposits: A2

Senior unsecured debt: A2

Subordinated debt: A3

Preference stock: Baa2

Short-term bank deposits: Prime-1

Short-term debt: Prime-1

The last rating action on Hypo Alpe-Adria was on May 23, 2007 when the outlook on the D- BFSR was changed to positive from stable.

Hypo Alpe-Adria-Bank International AG, headquartered in Carinthia, Austria, had total assets of EUR41.2 billion at end-June 2008.

London
Johannes Wassenberg
Managing Director
Financial Institutions Group
Moody's Investors Service Ltd.
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

London
Gabriele Baur
VP - Senior Credit Officer
Financial Institutions Group
Moody's Investors Service Ltd.
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

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