

Rating Action: Moody's downgrades state-guaranteed debt of Hypo Alpe-Adria to Aa3/A1

Global Credit Research - 15 Apr 2010

Review of senior unsecured ratings ongoing

Frankfurt, April 15, 2010 -- Moody's Investors Service has today downgraded to Aa3 from Aa2 the ratings of Hypo Alpe-Adria-Bank International AG (Hypo Alpe-Adria) for senior debt backed by the Austrian federal state of Carinthia. Moody's has also downgraded Hypo Alpe-Adria's guaranteed subordinated debt to A1 from Aa3. The outlook on the ratings is 'developing'. All other ratings of Hypo Alpe-Adria are not affected by the rating action.

The downgrade of the ratings is driven by the weakened credit profile of the guarantor, the Austrian federal state of Carinthia. Given the very high level of outstanding contingent liabilities linked to Hypo Alpe-Adria, the bank's future remains a key rating driver for the state's creditworthiness despite the takeover by the Republic of Austria. As the future of the bank is currently unclear and depends on the strategic and political decision of its owner -- the Republic of Austria -- we consider the credit quality of Carinthia to be 'developing'.

LONG-TERM DEBT AND DEPOSIT RATING AND SHORT-TERM RATING REVIEW ONGOING

Moody's also commented on the review for possible downgrade of Hypo Alpe-Adria's Baa2 long-term senior debt and deposit ratings and of the Prime-2 short-term ratings. Moody's said that the review is ongoing due to the continuing uncertainty of the bank's future. Hypo Alpe-Adria was taken over and rescued by the Republic of Austria in December 2009 after the bank had experienced severe losses and required fresh capital to remain as a going concern. The Republic of Austria has not yet commented on its plans for the bank. In light of this state aid, the Republic of Austria will need to deliver a restructuring plan to the EU Commission. Moody's review will focus on the assumptions of future support by the Republic of Austria. As stated in a previous Moody's announcement (please refer to Press Release from 4 December 2009), the rating agency believes that the bank's role in the national banking system -- and therefore its systemic importance -- may decrease in the event of a transformative event, as a result of the restructuring plan, and, as a consequence, Moody's assessment of the probability of systemic support may be lowered.

PREVIOUS RATING ACTION AND METHODOLOGIES

Moody's previous rating action on Hypo Alpe-Adria was on 4 December 2009, when Moody's downgraded the bank's BFSR to E from E+, the long-term debt and deposit ratings to Baa2 from Baa1, and the rating for senior subordinated debt to Baa3 from Baa2. The E BFSR carries a stable outlook while the debt and deposit ratings remain on review for possible further downgrade. The Prime-2 short-term rating was also placed on review for possible downgrade.

The principal methodologies used in rating Hypo Alpe-Adria were "Moody's Bank Financial Strength Ratings: Global Methodology", published in February 2007, "Incorporation of Joint-Default Analysis into Moody's Bank Ratings", published in March 2007, and "Moody's Guidelines for Rating Bank Hybrid Securities and Subordinated Debt", published in November 2009, which are available on www.moody.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

Based in Klagenfurt, Austria, Hypo Alpe-Adria reported consolidated assets of EUR41.1 billion at the end of the financial year 2009 and an after-tax loss of EUR1.6 billion.

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