Rating Action: **Hypo Alpe-Adria-Bank International AG**

Moody's downgrades HGAA's ratings to Baa1 from A2

D- BFSR on review for downgrade

Frankfurt, May 13, 2009 -- Moody's Investors Service today placed on review for possible downgrade the D- bank financial strength rating (BFSR) of Hypo Group Alpe Adria (HGAA), reflecting the rating agency's concerns about the bank's profitability and increased risks inherent in its exposure to the Eastern European markets. The bank's debt and deposit ratings were downgraded to Baa1 from A2. The rating on its subordinated liabilities was downgraded to Baa2 from A3. The ratings remain on review for further possible downgrade due to the review for possible downgrade of HGAA's BFSR. HGAA's short term rating was downgraded to Prime-2 from Prime-1, while the Aa2 rating for debt backed by the Austrian federal state of Carinthia was affirmed and still has a stable outlook.

DOWNGRADE OF LONG-TERM RATINGS DUE TO CHANGED SUPPORT ASSUMPTIONS

The downgrade of HGAA's debt and deposit ratings to Baa1 from A2 reflects changes in Moody's support assumptions for the bank. The rating agency includes a high probability of support from HGAA's parent, Bayerische Landesbank (BayernLB), in its assessment, in the light of a capital injection from BayernLB of EUR700 million. Furthermore, Moody's believes that, at this stage, BayernLB's restructuring plans are unlikely to affect the probability of support for HGAA from its parent.

However, Moody's has lowered the regional and local government and systemic support expectation and, notably, the federal state of Carinthia (a 12.4% shareholder) did not participate in the capital increase. Nevertheless, overall HGAA remains in the high support category. The debt and deposit ratings remain on review for further possible downgrade due to the ongoing review of HGAA's D- BFSR.

DOWNGRADE OF HYBRID INSTRUMENTS REFLECTS INCREASED RISK OF COUPON LOSSES

Moody's downgraded the ratings on the hybrid securities (Tier 1 instruments) issued by HGAA's subsidiaries, Hypo Alpe Adria (Jersey) Ltd and Hypo Alpe Adria (Jersey) II Ltd, to Caa2 from Baa2 as a result of the rating agency's assumption of four coupon losses for these non-cumulative perpetual instruments. HGAA has announced that the instruments will not pay a coupon for 2008. The outlook on the ratings of the hybrid securities is stable as these ratings are based on Moody's expected loss calculation.

Moody's previous rating action on HGAA was implemented on 11 November 2008, when Moody's placed on review for possible downgrade HGAA's A2 debt and deposit ratings, subordinated debt (rated A3), preference stock (Baa2) and short-term debt and deposit ratings. The D- BSFR and the Prime-1 short-term rating were affirmed.

The principal methodologies used in rating HGAA 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 on www.moodys.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 HGAA can also be found in the Credit Policy & Methodologies directory.

Based in Klagenfurt, Austria, HGAA reported 2008 net losses of EUR520 million and total assets of EUR43.3 billion at the end of the year.

Frankfurt
Dominique Nutolo
Asst Vice President - Analyst
Financial Institutions Group
Moody's Deutschland GmbH
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Frankfurt
Carola Schuler
Managing Director

Financial Institutions Group
Moody's Deutschland GmbH
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454