

Announcement: Hypo Alpe-Adria-Bank International AG

Moody's reports: Stable rating outlook for Austrian banks

London, 30 November 2007 -- The outlook for the rated Austrian banks remains stable, reflecting their solid domestic franchises, limited risk appetite and good financial fundamentals, as well as the expanded opportunity for further income growth and diversification in Central and Eastern European markets, Moody's Investors Service says in its new Banking System Outlook for Austria.

"The market turmoil in mid-2007 has so far had limited impact on the Austrian banks, which were not among those institutions in Europe with significant exposure to ABCP conduits and SIVs. Those banks with direct or indirect exposure to the sub-prime market have risks at levels that Moody's believes are manageable, in line with the diversified earnings at most Austrian institutions," says Peter Burbank, a Moody's Vice President - Senior Analyst and author of the report.

In terms of liquidity, Moody's notes that the Austrian capital market has been functioning and, although some of the banks have a relatively high reliance on interbank funding, this has been more focused on longer maturities. Many regional banks, namely the Landes-hypothekenbanken (state mortgage banks), continue to benefit from significant levels of liquidity due to pre-funding in advance of the phasing-out of the "Ausfallburgschaft" (deficiency guarantees) since 1 April 2007.

Moody's ratings for the major Austrian banks continue to incorporate their overall stable performance in the domestic market as well as, for some of them, the growing profits from activities in neighbouring markets in Central and Eastern Europe (CEE). "We believe that Austrian banks are well entrenched and sufficiently well managed to be able to expand and defend their successful CEE banking franchises against competition from larger and, in some cases, more highly capitalised European and international competitors. In light of EU accession, many of these markets are now experiencing increased economic stability and still offer enhanced revenue opportunities relative to the competitive and lower-margin domestic banking market in Austria," Mr Burbank explains.

The average level of BFSRs in Austria is C, which equates to a Baseline Credit Assessment (BCA) of A3. However, average debt and deposit ratings in Austria are Aa3, incorporating Moody's assessment of the probability of external or sectoral support for the rated banks in case of need. Moody's also believes that strong cohesion within the larger banking groups provides a measure of rating stability to the Austrian banking system.

In addition, despite the phasing-out of the deficiency guarantees for Landes-hypothekenbanken, the unguaranteed ratings for these regionally based institutions continue to benefit from significant implicit support due to their entrenched regional franchises and close relationships with their respective regional governments.

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