

Rating Action: Moody's takes actions on Austrian banks, following actions on European sub-sovereigns

Global Credit Research - 21 Feb 2012

Frankfurt am Main, February 21, 2012 -- Moody's Investors Service has today taken the following actions on the ratings of several Austrian banks benefiting from the creditworthiness of Austrian federal states or municipalities, on which Moody's took actions on 15 February 2012:

- (i) The ratings of the senior unsecured and subordinated debt instruments of several banks that are guaranteed by individual Austrian federal states or municipalities have been changed to capture Moody's assessment of the creditworthiness of the respective guarantor.
- (ii) The ratings of Pfandbriefstelle der Oesterreichischen Landes-Hypothekenbanken (Pfandbriefstelle) have been placed on review for downgrade. The review will mainly focus on the impact that the gradual credit deterioration of its multiple member banking groups and/or guarantors might have on Pfandbriefstelle's debt.
- (iii) The outlook on Vorarlberger Landes- und Hypothekenbank AG's (VLH) A1 long-term senior debt and deposit ratings was changed to negative from stable, reflecting Moody's assessment of the weakened credit profile of the Austrian Federal State of Vorarlberg (unrated), the majority owner of the bank.

Today's actions were triggered by Moody's action on European sub-sovereign ratings, including several Austrian federal states, on 15 February 2012. For full details, please refer to:

http://www.moodys.com/research/Moodys-takes-action-on-European-sub-sovereigns-following-action-on--PR_237811

Please see the end of the press release for a detailed list of the affected ratings. All other ratings of the listed banks remain unaffected by this rating action.

RATINGS RATIONALE

-- "Grandfathered" debt instruments which are guaranteed by individual Austrian federal states

Following the end of statutory guarantees -- as a result of an agreement between the EU Commission and the Austrian government in 2003 -- Moody's ratings for state-guaranteed senior unsecured and subordinated debt in Austria are derived from the creditworthiness of the guarantors, i.e., the respective Austrian federal state or municipality and the maturity of the respective debt instrument:

- (i) Until their respective maturity if issued prior to 1 April 2003
- (ii) Until 30 September 2017 if issued between April 2003 and prior to 1 April 2007

As a result, any changes to the creditworthiness of the guarantor have direct implications for the grandfathered securities.

-- Pfandbriefstelle

The Aaa senior unsecured and subordinated ratings of Pfandbriefstelle were placed on review for downgrade, reflecting the joint and several guarantees provided by its nine member banking groups and their statutory guarantors, the respective Austrian states, in light of the gradual credit deterioration of Pfandbriefstelle's member banking groups and/or guarantors. During the review, Moody's will re-assess

whether its requirements for applying credit substitution to the bank's ratings are fulfilled. Please also refer to the special report "Moody's Identifies Core Principles of Guarantees for Credit Substitution", published 11 November 2010.

-- Vorarlberger Landes- und Hypothekenbank AG

The outlook on the A1 senior unsecured debt and deposit ratings of VLH was changed to negative from stable, reflecting Moody's assessment of the weakened credit profile of the Austrian Federal State of Vorarlberg (unrated), the majority owner of the bank.

VLH's long-term ratings continue to be underpinned by (i) its D+/Baa3 standalone credit strength; (ii) Moody's assessment of the high probability of support from the Austrian Federal State of Vorarlberg (unrated); and (iii) Moody's expectation of systemic support from the Austrian government.

WHAT COULD MOVE THE RATINGS UP/DOWN

Moody's believes that upward pressure on the state-guaranteed debt affected by today's actions is unlikely to develop in view of the challenging nature of the operating environment as well as weakened sovereign and sub-sovereign credit profiles.

The negative outlook on VLH's long-term ratings reflects the lack of upward pressure on these ratings.

Downward pressure on the affected state-guaranteed debts would be prompted by further deterioration of the creditworthiness of the respective sub-sovereigns.

A downgrade of VLH's long-term ratings could be triggered by (i) a change in its standalone credit strength; (ii) a deterioration in the creditworthiness of the Austrian Federal State of Vorarlberg; (iii) a weakening of VLH's relationship with the state, or a perceived weakening of implicit support; (iv) a change in ownership; or (v) a negative change in systemic support.

DETAILED LIST OF RATING ACTIONS

(1) Hypo Alpe-Adria-Bank International AG

- backed long-term debt and deposit ratings: downgraded to A1 negative, from Aa3 negative

- backed subordinated ratings: downgraded to A2 negative, from A1 negative

(2) Hypo Alpe-Adria-Bank AG

- backed subordinated ratings: downgraded to A2 negative, from A1 negative

All the above ratings are backed by the State of Carinthia (rated A1 negative).

(3) Hypo Tirol Bank AG

- backed long-term debt and deposit ratings: Aaa, on review for downgrade, from Aaa stable

- backed subordinated ratings: Aa1, on review for downgrade, from Aa1 stable

All the above ratings are backed by the State of Tyrol (unrated).

(4) UniCredit Bank Austria AG

- backed senior unsecured ratings: outlook on Aa2 changed to negative from stable

- backed subordinated ratings: outlook on Aa3 changed to negative from stable

Creditanstalt AG

- backed subordinated ratings, assumed by UniCredit Bank Austria AG: outlook on Aa3 changed to negative from stable

All the above ratings are backed by the City of Vienna (rated Aaa negative).

(5) Pfandbriefstelle

- backed senior unsecured ratings: Aaa, on review for downgrade, from stable

- backed subordinated ratings: (P)Aaa, on review for downgrade, from stable

All the above ratings reflect the joint and several guarantees provided by the bank's nine member banking groups and its statutory guarantors.

(6) Vorarlberger Landes- und Hypothekenbank AG

- senior unsecured debt and deposit ratings: outlook on A1 changed to negative from stable

- short-term rating: Prime-1 affirmed

- backed long-term debt and deposit ratings: outlook on Aaa changed to negative from stable

- backed subordinated ratings: outlook on Aa1 changed to negative from stable

All the above backed ratings are guaranteed by the State of Vorarlberg (unrated).

All the other ratings of the above listed banks are unaffected by this rating action.

PRINCIPAL METHODOLOGIES

The methodologies used in these ratings were Bank Financial Strength Ratings: Global Methodology published in February 2007, Incorporation of Joint-Default Analysis into Moody's Bank Ratings: A Refined Methodology published in March 2007, Moody's Guidelines for Rating Bank Hybrid Securities and Subordinated Debt published in November 2009, and Government-Related Issuers: Methodology published in July, 2010.

Please see the Credit Policy page on www.moody.com for a copy of these methodologies.

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The ratings have been disclosed to the rated entities or their designated agents and issued with no amendment resulting from that disclosure.

Information sources used to prepare the ratings are the following : parties involved in the ratings, public information, and confidential and proprietary Moody's Investors Service information.

Moody's considers the quality of information available on Hypo Tirol Bank AG and Pfandbriefstelle der Oesterreich. Landes-Hyp. satisfactory for the purposes of issuing these reviews.

Moody's considers the quality of information available on Hypo Alpe-Adria-Bank International AG, Hypo Alpe-Adria-Bank AG, UniCredit Bank Austria AG and Vorarlberger Landes- und Hypothekenbank AG satisfactory for the purposes issuing these ratings.

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