Rating Action: **Moody's confirms Aaa rating of BAWAG P.S.K.'s Public Sector Covered Bonds**

Global Credit Research - 13 Jun 2007

Madrid, June 13, 2007 -- Moody's Investors Service has confirmed the Aaa Rating of the Public Sector Covered Bonds (FUNDIERTE BANKSCHULDVERSCHREIBUNGEN) ("Covered Bonds") issued by BAWAG P.S.K. under its two existing public-sector covered bond programmes: the first one is exclusively backed by European Economic Area sovereign exposures rated Aaa, and is currently exclusively made up of Republic of Austria exposures; the second one is predominantly backed by claims against Austrian regional and local entities. This announcement follows BAWAG P.S.K.'s long-term senior unsecured rating downgrade to Baa1 today.

This rating confirmation is based on the following key factors underlying BAWAG P.S.K.'s issuance of

Covered Bonds:

(i) Moody's view of the credit quality of the cover pools along with the composition of its current assets and

liabilities in both programmes;

(ii) the support provided to the cover pools by BAWAG P.S.K. as Issuer;

(iii) the additional protection provided by BAWAG P.S.K., having elected under the Austrian Covered Bank

Bond Act (Gesetz über Fundierte Bankschuldverschreibungen) to include in its articles of association a

requirement to match the cover pool and covered bonds in accordance with a net present value ("NPV") test

which also provides for at least 2% over-collateralisation (calculated on an NPV basis); and

(iv) in the case of the programme backed by Austrian regional and local entities, an additional amount of collateral over and above the statutory level that will be in a form that is sufficient for Moody's to give value to this. This additional level of collateral is expected to be legal, valid and binding on the Issuer and the Issuer is expected to keep this in place as long as its long-term senior unsecured rating remains below A3.

The ratings address the expected loss posed to investors by the legal final maturity. Moody's ratings address

only the credit risks associated with the transaction. Other non-credit risks have not been addressed, but may have a significant effect on yield to investors.

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