

Rating Action: Erste Bank Public-Sector Covered Bond

Moody's assigns definitive Aaa rating to covered bonds issued by Erste Bank

Frankfurt, June 29, 2007 -- Moody's Investors Service has assigned definitive long-term ratings of Aaa to the Public-Sector Covered Bonds (the "Covered Bonds") issued by Erste Bank der oesterreichischen Sparkassen AG (Aa3/Prime-1) ("Erste Bank" or the "Issuer") according to the provisions of the Austrian Mortgage Bank Act (the "Act").

Amongst others, the rating takes into account the following factors:

1. The credit strength of Erste Bank.
2. The Austria legal framework. Pursuant to the terms of the Act, the Issuer is regulated and supervised by the Austrian Financial Supervisory Authority. Investors will -- on a pari-passu basis -- have the benefit of a priority right in respect of a pool of assets (the "Cover Pool"). In addition, according to the law, the nominal value of the cover pool assets has to exceed the nominal value of all outstanding Covered Bonds by 2% at all times.
3. The Cover Pool. The Covered Bonds are backed by the Cover Pool, which comprises public-sector debt from Austrian local and regional governments as well as the central government of Austria and other member states of the European Union or debt guaranteed by these public-sector entities.

As is the case with other covered bonds, Moody's considers the credit strength of the transaction to be linked to that of certain parties, in particular the Issuer. Should such credit strength deteriorate, all other things being equal, the rating of the Covered Bonds may be negatively affected. However, the Issuer has the ability, but not the obligation, to commit voluntary enhancements to the transaction such as further over-collateralisation in order to increase the level of de-linkage to its credit strength. Currently Moody's is not relying on any collateral over and above that required by the covered bond law in Austria.

The rating addresses 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.

Moody's New Issuer Report for this transaction is available on its website www.moody's.com. Alternatively, please contact the client service desk in London on 44(0) 20 7772 5454.

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