

FITCH REVISES ERSTE GROUP BANK'S OUTLOOK TO STABLE; AFFIRMS IDR 'A'

Fitch Ratings-London-30 October 2008: Fitch Ratings has today revised Austria-based Erste Group Bank AG's (Erste) Outlook to Stable from Positive and affirmed its Long-term Issuer Default Rating (IDR) at 'A'. Fitch has also affirmed Erste's Short-term IDR, Individual and Support ratings at 'F1', 'B/C' and '1', respectively. The Support Rating Floor is affirmed at 'A-' (A minus).

At the same time, Fitch also revised the Outlook on Erste Bank's subsidiaries, Ceska Sporitelna and Slovenska Sporitelna, to Stable from Positive, as their IDRs are equalised with those of Erste, reflecting the strong integration and their strategic importance within the Erste group. The ratings of Erste subsidiaries are affirmed as listed below.

'In light of the continued market dislocation, Erste group faces mounting challenges in a rapidly changing operating environment. As the economic outlook for some central and eastern European countries in which the group operates starts to weaken during 2008, we have decided to change the Outlook to Stable,' says Michael Steinbarth, Director in Fitch's Financial Institutions team.

Nevertheless, Fitch acknowledges the good progress Erste has made in generating a sustainable level of operating profits without materially compromising on risk and capitalisation. Erste has also successfully completed the integration of Banca Commerciale Romana S.A., which it acquired in Q406.

In announcing its Q308 results today, the bank also disclosed that it would participate in the support package from the Republic of Austria. Accordingly, the Republic of Austria will acquire a total of EUR2.7 billion of perpetual, non-cumulative, non-voting participation rights of Erste as part of a financial stabilisation package recently introduced by the Austrian authorities. Erste is paying 8% interest on the participation capital which is callable and convertible in five years' time. Although Erste's capitalisation has not been overly strong, its expected Tier 1 capital at end-2008 - before the issuance of the participations rights - would have been around 6.5%, according to Basel 2. Nevertheless, given recent recapitalisation moves by European banks and higher capital requirements under Basel 2 during an economic downturn, management has decided to opt for the Austrian support package.

Rating actions on Erste's subsidiaries are as follows:

Ceska Sporitelna, Czech Republic:

- Outlook changed to Stable from Positive; Long-term IDR affirmed at 'A'
- Short-term IDR: affirmed at 'F1'
- Individual rating: affirmed at 'B/C'
- Support rating: affirmed at '1'

Slovenska Sporitelna, Slovakia:

- Outlook changed to Stable from Positive; Long-term IDR affirmed at 'A'
- Short-term IDR: affirmed at 'F1'
- Individual rating: affirmed at 'C/D'
- Support rating: affirmed at '1'

Erste Bank Hungary Nyrt, Hungary:

- Support rating: affirmed at '1'

Erste & Steiermarkische Bank dd, Croatia:

- Support rating: affirmed at '2'

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