

October 16, 2008

Research Update:

Erste Group Bank AG Outlook Revised To Negative On Growing Macroeconomic Pressure In CEE

Primary Credit Analyst:

Markus Schmaus, Frankfurt (49) 69-33-999-155; markus_schmaus@standardandpoors.com

Secondary Credit Analysts:

Bernd Ackermann, Frankfurt (49) 69-33-999-153; bernd_ackermann@standardandpoors.com

Eugene Tarzimanov, Moscow (7) 495-783-4071; eugene_tarzimanov@standardandpoors.com

Magar Kouyoumdjian, London (44) 20-7176-7217; magar_kouyoumdjian@standardandpoors.com

Table Of Contents

Rationale

Outlook

Ratings List

Research Update:

Erste Group Bank AG Outlook Revised To Negative On Growing Macroeconomic Pressure In CEE

Rationale

On Oct. 16, 2008, Standard & Poor's Ratings Services revised its outlook on Austria-based Erste Group Bank AG (Erste Bank) to negative from stable due to the impact of increased contagion risk from global macroeconomic pressures building in Central and Eastern Europe (CEE) and Austria. At the same time, the 'A/A-1' long- and short-term counterparty ratings were affirmed.

We also revised to negative from stable the outlooks on Erste Bank's subsidiaries, Romania-based Banca Comerciala Romana (BCR) and Czech Republic-based Ceska Sporitelna a.s. The 'BBB-' long-term counterparty credit rating on BCR and 'A/A-1' long- and short-term counterparty ratings on Ceska were affirmed.

The rating actions reflect growing macroeconomic risks from global financial turmoil, which might negatively affect the financial profile and business prospects in Erste Bank's major operations in the CEE region and its home country. Furthermore, we see some contagion risk from the continued confidence crisis and increasing risk aversion, which might have a negative effect on international capital flows and investor sentiment. Specifically, the large operations in Romania and Hungary may put pressure on Erste Bank if the operating environment were to deteriorate further.

The rating action on Ceska reflects its core subsidiary status within the Erste Bank group. Given its relatively large contribution to group earnings and strategic importance to Erste Bank's focus on the CEE region, the ratings are equalized with those on its parent and therefore move in tandem.

The rating action on BCR reflects our growing concerns about the impact of the difficult operating environment in Romania, which could place downward pressure on the bank's stand-alone creditworthiness. Given the increasing level of macroeconomic stress being experienced in CEE that could impact Erste's capacity to provide strong support in the future, there is a possibility that we might factor a lower level of parental support into the rating than previously.

The ratings on Erste Bank are supported by the group's prominent market position in Austria and relatively mature countries in CEE, such as Slovakia and the Czech Republic, and by the sound profitability in large parts of the group. Our ratings also reflect our view of Erste Bank and the Austrian savings banks as a single economic group.

Erste Bank is particularly sensitive to an economic downturn in CEE because of its strong position in the region, with average risk-weighted assets representing 42% of the group total and pretax profit 60% on June 30, 2008. In response to the deteriorating funding conditions globally, Erste Bank restricted asset growth by establishing a group-wide target for the

loan-to-deposit ratio of 115%. The higher-than-average economic risk in CEE has already contributed to the increasing need for risk provisions as of June 30, 2008, which we expect will increase further.

Standard and Poor's considers Erste Bank a systematically important bank in Austria. However, in line with our rating approach in supportive countries, where the government relies on prudent policies to maintain a sound banking sector, we do not factor the probability of government support into the ratings on private sector banks in Austria. In a concerted action with various Western European countries, the Austrian government has announced a comprehensive package of measures to support the Austrian banking system (€85 billion for liquidity and €15 billion for capital needs), which should help to rebuild market confidence. Those actions are consistent with our expectations of extraordinary government measures in supportive countries in times of stress. We consider the actions temporary measures and do not expect an immediate impact on ratings.

The group's capitalization is modest, particularly in view of its growing reliance on CEE markets, although pure levels of capital benefit from the consolidation of the savings banks. Capital benefited from the sale of Erste Bank's insurance operations. However, the overall level remains comparably low. By year-end, Erste Bank expects to reach a Tier 1 ratio of above 8%, up from 7% at year-end 2007.

Outlook

The outlook revision to negative reflects our expectation that Erste Bank will face a more challenging operating environment in its key markets following the cooling of the global economy. The ratings still reflect our expectation that the integration of BCR will continue smoothly.

A negative rating action could occur if we observe a further rapid deterioration in macroeconomic conditions for its major operations in CEE that could potentially affect asset quality and profitability, in particular in Romania. Further pressure on the Romanian currency might be negative given the country's high level of foreign currency lending and reliance on foreign direct investments.

We could also take a negative rating action on Erste Bank if we lowered our public information rating of 'A-pi' on Slovenska Sporitelna a.s, which we consider strategically important.

We would consider an outlook revision to stable should Erste Bank be able to sustain higher capitalization and should the macroeconomic pressure in CEE abate.

Ratings List

Ratings List

	To	From
Erste Group Bank AG		
Counterparty Credit Rating	A/Negative/A-1	A/Stable/A-1
Certificate Of Deposit	A/A-1	A/A-1

Commercial Paper	A-1	A-1
Senior Unsecured	A	A
Subordinated	A-	A-
Short-Term Debt	A-1	A-1
Ceska Sporitelna a.s.		
Counterparty Credit Rating	A/Negative/A-1	A/Stable/A-1
Certificate Of Deposit	A/A-1	A/A-1
Banca Comerciala Romana		
Counterparty Credit Rating	BBB-/Negative/--	BBB-/Stable/--
Senior Unsecured	BBB-	BBB-
Erste Finance (Delaware) LLC		
Commercial Paper	A-1	A-1

Additional Contact:

Financial Institutions Ratings Europe;FIG_Europe@standardandpoors.com

Ratings information is available to subscribers of RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis, at www.ratingsdirect.com. It can also be found on Standard & Poor's public Web site at www.standardandpoors.com; select your preferred country or region, then Ratings in the left navigation bar, followed by Credit Ratings Search. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow (7) 495-783-4017.

Copyright © 2008 Standard & Poor's, a division of The McGraw-Hill Companies, Inc. (S&P). S&P and/or its third party licensors have exclusive proprietary rights in the data or information provided herein. This data/information may only be used internally for business purposes and shall not be used for any unlawful or unauthorized purposes. Dissemination, distribution or reproduction of this data/information in any form is strictly prohibited except with the prior written permission of S&P. Because of the possibility of human or mechanical error by S&P, its affiliates or its third party licensors, S&P, its affiliates and its third party licensors do not guarantee the accuracy, adequacy, completeness or availability of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. S&P GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall S&P, its affiliates and its third party licensors be liable for any direct, indirect, special or consequential damages in connection with subscriber's or others use of the data/information contained herein. Access to the data or information contained herein is subject to termination in the event any agreement with a third-party of information or software is terminated.

Analytic services provided by Standard & Poor's Ratings Services (Ratings Services) are the result of separate activities designed to preserve the independence and objectivity of ratings opinions. The credit ratings and observations contained herein are solely statements of opinion and not statements of fact or recommendations to purchase, hold, or sell any securities or make any other investment decisions. Accordingly, any user of the information contained herein should not rely on any credit rating or other opinion contained herein in making any investment decision. Ratings are based on information received by Ratings Services. Other divisions of Standard & Poor's may have information that is not available to Ratings Services. Standard & Poor's has established policies and procedures to maintain the confidentiality of non-public information received during the ratings process.

Ratings Services receives compensation for its ratings. Such compensation is normally paid either by the issuers of such securities or third parties participating in marketing the securities. While Standard & Poor's reserves the right to disseminate the rating, it receives no payment for doing so, except for subscriptions to its publications. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

Any Passwords/user IDs issued by S&P to users are single user-dedicated and may ONLY be used by the individual to whom they have been assigned. No sharing of passwords/user IDs and no simultaneous access via the same password/user ID is permitted. To reprint, translate, or use the data or information other than as provided herein, contact Client Services, 55 Water Street, New York, NY 10041; (1)212.438.9823 or by e-mail to: research_request@standardandpoors.com.