

Various Rating Actions Taken On Austrian Banks Due To Rising Economic Risks In The Eurozone

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- Economic risk for Austrian banks could increase in the event of a more pronounced recession in the eurozone, in our opinion.
- We are revising our outlooks to negative from stable on Hypo NOE Gruppe Bank AG and Oberoesterreichische Landesbank AG and affirming our ratings on these two banks.
- We are affirming our ratings on Erste Group Bank AG, Raiffeisen Zentralbank Oesterreich AG, and UniCredit Bank Austria AG. The outlooks remain negative.
- We are affirming our ratings on KA Finanz AG. The outlook remains stable.

FRANKFURT (Standard & Poor's) Dec. 10, 2012--Standard & Poor's Ratings Services today said it revised its outlooks to negative from stable and affirmed its ratings on two Austrian banks (see the Ratings List below for details). At the same time, we affirmed our ratings on four other banks. The outlooks on three of the four banks remain negative. The outlook on the fourth bank is stable.

Although we have not changed our assessment of economic risk for Austrian banks, we believe they could face rising economic risks in coming quarters in the event of a more pronounced recession in the eurozone (European Economic and Monetary Union), given Austria's reliance on exports to member countries. We currently forecast negative GDP growth in the eurozone of -0.8% in 2012 and flat growth in 2013 (see "The Eurozone's New Recession--Confirmed," published Sept. 25, 2012). We anticipate that the slowdown in the eurozone will be more

protracted and deeper than we previously expected.

We have revised our outlooks on HYPO NOE Gruppe Bank AG (Hypo NOE) and Oberoesterreichische Landesbank AG (Hypo OÖ) to negative from stable owing to rising economic risks in the eurozone and the potential negative impact on the Austrian economy. We have also factored these increasing risks into our outlooks on Erste Group Bank AG, UniCredit Bank Austria AG, and Raiffeisen Zentralbank Oesterreich AG, which remain negative. We view these banks as potentially vulnerable to the impact of rising economic risks in both the eurozone and Central and Eastern Europe (CEE). We consider that current economic environment, including persistently low interest rates and slowing economic growth, would put pressure on the Austrian banking sector's financial performance and potentially increase banks' loan impairment charges.

We could lower our ratings on Hypo NOE and Hypo OÖ, Erste Bank, Bank Austria, and RZB if we saw a sustained economic decline in Austria (AA+/Negative/A-1+) over the coming 18 to 24 months.

We could revise the outlooks to stable on Hypo NOE and Hypo OÖ if we saw a stable trend in Austria's and the eurozone's main economic indicators.

We could revise the outlook on Erste Bank if we saw a stable trend in Austria's and the eurozone's main economic indicators, we took a similar action on Austria, and we saw tangible signs of easing economic pressure in CEE and stabilization in Erste Bank's absolute amount of nonperforming loans (NPLs) and credit costs.

A revision of the outlook to stable on RZB would depend on a stable trend in Austria's and the eurozone's main economic indicators, a similar action on Austria, and tangible signs of easing economic pressure in CEE.

For Bank Austria, a revision of the outlook to stable would depend on a stable trend in Austria's and the eurozone's main macroeconomic indicators, and similar actions on its Italian parent UniCredit SpA (BBB+/Negative/A-2) and Austria. An outlook revision to stable on UniCredit would hinge on our anticipation of an improvement in economic and operating conditions for the Italian banking system.

The stable outlook on KA Finanz AG incorporates our view that the ratings are less sensitive to increased economic risks in the eurozone than those on other Austrian banks as most of the bank's assets are spread outside this area.

All the rating affirmations reflect our view that the major factors underpinning the ratings remain unchanged.

RELATED CRITERIA AND RESEARCH

- Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Bank Hybrid Capital Methodology And Assumptions, Nov. 1, 2011

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- Rating Government-Related Entities: Methodology And Assumptions, Dec. 9, 2010
- Bank Capital Methodology And Assumptions, Dec. 6, 2010
- Economic Research: The Eurozone's New Recession--Confirmed, Sept. 25, 2012
- GRE Criteria Review Of Six German And Austrian Banks' Grandfathered Debt Results In Four Downgrades And Two Affirmations, Sept. 20, 2012
- HYPO NOE Gruppe Bank AG, Sept. 19, 2012
- Banking Industry Country Risk Assessment: Austria, Sept. 5, 2012
- Oberoesterreichische Landesbank AG, Aug. 23, 2012
- UniCredit Bank Austria Affirmed At 'A/A-1' After Similar Rating Action On Parent; Outlook Negative, Aug. 8, 2012
- Subordinated Debt Of Several European Banks Downgraded On EC Draft Resolution Framework; Other Debt Ratings Unaffected, July 24, 2012
- KA Finanz AG, June 19, 2012
- Erste Group Bank AG, June 12, 2012
- Republic of Austria, March 28, 2012

BICRA SCORE SNAPSHOT

Austria

BICRA group	2
Economic risk	2
Economic resilience	Very low risk
Economic imbalances.	Low risk
Credit risk in the economy	Intermediate risk
Industry risk	3
Institutional framework	Intermediate risk
Competitive dynamics	Intermediate risk
Systemwide funding	Low risk

Banking Industry Country Risk Assessment (BICRA) economic risk and industry risk scores are on a scale from '1' (lowest risk) to '10' (highest risk). For details about our BICRA scores on all banking industries that we assess across the globe, please see our latest "Banking Industry Country Risk Assessment Update," published on RatingsDirect on the Global Credit Portal.

RATINGS LIST

Ratings Affirmed; Outlook Action

	To	From
Oberoesterreichische Landesbank AG *		
Counterparty Credit Rating	A/Negative/A-1	A/Stable/A-1

* The 'AA' ratings on Oberoesterreichische Landesbank's guaranteed obligations, which benefit from a guarantee from the State of Upper Austria (AA+/Negative/A-1+), are not affected by this action.

HYPO NOE Gruppe Bank AG *

Various Rating Actions Taken On Austrian Banks Due To Rising Economic Risks In The Eurozone

Counterparty Credit Rating A/Negative/A-1 A/Stable/A-1

* The 'AA' ratings on Hypo NOE's guaranteed obligations, which benefit from a guarantee from the State of Lower Austria (unsolicited rating of AA+/Negative/A-1+), are not affected by this action.

Ratings Affirmed

Erste Group Bank AG

Counterparty Credit Rating A/Negative/A-1

KA Finanz AG

Counterparty Credit Rating A/Stable/A-1

Raiffeisen Zentralbank Oesterreich AG

Counterparty Credit Rating A/Negative/A-1

UniCredit Bank Austria AG *

Counterparty Credit Rating A/Negative/A-1

* The 'AA-' ratings on UniCredit Bank Austria's guaranteed obligations, which reflect the deficiency guarantee from the City of Vienna (unsolicited rating AA+/Negative/A-1+), are not affected by this action.

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