

# Erste Group Bank AG

(Incorporated as a stock corporation in the Republic of Austria under registered number FN 33209m)

## Combined Offering of up to 60 million Shares

Maximum Subscription and Offer Price of EUR 32.00 per Share

### Application for listing of up to 60 million Shares on the Official Market of the Vienna Stock Exchange, the Prague Stock Exchange and the Bucharest Stock Exchange

This Prospectus relates to an offering of up to 60 million new ordinary no-par value voting bearer shares, ISIN AT0000652011, with a calculated notional amount of EUR 2.00 per share ("New Shares") of Erste Group Bank AG, an Austrian stock corporation ("Erste Group Bank"). The offering consists of a rights offering to existing shareholders and holders of subscription rights ("Rights Offering") and a global offering of New Shares not subscribed for in the Rights Offering ("Global Offering", and together with the Rights Offering, the "Combined Offering").

New Shares will be offered in the Rights Offering to existing shareholders and holders of subscription rights at a ratio of 3 New Shares for every 16 existing Shares held (or the equivalent number of subscription rights). If the rights to acquire New Shares pursuant to section 153 (1) of the Austrian Stock Corporation Act 1965, as amended (*Aktiengesetz*) ("Stock Corporation Act") ("Subscription Rights"), are exercised in full, a total of 60 million new ordinary shares will be issued.

The Global Offering consists of a public offering to retail and institutional investors in Austria, the Czech Republic and Romania, a private placement in the United States of America ("United States") to qualified institutional buyers ("QIBs") in reliance on Rule 144A under the United States Securities Act of 1933, as amended ("Securities Act"), and a private placement outside of Austria, the Czech Republic, Romania and the United States to selected qualified institutional investors in compliance with Regulation S under the Securities Act. New Shares will be offered at the same price in the Rights Offering and the Global Offering ("Offer Price"). The maximum Subscription and Offer Price has been set at EUR 32.00 per share. The final Offer Price will be determined by Erste Group Bank in consultation with the Joint Global Coordinators and Joint Bookrunners on or about 17 November 2009.

The New Shares are expected to be delivered against payment on or about 20 November 2009.

This Prospectus has been approved by the Austrian Financial Markets Authority (*Finanzmarktaufsichtsbehörde*) ("FMA") in its capacity as competent authority under the Austrian Capital Markets Act 1991, as amended (*Kapitalmarktgesetz*) ("Capital Markets Act"). The accuracy of the information contained in this Prospectus does not fall within the scope of examination by the FMA under applicable Austrian law. The FMA examines the Prospectus only in respect of its completeness, coherence and comprehensibility pursuant to section 8a of the Capital Markets Act.

Investing in the New Shares involves certain risks. Please review the section entitled "Risk Factors" beginning on page 31 of this Prospectus. This Prospectus does not describe all of the risks of an investment in the New Shares, but Erste Group Bank believes that all currently known material risks relating to an investment in the New Shares have been described.

In connection with the public offerings of the New Shares in the Czech Republic and Romania, Erste Group Bank has requested the FMA to provide the competent authorities in the Czech Republic and Romania with a certificate of approval attesting that this Prospectus has been drawn up in accordance with Article 5.4 of the Directive 2003/71/EC of the European Parliament and the Council of 4 November 2003 ("Prospectus Directive") and relevant implementing legislation in Austria.

Erste Group Bank will not apply for trading of the Subscription Rights on any stock exchange. The Subscription Rights will expire on or about 16 November 2009.

The period during which shareholders of Erste Group Bank and purchasers of Subscription Rights can subscribe for New Shares ("Subscription Period") will begin on 2 November 2009 and end on or about 16 November 2009. The period during which investors may purchase New Shares in the Global Offering ("Offer Period") will begin on 2 November 2009 and end on or about 17 November 2009, 12:00 noon Vienna time.

Subscription Rights can be exercised during the Subscription Period upon presentation of coupon No. 23. Holders of Subscription Rights held through a depository bank that is a member of Oesterreichische Kontrollbank Aktiengesellschaft ("OeKB") or through a financial institution that is a participant in Euroclear, Clearstream, or Centrální depozitář cenných papírů, a.s. ("CDCP") are required to exercise their Subscription Rights by instructing such bank or financial institution to subscribe for New Shares on their behalf. Investors that hold Subscription Rights through Depozitarul Central SA may exercise their Subscription Rights by instructing their financial intermediaries (custodian bank / broker) that act as depositaries for the shares entitled to Subscription Rights.

Erste Group Bank's existing shares are listed on the Vienna Stock Exchange, the Prague Stock Exchange and the Bucharest Stock Exchange. On 29 October 2009, the closing price of the shares of Erste Group Bank on the Vienna Stock Exchange was EUR 27.50. Erste Group Bank has applied for listing of the New Shares on the Official Market of the Vienna Stock Exchange and expects trading to begin on the prime market segment of the Vienna Stock Exchange on or about 19 November 2009. Erste Group Bank has also applied for listing of the New Shares on the Prague Stock Exchange and the Bucharest Stock Exchange and expects approval for listing and for trading on the Prague Stock Exchange and the Bucharest Stock Exchange on or about 19 November 2009.

The Subscription Rights and the New Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered or sold (i) within the United States, except in transactions exempt from registration under the Securities Act, or (ii) outside the United States, except in offshore transactions in compliance with Regulation S under the Securities Act. In the United States, persons that are QIBs may exercise Subscription Rights and acquire New Shares pursuant to exemptions from the registration requirements of the Securities Act. Prospective purchasers are hereby notified that the sellers of the Subscription Rights or the New Shares may be relying on an exemption from Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on transfer, see "Selling Restrictions" and "Transfer Restrictions".

Joint Global Coordinators and Joint Bookrunners

**Erste Group Bank**

**Goldman Sachs International**

**J.P. Morgan**

**Citi**

Co-Lead Managers

**Credit Suisse**

**UBS Investment Bank**

Selling Agent

**Auerbach Grayson**

## Important information about the Combined Offering

**This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any security other than the New Shares offered hereby and does not constitute an offer to sell or a solicitation of an offer to buy any New Shares offered hereby to any person in any jurisdiction in which it is unlawful to make any such offer or solicitation to such person. Neither the delivery of this Prospectus nor any sale made hereby shall under any circumstances imply that there has been no change in the affairs of Erste Group Bank or its subsidiaries or that the information contained herein is correct as of any date subsequent to the earlier of the date hereof or any date specified with respect to such information.**

This Prospectus has been prepared by Erste Group Bank in connection with the Combined Offering solely for the purpose of enabling a prospective investor to consider the purchase of, and subscription for, the New Shares. Reproduction and distribution of this Prospectus or revelation or use of the information contained herein for any purpose other than considering an investment in the New Shares is prohibited. The information contained in this Prospectus has been provided by Erste Group Bank and other sources identified herein. No representation or warranty, express or implied, is made by the Managers as to the accuracy or completeness of the information set forth herein and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation, whether as to the past or the future. The delivery of this Prospectus at any time after the date hereof shall not, under any circumstances, create any implication that there has been no change in the affairs of Erste Group Bank, together with its subsidiaries and associated companies ("Erste Group"), since the date hereof or that the information set out in this Prospectus is correct as at any time since its date. No person is or has been authorised to give any information or to make any representation in connection with the offer or sale of the New Shares other than as contained in this Prospectus in connection with the Combined Offering and, if given or made, any such information or representation should not be relied upon as having been authorised by Erste Group Bank or the Managers.

In making an investment decision, investors must rely on their own examination of Erste Group Bank and the terms of the Combined Offering, in particular the risks involved. Any decision to subscribe for, or to buy, the New Shares should be based solely on the information contained in this Prospectus. Information on Erste Group Bank's web site, any web site mentioned in the Prospectus or any web site directly or indirectly linked to Erste Group Bank's or any other web site mentioned in this Prospectus is not, unless explicitly stated herein, incorporated by reference into this Prospectus and any decision to subscribe for, or to buy the New Shares should not be made in reliance on such information.

Neither Erste Group Bank nor Goldman Sachs International and J.P. Morgan (together with Erste Group Bank, the "Joint Global Coordinators and Joint Global Bookrunners"), Citigroup Global Markets Ltd., Credit Suisse Securities (Europe) Limited and UBS Limited (together with the Joint Global Coordinators and Joint Global Bookrunners, the "Managers") nor any of their respective representatives make any representation to any offeree or purchaser of the New Shares offered hereby regarding the legality of an investment by such offeree or purchaser under appropriate legal investment or similar laws. Each investor should consult with his own advisors as to the legal, tax, business, financial and related aspects of the purchase of the New Shares.

The distribution of this Prospectus and the offer and sale of the New Shares may, in certain circumstances, be restricted by law. Persons who come into possession of this Prospectus are required by Erste Group Bank and the Managers to inform themselves about, and to comply with, any such restrictions. This Prospectus may not be used for, or in connection with, and does not constitute, any offer to sell, or an invitation to purchase, any of the New Shares offered hereby in any jurisdiction in which such offer or invitation would be unlawful. For a further description of certain restrictions on the offer and sale of the New Shares, see "Selling restrictions" and "Transfer restrictions".

In connection with the Combined Offering, Erste Group Bank or an agent or affiliate of Erste Group Bank (in such capacity, "Stabilisation Manager") may over-allot or effect transactions

which stabilise or maintain the market price of the Shares at levels which might not otherwise prevail. Such transactions may be effected on the Vienna Stock Exchange, the Prague Stock Exchange, the Bucharest Stock Exchange, in the over-the-counter market or otherwise. The Stabilisation Manager is not obligated to engage in any such stabilisation activities, and such stabilisation, if commenced, may be discontinued at any time without prior notice. The stabilisation period will start on the day of adequate public disclosure of the final Offer Price and end no later than 30 days after the date of allotment of the New Shares. See “Plan of Distribution—Stabilisation”.

This document comprises a prospectus for the purposes of Articles 5.1 to 5.3 of the Prospectus Directive and relevant implementing legislation in Austria, in particular in respect of section 7 of the Capital Markets Act and for the purpose of giving information with regard to the Erste Group and the New Shares which, according to the particular nature of Erste Group Bank and the New Shares, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of Erste Group Bank.

Erste Group Bank accepts responsibility for the information contained in this Prospectus. Erste Group Bank has taken all reasonable care to ensure that the information contained in this Prospectus is, to the best of the knowledge of Erste Group Bank, in accordance with the facts and contains no omission likely to affect its import.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “Financial Statements Incorporated by Reference” below). Such documents shall be deemed to be incorporated in, and form part of, this Prospectus, save that any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

This Prospectus has been approved as a prospectus by the FMA and has been filed with the Filing Office (*Meldestelle*) at OeKB in accordance with the Capital Market Act. This Prospectus has also been filed as a listing prospectus (*Börseprospekt*) with the Vienna Stock Exchange in accordance with the Austrian Stock Exchange Act 1989, as amended (*Börsegesetz*) (“Stock Exchange Act”).

In connection with the public offerings of the New Shares in the Czech Republic and Romania, the approval of this Prospectus by the FMA referred to above has been notified to the Czech Securities Commission and the Romanian Securities Commission pursuant to Section 8b (3) of the Austrian Capital Market Act, for the purpose of supporting the application to have the New Shares admitted to trading on the Prague Stock Exchange and the Bucharest Stock Exchange, in accordance with the rules applied by it for the passporting of prospectuses between member states of the European Union (“EU”).

The ordinary bearer shares of Erste Group Bank’s issued and outstanding as of the date of this Prospectus (“Existing Shares”) are admitted to listing on the Official Market (*Amtlicher Handel*) of the Vienna Stock Exchange, and Erste Group Bank has applied for listing of the New Shares on the Official Market of the Vienna Stock Exchange. As a result of such listing, Erste Group Bank is subject to the informational reporting requirements of the Stock Exchange Act. In accordance with the Stock Exchange Act and the Prime Market regulation (*Regelwerk Prime Market*), Erste Group Bank is required to file (i) three quarterly reports as well as annual financial statements, (ii) a corporate action timetable and (iii) notices of shareholders’ meetings and of dividend distributions, issuance of new shares, exercise of subscription or conversion rights, modification of shareholders’ rights, substantial modifications in stakeholdings formerly published, if known, the name of and changes of the Austrian paying agent, buy-back programs relating to the Shares and any new facts likely to have a significant influence on the price of the Shares (Ad Hoc Information). Most of these filing requirements comprise an additional communication to the FMA. Information relating to quarterly reports, annual reports, shareholders’ meetings and notices of new price-sensitive information can be found on the Vienna Stock Exchange’s website at [www.wienerborse.at/marketsearch/?SEARCHVALUE=ebs](http://www.wienerborse.at/marketsearch/?SEARCHVALUE=ebs) and on Erste Group Bank’s website

at [www.erstegroup.com/Investor\\_Relations/sPortal.portal?\\_windowLabel=LABEL\\_MENU&\\_urlType=action&LABEL\\_MENU\\_zz=44512.93868035847& LABEL\\_MENU\\_pc=3&LABEL\\_MENU\\_sh=52df756c54b1ee644017267fc5391acd&cci=Channels/Investor\\_Relations/IR\\_Strukturcontents/Struktur\\_IR\\_Ad\\_hoc\\_dt.akp&desk=ebgroup\\_de\\_0196&&navigationLink=TRUE&menu\\_navigationId=nav\\_gd\\_Investor20Relations.xml&menu\\_chronicleId=09002ee2805b3636&navigationId=nav\\_gd\\_Investor20Relations.xml](http://www.erstegroup.com/Investor_Relations/sPortal.portal?_windowLabel=LABEL_MENU&_urlType=action&LABEL_MENU_zz=44512.93868035847& LABEL_MENU_pc=3&LABEL_MENU_sh=52df756c54b1ee644017267fc5391acd&cci=Channels/Investor_Relations/IR_Strukturcontents/Struktur_IR_Ad_hoc_dt.akp&desk=ebgroup_de_0196&&navigationLink=TRUE&menu_navigationId=nav_gd_Investor20Relations.xml&menu_chronicleId=09002ee2805b3636&navigationId=nav_gd_Investor20Relations.xml). For a description of applicable regulations in the Czech Republic and Romania, see “Regulation of the Czech Securities Market” and “Regulation of the Romanian Securities Market”.

This Prospectus has been prepared on the basis that all offers of New Shares, other than the offers contemplated in the Prospectus in Austria, the Czech Republic and Romania, once it has been approved under the Prospectus Directive, (i) will not be made as offers to the public in any member state of the European Economic Area (“EEA”) or (ii) will be made pursuant to an exemption under the Prospectus Directive, as implemented in member states of the EEA, from the requirement to produce a prospectus for offers of New Shares. Accordingly, any person making or intending to make any offer within the EEA of New Shares which are the subject of the placement contemplated in this Prospectus should only do so in circumstances in which (i) such offer does not constitute an offer to the public or (ii) no obligation arises for Erste Group Bank or any of the Managers to produce a prospectus for such offer. Neither Erste Group Bank nor the Managers have authorised or intend to authorise the making of any offer of New Shares through any financial intermediary, other than offers made by the Managers which constitute the final placement of the New Shares contemplated in this Prospectus.

This Prospectus is only being distributed in the United Kingdom to, and is only directed at, (i) persons who have professional experience in matters relating to investments falling within Article 19(1) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, and to (ii) persons to whom it would otherwise be lawful to distribute it (all such persons together being referred to as “relevant persons”). This Prospectus is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Prospectus relates is available only to relevant persons and will be engaged in only with relevant persons.

For a more detailed description of selling restrictions that are applicable in respect of investors in the United States, the EEA, the United Kingdom, Australia, Canada and Japan, see “Selling Restrictions”.

## Certain US Matters

The New Shares and Subscription Rights have not been and will not be registered under the Securities Act or with any securities authority of any state of the United States and may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. Accordingly, the New Shares may not be sold (i) in the United States except to QIBs in transactions exempt from the registration requirements of the Securities Act and (ii) outside the United States, except in "offshore transactions" in compliance with Regulation S under the Securities Act. Prospective purchasers are hereby notified that sellers of the New Shares or Subscription Rights may be relying on an exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on transfer of the New Shares, see "Selling Restrictions" and "Transfer Restrictions".

The New Shares and Subscription Rights have not been recommended by any United States federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not passed upon the merits of the Combined Offering or confirmed the accuracy or determined the adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

In the United States, this Prospectus is being furnished on a confidential basis solely for the purpose of enabling a prospective purchaser to consider purchasing the particular securities described herein.

The information contained in this Prospectus has been provided by Erste Group Bank and the other sources identified herein. Distribution of this Prospectus to any person other than the offeree specified by Erste Group Bank and those persons, if any, retained to advise such offeree with respect thereto, is unauthorised, and any disclosure of its contents, without prior written consent of Erste Group Bank, is prohibited. Any reproduction or distribution of this Prospectus in the United States, in whole or in part, and any disclosure of its contents to any other person is prohibited. This Prospectus is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the securities described herein. Investors agree to the foregoing by accepting delivery of this Prospectus.

### **Notice to New Hampshire residents only**

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

### **Enforcement of foreign judgements and service of process**

Erste Group Bank is an *Aktiengesellschaft* (a stock corporation) organised under the laws of Austria. The directors and certain executive officers of Erste Group Bank and certain experts named in this Prospectus are residents of Austria and all or a substantial portion of the assets of

such persons and of Erste Group Bank are located outside of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon Erste Group Bank or such other persons or to enforce against them in US courts judgements obtained in such courts based on the civil liability provisions of the US securities laws. In general, the enforceability in Austrian courts of final judgements of US courts would require retrial of the case in Austria.

### **Available Information**

For such time as Erste Group Bank is neither subject to Section 13 or 15(d) of the US Securities Exchange Act of 1934, as amended ("Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, Erste Group Bank will furnish to any holder or beneficial owner of New Shares, or to any prospective purchaser designated by any such registered holder, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act upon written request of any such person.

### **Notice to Nominees, Custodians and Financial Intermediaries**

Any person, including nominees, custodians and other financial intermediaries, who would, or otherwise intends to, or has a contractual obligation to, forward this Prospectus or any information relating to the Combined Offering to any jurisdiction outside of Austria, the Czech Republic and Romania, should adhere to the restrictions set out in "Certain US Matters", "The Combined Offering—Special Considerations for US Shareholders", "Selling Restrictions" and "Transfer Restrictions". In connection with any exercise of Subscription Rights to subscribe for New Shares, or any sales or purchases of Subscription Rights, nominees, custodians and financial intermediaries will be deemed to have represented, warranted and agreed that they have complied with the terms of the Combined Offering.

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## Financial Statements incorporated by reference

This Prospectus should be read and construed in conjunction with (i) the audited consolidated financial statements (including the notes thereto, the "Audited Consolidated Financial Statements") of Erste Group Bank at and for the financial years ended 31 December 2006, 2007 and 2008, together in each case with the audit report thereon, and (ii) the unaudited consolidated financial statements at and for the nine-month period ended 30 September 2009 ("Unaudited Interim Consolidated Financial Statements" and, together with the Audited Consolidated Financial Statements, the "Consolidated Financial Statements"). The Consolidated Financial Statements and the audit reports on the Audited Consolidated Financial Statements shall be deemed to be incorporated in, and form part of, this Prospectus, save that any statement contained in the Consolidated Financial Statements shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in this Prospectus modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

The Prospectus is published in Austria by making available printed copies of the Prospectus and the documents incorporated by reference in the Prospectus free of charge during usual business hours at the specified office of Erste Group Bank and/or in an electronic form on Erste Group Bank's website ([www.erstegroup.com](http://www.erstegroup.com)). In the Czech Republic and Romania, the Prospectus is published in electronic form on Erste Group Bank's website ([www.erstegroup.com](http://www.erstegroup.com)). The Consolidated Financial Statements and the audit reports on the Audited Consolidated Financial Statements may be inspected on Erste Group's website under [www.erstegroup-financials.com](http://www.erstegroup-financials.com).

## Supplemental Prospectus

If at any time during the duration of the Combined Offering there is a significant new factor, material mistake or inaccuracy relating to information contained in this Prospectus which is capable of affecting the assessment of the New Shares and which arises or is noted between the time when the Prospectus is approved by the FMA and the earlier of final closing of the Combined Offering to the public and, as the case may be, the start of trading of the New Shares on the Vienna Stock Exchange, the Prague Stock Exchange or the Bucharest Stock Exchange, Erste Group Bank is obliged by the provisions of the Prospectus Directive and section 6 of the Capital Markets Act to publish a supplement to this Prospectus or publish a replacement Prospectus for use in connection with any subsequent offering of the New Shares and to supply to the FMA for approval such number of copies of such supplement or replacement hereto as the Capital Markets Act requires.

## Sources of information

Unless otherwise stated, financial and other data provided in this Prospectus has been extracted from the Audited Consolidated Financial Statements of Erste Group Bank for the financial years ended 31 December 2006, 2007 and 2008 and the respective annual report thereon and the Unaudited Interim Consolidated Financial Statements for the nine-month period ended 30 September 2009.

Furthermore, certain statistical and other data provided in this Prospectus has been extracted from reports and other documents of certain national banks in countries where Erste Group Bank operates, namely the Austrian National Bank (*Oesterreichische Nationalbank*) ("OeNB"), the Czech National Bank, the Romanian National Bank, the Slovak National Bank, the Hungarian National Bank, the Croatian National Bank, the Serbian National Bank and the National Bank of Ukraine. In addition, certain information contained in this Prospectus derives from the following sources: the Bank for International Settlements ("BIS") Quarterly Review, March 2009, Statistical Annex; Eurostat; Economist Intelligence Unit 2009; internal information of Erste Group, Erste Group Bank and Erste Bank Oesterreich; the ECB; internal calculations of Erste Group Bank; Wiener Börse AG; Prague Stock Exchange; Bucharest Stock Exchange; and the electronic Companies Register. Erste Group Bank confirms that such information has been accurately reproduced and as far as Erste Group Bank is aware and is able to ascertain from information published by the sources of such information, no facts have been omitted which would render the reproduced information inaccurate or misleading.

# General Information

## Forward-looking statements

This Prospectus contains statements under the captions “Prospectus Summary”, “Risk Factors”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, “Risk Management”, “Erste Group Bank” and elsewhere that are, or may be deemed to be, “forward-looking statements”. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the words “believes”, “estimates”, “anticipates”, “expects”, “intends”, “targets”, “may”, “will”, “plans”, “continue” or “should” or, in each case, their negative or other variations or comparable terminology or by discussions of strategies, plans, objectives, goals, future events or intentions.

The forward-looking statements contained in this Prospectus include all matters that are not historical facts and include statements regarding Erste Group’s intentions, beliefs or current expectations concerning, among other things, the results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy and the industries and markets in which Erste Group operates. By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events, and depend on circumstances, that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. Prospective investors should not place undue reliance on these forward-looking statements.

Many factors could cause the actual results, performance or achievements of Erste Group to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Some of these factors are discussed in more detail under “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key factors that impact Erste Group’s business” below. In addition, factors that could affect the future results, performance or achievements of Erste Group include:

- The impact of the global credit crisis and the reactions of clients, investors, national and transnational regulators and financial institutions to the crisis and attempts to address it;
- Changes in the credit ratings of Erste Group;
- Erste Group’s ability to increase or retain market share for its products and services and to control expenses;
- Macroeconomic factors, including interest rates, exchange rates and economic growth in the countries in which Erste Group operates;
- Changes in the quality of Erste Group’s loan portfolio and level of provisioning;
- Erste Group’s ability to compete in the markets in which it operates;
- Erste Group’s ability to meet the needs of its customers;
- Erste Group’s ability to profit from synergies of recent/past acquisitions;
- Governmental factors, including the costs of compliance with regulations and the impact of regulatory changes;
- The effectiveness of the risk management and governance arrangements under the Haftungsverbund and any impact that may arise from the cross-guarantee system;
- Other risks, uncertainties and factors inherent in Erste Group’s business, including those described in more detail under the heading “Risk Factors”; and
- Factors which are presently unknown to Erste Group or not currently considered by Erste Group to be material.

Should one or more of these risks or uncertainties occur, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this Prospectus as anticipated, believed, estimated or expected. Erste Group Bank does not intend, and does not assume any obligation, to update industry information or forward-looking statements set forth in this Prospectus.

## **Industry and Market data**

Information regarding markets, market size, market share, market position, growth rates and other industry data pertaining to Erste Group's business contained in this Prospectus consists of estimates based on data reports compiled by professional organisations and analysts, on data from other external sources, and on Erste Group's knowledge of sales and markets. In many cases, there is no readily available external information (whether from trade associations, government bodies or other organisations) to validate market-related analyses and estimates, requiring Erste Group to rely on internally developed estimates.

While Erste Group Bank has compiled, extracted and reproduced market or other industry data from external sources, including third parties or industry or general publications, neither Erste Group Bank nor the Managers have independently verified that data. Information in this Prospectus which is based on third-party sources has been accurately reproduced and, as far as Erste Group Bank is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Subject to the foregoing, neither Erste Group Bank nor the Managers can assure investors of the accuracy and completeness of, and take no responsibility for, such data. The source of such third-party information is cited whenever such information is used in this Prospectus.

While Erste Group Bank believes its internal estimates to be reasonable, such estimates have not been verified by any independent sources and neither Erste Group Bank nor the Managers can assure potential investors as to their accuracy and that a third party using different methods to assemble, analyse or compute market data would obtain the same result. Erste Group Bank does not intend, and does not assume any obligations, to update industry or market data set forth in this Prospectus. Finally, behaviour, preferences and trends in the marketplace tend to change. As a result, investors should be aware that data in this Prospectus and estimates based on that data may not be reliable indicators of future results.

## **Presentation of financial information**

The Audited Consolidated Financial Statements of Erste Group at and for the years ended 31 December 2006, 2007 and 2008 (including the notes thereto) and the Unaudited Interim Consolidated Financial Statements at and for the nine-month period ended 30 September 2009 are (i) available free of charge at the specified office of Erste Group Bank and/or in an electronic form on Erste Group Bank's website and (ii) incorporated into this Prospectus by reference as displayed at [www.erstegroup-financials.com](http://www.erstegroup-financials.com). See "Financial Statements Incorporated by Reference".

Erste Group prepares its consolidated financial statements on the basis of International Financial Reporting Standards as adopted by the EU ("IFRS").

Erste Group adopted a new segment reporting structure in 2008, which the Management Board believes will help to improve transparency, as the subsidiaries' results will fully reflect their core business activities and thus allow better comparison between the regions. To promote comparability with the income statement data for the year ended 31 December 2008, Erste Group prepared a re-presented income statement for the year ended 31 December 2007. To permit comparability with the income statement data for the year ended 31 December 2006, Erste Group also presents herein the historic income statement for the year ended 31 December 2007.

The auditors' reports on the Audited Consolidated Financial Statements, issued to comply with applicable Austrian regulations, are incorporated into this Prospectus by reference. These auditors' reports were not prepared under Generally Accepted Auditing Standards in the United States. For information on Erste Group Bank's auditors, see "Additional Information—Auditors".

As required by Austrian law, Erste Group Bank also prepares unconsolidated financial statements under Austrian GAAP, which are not included or incorporated into this Prospectus.

The financial information set forth in this Prospectus has been rounded for ease of presentation. Accordingly, in certain cases, the sum of the numbers in a column in a table may not conform to the total figure given for that column. Percentage figures included in this Prospectus have not been calculated on the basis of rounded figures but have rather been calculated on the basis of such amounts prior to rounding.

For a definition of certain financial terms used by Erste Group in this Prospectus see "Glossary and List of Abbreviations and Definitions".

## Prospectus Summary

*The following summary should be read as an overview of this Prospectus, and any decision to invest in the New Shares should be based on consideration of the Prospectus as a whole, including the documents incorporated by reference and the risks of investing in the New Shares as set out in "Risk Factors". This summary is not complete and does not contain all the information that investors should consider in connection with any decision relating to the New Shares.*

*No civil liability will attach to Erste Group Bank in respect of this Prospectus Summary, including the Summary of the Combined Offering, the Summary of Risk Factors and the Summary Financial and Other Information, unless it is misleading, inaccurate or inconsistent when read together with other parts of this Prospectus. Where a claim relating to the information contained in this Prospectus is brought before a court in a state of the EEA, the plaintiff may, under the national legislation of the state where the claim is brought, be required to bear the costs of translating this Prospectus before the legal proceedings are initiated. In the event that such legal proceedings are initiated before a court in Austria, a German translation of the Prospectus may be required, and the costs thereof will have to be borne initially by the plaintiff investor, who will be reimbursed for such costs, or parts thereof, by the other party or parties to the proceedings only if the plaintiff investor is successful in such proceedings.*

### Erste Group

Erste Group's ultimate parent company, Erste Group Bank, is Austria's oldest savings bank. Erste Group is a leading retail banking group in its extended home market, which includes Austria and adjacent Central and Eastern Europe ("CEE")—mainly in the Czech Republic, Romania, the Slovak Republic, Hungary, Croatia, Serbia and the Ukraine (Source: Erste Group internal data). As of 30 September 2009, Erste Group had approximately 17.5 million customers. Erste Group currently also includes the Austrian savings banks that are required under IFRS to be consolidated into Erste Group's results as a consequence of their membership in the Haftungsverbund and in which Erste Group Bank holds either a minority interest or no equity stake at all.

Erste Group is one of the largest banking groups in Austria (as measured by total assets) with consolidated total assets of EUR 201.4 billion and EUR 203.6 billion as of 31 December 2008 and 30 September 2009, respectively, such amounts reflecting the consolidation of the savings banks pursuant to the Haftungsverbund. Erste Group offers a full range of banking and financial services, including deposit taking, lending, mortgage lending, investment banking, securities trading and derivatives business (on its own account and for its customers), portfolio management, insurance brokerage, project finance, international trade finance, corporate finance, capital and money market services, foreign exchange, leasing and factoring.

As of 30 September 2009, Erste Group operated 3,185 branches and employed 51,012 people worldwide. Erste Group has a particular focus on its extended home market in CEE and operates in the major financial centres of the world, such as New York, London and Hong Kong.

### Reasons for the Combined Offering

Erste Group has a long history of maintaining capital adequacy well in excess of the minimum levels set by regulators. The Management Board believes it to be prudent and in the best interests of all of Erste Group Bank's stakeholders to proactively strengthen Erste Group Bank's capital position.

By the Combined Offer, Erste Group seeks to achieve the following:

- *Further increase capital ratios and improve capital mix.* The Combined Offering will enable Erste Group to improve its capital mix by increasing the share of its capital represented by higher quality core tier-1 capital. Erste Group Bank has already raised EUR 1.764 billion of core

tier-1 eligible participation capital in the first half of 2009, of which EUR 1.224 billion was issued to the Republic of Austria and an additional EUR 540 million was subscribed for by private investors on the same terms. Instead of issuing additional government-sponsored hybrid capital, Erste Group Bank intends to raise straight equity in the public markets through the Combined Offering, which will increase its core tier-1 capital and tier-1 capital.

- *Provide flexibility for potential new or changed regulatory capital ratio requirements and address market expectations of higher levels of capital in the banking sector.* There has been a shift in regulators' and investors' expectations towards higher capital levels and reduced leverage within the banking sector, owing to increased perceptions of risk. This is reflected in the recent capital raising activity by European and US financial institutions. The addition of core tier-1 capital from the Combined Offering will enhance Erste Group Bank's ability to meet potential future requirements by regulators or financial markets to increase capital ratios.
- *Provide financial resources to finance further growth in CEE markets.* Current real GDP forecasts suggest a faster recovery in CEE countries, with stronger real GDP growth rates in 2010 and thereafter compared to the EU-15. The development of CEE banking markets should continue to benefit from lower financial intermediation levels than those currently recorded in more developed markets, such as the EU-15. The Combined Offering will provide financial resources for Erste Group to finance further growth in the CEE markets.

## **Competitive Strengths**

Erste Group believes its particular competitive strengths are:

- Leading market positions in retail and SME banking
- Proven and resilient business model
- Well-known brand
- Operating in CEE markets with low levels of GDP and banking penetration

## **Strategy of Erste Group**

Erste Group's goal is to be the leading financial services provider with a clear focus on retail and SME banking in Austria and CEE. The strategic positioning of Erste Group has been shaped by its core strategies, which have been followed since the IPO of Erste Group Bank in 1997.

### *Business focus—retail and SME banking*

A clearly defined business focus—retail and SME banking—lies at the core of Erste Group's operations. Retail and SME banking is attractive to Erste Group for a number of reasons: it offers a compelling business case that is built on leading positions in this market segment in Austria and certain CEE countries, a favourable risk reward profile and the principle of self-funding; comprehensive scope in terms of product offering, covering simple and understandable products with substantial cross-selling potential; and the opportunity to operate in well diversified markets both geographically and in terms of maturity. In short, Erste Group's retail and SME banking model allows for sustainable, self-funded and profitable growth even in economically more challenging times.

### *Geographic focus—CEE*

Initially, Erste Group defined its extended home market as Austria's neighbouring countries in Central Europe. In the next phase of its strategic development, Erste Group extended its home market to the adjacent regions (including any further potential EU candidates in Eastern and South-Eastern Europe). It now has significant operating subsidiaries in the Czech Republic, Romania, the Slovak Republic, Hungary and Croatia. Erste Group believes that the foremost

requirement for succeeding in retail and SME banking in this region is achieving a strong market presence and accordingly Erste Group does not intend to change this strategic objective in response to the current international financial and economic crises, because it believes that this strategy offers substantial and sustainable, long-term growth potential.

*Efficiency focus*

Erste Group's aim to work more efficiently across the group is a direct result of its rapid expansion. It also reflects the realisation that a number of tasks are more efficiently carried out on a group-wide, standardised basis, while sales efforts are best handled locally.

Based on the implementation of Erste Group's Group Governance Structure (see "Description of Erste Group's Business—Group Governance Structure"), this core strategy aims at developing group-wide initiatives to gain from synergies.

## Summary of the Combined Offering

<b>The Combined Offering</b>	The Combined Offering, comprising the Rights Offering and the Global Offering, represents approximately 18.87% of the current issued share capital of Erste Group Bank (prior to the registration of the capital increase in the Companies Register). The Combined Offering may be terminated under certain circumstances at any time, including with respect to Subscription Rights already exercised.
<b>The Rights Offering</b>	Erste Group Bank is making an offering to its existing shareholders (as of 30 October 2009, 24:00 Vienna time) and to holders of Subscription Rights of up to 60 million New Shares at the Subscription Price in the ratio of 3 New Shares for every 16 Existing Shares or Subscription Rights held. In the Rights Offering, New Shares can only be subscribed for in multiples of 3.
<b>The Global Offering</b>	New Shares for which Subscription Rights are not exercised in the Rights Offering will be offered in the Global Offering. The Global Offering consists of (i) a public offering to retail and institutional investors in Austria, the Czech Republic and Romania, (ii) a private placement in the United States to QIBs in reliance on Rule 144A under the Securities Act and (iii) a private placement to selected qualified institutional investors outside Austria, the Czech Republic, Romania and the United States in compliance with Regulation S under the Securities Act.
<b>Preferential Allocation for Retail Investors</b>	As part of the public offering in Austria, the Czech Republic and Romania, private individual investors in Austria, the Czech Republic and Romania are entitled to preferential allocation in the Global Offering. Those who place their purchase orders for New Shares with Erste Bank Oesterreich, the Savings Banks, ecetra Central European e-Finance AG (brokerjet.at), Česká spořitelna, brokerjet České spořitelny (brokerjet.cz) or BCR will be guaranteed a preferential allocation of up to 700 New Shares, subject however to the amount of New Shares remaining after the exercise of the Subscription Rights.
<b>The New Shares</b>	Up to 60 million new ordinary no-par value voting bearer shares of Erste Group Bank, with a calculated notional amount of EUR 2.00 each, with coupon No. 24 attached.
<b>Subscription and Offer Periods</b>	The period during which shareholders of Erste Group Bank and holders of Subscription Rights can subscribe for New Shares (Subscription Period) will begin on 2 November 2009 and end on or about 16 November 2009. The period during which investors may purchase New Shares in the Global Offering (Offer Period) will begin on 2 November 2009 and end on or about 17 November 2009, 12:00 noon Vienna time.
<b>Maximum Subscription and Offer Price</b>	The Maximum Subscription and Offer Price is EUR 32.00 per New Share.
<b>Subscription and Offer Price</b>	The Subscription Price will be equal to the Offer Price. The Subscription and Offer Price will be determined by Erste Group Bank in consultation with the Joint Global Coordinators and

Joint Bookrunners on or about 17 November 2009 at or below the Maximum Subscription and Offer Price. The Subscription and Offer Price will be announced and published, including by way of an ad hoc announcement, via the electronic media on or about 17 November 2009, deposited with the FMA according to Article 7 para 5 of the Capital Markets Act on or about 18 November 2009 and published by short notice in the *Amtsblatt zur Wiener Zeitung* (the Austrian official gazette) on or about 18 November 2009.

**Subscription Rights**

The rights to subscribe for New Shares of Erste Group Bank bear the ISIN AT0000A0FNR6. 16 Subscription Rights grant the right to subscribe for 3 New Shares.

**Rights Trading**

Erste Group Bank will not apply for trading of the Subscription Rights on any stock exchange.

**Exercise of Subscription Rights**

Subscription Rights can be exercised during the Subscription Period upon presentation of coupon No. 23. The New Shares will be offered for subscription at the Subscription Price which will be at or below the Maximum Subscription and Offer Price. Shareholders and holders of Subscription Rights who do not wish to exercise their Subscription Rights at the Maximum Subscription and Offer Price but who issue a subscription order at a price lower than the Maximum Subscription and Offer Price will receive from the Managers an allotment of New Shares corresponding to the number of Subscription Rights indicated in the subscription order, provided that the price limit is not lower than the final Subscription Price. If the price limit set by the holder is lower than the Subscription Price, Subscription Rights will expire without value. Expiration of the Subscription Rights can be avoided by issuing a subscription order without setting a price limit, or with a price limit which matches the Maximum Subscription and Offer Price. The Subscription Rights will expire on or about 16 November 2009. Holders of Subscription Rights held through a depository bank that is a member of OeKB or through a financial institution that is a participant in Euroclear, Clearstream, or CDCP are required to exercise their Subscription Rights by instructing such bank or financial institution to subscribe for New Shares on their behalf. Investors that hold Subscription Rights through Depozitarul Central SA may exercise their Subscription Rights by instructing their financial intermediaries (custodian bank / broker) that act as depositaries for the shares entitled to Subscription Rights.

Criteria has announced that it will exercise all of its own Subscription Rights, as well as all of the Subscription Rights of Erste Stiftung, which Criteria has acquired from Erste Stiftung. This amounts in total to approximately 36.2% of all Subscription Rights in the Rights Offering.

**Exercise of Subscription Rights by US Shareholders**

The New Shares and the Subscription Rights have not been and will not be registered under the Securities Act. Accordingly, Subscription Rights may not be exercised by or on behalf of any person in the United States, except for qualified institutional buyers (as defined in Rule 144A). In the Rights Offering,

Subscription Rights may not be exercised by or on behalf of any person in the United States, except for QIBs that have delivered a QIB investor letter in the form set forth in Annex 4 hereto and comply with the other requirements described in this Prospectus. See “The Combined Offering—Rights Offering”.

Holders of ADRs under Erste Group Bank’s ADR program will not be permitted to subscribe for New Shares in respect of the ordinary shares that are represented by such ADRs.

#### **Listing**

The Existing Shares are listed on the Vienna Stock Exchange, the Prague Stock Exchange and the Bucharest Stock Exchange and are traded on the trading systems XETRA (Vienna), SPAD (Prague), and ARENA Gateway (Bucharest). Real-time prices can be retrieved through the Reuters Symbols ERST.VI (Vienna), ERSTsp.PR (Prague) and ERST.BX (Bucharest) as well as the Bloomberg Ticker Symbols EBS:AV (Vienna), RBAG:CP (Prague) and EBS:RO (Bucharest). Erste Group Bank has applied for the listing of the New Shares on the Official Market (*Amtlicher Handel*) of the Vienna Stock Exchange, and the New Shares are expected to be approved for listing and to trade in the Prime Market segment of the Vienna Stock Exchange on or about 19 November 2009. Erste Group Bank has applied for the listing of the New Shares on the Prague Stock Exchange and the Bucharest Stock Exchange, and the New Shares are expected to be approved for listing and to trade on the Prague Stock Exchange and the Bucharest Stock Exchange commencing on or about 19 November 2009.

#### **Lock Up Agreement**

Neither Erste Group Bank nor any of its majority owned subsidiaries will, prior to 180 days after the date of the Underwriting Agreement, without the prior consent of Goldman Sachs International and J.P. Morgan Securities Ltd., (i) offer, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase any option, or grant any option, right or warrant to purchase or otherwise transfer or dispose of, directly or indirectly, any Shares or any securities convertible into or exercisable or exchangeable for Shares or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Shares, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise, other than the New Shares to be issued in the Combined Offering; provided that Erste Group Bank is entitled to (i) grant options to employees and management and to issue Shares upon the exercise of options granted under existing employee and management stock option plans as such are described in this Prospectus, (ii) buy and sell Shares and to issue and trade options for Shares on the Vienna Stock Exchange, the Prague Stock Exchange and the Bucharest Stock Exchange in the ordinary course of its brokerage and banking business, (iii) issue Shares solely in order to acquire or increase participations in other savings banks, and (iv) issue preference shares via a foreign subsidiary for the purpose of raising tier-1 capital or hybrid capital as defined in the Banking Act.

Erste Stiftung will not, prior to 180 days after the date of the Underwriting Agreement, without the prior consent of Goldman Sachs International and J.P. Morgan Securities Ltd., (i) offer, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase any option, or grant any option, right or warrant to purchase or otherwise transfer or dispose of, directly or indirectly, any Shares or any securities convertible into or exercisable or exchangeable for Shares or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Shares, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise.

**Use of Proceeds**

Based on an assumed Offer Price of EUR 27.50, which was the closing price of the Shares on the Vienna Stock Exchange on 29 October 2009, Erste Group Bank expects that the maximum net proceeds of the Combined Offering will be EUR 1,650 million, assuming all New Shares are issued, after deducting capital contribution tax, estimated underwriting discounts and commissions and offering expenses payable by Erste Group Bank.

Erste Group Bank intends to use the net proceeds from the Combined Offering towards the strengthening of Erste Group Bank's capital base and to increase Erste Group Bank's financial flexibility. See "Background of the Combined Offering and use of proceeds".

**Dividends**

The New Shares carry full dividend rights from and including the financial year beginning on 1 January 2009.

**Voting Rights**

Holders of Shares are entitled to exercise one vote per Share.

**Withholding Tax**

Dividends payable by Erste Group Bank are subject to Austrian withholding tax (currently at the rate of 25%). Reduced rates for withholding tax apply to certain non-residents of Austria entitled to such benefit under an applicable double taxation treaty. See "Taxation".

**Payment for New Shares**

Delivery of the New Shares is expected to take place against payment therefor in immediately available funds on or about 20 November 2009. It is anticipated that the New Shares will be ready for delivery in book-entry form through the facilities of OeKB and for deposit with the depositaries for Clearstream, Euroclear or CDCP on or about 20 November 2009. Subscribers and purchasers of New Shares will not be entitled to receive individual share certificates.

**Securities Identification Number**

	Existing Shares and New Shares	Subscription Rights
ISIN . . . . .	AT 0000652011	AT0000A0FNR6

**Reuters Symbol**

ERST.VI (Vienna Stock Exchange)  
 ERSTsp.PR (Prague Stock Exchange)  
 ERST.BX (Bucharest Stock Exchange)

**Bloomberg Symbol**

EBS:AV (Vienna Stock Exchange)  
 RBAG:CP (Prague Stock Exchange)  
 EBS:RO (Bucharest Stock Exchange)

## Summary of risk factors

*Prospective investors should consider carefully the risks set forth below and the other information contained in this Prospectus prior to making any investment decision with respect to the New Shares. Each of the risks highlighted below could have a material adverse effect on Erste Group Bank's business, operations, financial condition, results of operations, liquidity and/or prospects. In addition, each of the risks highlighted below could adversely affect the trading price of the New Shares and, as a result, investors could lose some or all of their investment.*

*Prospective investors should note that the risks described below are not the only risks Erste Group faces. Erste Group Bank has described only those risks relating to its business, operations, financial condition, results of operations, liquidity and/or prospects that it considers to be material and of which it is currently aware. There may be additional risks that Erste Group Bank currently considers not to be material or of which it is not currently aware, and any of these risks could have the effects set forth above.*

### *Factors that may affect the business of Erste Group*

- The global financial and economic crisis has had an adverse effect on Erste Group and the markets in which it operates and is likely to continue to have an effect for as long as the challenging conditions persist
- As a result of the financial crisis and the current economic downturn, Erste Group is experiencing a deterioration in credit quality
- Defaults by counterparties may lead to losses that exceed Erste Group's provisions and the maximum probable losses envisaged by Erste Group's risk management procedures
- Erste Group is exposed to declining value of the collateral supporting commercial loans and residential real estate loans
- Market fluctuations and volatility may adversely affect the value of Erste Group's positions, reduce profitability and make it more difficult to assess the fair value of certain of its assets
- During 2009, Erste Group has reported significant increases in profits from trading activities, which may not be sustainable in future periods
- Erste Group is subject to the risk that liquidity may not be readily available, and this risk is heightened by current conditions in global financial markets
- There is a risk that a rating agency may suspend, downgrade or withdraw a rating of Erste Group Bank or of a country where Erste Group Bank is active and that such action might negatively affect the refinancing conditions for Erste Group Bank, in particular its access to debt capital markets
- New governmental or regulatory requirements and changes in perceived levels of adequate capitalisation and leverage could subject Erste Group to increased capital requirements or standards and require it to obtain additional capital in the future
- Erste Group's risk management strategies and procedures may leave it exposed to unidentified or unanticipated risks
- Erste Group faces significant operational risks inherent in the banking business
- Changes in Erste Group Bank's accounting policies or standards could materially affect how it reports its financial condition and results of operations
- Resignation or loss of key personnel could have an adverse effect on Erste Group's ability to execute its strategy
- Erste Group may have difficulty recruiting or retaining qualified employees

- Erste Group is increasingly dependent on sophisticated information technology systems
- Erste Group Bank may be required to provide financial support to troubled banks in the Haftungsverbund, which could result in significant costs and a diversion of resources from other activities
- Erste Group might be required to participate in or finance governmental support programs for credit institutions
- Erste Group is exposed to interest rate and interest spread risks
- Since a large part of Erste Group Bank's and Erste Group's operations, assets and customers are located in CEE countries that are not part of the Euro-Zone, Erste Group Bank and its customers are exposed to currency risks
- Erste Group could be required to make further write-downs in its balance sheet in the carrying value of goodwill and related intangible assets resulting from previous acquisitions
- A change of the European Central Bank collateral standards could have an adverse effect on the funding of Erste Group Bank and access to liquidity
- Erste Group operates in highly competitive markets and competes against large international financial institutions as well as established local competitors
- Erste Group Bank's major shareholder may be able to control shareholder actions
- Contractual arrangements with the Republic of Austria may affect the business of Erste Group Bank and Erste Bank Oesterreich
- Changes in laws or regulations in the countries in which Erste Group operates may have a material impact on its business, financial condition and results of operations

*Factors that may affect the markets in which Erste Group operates*

- Economic or political developments in CEE or a down-turn of the Austrian economy could have a material adverse effect on Erste Group's business
- Foreign banks could reduce funding for their CEE subsidiaries
- There is a risk that committed EU funds will not be released and/or no further aid programmes will be adopted by the EU
- Bank failures
- Negative effects of possible severe liquidity problems of certain CEE countries on the whole CEE region
- There is a risk that governments in countries where Erste Group operates react to the current financial and economic crisis with increased protectionism, nationalisations or similar measures
- Erste Group may be adversely affected by slower growth or recession in the banking markets in which it operates as well as slower expansion of the Euro-Zone and the EU
- The legal systems and procedural safeguards in many CEE countries and, in particular, in the Eastern European countries are not yet fully developed
- Applicable bankruptcy laws and other laws and regulations governing creditors' rights in various CEE countries may limit Erste Group's ability to obtain payments on defaulted credits
- Compliance with anti-money laundering, anti-corruption and anti-terrorism financing rules involves significant costs and efforts and non-compliance may have severe legal and reputational consequences

- Changes in consumer protection laws might limit the fees that Erste Group may charge for certain banking transactions

*Factors that may affect the Combined Offering and the New Shares*

- The price of the Shares could be volatile
- Shareholders who elect not to participate in the Combined Offering will suffer dilution of their holdings in Erste Group Bank
- Future sales or distributions of Erste Group Bank shares by major shareholders could depress the market price of the New Shares
- Erste Group Bank's ability to pay dividends on the Shares will depend on the availability of distributable profits
- Rights of shareholders in an Austrian corporation may differ from rights of shareholders in a corporation organised in another jurisdiction
- A suspension of trading in the Shares could adversely affect the share price
- Certain shareholders may not be able to participate in equity offerings with Subscription Rights
- The Underwriting Agreement between Erste Group Bank and the Managers is subject to customary terms and conditions
- Erste Group Bank is subject to a dividend step-up under the Participation Capital Securities
- The Participation Capital Securities are perpetual and can only be redeemed by Erste Group Bank under certain circumstances
- Liquidation proceeds will be allocated among the holders of the Participation Capital Securities and the shareholders

For further details on risk factors, see "Risk Factors".

## Summary financial and other information

The summary financial and other data provided below has been derived from Erste Group Bank's Consolidated Financial Statements incorporated into this Prospectus by reference and prepared in accordance with IFRS. See "General Information—Presentation of Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations". The minority interests include, among others, certain savings banks in which Erste Group Bank holds a minority interest or no interest but over which it exercises control under the Haftungsverbund. In 2008, Erste Group reported discontinued operations which led to a re-presentation of the income statement of 2007.

### Balance Sheet

in EUR million	As of 30 September	As of 31 December		
	2009 unaudited	2008 audited	2007 audited	2006 audited
<b>Assets</b>				
Loans and advances to credit institutions . . . . .	13,938	14,344	14,937	16,616
Loans and advances to customers . . . . .	129,954	126,185	113,956	97,107
Risk provisions for loans and advances . . . . .	(4,713)	(3,783)	(3,296)	(3,133)
Trading and other financial assets <sup>(1)</sup> . . . . .	42,491*	41,770*	44,214*	42,497*
Sundry assets <sup>(2)</sup> . . . . .	21,883*	22,925*	30,708*	28,616*
<b>Total assets</b> . . . . .	<b>203,553</b>	<b>201,441</b>	<b>200,519</b>	<b>181,703</b>
<b>Liabilities and equity</b>				
Deposits by banks . . . . .	26,920	34,672	35,165	37,688
Customer deposits . . . . .	113,317	109,305	100,116	90,849
Debt securities in issue and subordinated liabilities . . . . .	36,615*	36,530*	36,667*	27,024*
Sundry liabilities <sup>(3)</sup> . . . . .	12,618*	9,839*	17,168*	15,238*
Shareholders' equity . . . . .	10,667	8,079	8,452	7,979
thereof participation capital <sup>(4)</sup> . . . . .	1,760	—	—	—
Minority interests . . . . .	3,416	3,016	2,951	2,925
<b>Total liabilities and equity</b> . . . . .	<b>203,553</b>	<b>201,441</b>	<b>200,519</b>	<b>181,703</b>

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008, 31 December 2007 and 31 December 2006 and unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009, except that the figures marked with \* are based on internal calculations or information of Erste Group Bank.

- (1) Trading and other financial assets is the subtotal of line item trading assets, financial assets at fair value through profit or loss, financial assets available for sale and financial assets held to maturity.
- (2) Sundry assets is the subtotal of line item cash and balances with central banks, investments of insurance companies, equity holdings in associates accounted for at equity, intangible assets, property and equipment, tax assets, assets held for sale and other assets.
- (3) Sundry liabilities is the subtotal of line item trading liabilities, underwriting provisions, other provisions, tax liabilities, liabilities associated with assets held for sale and other liabilities.
- (4) Participation capital according to section 23(4) Banking Act net of expenses associated with the capital raising of EUR 4 million.

## Income statement

	For the nine months ended 30 September		For the year ended 31 December			
	2009 unaudited	2008 unaudited	2008 audited	2007 re-presented audited	2007 audited	2006 audited
<b>in EUR million</b>						
Net interest income	3,840.9	3,573.3	4,913.1	3,945.8	3,945.8	3,189.3
Operating income <sup>(1)</sup>	5,657.2	5,247.2	6,998.9	6,154.8	6,189.8	4,948.9
General administrative expenses	(2,880.3)	(3,053.7)	(4,001.9)	(3,642.1)	(3,642.1)	(2,945.3)
Operating result <sup>(2)</sup>	2,776.9	2,193.5	2,997.0	2,512.7	2,547.7	2,003.6
Pre-tax profit for the period <sup>(3)</sup>	1,077.9	1,321.8	576.2	1,892.6	1,927.6	1,522.2
Post-tax profit from discontinuing operations	0	610.2	639.7	28.4	n.a.	n.a.
Net profit before minority interests <sup>(4)</sup>	808.3	1,667.6	1,038.6	1,550.0	1,550.0	1,182.4
<b>Net profit after minority interests</b>	<b>720.1</b>	<b>1,463.0</b>	<b>859.6</b>	<b>1,174.7</b>	<b>1,174.7</b>	<b>932.2</b>

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008, 31 December 2007 and 31 December 2006 and unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009.

## Key ratios

	For the nine months ended 30 September		For the year ended 31 December			
	2009 unaudited	2008 unaudited	2008 audited	2007 re-presented audited	2007 audited	2006 audited
Return on equity (ROE) <sup>(5)</sup>	10.3%	21.7%	9.6%	14.1%	14.1%	13.7%
Cost-income ratio <sup>(6)</sup>	50.9%	58.2%	57.2%	59.2%	58.8%	59.5%
Risk costs <sup>(7)</sup>	1.51%	0.67%	0.88%	0.44%	0.44%	0.50%
Tier-1 capital (after regulatory deductions) <sup>(8)</sup>	9,173	6,931	7,448	6,674	6,674	6,185
Core tier-1 capital (after regulatory deductions) <sup>(9)</sup>	7,996	5,690	6,192	5,427	5,427	4,935
Tier-1 ratio-credit risk <sup>(10)</sup>	8.6%	6.6%	7.2%	7.0%	7.0%	6.6%
Core tier-1 ratio-total risk <sup>(11)</sup>	6.5%	4.7%	5.2%	5.0%	5.0%	5.0%
Tier-1 ratio-total risk <sup>(12)</sup>	7.4%	5.8%	6.2%	6.1%	6.1%	6.2%
Solvency ratio <sup>(13)</sup>	10.9%	9.2%	9.8%	10.1%	10.1%	10.2%

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008, 31 December 2007 and 31 December 2006 and unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009, except that the figures shown under "Core tier-1 capital (after regulatory deductions)", "Core tier-1 ratio—total risk" and "Tier-1 ratio—total risk" are based on internal calculations or information of Erste Group Bank.

- (1) Operating income includes net interest income, net fee and commission income, net trading result and income from insurance business in 2006 and 2007 when no discontinued operations are presented.
- (2) Operating result equals operating income minus general administrative expenses.
- (3) In 2008 when discontinued operations are presented this is the pre-tax profit from continuing operations.
- (4) In 2008 when discontinued operations are presented it includes profit from both continuing and discontinued operations.
- (5) The return on equity is the ratio of the annualised profit for the period after taxes and minority interests to average (on a monthly basis) shareholders' equity including participation capital.
- (6) The cost-income ratio is the ratio of operating expenses (general administrative expenses) to operating income (the sum of net interest income, net fee and commission income, net trading result and income from insurance activities in 2006 and 2007 when no discontinued operations are presented).
- (7) Risk costs are the annualised net allocations to provisions in relation to average (on a quarterly basis) customer loans.
- (8) Tier-1 capital is the tier-1 capital (including hybrid capital pursuant to section 24 (2) 5 and 6 Banking Act) after regulatory deductions, in EUR million.
- (9) Core tier-1 capital is the tier-1 capital (excluding hybrid capital pursuant to section 24 (2) 5 and 6 Banking Act) after regulatory deductions, in EUR million.
- (10) Tier-1 ratio-credit risk is the ratio of tier-1 capital (including hybrid capital pursuant to section 24 (2) 5 and 6 Banking Act) after regulatory deductions, to the risk weighted assets pursuant to section 22 (2) Banking Act.
- (11) Core tier-1 ratio-total risk is the ratio of tier-1 capital (excluding hybrid capital pursuant to section 24 (2) 5 and 6 Banking Act) after regulatory deductions, to the calculation base for the capital requirement pursuant to section 22 (1) Banking Act.
- (12) Tier-1 ratio-total risk is the ratio of tier-1 capital (including hybrid capital pursuant to section 24 (2) 5 and 6 Banking Act) after regulatory deductions, to the calculation base for the capital requirement pursuant to section 22 (1) Banking Act.
- (13) The solvency ratio is the ratio of the sum of tier-1, tier-2 and tier-3 capital, after regulatory deductions, to the calculation base for the capital requirement pursuant to section 22 (1) Banking Act.

## Risk factors

*Prospective investors should consider carefully the risks set forth below and the other information contained in this Prospectus prior to making any investment decision with respect to the New Shares. Each of the risks highlighted below could have a material adverse effect on Erste Group Bank's business, operations, financial condition, results of operations, liquidity and/or prospects. In addition, each of the risks highlighted below could adversely affect the trading price of the New Shares and, as a result, investors could lose some or all of their investment.*

*Prospective investors should note that the risks described below are not the only risks Erste Group Bank faces. Erste Group Bank has described only those risks relating to its business, operations, financial condition, results of operations, liquidity and/or prospects that it considers to be material and of which it is currently aware. There may be additional risks that Erste Group Bank currently considers not to be material or of which it is not currently aware, and any of these risks could have the effects set forth above.*

### **Risks related to the Business of Erste Group**

**The global financial and economic crisis has had an adverse effect on Erste Group and the markets in which it operates and is likely to continue to have an effect for as long as the challenging conditions persist**

Extreme volatility and disruption in global capital and credit markets from mid-2007 through the first half of 2009 have had a material adverse effect on the international banking sector's performance. This extreme volatility and disruption, which began in the United States, has affected financial markets around the world, has led to an unprecedented reduction in liquidity and increase in credit risk premiums for many market participants. These conditions significantly reduced the availability of private financing for both financial institutions and their customers, compelling many financial institutions and industrial companies to turn to governments and central banks to provide liquidity. Significant write-downs of asset values by financial institutions on mortgage-backed securities and other financial instruments, including credit default swaps and other derivative and cash securities worldwide, have led many financial institutions to seek additional capital, to merge or be merged with larger and stronger institutions, to be nationalised and, in some cases, to fail. Despite financial support from governmental bodies and private funding sources, and the general stabilisation of international macroeconomic conditions in the second and third quarters of 2009, liquidity and capital problems remain and the capital and credit markets remain volatile.

Credit remains tight and business activity remains low, and there is still a lack of business and consumer confidence. The continuing economic uncertainty for consumers and manufacturers has led to a continued downturn in consumer spending, suspended business investment and widespread unemployment. Recessionary conditions remain in many parts of Europe, including the CEE region, which generally entered into recession later than other parts of Europe.

The economies of all of the countries where Erste Group has operations have been affected by the economic downturn. Several of the CEE countries where Erste Group has operations, in particular Ukraine, Hungary, Serbia and Romania, have been hit particularly hard by the economic downturn and have experienced, and are continuing to experience, sharply reduced economic activity and increasing levels of unemployment. Ukraine, Hungary, Romania and Serbia have all turned to multinational lenders for aid to help stabilise their economies. Other countries where Erste Group has significant operations, face continuing economic uncertainty, reduced levels of manufacturing output and increasing levels of unemployment, due in part to their reliance on exports to Germany. The levels of non-performing loans and loan delinquencies have risen in all of Erste Group's markets, and the origination of new loans has declined.

The lack of confidence in the international financial markets and the challenging economic conditions in the countries where Erste Group has operations have affected Erste Group's business and results of operations, and if current levels of market disruption, volatility and

economic downturn continue or worsen, there can be no assurance that such conditions will not have a material adverse effect on Erste Group's ability to access capital and on its business, results of operations and financial condition, including its capital base. In that case, Erste Group Bank may need to issue additional capital, including ordinary shares, which could dilute investments in the New Shares.

**As a result of the financial crisis and the current economic downturn, Erste Group is experiencing a deterioration in credit quality**

The immediate effects of the financial crisis and the current economic downturn, such as negative gross domestic product ("GDP") development, significantly reduced private consumption and corporate investment, rising unemployment rates and decreasing private and commercial property values in certain regions, have had a negative effect on the credit quality of Erste Group's loan portfolio.

Erste Group is exposed to the risk that borrowers may not repay their loans according to their contractual terms and that the collateral or income stream securing the payment of these loans may be insufficient. An increasing percentage of these exposures have deteriorated in quality as a result of the unfavourable economic environment. A meaningful percentage of Erste Group's loans and advances to customers consists of loans made to customers in foreign currencies. In the case of such loans and advances to customers, as the value of the local currency declines versus foreign currencies, as has occurred in certain CEE countries during the current economic downturn, the effective cost of the foreign currency denominated loan to the local customer substantially increases. As a consequence of this and other factors driven by the economic downturn, Erste Group is experiencing a significant increase in non-performing loans in this and other loan categories as well as a migration of previously highly-rated loans into lower-rated categories. In response, Erste Group has increased the estimated probability of default in many risk classes. However, the uncertainty as to the speed and magnitude of the economic downturn, and the timing of any potential recovery, make it difficult to estimate the extent of any potential further deterioration in Erste Group's loan quality and/or increase in non-performing loans.

As a consequence of this development, Erste Group has experienced increasing risk costs, which have a material effect on its financial position and results of operations. Erste Group's risk costs are based on, among other things, its analysis of current and historical probabilities of default and loan management methods and the valuation of underlying assets and expected available income of clients, as well as numerous other management assumptions. In the current economic environment, these internal analyses and assumptions may prove to be inadequate and might result in inaccurate predictions of credit performance.

Erste Group maintains provisions on its balance sheet to cover estimated probable incurred credit losses inherent in its loan portfolio. In accordance with IFRS, Erste Group accounts for defaults of customers by making risk provisions, which include both specific risk provisions for loans (for which objective evidence of impairment exists) and portfolio risk provisions for loans (for which no objective evidence of impairment exists (incurred but not detected)). These provisions reflect Erste Group's estimates of losses in its loan portfolio. If a higher than expected proportion of Erste Group's customers default or if the average amount lost as a result of defaults is higher than expected or if individual corporate customers unexpectedly default, actual losses due to customer defaults will exceed the amount of provisions already taken and operating profit will be adversely affected.

Despite the increase in risk costs, the increase in non-performing loans and the increase in required loan write-offs has led to a decreasing non-performing loans (NPL) coverage ratio (risk provisions on Erste Group's balance sheet compared to non-performing loans). Erste Group seeks to maintain an NPL coverage ratio that in management's judgement is appropriate to cover potential credit losses. There can be no assurance that the current NPL coverage ratio will not decline further, that annual risk costs will not continue to rise or that the NPL coverage ratio will prove to be sufficient.

Erste Group has stopped growing its loan portfolio in Ukraine. In addition, Erste Group has ceased making loans to private customers in CHF and USD. A decrease in collateral values and a deterioration of borrowers' ability to repay, which can be compounded by the lack of alternative funding sources for clients and reduced availability of credit in foreign currencies, can negatively impact the recovery ratios of Erste Group and increase loan write-offs.

As a result of credit migration and increasing probabilities of default, the risk-weighted assets ("RWAs") of Erste Group have increased without a corresponding increase in loan volumes. This effect is expected to continue as long as the credit environment remains unstable.

The deterioration in credit quality is likely to persist and could possibly intensify even if the current economic conditions ease and the business climate improves, for instance if such recovery is not strong enough or is protracted. In addition, unanticipated political events or a continued lack of liquidity in the CEE economies may all result in credit losses which exceed the amount of Erste Group's provisions or the maximum probable losses envisaged by its risk management procedures. All these factors have in the past had and could in future periods potentially have a material adverse effect on Erste Group's results of operations, financial condition and capital base.

### **Defaults by counterparties may lead to losses that exceed Erste Group's provisions and the maximum probable losses envisaged by Erste Group's risk management procedures**

Like other financial institutions, Erste Group is exposed to the risk that third parties who owe it money, securities and other assets (counterparties) will not perform their obligations. The uncertainty as to the magnitude and duration of the economic downturn and the scale and length of the potential recovery, the timing of which may differ significantly in various markets in which Erste Group operates, make it difficult to estimate the size of Erste Group's potential future probable losses.

In the ordinary course of its business, Erste Group is exposed to a risk of non-performance by counterparties in the financial services industry. This exposure can arise through trading, lending, deposit-taking, clearance and settlement and many other activities and relationships. These counterparties include brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. Many of these relationships expose Erste Group to credit risk in the event of default of a counterparty. In addition, Erste Group's credit risk may be exacerbated when the collateral it holds cannot be realised upon or is liquidated at prices below the level necessary to recover the full amount of the loan or cover the full amount of derivative exposure. Many of the hedging and other risk management strategies utilised by Erste Group also involve transactions with financial services counterparties. A weakness or insolvency of these counterparties may impair the effectiveness of Erste Group's hedging and other risk management strategies.

Counterparty risk between financial institutions has increased substantially as a result of the unprecedented turmoil in the financial markets. Concerns about potential defaults by one financial institution can lead to significant liquidity problems, losses or defaults by other financial institutions, as happened as a result of the bankruptcy of Lehman Brothers Inc. and the financial crisis in Iceland, since the commercial and financial soundness of many financial institutions is interrelated due to credit, trading and other relationships. Even a perceived lack of creditworthiness may lead to market-wide liquidity problems. This risk is often referred to as "systemic risk", and it affects banks and all different types of intermediaries in the financial services industry. Systemic risk could lead to a need for Erste Group to raise additional capital while at the same time making it more difficult to do so. Systemic risk could therefore have a material adverse effect on Erste Group's business, financial condition, results of operations, liquidity or prospects.

Erste Group will incur losses if its counterparties default on their obligations. If a higher than expected proportion of Erste Group's counterparties default or if the average amount lost as a

result of defaults is higher than expected, actual losses due to counterparty defaults will exceed the amount of provisions already taken and operating profit will be adversely affected.

If losses due to counterparty defaults significantly exceed the amounts of Erste Group's provisions or require an increase in provisions, this could have a material adverse effect on Erste Group's business, financial condition and results of operations.

### **Erste Group is exposed to declining value of the collateral supporting commercial loans and residential real estate loans**

Erste Group has significant exposure to commercial loans and residential real estate loans. Commercial and residential real property prices in many of the countries where Erste Group operates declined in 2008 and 2009, reflecting among other things economic uncertainty and the unavailability of credit. Many commercial and residential property developers have been forced to cease or delay construction of planned projects due to a lack of customers or an inability to finance construction. These factors have led to reductions in residential and commercial prices and contraction in residential mortgage and commercial lending markets, and this negative trend is expected to continue for some time.

If the current downturn in economic conditions in Austria and the CEE countries where Erste Group has significant operations continues, there could be further declines in property values and increases in unemployment, and Erste Group's commercial property lending portfolio and residential mortgage portfolio may suffer further substantial increases in impairment losses, which could have a material adverse effect on Erste Group's financial condition and results of operations. The effects of declining property values on the wider economy could also contribute to higher default rates and impairment losses on non-property commercial and consumer loans.

In addition, Erste Group may have to deal also with lower collateral values in its other lending businesses, which would impact its net open credit position to counterparties and increase its potential losses in case of default.

### **Market fluctuations and volatility may adversely affect the value of Erste Group's positions, reduce profitability and make it more difficult to assess the fair value of certain of its assets**

Financial markets have been subject to significant stress conditions since mid-2007, where steep falls in perceived or actual values of assets held by banks and other financial institutions have been accompanied by a severe reduction in market liquidity. These events have negatively affected the value of financial assets at fair value through profit and loss (outstanding amount at 31 December 2008: EUR 4.1 billion; at 30 September 2009: EUR 3.8 billion), the financial assets available for sale (outstanding amount at 31 December 2008: EUR 16.0 billion; at 30 September 2009: EUR 16.2 billion) and the financial assets held-to-maturity (outstanding amount at 31 December 2008: EUR 14.1 billion; at 30 September 2009: EUR 14.2 billion) in fiscal year 2008 and the first nine months of 2009, affecting Erste Group's results of operations during those periods. Fair value adjustments, impairments and selling losses/gains on Erste Group's financial assets amounted to negative EUR 1,518.8 million in 2008 (EUR 636.0 million booked against the P&L account and EUR 882.8 million booked against equity) and in the nine months ended 30 September 2009 amounted to positive EUR 672.4 million (negative EUR 127.5 million booked against the P&L account and positive EUR 799.9 million booked against equity).

If there is a further deterioration in economic and financial market conditions, this could lead to impairment charges and further valuation losses during the rest of 2009 and in future periods. Moreover, market volatility and illiquidity have made it difficult to value certain exposures. In addition, the value ultimately realised by Erste Group may be materially different from the current or estimated fair value, and Erste Group's estimates of fair value may differ materially both from similar estimates made by other financial institutions and from the values that would have been used if a market for these assets had been readily available. Any of these factors could

require Erste Group to recognise further valuation losses or realise impairment charges, any of which may adversely affect its business, financial condition, results of operations, liquidity and/or prospects.

**During 2009, Erste Group has reported significant increases in profits from trading activities, which may not be sustainable in future periods**

Like many other financial institutions, Erste Group has recorded a significant increase in net trading result during the first nine months of 2009 (EUR 503.0 million or 8.9% of operating income; full year 2008: EUR 114.7 million or 1.6% of operating income). This increase was mainly attributable to the high levels of market volatility and spreads across financial asset classes (e.g., fixed income, equities and foreign exchange) in the wake of the international financial crisis, which led to higher volumes of both customer-driven and proprietary business. Erste Group may not be able to sustain the high level of trading profits achieved in the first nine months of 2009, especially if volatility decreases and spreads narrow as financial markets return to more stable conditions.

**Erste Group is subject to the risk that liquidity may not be readily available, and this risk is heightened by current conditions in global financial markets**

Erste Group, like many banks, relies on customer deposits to meet a substantial portion of its funding requirements. The majority of Erste Group's deposits are retail deposits, a significant proportion of which are demand deposits. Such deposits are subject to fluctuation due to factors outside Erste Group's control, and Erste Group can provide no assurance that it will not experience a significant outflow of deposits within a short period of time. Because a significant portion of Erste Group's funding comes from its deposit base, any material decrease in deposits could have a negative impact on Erste Group's liquidity unless corresponding actions were taken to improve the liquidity profile of other deposits or to reduce liquid assets, which may not be possible on economically beneficial terms, if at all.

As credit providers, group companies of Erste Group Bank are exposed to market liquidity risk, which arises from an inability to easily sell an asset because there is inadequate market depth or market disruption exists. They are also exposed to funding liquidity risk, which is an exposure to losses arising out of a change in the cost of refinancing, or from a spread over a certain horizon and confidence level, or from insolvency of counterparties, which may result in difficulties in meeting future payment obligations, either in full, on time or on economically beneficial terms.

Credit markets worldwide have experienced and continue to experience a severe reduction in liquidity, due in part to a continuing unwillingness of banks to lend to each other because of uncertainty as to the creditworthiness of the borrowing bank. Even a perception among market participants that a financial institution is experiencing greater liquidity risk may cause significant damage to the institution, since potential lenders may require additional collateral or other measures that further reduce the financial institution's ability to secure funding. This increase in perceived counterparty risk has led to further reductions in the access of Erste Group, along with other banks, to traditional sources of liquidity.

If Erste Group has difficulty in securing adequate sources of short- and long-term liquidity, or if deposit outflows were to increase, this would have a material adverse effect on its business, financial condition and results of operations.

**There is a risk that a rating agency may suspend, downgrade or withdraw a rating of Erste Group Bank or of a country where Erste Group Bank is active and that such action might negatively affect the refinancing conditions for Erste Group Bank, in particular its access to debt capital markets**

Erste Group's credit ratings are important to its business. A rating is the opinion of a rating agency on the credit standing of an issuer, i.e., a forecast or an indicator of a possible credit loss

due to insolvency, delay in payment or incomplete payment to the investors. It is not a recommendation to buy, sell or hold securities. Since August 2008, Erste Group's long-term credit ratings have remained unchanged, but the long-term outlook has been downgraded: S&P, outlook from stable (11 August 2008) to negative (12 October 2008); Moody's, outlook from stable (11 August 2008) to negative (1 April 2009); FitchRatings, outlook from positive (11 August 2008) to stable (30 October 2008). For the current ratings assigned to Erste Group Bank, see "Erste Group Bank—Ratings".

A rating agency may in particular suspend, downgrade or withdraw a rating. A downgrading of the rating may also lead to a restriction of access to funds and, consequently, to higher refinancing costs. A rating could also be negatively affected by the soundness or perceived soundness of other financial institutions.

A rating agency may also suspend, downgrade or withdraw a rating concerning one or more countries where Erste Group operates or may publish unfavourable reports or outlooks for a region or country where Erste Group operates. Moreover, if a rating agency suspends, downgrades or withdraws a rating or publishes unfavourable reports or outlooks on Austria, this could increase the funding costs of Erste Group under its EUR 6,000,000,000 debt issuance programme ("DIP") in respect of issues guaranteed by Republic of Austria. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Sources of Funding".

Any downgrade of the credit rating of Erste Group Bank or any member of the Erste Group could have a material adverse effect on its liquidity and competitive position, undermine confidence in Erste Group, increase its borrowing costs, limit its access to funding and capital markets or limit the range of counterparties willing to enter into transactions with Erste Group.

#### **New governmental or regulatory requirements and changes in perceived levels of adequate capitalisation and leverage could subject Erste Group to increased capital requirements or standards and require it to obtain additional capital in the future**

In response to the global financial market turbulence since mid-2007, including the reduced liquidity levels and the increasing loan losses and asset quality impairment provisions many financial institutions experienced during the period, governments in the markets in which Erste Group operates have taken steps to further promote capital adequacy and reduced leverage. In Austria, for example, a recent amendment of the Banking Act gave the FMA the power to require a credit institution or credit institution group to take appropriate measures including to raise additional tier-1 capital if it has not adequately limited its banking and operational risks, if the FMA does not expect an adequate assessment to be forthcoming and if the FMA does not expect the credit institution or credit institution group to adequately mitigate such risks in the short-term. Recently, the G20 published a leaders' statement setting out an agreement reached on raising capital standards of banks and mitigating procyclicality, and the G20 has committed to developing internationally-agreed rules to improve the quality and quantity of bank capital and discourage excessive leverage. Developing and implementing such rules will likely result in more intensive supervision and specific additional capital (in particular core tier-1 capital), liquidity, and other prudential requirements for Erste Group and its members, and for systemic banks like Erste Group Bank, a capital surcharge may be introduced.

In addition, various regulatory regimes to which Erste Group is subject, such as Basel II, may also be modified such that they will affect the capital adequacy ratios applicable to financial institutions. A further need to increase capital requirements may also arise due to market perception of adequate capitalisation levels or target ratios and perceptions of the agencies rating Erste Group's debt.

Erste Group may also need additional capital in the future if losses in its operations increase more than expected or if asset quality deteriorates more rapidly than expected. As a result of the turbulence in the global credit markets and economic conditions in the markets in which it operates, Erste Group has experienced, and may continue to experience, downgrades in the

rating classifications assigned to portions of its credit portfolio. The regulatory capital requirement of the IRB model (See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Capital Adequacy”) is based on through-the-cycle estimates of probability of default. There is a risk that if declines in asset value lead to further downgrades (risk class migration) and consequent increases in Erste Group’s risk-weighted asset levels and thereby increase Erste Group’s regulatory capital requirements, this may lead to a need to obtain additional capital.

In addition to complying with minimum regulatory capital requirements on a consolidated level for the whole Erste Group, Erste Group Bank itself is also subject to minimum regulatory capital requirements. In addition, members of the Erste Group which are subject to local supervision in their country of incorporation may, on a single-entity and on a consolidated level, be required to comply with applicable local regulatory capital requirements. It is therefore possible that individual entities within Erste Group and/or sub-groups require more regulatory capital, even though the regulatory capital of Erste Group on a consolidated basis is sufficient.

In the course of the global financial crisis, the rules on regulatory capital for credit institutions have come under scrutiny by legislators, regulators and advisory bodies (e.g., the Basel Committee for Banking Supervision). Legislative or regulatory changes in the current definitions of what is deemed to qualify as core tier-1 capital (such as Erste Group Bank’s participation capital securities) could reduce Erste Group’s core tier-1 ratio or otherwise reduce the regulatory capital of Erste Group Bank and/or Erste Group on a single entity or consolidated level. There can be no assurance that in case of a change of the applicable rules, adequate grandfathering and/or transition periods will be implemented to allow Erste Group to repay and/or replace such derecognised core tier-1 or other regulatory capital in timely fashion or on favourable terms.

The net proceeds of the Combined Offering, assuming all of the New Shares are sold, would have the effect of increasing Erste Group’s tier-1 ratio—credit risk, on a pro forma basis as at 30 September 2009, to 10.2%, its tier-1 ratio—total risk to 8.8% and its core tier-1 ratio—total risk to 7.8%, as calculated pursuant to section 22 (1) of the Banking Act. However, there can be no assurance that Erste Group Bank’s capital levels will be sufficient to continue to meet regulatory requirements, including for the reasons cited above.

Erste Group may therefore need to obtain additional capital in the future. Such capital, whether in the form of hybrid capital or additional equity, may not be available on attractive terms, if at all. Further, any such development may expose Erste Group to additional costs and liabilities, require it to change how it conducts its business or otherwise have a negative impact on its business, the products and services it offers and the value of its assets. If Erste Group cannot obtain adequate funds to meet its capital needs through debt or hybrid capital, any additional capital obtained through share capital increases, which may be executed at prices below the Offer Price or the then current market price of the Shares, may dilute the ownership percentage held by current shareholders. There can be no assurances that any of these alternative methods would be successful in increasing Erste Group’s capital ratios sufficiently or on the timetable currently envisaged. If Erste Group is unable to increase its capital ratios sufficiently, it could be charged interest penalties, its ratings may drop and its cost of funding may increase, the occurrence of which could have a material adverse effect on its business, financial condition and results of operations.

#### **Erste Group’s risk management strategies and procedures may leave it exposed to unidentified or unanticipated risks**

Erste Group strategies and procedures for managing credit risk, country risk, market risk, liquidity risk and operational risk may prove insufficient or even fail. Some of Erste Group’s methods for managing risk are based upon observations of historical market behaviour. Statistical techniques are applied to these observations to arrive at quantifications of its risk exposures. These methods may not accurately quantify Erste Group’s risk exposure if circumstances arise which were not observed in its historical data. In particular, as Erste Group enters new lines of business or new

geographic regions, historical data may be incomplete. It is possible, for example, that the current economic downturn may impair Erste Group's ability to assess credit exposure and asset values if the models and techniques used become less predictive of future conditions, behaviours and valuations. As additional information becomes available, Erste Group may need to make additional provisions if default rates are higher than expected.

If circumstances arise that Erste Group did not identify, anticipate or correctly evaluate in developing its statistical models, losses could be greater than the maximum losses envisaged under its risk management system. Furthermore, the quantifications do not take all risks or market conditions into account. If the measures used to assess and mitigate risk prove insufficient, Erste Group Bank may experience material unanticipated losses, which could have a significant adverse effect on its business, financial condition and results of operations.

### **Erste Group faces significant operational risks inherent in the banking business**

The banking industry is, by its nature, subject to numerous and substantial operational risks, particularly in volatile or illiquid markets, and in developing markets. Erste Group is exposed to significant risks resulting from client or employee fraud, employee errors or misconduct as well as risks related to failure of counterparties to perform their obligations. There can be no assurances that the procedures and controls put in place by Erste Group will be effective in preventing each of the operational risks faced by Erste Group. Any resulting loss could have a material adverse effect on Erste Group's business, financial condition and results of operations and could have negative reputational consequences.

### **Changes in Erste Group Bank's accounting policies or standards could materially affect how it reports its financial condition and results of operations**

Erste Group Bank prepares its financial statements in accordance with IFRS as adopted by the EU. The International Accounting Standards Board from time to time announces changes in the IFRS standards or their interpretation, and these changes are generally mandatory for all companies that apply IFRS. Any such change could materially affect how Erste Group Bank records and reports its financial condition and results of operations.

### **Resignation or loss of key personnel could have an adverse effect on Erste Group's ability to execute its strategy**

Erste Group's key personnel, i.e., the members of the management board (*Vorstand*) of Erste Group Bank ("Management Board") and other members of Erste Group's senior management, have been instrumental in establishing and implementing Erste Group's key strategies. Their continued service at Erste Group is critical to the overall management of Erste Group and its ability to implement its strategies. The loss of their services could thus have a material adverse effect on Erste Group's business, financial condition and results of operations.

### **Erste Group may have difficulty recruiting or retaining qualified employees**

The continued growth of Erste Group's existing operations and its ability to successfully expand into new markets depends on its ability to retain existing employees and to identify and recruit additional individuals who are not only familiar with the local language, customs and market conditions, but also have the necessary qualifications and level of experience in banking. In many of the emerging markets in which Erste Group operates, or which it may enter in the future, the pool of individuals with the required set of skills is smaller than in most Western European countries. Increasing competition for labour in Erste Group Bank's extended home market from other international financial institutions may also make it more difficult for Erste Group to attract and retain qualified employees and may lead to rising labour costs in the future. Moreover, if caps or other restrictions were to be imposed on salaries or bonuses paid to executives of Erste Group Bank or its subsidiaries (including caps imposed by governments in

connection with extending support to Erste Group), Erste Group's ability to attract and retain high quality personnel could be limited and could result in losses of qualified personnel.

If Erste Group is unable to attract and retain new talent in key strategic markets or if competition for qualified employees increases its labour costs, this could have a material adverse effect on Erste Group's business, financial condition and results of operations.

### **Erste Group is increasingly dependent on sophisticated information technology systems**

Banks and their activities are increasingly dependent on highly-sophisticated information technology ("IT") systems. IT systems are vulnerable to a number of problems, such as software or hardware malfunctions, malicious hacking, physical damage to vital IT centres and computer virus infection. Harmonising the IT systems in Erste Group to create a consistent IT architecture poses significant challenges. IT systems need regular upgrading to meet the needs of changing business and regulatory requirements and to keep pace with the growth of Erste Group's existing operations and possible expansion into new markets. Erste Group may not be able to implement necessary upgrades on a timely basis, and upgrades may fail to function as planned. In addition to costs incurred as a result of any failure of its IT system, Erste Group could face fines from bank regulators if its IT systems fail to enable it to comply with applicable banking or reporting regulations. Consequently, any major disruption of its existing IT systems may have a material adverse effect on Erste Group's business, financial condition and results of operations.

### **Erste Group Bank may be required to provide financial support to troubled banks in the Haftungsverbund, which could result in significant costs and a diversion of resources from other activities**

In 2002, the Haftungsverbund was formed on the basis of a set of agreements with the majority of the Austrian savings banks. The purpose of the Haftungsverbund was to establish a joint early-warning system as well as a cross-guarantee for certain liabilities of the member savings banks and to strengthen Erste Group's cooperation in the market. See "Description of Erste Group's Business—Business Overview—Haftungsverbund".

Under the Haftungsverbund, Erste Group Bank and other member savings banks are obliged to provide financially troubled members with specified forms of financial and management support and, in the event of a member's insolvency, to contribute to the repayment of deposits. Under the Haftungsverbund, member savings banks are also required to follow specific credit and risk management guidelines for providing and managing loans, which are effectively set and monitored indirectly by Erste Group Bank although Erste Group Bank does not exercise direct operational control over the management of the member savings banks. These requirements are often more detailed and strict than those previously in place at certain of the individual savings banks. Erste Group Bank may be required to provide support and repay deposits even where there has been non-compliance by one or more members of the Haftungsverbund with the risk management requirements, even though Erste Group Bank may exercise little direct control over the management of the savings bank. Consequently, Erste Group Bank's ability to manage the risk associated with the financial obligations it has assumed under the Haftungsverbund will depend on its ability to enforce the risk management requirements of the system.

Erste Group Bank may be obliged to provide liquidity, take other measures and incur significant costs in the event that another savings bank in the Haftungsverbund experiences financial difficulties or becomes insolvent or in order to prevent one of the savings banks from experiencing financial difficulties. This could require Erste Group Bank to utilise resources in ways that could have a material adverse effect on Erste Group Bank's business, financial condition and results of operations.

### **Erste Group might be required to participate in or finance governmental support programs for credit institutions**

If a major bank or other financial institution in Austria or the CEE markets where Erste Group has significant operations were to suffer significant liquidity problems, risk defaulting on its obligations or otherwise potentially risk declaring bankruptcy, the local government might require Erste Group Bank or a member of Erste Group to provide funding or other guarantees to ensure the continued existence of such institution. This might require Erste Group Bank or one of its affiliates to allocate resources to such assistance rather than using such resources to promote other business activities that may be financially more productive, which could have an adverse effect on Erste Group's business, financial condition or results of operations. It could also result in a loss of the funds provided if the rescue of the affected institution is ultimately unsuccessful.

### **Erste Group is exposed to interest rate and interest spread risks**

Like all commercial banks, Erste Group earns interest from loans and other assets, and pays interest to its depositors and other creditors. If the spread on interest rates (the difference between the rate of interest that a bank pays to borrow funds from its depositors and other lenders and the rate of interest that it charges on loans it makes to its customers) decreases, then its net interest income will also decrease unless it is able to compensate by increasing the total amount of funds it loans to customers. A decrease in rates charged to customers will often have a negative effect on margins, particularly when interest rates on deposit accounts are already very low, since then the bank has little ability to make a corresponding reduction in the interest it pays to lenders. An increase in rates charged to customers can also negatively impact interest income if it reduces the amount of customer borrowings. For competitive reasons, Erste Group Bank may also choose to raise rates of interest it pays on deposits without being able to make a corresponding increase in the interest rates it charges to its customers. Additional central bank interest rate cuts could also lead to a further compression of net interest margins. Overall, large decreases in interest rates can be expected to have an adverse effect on Erste Group's net interest income and continued low interest rates will make it more difficult to achieve growth.

### **Since a large part of Erste Group Bank's and Erste Group's operations, assets and customers are located in CEE countries that are not part of the Euro-Zone, Erste Group Bank and its customers are exposed to currency risks**

A large part of Erste Group Bank's and Erste Group's operations, assets and customers are located in CEE countries that are not part of the Euro-Zone (*i.e.*, do not use the Euro as their functional currency), and financial transactions in currencies other than the euro give rise to foreign currency risks. For example, many of Erste Group's SME and retail customers in Hungary, Ukraine and Romania have taken out loans which are denominated in currencies other than their local currencies (primarily in EUR, USD and CHF). To the extent that the local currencies have declined in value, or in the future will decline in value, relative to the currency in which such loans were made, such borrowers would need to convert a larger amount of local currency into the currency in which the loan is denominated in order to make payments of principal and interest on the loan. In this scenario, Erste Group anticipates a higher number of defaults in its loan exposures in these countries. In addition, the equity investments that Erste Group Bank has in its non-Euro-Zone subsidiaries, and the revenues and balance sheet assets of non-Euro-Zone subsidiaries, when translated into Euro, may also be lower due to devaluation of their local currencies vis-à-vis the Euro. Erste Group hedges its foreign currency exposure related to capital investments in its foreign subsidiaries only to a very limited extent. These and other effects of currency devaluation could have a material adverse effect on Erste Group Bank's and Erste Group's business, financial condition, capital ratios, results of operations or prospects.

### **Erste Group could be required to make further write-downs in its balance sheet in the carrying value of goodwill and related intangible assets resulting from previous acquisitions**

During 2008, Erste Group Bank wrote down EUR 566.8 million in goodwill related to its subsidiaries in Romania, Serbia and Ukraine, of which EUR 480.0 was goodwill related to Banca Comercială Română S.A. ("BCR"). The carrying value of intangibles related to goodwill and brand on Erste Group's consolidated balance sheet as at 30 September 2009 was EUR 3.7 billion. Erste Group's Romanian subsidiary, BCR, accounted for EUR 2.1 billion, while EUR 1.1 billion was related to acquired goodwill in the Czech Republic, Slovakia and Hungary; EUR 532 million was related to other acquisitions.

Pursuant to IAS 36 "Impairment of assets", goodwill will be tested for impairment annually or if events or changes in circumstances indicate that it might be impaired. For a detailed description of Erste Group's goodwill accounting, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Accounting Policies—Goodwill". Erste Group typically tests for impairment in the fourth quarter of each financial year (or more frequently, if conditions so require), which leads to a greater likelihood of impairments becoming apparent at year end. This can lead to the reporting of a currently unexpected impairment when the annual financial statements are released, which can materially affect the reported results of Erste Group.

The carrying amount of goodwill on Erste Group's consolidated balance sheet would be reduced in the event that the effects of an economic downturn, persistence of stagnation or slower return to projected economic growth, increased competition or any other adverse event caused Erste Group's estimate of the businesses' future cash flows to be revised downwards or if the rate used to discount the cash flows is increased. Further goodwill impairments of subsidiaries could occur, especially with respect to BCR. Depending on the size of the reduction in goodwill, such a reduction could have a material adverse effect on Erste Group's results of operations in that period, on the reported amount of its assets and on its equity, and on Erste Group Bank's ability to pay dividends on the participation capital securities issued by Erste Group Bank in March/May 2009 ("Participation Capital Securities") and Shares.

### **A change of the European Central Bank collateral standards could have an adverse effect on the funding of Erste Group Bank and access to liquidity**

As of the date of this Prospectus, the European Central Bank ("ECB") accepts certain instruments including *Pfandbriefe* issued by Erste Group Bank as collateral for its tenders. If the ECB would restrict its collateral standards or if it would increase the rating requirements for collateral securities, this could materially increase Erste Group's funding costs and limit Erste Group's access to liquidity, especially where deposits or other sources of liquidity are inadequate in the short term, and accordingly have a material adverse effect on Erste Group's business, financial condition and results of operations.

### **Erste Group operates in highly competitive markets and competes against large international financial institutions as well as established local competitors**

Erste Group faces significant competition in all aspects of its business, both in Austria and CEE. Erste Group competes with a number of large international financial institutions and local competitors, including retail and commercial banks, mortgage banks, investment banking firms, insurance companies, mutual fund companies, brokerage firms and other financial services firms. The trend towards consolidation in the global financial services industry, which has increased due to the current financial and economic crisis, is creating competitors with extensive ranges of product and service offerings, with increased access to capital and with greater efficiency and pricing power. These global financial institutions may be more attractive, especially to certain large corporate customers, because of their larger international presence and/or financial resources. In some markets, in particular Hungary and Croatia, Erste Group faces competition from established local banks, which operate a larger number of branches than Erste Group and which are able to offer customers a wider range of banking and financial products and services, and may benefit from relationships with a large number of existing customers.

In Austria, Erste Group faces intense competition, both from its key Austrian competitors, UniCredit Bank Austria AG ("Bank Austria") and the Raiffeisen banks, as well as large international banks and new entrants from neighbouring countries. As a result of this competition, in particular in the retail segment, interest margins have historically been very low. Failure to maintain interest margins at current levels may have a significant negative impact on the Group's financial condition and results of operations.

As banking markets in CEE mature, Erste Group expects increased competition from both global financial institutions and local competitors and for net interest margins to decrease. Erste Group's ability to compete effectively will depend on the ability of its businesses to adapt quickly to significant market and industry trends. If Erste Group fails to compete effectively with either larger local competitors or large multinational financial institutions or if increased competition leads to reduced fees and lower profit margins, Erste Group's business, financial condition and results of operations may be adversely affected.

### **Erste Group Bank's major shareholder may be able to control shareholder actions**

As at 30 September 2009, DIE ERSTE Österreichische Spar-Casse Privatstiftung ("Erste Stiftung") held 31.0% of the shares in Erste Group Bank. Erste Stiftung has transferred all of its Subscription Rights to Criteria CaixaCorp, S.A. ("Criteria"). Assuming that the Erste Stiftung does not purchase any of the New Shares and that all of the New Shares are sold in the Combined Offering, the Erste Stiftung would hold approximately 26% of the Shares following completion of the Global Offering. In addition, the Erste Stiftung has the right to nominate one-third of the members of the Supervisory Board of Erste Group Bank that were not delegated by the Employee Council. In practice, the Erste Stiftung usually supports most proposals made by the Supervisory Board for the election of Supervisory Board members. However, the Erste Stiftung has, and is committed to, vote in favour of the two minority representatives on the Supervisory Board of Erste Group Bank that are selected by retail shareholders by a separate pre-election under supervision of a notary public. In addition, under the Preferred Partnership Agreement between Erste Stiftung and Criteria, the Erste Stiftung has agreed to vote in favour of one Supervisory Board member proposed by Criteria. Under Austrian corporate law and Erste Group Bank's Articles of Association, a shareholder that holds more than 25% of Erste Group Bank's shares is able to block a variety of corporate actions requiring shareholder approval, such as the creation of authorised or conditional capital, changes in the purpose of Erste Group Bank's business, mergers, spin-offs and other business combinations.

In addition, because voting is based on the number of shares present at a shareholders' meeting rather than the total number of shares outstanding, the ability of major shareholders to influence a shareholder vote on subjects which require a majority vote will often be greater than the percentage of outstanding shares owned by them. As a result, the Erste Stiftung will likely be able to exert significant influence on the outcome of any shareholder vote and may, depending on the level of attendance at a shareholders' meeting, be able to control the outcome of most decisions requiring shareholder approval.

Pursuant to its founding charter, the aims of the Erste Stiftung are to safeguard the future of Erste Group Bank as an independent organisation and to donate part of its income to the common welfare of the region within which Erste Group Bank operates. It is possible that in pursuing these aims the Erste Stiftung may exercise or be expected to exercise influence over the Erste Group in ways that may not be in the interest of other shareholders, which could have an impact on the market price of the Shares.

### **Contractual arrangements with the Republic of Austria may affect the business of Erste Group Bank and Erste Bank Oesterreich**

On 26 February 2009, Erste Group Bank and Erste Bank Oesterreich signed an agreement in principle under which the Republic of Austria agreed to subscribe for tier-1 capital (participation capital and hybrid tier-1 capital) ("*Grundsatzvereinbarung*"). The *Grundsatzvereinbarung* contains certain covenants and undertakings to the Republic of Austria in connection with the

issue of the above-mentioned tier-1 capital and in connection with the conduct of business of Erste Group Bank and Erste Bank Oesterreich, which are in force as long as the Republic of Austria holds such tier-1 capital. Such covenants *inter alia* include an obligation to use best efforts to provide loans at market rate terms to the Austrian economy in an amount double the nominal amount of tier-1 capital subscribed for by the Republic of Austria under the Grundsatzvereinbarung (also by way of members of Erste Group and the Savings Banks Sector) within three years after the subscription of such tier-1 capital, and an obligation to review the compensation schemes with regard to their incentivisation and appropriateness and to ensure, within the possibilities of contract law, that the remuneration policies of Erste Group Bank and Erste Bank Oesterreich are orientated towards long-term and sustainable aims, that they are transparent and that they do not induce the assumption of inappropriate risks. In addition, Erste Group Bank and Erste Bank Oesterreich must ensure, within the possibilities of contract law, that employees and members of corporate bodies must not receive inappropriate compensation, premiums or other inappropriate benefits, and no bonuses must be paid to the management of Erste Group Bank and Erste Bank Oesterreich for years in which the Republic of Austria does not receive the full dividend on the tier-1 capital subscribed by it. Furthermore, Erste Group Bank and Erste Bank Oesterreich need to secure that their business policy is aimed at a sustainable continuation of Erste Group Bank's and Erste Bank Oesterreich's business, in particular ensuring that the minimum equity ratio pursuant to Basel II plus 2 percentage points is not fallen short of, and that the tier-1 ratio (tier-1 capital before regulatory deductions to the total risk) does not fall below 7%. Complying with these covenants and undertakings may result in restricting Erste Group Bank's and Erste Bank Oesterreich's conduct of business. If Erste Group Bank and/or Erste Bank Oesterreich is unable to comply with such covenants and undertakings, it would be subject to contractual fines. If the Republic of Austria deems a covenant and/or undertaking violated, Erste Group Bank and/or Erste Bank Oesterreich would need to prove that this is not the case in order to avoid payment of a fine. In addition, the Republic of Austria could require that Erste Group Bank and/or Erste Bank Oesterreich comply with such covenants and undertakings by instituting court proceedings.

#### **Changes in laws or regulations in the countries in which Erste Group operates may have a material impact on its business, financial condition and results of operations**

Changes in laws or regulations in the countries in which Erste Group operates may materially impact Erste Group, including banking supervisory legislation, tax law, changes in regulations relating to financial services, securities products and other business conducted by Erste Group Bank.

The introduction of new regulations, such as the introduction of a new framework for capital adequacy rules commonly known as Basel II, changes to capital adequacy standards, or changes in accounting matters and/or their application, may have a material adverse effect on Erste Group's business and result in higher charges or compliance costs.

For example, it is widely expected that there will be a substantial increase in government regulation and supervision of the financial services industry, including the imposition of higher capital requirements, heightened disclosure standards and restrictions on certain types of transaction structures. If enacted, such new regulations could require additional capital to be injected into the members of Erste Group, or require Erste Group to enter into business transactions that are not otherwise part of its current group strategy. They might also prevent Erste Group from continuing current lines of operations, restrict the type or volume of transactions Erste Group may enter into, limit the payment of dividends by members of Erste Group to Erste Group Bank, or set limits on or require the modification of rates or fees that Erste Group charges on loans or other financial products. Erste Group may also face substantially increased compliance cost and material limitations on its ability to pursue business opportunities.

## **Risks related to the markets in which Erste Group operates**

### **Economic or political developments in CEE or a down-turn of the Austrian economy could have a material adverse effect on Erste Group's business**

Erste Group's business is concentrated in Central and Eastern Europe ("CEE") and in Austria. Consequently, Erste Group is particularly exposed to political and economic developments that affect general economic conditions in the banking market or the credit-worthiness of its customers in CEE or in Austria.

Erste Group operates throughout CEE, though mainly in the Czech Republic, Romania, the Slovak Republic, Hungary, Croatia, Serbia and Ukraine. As a result, Erste Group's operations are exposed to risks common to all regions undergoing rapid political, economic and social change, including currency fluctuations, exchange control restrictions, an evolving regulatory environment, inflation, economic recession, local market disruption and labour unrest. A recession, deflation, hyper-inflation or similar macroeconomic events, any of which could be triggered by the current financial and economic crisis would likely lead to an increase in defaults by its customers, which would decrease Erste Group's earnings. Political or economic instability resulting from the occurrence of any of these risks would adversely affect the market for Erste Group's products and services. The level of risk that Erste Group faces differs significantly from country to country.

Erste Group Bank cannot provide any assurance that political or economic instability will not occur, continue or increase in any of the countries in which it operates or that any such instability will not adversely affect Erste Group's business, financial condition and results of operations. In addition, Erste Group has operations in countries throughout CEE, and there can be no assurance that political or economic instability would be contained only to certain countries. Consequently, there is a risk that political or economic instability may continue to affect or may more heavily affect Erste Group's business across all of CEE. If political or economic instability were to continue, this could have a material adverse effect on Erste Group's business in CEE and its financial condition and results of operations.

Erste Group's largest single market is Austria. Consequently, Erste Group is particularly exposed to macro-economic or other factors which affect the growth in the Austrian banking market and the credit-worthiness of Austrian retail and corporate customers. These factors could include, among others, the persistence of current economic conditions or further economic downturn or a slower economic recovery than expected by Erste Group's management, deflation or a further decline in real estate prices which may be triggered by the current financial and economic crisis. If any of these events were to occur, it could have a material adverse effect on Erste Group's business in Austria and the results of its operations.

The occurrence of one or more of these events may also affect the ability of Erste Group Bank's clients or counterparties located in the affected country or region to obtain foreign exchange or credit and, therefore, to satisfy their obligations towards Erste Group Bank. These risks could have a material adverse effect on results of Erste Group's operations and financial condition.

The following paragraphs contain brief descriptions of several material risks Erste Group is exposed to in certain important geographical markets, all of which could, if any of such risks were to materialise, have a material adverse effect on Erste Group's operations or financial or trading positions. These descriptions should be read in conjunction with the other risk factors and do not purport to be complete. The CEE countries where Erste Group operates are in the midst of an economic slowdown, as is most of the world. The extent of the slowdown, as well as the measures being undertaken to address the slowdown, varies significantly from country to country within the CEE:

#### *Czech Republic*

Erste Group's operations in the Czech Republic posted an IFRS pre-tax profit for the Czech retail and SME segment of EUR 357.1 million in the first nine months of 2009, accounting for 33.1% of Erste Group's total pre-tax profit over that period. Source: Unaudited Interim Consolidated Financial Statements of Erste Group for the nine months ended 30 September 2009.

In 2008, real GDP in the Czech Republic grew by 2.6% but is expected to decline by 4.3% in 2009. The decline in economic activity in 2009 resulted mainly from a considerable decrease in inventories and the decline in fixed investments. The unemployment rate also increased and is expected to reach an average of 8.2% in 2009, compared to 5.4% in 2008. Despite this trend private consumption held up well and is expected to stay at last year's level in 2009. Interest rates hit new lows at 1.25%, while the Czech Crown almost recovered to pre-crisis strength against the euro. Source: Erste Group Research; GDP forecast data from Economist Intelligence Unit.

### *Romania*

Erste Group's Romanian subsidiary BCR posted an IFRS pre-tax profit for the Romanian retail and SME segment of EUR 128.3 million in the first nine months of 2009, accounting for 11.9% of Erste Group's total pre-tax profit over that period. Source: Unaudited Interim Consolidated Financial Statements of Erste Group for the nine months ended 30 September 2009.

Romania experienced significant economic growth between 2003 and 2008, with annual real GDP growth averaging 6.7% in that period. Strong foreign direct investments and capital inflows supported high consumption and investment growth. In late 2008, economic activity turned down sharply and further deteriorated in the first half of 2009, resulting in an estimated real GDP decline for the year of 7.5%. Lending to the private sector has been constrained by financial stress, tightening credit standards and limited access to external funding as well as declining demand from customers. With a large percentage of domestic loans denominated in foreign currencies (principally EUR), further RON devaluation would have a direct negative impact on loan portfolios in both the retail and corporate segments. Demand in 2009 was weak so far, mainly due to the worsening situation of the Romanian corporate and household sectors (further cuts in wages are expected for 2009 and 2010, with significantly higher unemployment in the public sector) as well as reduced demand from Romania's trading partners. If growth should return in the Eurozone and US, a return to economic growth in Romania seems possible in 2010, though it would be more moderate than in the past. As a result of the economic crisis Romania's budget deficit has risen sharply and the country turned to the IMF to meet its funding needs. The agreement with the IMF requires the Romanian Government to reduce the budget deficit substantially in 2010, which may limit the government's ability to stimulate growth. The IMF agreement has helped to stabilise the Romanian currency. The Romanian government has recently been dismissed, following a parliamentary censure. Until a new government is installed, the interim government will perform only those acts necessary for the administration of public affairs. The installation of a new government requires a vote of confidence by the Romanian Parliament for a prime minister candidate designated by the President of Romania. The current President's term of office expires shortly, with the first round of presidential elections scheduled for 22 November 2009, and it is uncertain when a new prime minister might be approved and a government will be installed. There is uncertainty whether the IMF agreement will be implemented given the current political circumstances. Source: Erste Group Research; GDP forecast data from Economist Intelligence Unit.

### *Slovak Republic*

Erste Group's operations in the Slovak Republic posted an IFRS pre-tax profit for the Slovak retail and SME segment of EUR 35.5 million in the first nine months of 2009, accounting for 3.3% of Erste Group's total pre-tax profit over that period. Source: Unaudited Interim Consolidated Financial Statements of Erste Group for the nine months ended 30 September 2009.

The recession in Europe, especially in Germany, has had an adverse impact on the Slovak economy. Exports are expected to fall by 21% in 2009, driven primarily by slowing demand in the export-oriented automotive sector. After several years of strong growth real GDP is expected to contract by 5.5% in 2009. While the current account deficit increased to 6.7% of GDP in 2008, the 2009 current account deficit is expected to narrow to around 4.0% of GDP. Average consumer price inflation is expected to hit an all time low of 1.8% in 2009. In addition to low demand

pressures, inflation might be further slightly reduced by the cuts in energy prices expected for the beginning of 2010. As a result of economic contraction, unemployment is expected to increase to an average of 12.1% in 2009, driven by lower export demand and returning workers from EU countries. The Slovak Republic entered the Euro-Zone in January 2009, which should additionally support macroeconomic stability. Source: Erste Group Research; GDP forecast data from Economist Intelligence Unit.

### *Hungary*

Erste Group's operations in Hungary posted an IFRS pre-tax profit for the Hungarian retail and SME segment of EUR 70.4 million in the first nine months of 2009, accounting for 6.5% of Erste Group's total pre-tax profit over such period. Source: Unaudited Interim Consolidated Financial Statements of Erste Group for the nine months ended 30 September 2009.

The macroeconomic outlook for Hungary in 2009 is challenging. The country saw its current account deficit swell again in 2008, making it highly reliant on external financing. In October 2008, the IMF and the World Bank approved a stand-by loan of EUR 20 billion. While GDP rose by a marginal 0.6% in 2008, a decline of 7.0% is expected for 2009, driven by a sharp drop in industrial exports and declining real disposable income available for private consumption. Tight credit conditions and poor export growth may limit the capacity for private investments, while fiscal policy is likely to be contractionary. With a large percentage of domestic loans denominated in foreign currencies (primarily EUR and CHF), HUF devaluation would have a direct negative impact on loan portfolios in both the retail and corporate segments. While inflation reached the central bank's mid-term target of 3% year-on-year in February 2009, it began to accelerate in July due to an increase in sales tax. The unemployment rate is expected to reach an average of 10.7% in 2009. Capitalizing on a more favourable market sentiment, the central bank is expected to continue reducing rates after a 200 basis points reduction in the base rate in July-September in order to support the real economy in the middle of the recession. Source: Erste Group Research; GDP forecast data from Economist Intelligence Unit.

### *Croatia*

Erste Group's operations in Croatia posted an IFRS pre-tax profit for the Croatian retail and SME segment of EUR 69.9 million in the first nine months of 2009, accounting for 6.5% of Erste Group's total pre-tax profit over such period. Source: Unaudited Interim Consolidated Financial Statements of Erste Group for the nine months ended 30 September 2009.

Economic activity saw a strong downturn in the first half of 2009 with private consumption and investment spending plummeting. A strong tightening of private consumption is to a large degree influenced by weak consumer sentiment, accompanied by stagnating credit activity and unfavourable developments in the labor market. Net exports actually expanded, primarily reflecting the strong contraction in imports. Recessionary pressures were, to some extent, offset by solid expansion of public consumption. Short-term indicators suggest a continuation of domestic demand slump, while the trade balance again points to a positive contribution from net exports resulting in an expected GDP contraction of 5.4%. The labour market is likely to deteriorate further, with unemployment expected to rise to an average of 9.7% in 2009.

Croatia is faced with depreciation pressures on the HRK/EUR exchange rate, an uncertainty regarding foreign capital inflows and large financing needs of domestic sectors. The Central Bank is likely to intervene in the FX market, should HRK face depreciation pressures in the following periods. Source: Erste Group Research; GDP forecast data from Economist Intelligence Unit.

### *Serbia*

Erste Group's operations in Serbia posted an IFRS pre-tax profit for the Serbian retail and SME segment of EUR 2.1 million in the first nine months of 2009, accounting for 0.2% of Erste Group's total pre-tax profit over that period. Source: Unaudited Interim Consolidated Financial Statements of Erste Group for the nine months ended 30 September 2009.

After recording strong growth in the past years, Serbia's real GDP is expected to decline by 4.0% in 2009, mainly driven by decreases in the manufacturing and construction segments, which was partially mitigated by favourable performance of the transportation, telecommunications and financial intermediation segments. Private consumption is supposed to further suffer due to lower domestic and cross-border credit activity, lower wages and negative sentiment. Investment activity is also likely to suffer significantly. The lack of anti-recession measures due to the stand-by arrangement with the IMF additionally might constrain economic growth in the near term. With no significant deviation of the FX rates and the anticipated more restrictive fiscal stance, inflation should decline to an average of 8.7% in 2009. At the same time unemployment is expected to rise to 16.5% in 2009. The political risk in Serbia remains quite high, even though the election of a pro-EU government in 2008 and the post-election break-up of the nationalist radical party have somewhat reduced political risk. Source: Erste Group Research; GDP forecast data from Economist Intelligence Unit.

### *Ukraine*

Erste Group's operations in Ukraine posted an IFRS pre-tax loss for the Ukrainian retail and SME segment of EUR 49.6 million in the first nine months of 2009. Source: Unaudited Interim Consolidated Financial Statements of Erste Group for the nine months ended 30 September 2009.

The global financial crisis and Ukraine's continuing unstable political environment have led to a worsening economic situation in Ukraine. The country entered a recession in 2008 as external demand for its metal products declined strongly and is expected to experience a real GDP decline of 17.0% in 2009. Due to a liquidity crisis on external and internal markets, an outflow of investment, a non-transparent intervention policy and a mounting trade deficit, the Ukrainian Hryvnya has devalued vis-à-vis the Euro by more than 50% in the past 15 months. In November 2008, Ukraine received a two-year stand-by loan aimed at stabilising its economy. The strong currency devaluation and reduced income of borrowers have caused delays in credit repayments and an increase in defaults.

As a result, the banking sector has entered into a period of cost-cutting and revision of strategic plans. Following a bank run in October 2008, the National Bank of Ukraine has issued a decree which intended to stabilise the banking system by temporarily freezing the growth of banks' assets, prohibiting extension of foreign exchange loans to borrowers that do not have revenues in foreign currency and prohibiting early withdrawals of deposits. Banks continue to shrink their portfolios of both local and foreign currency loans. Currently, there is almost no lending in foreign currency. A further significant devaluation of the hryvnya would intensify the already high inflationary pressure and could lead to significant debt service problems in the private sector. The government is experiencing difficulties funding the income side of the state budget in 2009, leading to an expected budget deficit of 4.0% in relation to GDP. With budget consolidation being one of the preconditions for further disbursements under the IMF stand-by loan agreement, a failure to meet such obligations could trigger a delay of IMF tranches, putting strains on external financing. Source: Erste Group Research.

### *CEE banking market*

The major risk for banking markets in the CEE region is the drying up of capital inflows from Western Europe. Those CEE countries that are struggling with significant external imbalances depend on these inflows to finance their current account deficits or their debt repayments. In these countries, the unavailability of external funding sources could directly affect local lending activity. Even those CEE countries that do not have large account imbalances depend on their foreign export markets. As exports have fallen significantly, the real economies of these countries have suffered significant slowdowns, leading to significantly higher unemployment and reduced consumer and business spending. Negative domestic sentiment and more restrictive lending policies tend to reduce investment activity and consumption. In addition, in some countries significant local currency devaluations have made it harder for borrowers to repay loans

denominated in foreign currencies. At the same time, it is difficult to lower interest rates on loans in local currency due to possible negative consequences for debt refinancing.

### **Foreign banks could reduce funding for their CEE subsidiaries**

There is a risk that foreign banks which are parent banks of local banks in CEE withdraw considerable amounts of funding (*i.e.*, withdrawing loans and/or capital) from their own subsidiaries in CEE thereby weakening the local economies and affecting customers of Erste Group who borrow from a number of different banks. This could lead to an increase of defaults throughout the economy or by Erste Group customers, and would accordingly have a material adverse effect on Erste Group's business, financial condition and results of operations.

### **There is a risk that committed EU funds will not be released and/or no further aid programmes will be adopted by the EU**

Some of the CEE countries in which Erste Group operates, including Ukraine, Serbia, Hungary and Romania, have been promised funds for infrastructure and other projects in substantial amounts by the EU and international credit institutions, including the European Bank for Reconstruction and Development ("EBRD"), the IMF and the European Investment Bank ("EIB"). If these funds are not released or are released only in part or with delay, or if no further aid will be made available by the EU and the international credit institutions, the relevant national economies could be adversely affected, which would in turn negatively affect Erste Group's business in the respective countries.

### **Bank failures**

If depositors were to withdraw significant amounts of savings, resulting in bank failures in one or more of the countries where Erste Group operates, this could result in a general negative psychological climate among depositors and investors throughout the region. This could lead to similar behaviour with respect to banks in other countries affecting even healthy banks. This would have a material negative effect on Erste Group.

### **Negative effects of possible severe liquidity problems of certain CEE countries on the whole CEE region**

There is a risk that certain CEE countries where Erste Group has operations will face severe liquidity problems. Hungary, Romania, Serbia and Ukraine have all turned recently to international institutions for assistance, and other countries in the CEE may be forced to do the same. If such liquidity problems should occur, this could have potential consequences throughout the region, e.g., Russia might again cut off gas supplies affecting the Western European and the CEE economies, there might be a "fire-sale" of the relevant countries' industrial assets, continuing political crises could result in unrest, etc. If any of these risks materialise, this would have a considerable negative effect on the business results and the financial condition of Erste Group.

### **There is a risk that governments in countries where Erste Group operates react to the current financial and economic crisis with increased protectionism, nationalisations or similar measures**

Governments in CEE countries where Erste Group Bank operates could take several measures to protect their national economies and/or currencies in response to the current financial and economic crisis, including among other things:

- require that loans denominated in foreign currencies like EUR, USD or CHF are converted into local currencies at unfavourable rates in order to assist local consumers and/or businesses;
- set limitations on the repatriation of profits (either through payment of dividends to their parent companies or otherwise) and/or export of foreign currency;
- set out regulations limiting interest rates that can be charged on consumer or business loans;
- prohibit money transfers abroad by banks receiving state support measures (e.g., loans granted to banks from sovereigns or covered by sovereign deposit guarantees); and

- Nationalisation of the local banks, with or without compensation, in order to stabilise the banking sector and the economy.

Any of these or similar state actions could have a material adverse effect on Erste Group's business, financial condition and results of operations.

### **Erste Group may be adversely affected by slower growth or recession in the banking markets in which it operates as well as slower expansion of the Euro-Zone and the EU**

Growth of the banking sector in the countries in which Erste Group operates has slowed, compared to previous years. As the economies of CEE mature (especially in the Czech Republic and the Slovak Republic), growth in the banking sector can be expected to slow further. The Czech Republic, Hungary and the Slovak Republic joined the EU in 2004 and Romania in 2007, while EU membership negotiations with Croatia are ongoing. Economic growth in the region may be constrained in coming years by continuing effects of the recent credit crisis and recession, as well as a slowing expansion of the Euro-Zone and the EU. In addition, EU legal, fiscal and monetary regulations may limit a country's ability to respond to local economic circumstances. Moreover, some of these countries are expected to raise tax rates and levies to EU standards in order to provide social protection for unemployed workers and others affected by the economic downturn and to put public sector finance on a sustainable basis, which could also limit their growth rates.

### **The legal systems and procedural safeguards in many CEE countries and, in particular, in the Eastern European countries are not yet fully developed**

The legal systems of most CEE countries have undergone dramatic changes in recent years. In many cases, the interpretation and procedural safeguards of the new legal and regulatory systems are still being developed, which may result in inconsistent application of existing laws and regulations and uncertainty as to the application and effect of new laws and regulations. This is especially true for countries that have not yet joined the EU, such as Croatia, Serbia and the Ukraine, which are at various stages of preparations for accession to the EU. For instance, the restrictions on inappropriate use of funds to influence official decisions are not as developed as in some Western European countries, and where they do exist, may not be regularly enforced, which has sometimes had a corresponding effect on the business culture in such countries. Additionally, in some circumstances, it may not be possible in those countries to obtain legal remedies to enforce contractual or other rights in a reasonably timely manner. Although institutions and legal and regulatory systems characteristic of parliamentary democracies have been developed in all of the countries in which Erste Group operates, they lack an institutional history, and there may be no generally observed procedural guidelines. As a result, shifts in government policies and regulations tend to be less predictable than in the countries of Western Europe. Moreover, existing laws may be subject to further substantial revision in countries that have recently joined or are expected to join the EU in order to bring them in line with EU standards. A lack of legal certainty or the inability to obtain effective legal remedies in a reasonably timely manner may have a material adverse effect on Erste Group's business, results of operations and financial condition.

### **Applicable bankruptcy laws and other laws and regulations governing creditors' rights in various CEE countries may limit Erste Group's ability to obtain payments on defaulted credits**

Bankruptcy laws and other laws and regulations governing creditor's rights vary significantly within the CEE region. In some countries, the laws offer significantly less protection for creditors than the bankruptcy regimes in Western Europe and the United States. In addition, it is often difficult to locate all of the assets of an insolvent debtor in CEE countries. Erste Group's local subsidiaries have at times had substantial difficulties receiving payouts on claims related to, or foreclosing on collateral that secures, extensions of credit that they have made to entities that have subsequently filed for bankruptcy protection. If the current economic downturn persists or

worsens, these problems could intensify, including as a result of changes in law or regulations intended to limit the impact of the recession on corporate and retail borrowers. These problems, if they persist or intensify, may have an adverse effect on Erste Group's business, results of operations and financial condition.

**Compliance with anti-money laundering, anti-corruption and anti-terrorism financing rules involves significant costs and efforts and non-compliance may have severe legal and reputational consequences**

Erste Group is subject to rules and regulations regarding money laundering, anti-corruption and the financing of terrorism. These rules and regulations have in recent years been tightened and may be expected to be further tightened and more strictly enforced in the future. Monitoring compliance with anti-money laundering, anti-corruption and anti-terrorism financing rules can put a significant financial burden on banks and other financial institutions and pose significant technical problems. Erste Group cannot guarantee that it is in compliance with all applicable anti-money laundering, anti-corruption and anti-terrorism financing rules at all times or that its Group-wide anti-money laundering, anti-corruption and anti-terrorism financing standards are being consistently applied by its employees in all circumstances. Any violation of anti-money laundering, anti-corruption or anti-terrorism financing rules, or even the suggestion of violations, may have severe legal, monetary and reputational consequences and could have a material adverse effect on Erste Group's business, financial condition and results of operations.

**Changes in consumer protection laws might limit the fees that Erste Group may charge for certain banking transactions**

A consumer protection law that may be proposed by the government of the Czech Republic could limit the fees that banks may charge for certain of their products and services. If enacted, such laws could reduce Erste Group's commission income in the Czech Republic, though the amount of any such reduction cannot be quantified at this time. The enactment of such a law in the Czech Republic, or the enactment of similar consumer protection laws in other countries in which Erste Group operates, could reduce Erste Group's net commission income and have a material adverse effect on its results of operations.

**Risks related to the Combined Offering and the New Shares**

**The price of the Shares could be volatile**

The price of Erste Group Bank's ordinary shares has historically been highly volatile. Following the Combined Offering, the trading price of the ordinary shares of Erste Group Bank could be subject to considerable volatility due, in particular, to variations in Erste Group Bank's actual or projected operating results, changes in projected earnings, a failure to meet the earnings expectations of research analysts and changes in general economic conditions or other factors. General volatility in stock prices as a whole, or of banks or financial institutions in general, could also put pressure on the market price of the Shares, without there being a direct connection with the business activities of the Erste Group, its financial condition and results of operations or its business outlook.

**Shareholders who elect not to participate in the Combined Offering will suffer dilution of their holdings in Erste Group Bank**

Subscription Rights that are not exercised within the Subscription Period will lapse with no value and the holder thereof will be entitled to no compensation. Accordingly, holders and financial intermediaries must ensure that all required exercise instructions are duly complied with. See "Rights Offering—Manner of Exercising Subscription Rights." If a holder or its financial intermediary fails to follow the procedures applicable to exercising the Subscription Rights, the Subscription Rights will lapse with no value and will no longer exist. Investors who hold their

Shares through one or more custodians or other intermediaries may have difficulty exercising or transferring their Subscription Rights in a timely manner or at all, if such custodians or intermediaries impose their own notice periods for exercise or transfer or do not provide information or instructions promptly to such investors or to their counterparties. Furthermore, to the extent shareholders do not exercise their Subscription Rights, or only partially exercise such Subscription Rights, such shareholder's proportional ownership and voting interest in Erste Group Bank will be reduced accordingly.

**Future sales or distributions of Erste Group Bank shares by major shareholders could depress the market price of the New Shares**

After completion of this Combined Offering and, in the case of Erste Stiftung, the end of the lock-up period, the Erste Stiftung may sell all or a portion of the Shares that they own. If Erste Stiftung, Criteria or any other of Erste Group Bank's major shareholders were to sell a considerable number of Shares, Erste Group Bank's share price could fall. None of Erste Group Bank's major shareholders is under any contractual obligation to maintain its share ownership, and accordingly, there can be no assurances that Erste Stiftung, Criteria or any other major shareholder will maintain its current ownership in Erste Group Bank following the Combined Offering and, in the case of Erste Stiftung, the end of the lock-up period.

**Erste Group Bank's ability to pay dividends on the Shares will depend on the availability of distributable profits**

Erste Group Bank's ability to pay dividends is influenced by a number of factors, primarily Erste Group Bank's ability to receive sufficient dividends from its subsidiaries. The payment of dividends to Erste Group Bank by its subsidiaries is, in turn, subject to restrictions including regulatory requirements and the existence of sufficient distributable reserves and cash in Erste Group's subsidiaries. The ability of these subsidiaries to pay dividends and Erste Group Bank's ability to receive distributions from its investments in other entities are subject to applicable local laws and regulatory requirements and other restrictions, including, but not limited to, applicable tax laws. These laws and restrictions could limit the payment of future dividends and distributions to the Company by its subsidiaries, which could restrict Erste Group Bank's ability to fund other operations or to pay a dividend to its shareholders. In addition, if it declares and makes a dividend payment on the Shares, Erste Group Bank is required to pay a dividend on the Participation Capital Securities. Any dividend payment to holders of Participation Capital Securities is required to be made prior to the distribution of a dividend to shareholders of Erste Group Bank. EUR 1,764 million in Participation Capital Securities are outstanding as of 30 September 2009. The dividend payable on the Participation Capital Securities is currently 8% per annum, which will be increased from the year 2014 on. See "Participation Capital—Dividend Payments on Participation Capital" for further information.

Moreover, Erste Group Bank may decide in the future to issue other financial instruments entitled to receive remuneration payments that rank senior to dividends payable on the Shares. In this case, the remuneration paid on such instruments would decrease Erste Group Bank's distributable profit and, accordingly, the amount of funds available to make dividend payments on the Shares. Therefore, to the extent Erste Group Bank's distributable profits are insufficient to pay both the dividend on the Shares and the dividend on the Participation Capital Securities and other senior securities, the dividend on the Participation Capital Securities and such other senior securities will be paid first and the shareholders of Erste Group Bank may receive only a reduced dividend or no dividend at all.

**Rights of shareholders in an Austrian corporation may differ from rights of shareholders in a corporation organised in another jurisdiction**

Erste Group Bank is a stock corporation organised under the laws of Austria. The rights of the Erste Group Bank shareholders are governed by the Articles of Association and by Austrian law.

These rights may differ in some respects from the rights of shareholders in corporations organised in jurisdictions other than Austria. In addition, it may be difficult for investors to enforce the securities laws of other jurisdictions, or to prevail in a claim against the Erste Group Bank based on those laws.

#### **A suspension of trading in the Shares could adversely affect the share price**

The FMA is authorised to suspend or request the relevant regulated market on which securities are admitted to trading to suspend such securities from trading, if, in its opinion, the respective issuer's situation is such that continued trading would be detrimental to the investors' interest. The FMA is further authorised to instruct the Vienna Stock Exchange to suspend trading in an issuer's securities in connection with measures taken against market manipulation and insider trading. The Vienna Stock Exchange must suspend trading in securities which no longer comply with the rules of the regulated market unless such step would likely cause significant damage to investors' interests or the orderly functioning of the market. If the Vienna Stock Exchange does not do so, the FMA could demand the suspension of trading in securities if it is in the interest of the orderly functioning of the market and does not impair investors' interests. Any suspension of trading in the Shares could adversely affect the share price.

#### **Certain shareholders may not be able to participate in equity offerings with Subscription Rights**

Austrian law provides for Subscription Rights to be granted to the existing shareholders of Erste Group Bank. Shareholders in certain jurisdictions, however, may not be entitled to exercise such Subscription Rights unless the Subscription Rights or the related shares are registered or qualified for sale under the relevant legislation or regulatory framework. Shareholders in these jurisdictions may suffer dilution of their shareholding should they not be permitted to participate in equity offerings with Subscription Rights.

#### **The Underwriting Agreement between Erste Group Bank and the Managers is subject to customary terms and conditions**

The New Shares are underwritten on the basis of an Underwriting Agreement, from which the Managers may withdraw under certain circumstances in particular the occurrence of events of *force majeure*. If the Managers withdraw from the Underwriting Agreement after the capital increase is registered in the commercial register, the shareholders who exercised their Subscription Rights will acquire New Shares at the Subscription Price. If the Underwriting Agreement is terminated prior to registration of the capital increase with the commercial register, the Combined Offering will not take place and the Subscription Rights will no longer exist or become worthless. Under such circumstances investors will not be entitled to delivery of shares of Erste Group Bank. Any investors engaging in so-called short selling bear the risk of being unable to meet their obligation to deliver New Shares. A reversal of Subscription Rights trading by the agent brokering the Subscription Rights transactions is equally excluded in such a case. Investors acquiring Subscription Rights will accordingly sustain a loss and costs incurred with respect to the subscription of New Shares will not be refunded.

#### **Erste Group Bank is subject to a dividend step-up under the Participation Capital Securities**

According to the terms and conditions of the Participation Capital Securities, Erste Group Bank is subject to a step-up of the dividends payable on the Participation Capital Securities. The dividends will increase (from 8.0% per annum) and be payable as follows: (i) For the business year from 1 January 2014 to 31 December 2014 at a dividend rate of 8.5% per annum, (ii) for the business year from 1 January 2015 to 31 December 2015 at a dividend rate of 9.0% per annum, (iii) for the business year from 1 January 2016 to 31 December 2016 at a dividend rate of 9.75% per annum, and (iv) for the business years from 1 January 2017, the dividend rates increase by 1% per annum each year, provided that the annual dividend must never exceed 12-Month-EURIBOR plus 10% per annum. In addition, Erste Group Bank is entitled to increase the dividend

rate at its discretion. Accordingly, if Erste Group Bank is unable to repay the Participation Capital Securities prior to 2014 (which repayment is subject to specific conditions), the dividend payable on the Participation Capital Securities will increase, and the portion of Annual Profits available for distribution to the shareholders of Erste Group Bank will decrease.

**The Participation Capital Securities are perpetual and can only be redeemed by Erste Group Bank under certain circumstances**

The Participation Capital Securities have no fixed final redemption date. Although Erste Group Bank may repay the Participation Capital Securities under certain circumstances, there may be limitations on its ability to do so. For example, the Participation Capital Securities may be redeemed only out of retained earnings, and may not be redeemed out of the proceeds of a share or debt issuance. In addition, upon any redemption of the Participation Capital Securities, under section 102a of the Banking Act an allocation corresponding to the amount of the redeemed participation capital must be made to the bank's restricted reserves (using retained earnings or free reserves). In case of the Participation Capital Securities, Erste Group Bank is obliged to repay the Participation Capital Securities at an amount not less than 100% of the nominal amount no later than (and including) 31 December 2018, and thereafter at 150% of the nominal value.

Furthermore, if Erste Group Bank does not pay dividends in full or in part on the Participation Capital Securities even if it has sufficient Annual Profits to do so, if there was no statutory obligation or any instructions from a supervisory body to retain Annual Profits, the repayment amount will be increased by the dividend shortfall.

Therefore, if Erste Group Bank's retained earnings or free reserves are less than such minimum redemption amount, it would not be able to redeem the Participation Capital Securities.

Furthermore, under current law, the Participation Capital Securities may not be redeemed in part.

Finally, Erste Group Bank may repay the Participation Capital Securities only if the repayment amount would not fall below 100% of the nominal amount. The repayment amount of the Participation Capital Securities could fall below 100% of their nominal amount because the Participation Capital Securities share in losses of Erste Group Bank *pari passu* with ordinary share capital and, therefore, in case of a capital reduction of Erste Group Bank, the participation capital represented by the Participation Capital Securities would be reduced *pro rata* with ordinary share capital. Therefore, even if Erste Group Bank had sufficient retained earnings or free reserves to redeem the Participation Capital Securities, it would not be permitted to do so if the redemption amount would be below 100% of the nominal value of the Participation Capital Securities. The repayment amount would first need to be raised back to 100% of the nominal amount through retained earnings. This restricts the ability of Erste Group Bank to repay the Participation Capital Securities.

These restrictions on repayment may make it more difficult for Erste Group Bank to repay the Participation Capital Securities prior to the dates on which Erste Group Bank will be required to pay either a higher dividend rate or a higher nominal amount. This could have the effect of reducing the amount of Annual Profits, if any, that would be distributable to the shareholders.

**Liquidation proceeds will be allocated among the holders of the Participation Capital Securities and the shareholders**

In case of a liquidation of Erste Group Bank, the Participation Capital Securities have a right to a share in the liquidation proceeds. The Participation Capital Securities' share of the liquidation proceeds will depend on the relation of the Participation Capital Securities to shares of Erste Group Bank (and other capital ranking *pari passu* with the Participation Capital Securities in liquidation, if any). Therefore, any liquidation proceeds will be shared *pari passu* between the shareholders and the holders of the Participation Capital Securities and the risk exists that the shareholders in case of Erste Group Bank's liquidation will receive only a very small share of liquidation proceeds (or none at all).

# The Combined Offering

## Combined Offering

The Combined Offering comprises up to 60 million ordinary no-par value bearer shares with a calculated notional amount of EUR 2.00 per share of Erste Group Bank, which will be newly issued by Erste Group Bank by utilising Erste Group Bank's authorised capital.

The Combined Offering consists of the Rights Offering to the existing shareholders of Erste Group Bank and to holders of Subscription Rights, and the Global Offering of such New Shares for which Subscription Rights are not exercised in the Rights Offering. The Global Offering comprises (i) a public offering to retail and institutional investors in Austria, the Czech Republic and Romania, (ii) a private placement in the United States to QIBs in reliance on Rule 144A under the Securities Act and (iii) a private placement outside Austria, the Czech Republic, Romania and the United States to selected qualified institutional investors in compliance with Regulation S under the Securities Act.

No action has been or will be taken in any jurisdiction other than Austria, the Czech Republic and Romania that would permit a public offering of the Subscription Rights or the New Shares. Investors, shareholders and depositary banks should inform themselves of applicable laws and regulations.

The Combined Offering will be subject to the Underwriting Agreement to be entered into between Erste Group Bank and Joint Global Coordinators and Joint Bookrunners (except for Erste Group Bank) on behalf of the Managers, which is expected to be signed on the date of this Prospectus. See "Plan of Distribution".

Erste Group Bank, Goldman Sachs International and J.P. Morgan Securities Ltd. are the Joint Global Coordinators and Joint Bookrunners in the Combined Offering. The New Shares will be underwritten by the Managers (except Erste Group Bank) after the expiration of the Subscription and Offer Periods, with the obligation to provide the New Shares against payment therefor to existing shareholders or holders of Subscription Rights, as the case may be, who have duly exercised Subscription Rights. In accordance with Section 153 para 6 of the Stock Corporation Act, this will not represent an exclusion of Subscription Rights.

Prior to the commencement of the Subscription and the Offer Periods, the Management Board has set, with the approval of the Supervisory Board, the Maximum Subscription and Offer Price to be EUR 32.00 and the maximum number of New Shares to be issued to be 60 million. The Management Board is authorised to determine, with the approval of the Strategy Committee of the Supervisory Board, in one or more resolutions the Subscription and Offer Price and the final number of New Shares to be issued (see also "Description of the Share Capital and Summary of the Articles of Association of Erste Group Bank—Authorised Capital").

The Management Board's resolution relating to the final Subscription and Offer Price and the final number of New Shares is expected to be adopted after expiry of the Subscription and Offer Periods on or about 17 November 2009. The Offer Price and the Subscription Price will be identical and will apply to the Rights Offering and the Global Offering, and will be set at or below the Maximum Subscription and Offer Price. The Offer Price and the definitive number of New Shares to be issued will be determined on the basis of the order book established in a book-building process taking into consideration the closing market price of the Existing Shares on the Vienna Stock Exchange on the day of pricing, expected to be on or about 17 November 2009. The final Subscription and Offer Price and the definitive number of New Shares sold in the Combined Offering will be announced and published, including by way of an ad hoc announcement, via electronic media, via the electronic media on or about 17 November 2009, deposited with the FMA according to Article 7 para 5 of the Capital Markets Act on or about 18 November 2009 and published by short notice in the *Amtsblatt zur Wiener Zeitung* (the Austrian official gazette) on or about 18 November 2009. The Subscription and Offer Price will be announced on websites in the Czech Republic and Romania on or about 17 November 2009.

The Subscription Price and the Offer Price will be due and payable no later than 20 November 2009. No expenses or taxes will be charged to the subscribers for or the purchasers of the New Shares, except for customary banking fees. Prospective subscribers and investors are advised to inform themselves about these costs.

The Combined Offering may be terminated, suspended or extended, the Subscription Period or the Offer Period may be extended or terminated, or the Offer Period may be shortened at the absolute discretion of Erste Group Bank and the Managers at any time. Subscription Rights not exercised by the end of the Subscription Period will expire without value and without right to compensation. The Combined Offering may not be revoked after commencement of trading in the New Shares.

## **Rights Offering**

Up to 60 million New Shares are being offered in the Rights Offering at the Subscription Price, which is equal to the Offer Price.

Erste Group Bank's shareholders are invited to exercise their Subscription Rights during the Subscription Period, which commences on 2 November 2009 and ends on 16 November 2009. Based on the subscription ratio of 16:3, shareholders (and holders of Subscription Rights) may subscribe for 3 New Shares for every 16 Existing Shares held (or the equivalent number of Subscription Rights).

Erste Group Bank reserves the right to maintain the subscription ratio even if the final number of New Shares issued is less than the maximum number of New Shares. This would lead to an increase of the interest in Erste Group Bank's share capital for a shareholder who exercises all of such shareholder's Subscription Rights, if the final number of New Shares issued is lower than the maximum number of New Shares.

Shareholders who do not hold a number of Existing Shares divisible by 16 will not be able to exercise their Subscription Rights in full.

Subscription orders will be accepted by Erste Group Bank, Graben 21, A-1010 Vienna, Austria (as subscription agent; *Bezugsstelle*), as well as by the Managers, all Austrian savings banks and other credit institutions in Austria, during ordinary business hours. Shareholders and holders of Subscription Rights can exercise their Subscription Rights by submitting coupon No. 23 of the Existing Shares, and holders of Subscription Rights held through a depository bank that maintains a securities account with OeKB or through a financial institution that is a participant in Euroclear or Clearstream or CDCP will be required to exercise their Subscription Rights by instructing such bank or financial institution to subscribe for New Shares on their behalf. Investors that hold Subscription Rights through Depozitarul Central SA may exercise their Subscription Rights by instructing their financial intermediaries (custodian bank / broker) that act as depositories for the shares entitled to Subscription Rights.

The exercise of a Subscription Right by shareholders or holders of Subscription Rights is irrevocable and cannot be annulled, modified, cancelled or revoked. Subscription Rights not duly exercised by 16 November 2009 will expire without value and without right to compensation. Investors holding their Subscription Rights through a depository bank are advised to inform themselves about the deadline for exercising their Subscription Rights imposed by their respective depository bank (disposition period). Such disposition period may end before 16 November 2009.

Subscription Rights may be exercised at the Maximum Subscription and Offer Price or at a lower price determined by the shareholder or holder of the Subscription Rights. Subscription Rights holders who do not wish to exercise their subscription rights at the Maximum Subscription and Offer Price but submit a subscription order at a price that is lower than the Maximum Subscription and Offer Price will be allocated the applicable number of New Shares corresponding to the number of Subscription Rights (taking into account the subscription ratio)

exercised by such holder only if the price limit set by the holder is not lower than the Subscription Price. The Subscription Price will be set at or below the Maximum Subscription and Offer Price and will be equal to the Offer Price. The Subscription Rights expire without value if the price limit set by their holders is lower than the Subscription Price. This can be avoided only by submitting a subscription order without a price limit or with a price limit corresponding to the Maximum Subscription and Offer Price. Shareholders and holders of Subscription Rights exercising Subscription Rights may set price limits only in multiples of EUR 0.25 per New Share.

Any extension of the Subscription Period or termination of the Rights Offering will be published via electronic media, in the *Amtsblatt zur Wiener Zeitung* (Austrian official gazette) and on the respective websites in the Czech Republic and Romania as soon as possible thereafter. In the event of a termination of the Rights Offering, Subscription Rights already exercised may become void and any payment made for the subscription will be returned to the subscriber without interest. If a shareholder or holder of Subscription Rights submits an invalid subscription or the Rights Offering is terminated, claims with respect to bank fees and other investor costs incurred in connection with the subscription will be governed by the contractual relationship between such investor and the financial institution that accepted the subscription.

From the beginning of the Subscription Period, Existing Shares will be traded without subscription rights ("ex subscription rights"). Subscription Rights will be transferable but are not expected to have any value; their ISIN is AT0000A0FNR6. Neither the Company nor the Managers have provided for, nor have they authorised that any other person may provide for, the Subscription Rights to be traded on the Vienna Stock Exchange or any other stock exchange.

Criteria has announced that it will exercise all of its own Subscription Rights, as well as all of the Subscription Rights of Erste Stiftung, which Criteria has acquired from Erste Stiftung. This amounts in total to approximately 36.2% of all Subscription Rights in the Rights Offering.

## **Global Offering**

New Shares for which Subscription Rights are not exercised in the Rights Offering will be offered in the Global Offering. The Global Offering consists of (i) a public offering to retail and institutional investors in Austria, the Czech Republic and Romania, (ii) a private placement in the United States to QIBs in reliance on Rule 144A under the Securities Act and (iii) a private placement to selected qualified institutional investors outside Austria, the Czech Republic, Romania and the United States in compliance with Regulation S under the Securities Act. The number of New Shares available for sale in the Global Offering will be determined after expiry of the Subscription Period.

The Offer Period during which investors may offer to purchase New Shares in the Global Offering will run from 2 November 2009 until 17 November 2009, 12:00 noon Vienna time.

Prospective investors seeking to purchase New Shares in the Global Offering are advised to contact their bank, broker or other financial adviser for further details regarding the manner in which purchase orders for New Shares are to be processed. In case of invalid purchase orders for New Shares in the Combined Offering, all claims for repayment of amounts paid by investors and for reimbursement of investors' costs in connection with the Combined Offering will be resolved according to the terms of the contractual arrangement between the investors and the financial institution that processed such investor's purchase orders.

Subject to availability, there will be no minimum and no maximum number of New Shares for which purchase orders may be submitted by prospective investors in the Global Offering, whether expressed as a number of New Shares or an amount in EUR. Multiple purchase orders will be accepted, subject to allocation as described below.

Prospective investors in the Global Offering may withdraw any purchase orders placed until the end of the Offer Period. After the Offer Price has been set, the New Shares for which

Subscription Rights are not exercised in the Rights Offering will be allocated to investors based on submitted purchase orders. No class of investors will receive preferential treatment in respect of allocations, except as set forth below under "Preferential allocation for retail investors". Purchase orders will be considered only if they are placed at a price equal to or higher than the Offer Price. The amount of New Shares, if any, allocated to an investor will be determined in the absolute discretion of Erste Group Bank and the Managers. Erste Group Bank and the Managers reserve the right to reject any order in whole or in part. Prospective investors in the Global Offering are therefore advised to contact their bank, broker or other financial adviser for details regarding the actual allocation of New Shares made to them. Although Erste Group Bank does not accept any responsibility therefor, Erste Group Bank expects that information regarding allocations in the Global Offering will be made available by these institutions on or about the day on which trading in the New Shares is expected to commence.

### **Preferential allocation for retail investors**

As part of the public offering in Austria, the Czech Republic and Romania, private individual investors in Austria, the Czech Republic and Romania are entitled to preferential allocation. Those who place their purchase orders for New Shares with Erste Bank Oesterreich, the Savings Banks, ecetra Central European e-Finance AG (brokerjet.at), Česká spořitelna, brokerjet České spořitelny (brokerjet.cz) and BCR will be guaranteed a preferential allocation of up to 700 New Shares, subject however to the amount of New Shares remaining after the exercise of the Subscription Rights.

### **Delivery and Settlement**

The New Shares will be represented by one or more modifiable global certificates that has been deposited with OeKB, Am Hof 4, A-1010 Vienna, Austria. The Managers expect to deliver the New Shares assigned in the Rights Offering and allotted in the Global Offering in book entry form through the facilities of OeKB, Euroclear, Clearstream and CDCP against payment of the Offer Price on or about 20 November 2009.

### **Special considerations for US Shareholders**

The Subscription Rights and the New Shares deliverable upon the exercise of Subscription Rights, have not been, and will not be, registered under the Securities Act or with any securities authority of any state of the United States and may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to the registration requirements of the Securities Act and in compliance with any applicable state securities laws. Other than QIBs that comply with the procedures described below, persons that are located in the United States will not be permitted to receive Subscription Rights to subscribe for New Shares pursuant to the exercise of the Subscription Rights. Except with respect to such QIBs, subscription instructions, application forms or other documents required in respect of the exercise of the Subscription Rights will not be accepted by Erste Group Bank, and custodians and nominees are advised not to pass on such instructions or applications or to effect any subscriptions based on them.

**The terms and conditions and procedures applicable to holders of Shares and Subscription Rights in the United States are described below only insofar as they differ from those that apply generally in the Rights Offering. To the extent that the generally applicable terms, conditions and procedures described elsewhere in this section are not contradicted or varied by the information set forth in this section, such terms, conditions and procedure will also apply to holders in the United States.**

A QIB will be permitted to exercise Subscription Rights and subscribe for New Shares upon exercise thereof only if the QIB:

- returns a duly completed and executed investor letter in the form of Annex 4 to this Prospectus to, and in accordance with the instructions of, its custodian or nominee; and

- sends copies of its duly completed and executed investor letter to Erste Group Bank to the addressee set forth in the investor letter,

in each case, prior to 4:00 pm (Vienna time) on 16 November 2009.

Subscription Rights evidenced by coupons can be exercised only in Austria. Persons exercising Subscription Rights evidenced by coupons are deemed to certify to Erste Group Bank and to the Managers, by presenting such coupons, that the Subscription Rights are not being exercised on behalf of a person in the United States. However, Subscription Rights evidenced by coupons may be exercised on behalf of a QIB by presentation of such coupons and delivery to the Rights Offering agent (and the bank to which the coupon is submitted) of a duly completed QIB investor letter in the form set out in Annex 4 hereto.

Qualifying holders who may wish to exercise Subscription Rights should consider that they may not be able to do so during usual US business hours on 16 November 2009, and should consult their depository banks or clearing system participants to determine the effective deadline for their exercise of Subscription Rights.

Holders of American Depositary Receipts ("ADR") under the Erste Group Bank's ADR program will not be permitted to subscribe for New Shares in respect of the ordinary shares that are represented by such ADRs.

### **Special considerations for the Rights Offer and the public offer in the Czech Republic**

Czech investors who take part in the Rights Offering and/or the public offer are required to follow the instructions provided by Česká spořitelna, or their respective financial intermediary and information published by CDCP. It will be at the discretion of Česká spořitelna how to administer the Combined Offering in the Czech Republic. No assurance can be given that the Subscription Rights or New Shares will be properly delivered unless the Czech investor or Czech holder of Subscription Rights and its custodian comply with all relevant instructions of Česká spořitelna, or its respective financial intermediary and CDCP. Holders of Subscription Rights should be aware that the disposition period, during which they may exercise their Subscription Rights, may terminate prior to the end of the Subscription Period. Czech investors should furthermore be aware that orders with Česká spořitelna can only be placed until 16 November 2009, 15:00 Prague time, since 17 November 2009 is a public holiday in the Czech Republic.

Should Erste Group Bank decide to modify the terms of the Rights Offering and/or the public offer, such change will be published on Erste Group Bank's website ([www.erstegroup.com](http://www.erstegroup.com)) and on the website of Česká spořitelna ([www.csas.cz](http://www.csas.cz)). Investors will not be notified individually.

The holders of Subscription Rights in the Czech Republic are advised to liaise with their respective custodians as to the form and time of exercise of their Subscription Rights.

The Subscription Rights will not be traded on the Prague Stock Exchange.

### **Special considerations for the Rights Offering and the public offer in Romania**

Romanian investors who take part in the Rights Offer and/or the public offer are required to follow the instructions provided by their respective financial intermediary (custodian bank / broker) and information published by Depozitarul Central SA.

No assurance can be given that the Subscription Rights or New Shares will be properly delivered unless the Romanian investor or Romanian holder of Subscription Rights and its financial intermediary (custodian bank / broker) comply with all relevant instructions of Depozitarul Central SA. Holders of Subscription Rights should be aware that the disposition period, during which they may exercise their Subscription Rights, may terminate prior to the end of the Subscription Period.

Should Erste Group Bank decide to modify the terms of the Rights Offer and/or the public offer, such change will be published on Erste Group Bank's website ([www.erstegroup.com](http://www.erstegroup.com)), on the website of Depozitarul Central SA ([www.depozitarulcentral.ro](http://www.depozitarulcentral.ro)) and on the website of BCR ([www.bcr.ro](http://www.bcr.ro)). Investors will not be notified individually.

The holders of Subscription Rights in Romania are advised to liaise with their respective financial intermediaries (custodian bank / broker), as the case may be, as to the form and time of exercise of their Subscription Rights.

The Subscription Rights will not be traded on the Bucharest Stock Exchange.

## **Dilution**

Erste Group Bank's consolidated net assets as of 30 September 2009 were EUR 14,083 million, or EUR 44.29 per Share, based on 317,925,086 Shares with a calculatory portion of the share capital of EUR 2.00 each. Net assets per Share are determined by dividing total assets less total liabilities by the number of Shares.

Assuming the issue of 60,000,000 New Shares in this Combined Offering at an Offer Price of EUR 27.50 per New Share, the closing price per Share on the Vienna Stock Exchange on 29 October 2009, the consolidated net assets of Erste Group Bank as of 30 September 2009 would have been EUR 41.47 per Share (Existing and New Shares) after deducting capital contribution tax, underwriting commissions and estimated expenses in connection with the Combined Offering payable by Erste Group Bank.

This represents an immediate decrease in consolidated net assets of EUR 2.82 per Share to existing shareholders who do not exercise their subscription rights and an immediate increase in net assets of EUR 13.97 per Share to new investors purchasing New Shares in the Combined Offering. Dilution per Share to new investors is determined by subtracting the consolidated net assets per Share after this Combined Offering from the Offer Price paid by a new investor.

The above calculation does not take into account the subscription of Shares under the MSOP 2005 and the MSOP 2008. To the extent Shares are subscribed for at prices lower than the Offer Price, there will be further dilution to new investors.

Each investor should be aware that the above calculation is based on a Subscription and Offer Price of EUR 27.50 per Share. The actual dilution will be based on the net proceeds based on the Subscription and Offer Price, which will be determined in accordance with the following formula: (final number of New Shares issued) x (Subscription and Offer Price) x (97%) – EUR 58.6 million (amount of expenses in connection with the Combined Offering payable by Erste Group Bank).

## **Admission to the Vienna Stock Exchange, the Prague Stock Exchange and the Bucharest Stock Exchange and commencement of trading**

Erste Group Bank has applied for listing of the New Shares on the Official Market of the Vienna Stock Exchange and expects trading on the prime market segment of the Vienna Stock Exchange on or about 19 November 2009. Erste Group Bank has also applied for listing of the New Shares on the Prague Stock Exchange and the Bucharest Stock Exchange and expects trading on the Prague Stock Exchange and the Bucharest Stock Exchange on or about 19 November 2009.

## Dividend policy of Erste Group Bank

Since 2005 Erste Group Bank's dividend policy with regard to its ordinary shares has not been based on a fixed dividend payout ratio, but rather on the Management Board's intention to increase the dividend on its ordinary shares by at least 10% over the prior year's dividend provided that targets for the respective year are achieved. Given the difficult market conditions that arose in 2008, which led to a decrease in net profit for the year, the Management Board decided to propose a decreased dividend on Erste Group Bank's ordinary shares of EUR 0.65 per Share (2007: EUR 0.75) to the annual shareholders' meeting. At this level the dividend payout ratio (with regard to ordinary shares) was in line with historic levels of about 20% to 25%. This reduction in the dividend amount on ordinary shares was designed to enable Erste Group Bank to retain a large part of its profit and strengthen its capital base. In the future, Erste Group Bank aims to continue to pay a dividend on its ordinary shares, the amount of which will be determined by Erste Group's profitability, growth outlook and capital requirements.

Past dividends are not an indication of future dividends to be paid by Erste Group Bank. Erste Group Bank intends to continue to pay dividends. However, the timing and amount of future dividend payments, if any, will depend upon Erste Group Bank's future earnings and prospects, capital requirements and financial condition and such other factors as the Management and Supervisory Boards of Erste Group Bank consider relevant, as well as the approval of shareholders. There can be no assurance that any dividends will be paid or that, if paid, they will correspond to the policy described above. For provisions on dividend distribution contained in Erste Group Bank's Articles of Association see "Description of the Share Capital and Summary of the Articles of Association of Erste Group Bank". Erste Group Bank's ability to pay dividends is based on its unconsolidated financial statements prepared in accordance with Austrian GAAP. Dividends may be paid only from the annual net profit (*Bilanzgewinn*) recorded in the Company's unconsolidated annual financial statements as approved by the Supervisory Board or by the shareholders' meeting. In determining the amount available for distribution, the annual net income (*Jahresüberschuss*) must be adjusted to account for any accumulated undistributed net profit or loss from previous years as well as for withdrawals from or allocations to reserves. Certain reserves must be established by law, and allocation to such reserves must therefore be deducted from the annual net income in order to calculate the annual net profit.

If it declares and makes a dividend payment on the Shares, Erste Group Bank is required to pay a dividend on the Participation Capital Securities. The dividend rate for the Participation Capital Securities is currently 8%, but this may increase over time. Any dividend payment to holders of Participation Capital Securities is required to be made prior to the distribution of a dividend to shareholders of Erste Group Bank. See "Description of the Share Capital and Summary of the Articles of Association of Erste Group Bank—Participation Capital—Dividend Payments on Participation Capital".

### Historical dividend payments by Erste Group Bank

Erste Group Bank has historically paid dividends on its shares. These dividends were paid within ten days after the annual shareholders' meeting which approved the dividend for the preceding financial year. Past dividends are not an indication of future dividends to be paid by Erste Group Bank on its ordinary shares. For information purposes only, dividend payment information on the ordinary shares of Erste Group Bank for 2008, 2007 and 2006 is set forth below:

in EUR per share	2008	2007	2006
Dividend per share .....	0.65	0.75	0.65

Source: Minutes of the annual shareholders' meetings 2009, 2008 and 2007 of Erste Group Bank

## Market price information

The Existing Shares have been listed for trading on the Vienna Stock Exchange since 4 December 1997. The table below sets forth the high and low closing prices of the Existing Shares in the Prime Market segment of the Vienna Stock Exchange since 2004:

	Closing price per Share <sup>(1)</sup>	
	High EUR	Low EUR
Year ended 31 December 2004 .....	39.80	24.78
Year ended 31 December 2005 .....	47.50	36.36
Year ended 31 December 2007 .....	59.00	40.40
Year ended 31 December 2006 .....	61.50	44.00
Year ended 31 December 2008 .....	49.20	13.25
Nine months ended 30 September 2009 .....	30.54	7.00

Source: Vienna Stock Exchange

(1) Adjusted for the four-to-one stock split in 2004.

Since 1 October 2002, the Existing Shares of Erste Group Bank have also been listed for trading on the Prague Stock Exchange. The table below sets forth the high and low closing prices of the Existing Shares in the main market A segment of the Prague Stock Exchange:

	Closing price per Share <sup>(1)</sup>	
	High CZK	Low CZK
Year ended 31 December 2004 .....	1,224.0	808.3
Year ended 31 December 2005 .....	1,390.0	1,088.0
Year ended 31 December 2006 .....	1,620.0	1,130.0
Year ended 31 December 2007 .....	1,741.0	1,175.0
Year ended 31 December 2008 .....	1,283.0	343.5
Nine months ended 30 September 2009 .....	778.5	202.5

Source: Prague Stock Exchange

(1) Adjusted for the four-to-one stock split in 2004.

Since 14 February 2008, the Existing Shares of Erste Group Bank have also been listed for trading on the Bucharest Stock Exchange. The table below sets forth the high and low closing prices of the Existing Shares in the main market RGS1 segment of the Bucharest Stock Exchange:

	Closing price per Share	
	High RON	Low RON
Year ended 31 December 2008 .....	177.5	51.0
Nine months ended 30 September 2009 .....	131.0	30.1

Source: Bucharest Stock Exchange

## Capitalisation of Erste Group

The following table sets forth, as of 30 September 2009, the consolidated capitalisation of Erste Group prepared in accordance with IFRS and the qualifying capital pursuant to the Banking Act (i) on an actual basis and (ii) on an adjusted basis to reflect the proceeds of the sale of 60 million New Shares at an assumed Offer Price equal to EUR 27.50, the closing price per Share on the Vienna Stock Exchange on 29 October 2009, and payment of expenses related to the Combined Offering of EUR 58.6 million. This table should be read in conjunction with the Unaudited Interim Consolidated Financial Statements and "Management's discussion and analysis of financial condition and results of operations—Liquidity and Capital Resources / Capital Adequacy". Since 30 September 2009, there has been no material change to the information contained in the table below.

In EUR million, except as otherwise indicated	As of 30 September 2009 unaudited	As of 30 September 2009 unaudited (adjusted for the Combined Offering)
<b>Capitalisation</b>		
Share Capital	636	756 <sup>(10)</sup>
Participation capital <sup>(1)</sup>	1,760	1,760 <sup>(11)</sup>
Additional paid-in capital	4,592	6,122 <sup>(12)</sup>
Retained earnings and other reserves	3,679	3,620 <sup>(13)</sup>
Shareholders' equity	10,667	12,258 <sup>(14)</sup>
Minority interests	3,416	3,416
<b>Total equity (including minority interests)</b>	<b>14,083</b>	<b>15,674</b>
Hybrid issues	1,177	1,177
Subordinated issues and deposits	3,011	3,011
Supplementary capital	1,996	1,996
Total secured debt	6,202	6,202
Total long-term unsecured debt	24,229	24,229
<b>Total Capitalisation<sup>(2)</sup></b>	<b>50,697</b>	<b>52,289<sup>(15)</sup></b>
<b>Qualifying Capital as determined pursuant to the Banking Act<sup>(3)</sup></b>		
Tier-1 capital (before regulatory deductions) <sup>(4)</sup>	9,473	11,123 <sup>(14)(16)</sup>
Qualifying supplementary capital (Tier-2)	4,345	4,345
Short-term subordinated capital (Tier-3)	398	398
<b>Total qualifying capital</b>	<b>14,216</b>	<b>15,866</b>
Deductions according to section 23 (13) 3 and 4 (excl. 4a) of the Banking Act—50% from tier-1 capital and 50 % from tier-2 capital	(600)	(600)
Deductions according to section 23 (13) 4a Banking Act— 100% from tier-2 capital	(182)	(182)
<b>Total eligible qualifying capital</b>	<b>13,434</b>	<b>15,084</b>
Capital requirement	9,858	9,858
Surplus capital	3,576	5,226
Cover ratio <sup>(5)</sup>	136.3%	153.0%
Tier-1 capital (after regulatory deductions)	9,173	10,823 <sup>(14)(16)</sup>
Core tier-1 capital (after regulatory deductions)	7,996	9,646 <sup>(14)(16)</sup>
Tier-1 ratio—credit risk <sup>(6)</sup>	8.6%	10.2%
Core tier-1 ratio—total risk <sup>(7)</sup>	6.5%	7.8%
Tier-1 ratio—total risk <sup>(8)</sup>	7.4%	8.8%
Solvency ratio <sup>(9)</sup>	10.9%	12.2%

Source: Unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009, except that the figures shown under "Participation capital", "Total secured debt", "Total long-term unsecured debt", "Total Capitalisation", "Total qualifying capital", "Core tier-1 capital", "Deductions according to section 23 (13) 3 and 4 (excl. 4a) of the Banking Act—50% from tier-1 capital and 50 % from tier-2 capital", "Deductions according to section 23 (13) 4a Banking Act—100% from tier-2 capital", "Tier-1 ratio—credit risk" and "Tier-1 ratio—total risk" are based on internal calculations or information of Erste Group Bank.

- (1) Participation capital according to section 23(4) Banking Act net of expenses associated with the capital raising of EUR 4 million.
- (2) Figures are based on financial statements in accordance with IFRS.
- (3) Since 30 September 2009, Erste Group Bank has issued no shares.
- (4) Tier-1 capital (before regulatory deductions) is the tier-1 capital (including hybrid capital pursuant to section 24 (2) 5 and 6 Banking Act) before regulatory deductions.
- (5) Cover ratio is the ratio of total eligible qualifying capital to total capital requirement.
- (6) Tier-1 ratio—credit risk is the ratio of tier-1 capital (including hybrid capital pursuant to section 24 (2) 5 and 6 Banking Act) after regulatory deductions, to risk-weighted assets (pursuant to section 22 (2) of the Banking Act).
- (7) Core tier-1 ratio—total risk is the ratio of tier-1 capital (excluding hybrid capital pursuant to section 24 (2) 5 and 6 Banking Act) after regulatory deductions, to the calculation base for the capital requirement pursuant to section 22 (1) Banking Act.
- (8) Tier-1 ratio—total risk is the ratio of tier-1 capital (including hybrid capital pursuant to section 24 (2) 5 and 6 Banking Act) after regulatory deductions, to the calculation base for the capital requirement pursuant to section 22 (1) Banking Act.
- (9) The solvency ratio is the ratio of the sum of tier-1, tier-2 and tier-3 capital, after regulatory deductions, to the calculation base for the capital requirement pursuant to section 22 (1) Banking Act.
- (10) The amount of adjusted share capital depends on the amount of New Shares issued. It is calculated as follows: (total number of New Shares issued) x EUR 2.00).
- (11) Assumes that no new participation capital will be issued in connection with the Combined Offering and that any participation capital subscribed for by holders pursuant to the anti-dilution provisions of the participation capital will either be Participation Capital Securities held in treasury by Erste Group Bank or outstanding Participation Capital Securities held by existing holders not exercising such subscription rights. See "Description of the Share Capital and Summary of the Articles of Association of Erste Group Bank—Participation Capital—Dilution Protection of Participation Capital" for further details.
- (12) The amount of adjusted capital reserves depends on the amount of New Shares issued and the final Subscription and Offer Price. It is calculated as follows: (total number of New Shares issued) x (final Subscription and Offer Price—EUR 2.00).
- (13) Other reserves are adjusted by expenses related to the Combined Offering.
- (14) Shareholders' equity, tier-1 capital and Core tier-1 capital have not been amended for potential acquisitions of New Shares by members of the Haftungsverbund.
- (15) The adjustment of the total capitalisation results from the adjustment of the share capital, the capital reserves and other reserves.
- (16) Tier-1 capital has not been adjusted for expenses of EUR 58.6 million related to the Combined Offering.

# Background of the Combined Offering and use of proceeds

## Background of the Combined Offering

The financial markets experienced unprecedented turbulence and volatility following the summer of 2007, starting with the negative implications of the housing market downturn in the United States on the global economy. Reduced demand for securitised assets and credit instruments, declining asset prices, widening of spreads for credit products, as well as the contraction of fixed income markets and money market funds led to a severe liquidity and the credit crisis. These factors also put significant strain on the banking sector.

The financial crisis severely intensified following the bankruptcy of Lehman Brothers in September 2008. A number of international banks and financial services companies defaulted or had to be supported or rescued through government and other interventions, resulting in a crisis of confidence among market participants and customers. This disruption to, and volatility in, the financial markets also affected the economy as a whole, as confidence among companies and consumers fell sharply in reaction to the continued negative news and reduced availability of credit. Sharply reduced overall economic growth expectations in conjunction with the expectation of increasing default rates and reduced recovery values of corporate and private loans put further stress on the banking sector.

Compared with the late 2008 and early 2009 periods, systemic risks have been partially reduced following unprecedented policy actions and first signs of improvement in the real economy. Nonetheless, the risk of a setback for the real and financial sectors remains significant. While tail risks in emerging markets can be perceived to have declined as a result of strong policy measures—including increased IMF resources—vulnerabilities still exist.

Many banks had to recognise sizable write-downs on particular asset classes and there are expectations of further increasing default rates in the loan books, which triggered a need for new capital to be injected. Since the beginning of the crisis, governments across many countries adopted measures to recapitalise financial institutions through injection of common equity or hybrid capital and by providing financial guarantees. A number of European and US financial institutions have also started to strengthen their capital positions by raising capital in the public markets.

Policymakers are aiming to provide a plan for the future regulatory framework that mitigates the build-up of systemic risks and underpins confidence, thereby contributing to sustained economic growth. These regulatory initiatives on a local and global level are expected to lead to an increase of minimum capitalisation levels, improved quality of available capital and the introduction of pro-cyclical reserving levels.

Erste Group's markets have also been affected by the global recession and the turbulence in the financial markets, weakening economic conditions, falling property prices and rising unemployment. These are having an adverse impact on the region and on the financial condition of corporate and retail banking customers in these countries, particularly in the form of increasing NPL and loan loss provisions. The economic environment has been and remains challenging in the markets where Erste Group operates.

## Reasons for the Combined Offering

Erste Group has a long history of maintaining capital adequacy well in excess of the minimum levels set by regulators. The Management Board believes it to be prudent and in the best interests of all Erste Group Bank's stakeholders to proactively strengthen Erste Group Bank's capital position.

By the Combined Offer, Erste Group seeks to achieve the following:

- *Further increase capital ratios and improve capital mix.* The Combined Offering will enable Erste Group to improve its capital mix by increasing the share of its capital represented by higher quality core tier-1 capital. Erste Group Bank has already raised EUR 1.764 billion of core tier-1 eligible participation capital in the first half of 2009, of which EUR 1.224 billion was issued to the Republic of Austria and an additional EUR 540 million was subscribed for by private investors on the same terms. Instead of issuing additional government-sponsored hybrid capital, Erste Group Bank intends to raise straight equity in the public markets through the Combined Offering, which will increase its core tier-1 capital and tier-1 capital.
- *Provide flexibility for potential new or changed regulatory capital ratio requirements and address market expectations of higher levels of capital in the banking sector.* There has been a shift in regulators' and investors' expectations towards higher capital levels and reduced leverage within the banking sector, owing to increased perceptions of risk. This is reflected in the recent capital raising activity by European and US financial institutions. The addition of core tier-1 capital from the Combined Offering will enhance Erste Group Bank's ability to meet potential future requirements by regulators or financial markets to increase capital ratios.
- *Provide financial resources to finance further growth in the CEE markets.* Current real GDP forecasts suggest a faster recovery in CEE countries, with stronger real GDP growth rates in 2010 and thereafter compared with the EU-15. The development of CEE banking markets should continue to benefit from lower financial intermediation levels than those currently recorded in more developed markets, such as the EU-15. The Combined Offering will provide financial resources for Erste Group to finance further growth in the CEE markets.

## **Use of proceeds**

Based on an assumed Offer Price of EUR 27.50, which was the closing price of the Shares on the Vienna Stock Exchange on 29 October 2009, Erste Group Bank expects the net proceeds of the Combined Offering to be approximately EUR 1,650 million, if all New Shares are issued, after deducting capital contribution tax, underwriting commissions and offering expenses of an estimated EUR 58.6 million.

Erste Group Bank intends to use the net proceeds from the Combined Offering for the strengthening of Erste Group Bank's capital base and to increase Erste Group Bank's financial flexibility.

## Erste Group selected financial and other information

The financial data provided below has been derived from Erste Group's Consolidated Financial Statements, which were prepared in accordance with IFRS. The minority interest includes, among others, savings banks in which Erste Group Bank holds a minority interest or no interest but over which it exercises control under the Haftungsverbund. In 2008 Erste Group reported discontinued operations which led to a re-presentation of the income statement of 2007. See "General Information—Presentation of Financial Information".

### Balance Sheet

in EUR million	As of 30 September	As of 31 December		
	2009 unaudited	2008 audited	2007 audited	2006 audited
<b>Assets</b>				
Cash and balances with central banks . . . . .	5,458	7,556	7,615	7,378
Loans and advances to credit institutions . . . . .	13,938	14,344	14,937	16,616
Loans and advances to customers . . . . .	129,954	126,185	113,956	97,107
Risk provisions for loans and advances . . . . .	(4,713)	(3,783)	(3,296)	(3,133)
Trading assets . . . . .	8,389	7,534	6,637	6,188
Financial assets—at fair value through profit or loss . . . . .	3,752	4,058	4,534	4,682
Financial assets—available for sale . . . . .	16,187	16,033	16,200	14,927
Financial assets—held to maturity . . . . .	14,163	14,145	16,843	16,700
Investments of insurance companies . . . . .	0	0	8,054	7,329
Equity holdings in associates accounted for at equity . . . . .	260	260	285	383
Intangible assets . . . . .	4,975	4,805	5,962	6,092
Property and equipment . . . . .	2,411	2,386	2,289	2,165
Tax assets . . . . .	630	859	446	317
Assets held for sale <sup>(1)</sup> . . . . .	31	526	0	0
Other assets . . . . .	8,118	6,533	6,057	4,952
<b>Total assets</b> . . . . .	<b>203,553</b>	<b>201,441</b>	<b>200,519</b>	<b>181,703</b>
<b>Liabilities and equity</b>				
Deposits by banks . . . . .	26,920	34,672	35,165	37,688
Customer deposits . . . . .	113,317	109,305	100,116	90,849
Debts securities in issue . . . . .	30,431	30,483	31,078	21,814
Trading liabilities . . . . .	3,175	2,519	1,756	1,200
Underwriting provisions . . . . .	0	0	8,638	7,920
Other provisions . . . . .	1,670	1,620	1,792	1,780
Tax liabilities . . . . .	459	389	329	291
Liabilities associated with assets held for sale <sup>(2)</sup> . . . . .	0	343	0	0
Other liabilities . . . . .	7,314	4,968	4,653	4,047
Subordinated liabilities . . . . .	6,184	6,047	5,589	5,210
<b>Total Equity</b> . . . . .	<b>14,083</b>	<b>11,095</b>	<b>11,403</b>	<b>10,904</b>
Shareholders' equity . . . . .	10,667	8,079	8,452	7,979
thereof participation capital <sup>(3)</sup> . . . . .	1,760	—	—	—
Minority interests . . . . .	3,416	3,016	2,951	2,925
<b>Total liabilities and equity</b> . . . . .	<b>203,553</b>	<b>201,441</b>	<b>200,519</b>	<b>181,703</b>

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008, 31 December 2007 and 31 December 2006 and unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009

(1) Includes the assets of a Romanian subsidiary which is classified as held for sale (disposal group) according to IFRS 5.

(2) Includes liabilities of a Romanian subsidiary which is classified as held for sale (disposal group) according to IFRS 5.

(3) Participation capital according to section 23(4) Banking Act net of expenses associated with the capital raising of EUR 4 million.

## Income statement and key ratios

in EUR million, unless indicated otherwise	For the nine months ended 30 September		For the year ended 31 December			
	2009 unaudited	2008 unaudited	2008 audited	2007 re-presented audited	2007 audited	2006 audited
Net interest income . . . . .	3,840.9	3,573.3	4,913.1	3,945.8	3,945.8	3,189.3
Risk provisions for loans and advances . . . . .	(1,449.2)	(602.3)	(1,071.4)	(454.7)	(454.7)	(439.1)
Net fee and commission income . . . . .	1,313.3	1,489.0	1,971.1	1,857.9	1,857.9	1,445.9
Net trading result . . . . .	503.0	184.9	114.7	351.1	351.1	277.9
General administrative expenses . . . . .	(2,880.3)	(3,053.7)	(4,001.9)	(3,642.1)	(3,642.1)	(2,945.3)
Income from insurance business . . . . .	0.0	0.0	0.0	0.0	35.0	35.8
Other operating result . . . . .	(201.8)	(141.0)	(778.8)	(169.3)	(169.3)	(144.0)
Result from financial assets—at fair value through profit or loss . . . . .	56.4	(114.9)	(295.6)	(47.8)	(47.8)	(4.5)
Result from financial assets—available for sale . . . . .	(106.4)	(11.6)	(213.8)	51.0	51.0	100.0
Result from financial assets—held to maturity . . . . .	2.0	(1.9)	(61.2)	0.7	0.7	6.2
Pre-tax profit for the period <sup>(1)</sup> . . .	1,077.9	1,321.8	576.2	1,892.6	1,927.6	1,522.2
Taxes on income <sup>(2)</sup> . . . . .	(269.6)	(264.4)	(177.3)	(371.0)	(377.6)	(339.8)
Post-tax profit <sup>(3)</sup> . . . . .	808.3	1,057.4	398.9	1,521.6	1,550.0	1,182.4
Post-tax profit from discontinuing operations . . . . .	0.0	610.2	639.7	28.4	0.0	0.0
Net profit before minority interests . . . . .	808.3	1,667.6	1,038.6	1,550.0	1,550.0	1,182.4
Minority interests . . . . .	(88.2)	(204.6)	(179.0)	(375.3)	(375.3)	(250.2)
Net profit after minority interests . . . . .	<b>720.1</b>	<b>1,463.0</b>	<b>859.6</b>	<b>1,174.7</b>	<b>1,174.7</b>	<b>932.2</b>
Earnings per share in EUR <sup>(4)</sup> . . . . .	1.96	4.67	2.74	3.76	3.76	3.10
Weighted average number of Shares outstanding (in thousands) . . . . .	312,723*	313,331*	313,219	312,040	312,040	300,273
Return on equity (ROE) <sup>(5)</sup> . . . . .	10.3%	21.7%	9.6%	14.1%	14.1%	13.7%
Cost-income ratio <sup>(6)</sup> . . . . .	50.9%	58.2%	57.2%	59.2%	58.8%	59.5%
Net interest margin <sup>(7)</sup> . . . . .	2.98%	2.77%	2.84%	2.49%	2.49%	2.31%
Risk costs <sup>(8)</sup> . . . . .	1.51%	0.67%	0.88%	0.44%	0.44%	0.50%

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008, 31 December 2007 and 31 December 2006 and unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009, except that figures marked with \* are based on internal calculations or information of Erste Group Bank

- (1) In 2008 and 2007 when discontinued operations are presented this is the pre-tax profit from continuing operations.
- (2) In 2008 and 2007 when discontinued operations are presented only taxes on income from continuing operations are included.
- (3) In 2008 and 2007 when discontinued operations are presented this is the post-tax profit from continuing operations.
- (4) In 2009, earnings per share were adjusted for the coupon of the participation capital in the amount of EUR 105.8 million.
- (5) The return on equity is the ratio of the annualised profit for the year after taxes and minority interest to average shareholders' equity including participation capital.
- (6) The cost-income ratio is the ratio of operating expenses (general administrative expenses) to operating income (the sum of net interest income, net fee and commission income, net trading result and income from insurance activities in 2006 and 2007 when no discontinued operations are presented).
- (7) Net interest margin is the ratio of annualised net interest income to average interest bearing assets.
- (8) Risk costs are the annualised net allocations to provisions in relation to average customer loans.

## Capitalisation as presented by Erste Group

	As of 30 September		As of 31 December		
	2009 unaudited Basel II	2008 unaudited Basel II	2008 audited Basel II	2007 audited Basel II	2006 audited Basel I
in EUR million, unless indicated otherwise					
Tier-1 capital (before regulatory deductions) <sup>(1)</sup> . . .	9,473	7,112	7,641	6,802	6,185
Qualifying supplementary capital (Tier-2) . . . . .	4,345	4,183	4,335	4,255	3,820
Short-term subordinated capital (Tier-3) . . . . .	398	400	402	386	331
Deductions pursuant to section 23 (13) 3 and 4 (excl. 4a) Banking Act—50% from tier-1 capital and 50% from tier-2 capital <sup>(2)</sup> . . . . .	(600)	(362)	(386)	(256)	(165)
Deductions pursuant to section 23 (13) 4a Banking Act—100% from tier-2 capital . . . . .	(182)	(257)	(234)	(73)	(60)
<b>Total eligible qualifying capital</b> . . . . .	<b>13,434</b>	<b>11,076</b>	<b>11,758</b>	<b>11,114</b>	<b>10,111</b>
<b>Total risk-base pursuant to section 22 (1) Banking Act<sup>(8)</sup></b> . . . . .	<b>123,227</b>	<b>119,942</b>	<b>119,975</b>	<b>109,612</b>	<b>99,405</b>
Tier-1 capital (after regulatory deductions) . . . . .	9,173	6,931	7,448	6,674	6,185
Core tier-1 capital (after regulatory deductions) <sup>(3)</sup> . . . . .	7,996	5,690	6,192	5,427	4,935
Tier-1 ratio—credit risk <sup>(4)</sup> . . . . .	8.6%	6.6%	7.2%	7.0%	6.6%
Core tier-1 ratio—total risk <sup>(5)</sup> . . . . .	6.5%	4.7%	5.2%	5.0%	5.0%
Tier-1 ratio—total risk <sup>(6)</sup> . . . . .	7.4%	5.8%	6.2%	6.1%	6.2%
Solvency ratio <sup>(7)</sup> . . . . .	10.9%	9.2%	9.8%	10.1%	10.2%

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008, 31 December 2007 and 31 December 2006 and unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009, except that certain figures shown under "Deductions according to section 23 (13) 3 and 4 (excluding 4a) of the Banking Act—50% from tier-1 capital and 50% from tier-2 capital", "Deductions according to section 23 (13) 4a Banking Act—100% from tier-2 capital", "Total risk-base pursuant to section 22 (1) 1 Banking Act", "Core tier-1 capital (after regulatory deductions)", "Core tier-1 ratio—total risk", "Tier-1 ratio—total risk" and "Solvency ratio" are based on internal calculations or information of Erste Group Bank.

- (1) Tier-1 capital (before regulatory deductions) is the tier-1 capital (including hybrid capital pursuant to section 24 (2) 5 and 6 Banking Act) before regulatory deductions.
- (2) In accordance with Basel I deductions are made only from tier-2 capital (until year end 2006).
- (3) Core tier-1 capital (after regulatory deductions) is tier-1 capital (excluding hybrid capital pursuant to section 24 (2) 5 and 6 Banking Act) after regulatory deductions.
- (4) Tier-1 ratio—credit risk is the ratio of tier-1 capital (including hybrid capital pursuant to section 24 (2) 5 and 6 Banking Act) after regulatory deductions, to risk weighted assets pursuant to section 22 (2) Banking Act.
- (5) Core tier-1 ratio—total risk is the ratio of tier-1 capital (excluding hybrid capital pursuant to section 24 (2) 5 and 6 Banking Act) after regulatory deductions, to the calculation base for the capital requirement pursuant to section 22 (1) Banking Act.
- (6) Tier-1 ratio—total risk is the ratio of tier-1 capital (including hybrid capital pursuant to section 24 (2) 5 and 6 Banking Act) after regulatory deductions, to the calculation base for the capital requirement pursuant to section 22 (1) Banking Act.
- (7) The solvency ratio is the ratio of the sum of tier-1, tier-2 and tier-3 capital, after regulatory deductions, to the calculation base for the capital requirement pursuant to section 22 (1) Banking Act.
- (8) The total risk-base pursuant to section 22 (1) Banking Act is the sum of the base for the credit risk (pursuant to section 22 (1) 1 Banking Act), the base for the market risk (pursuant to section 22 (1) 2 Banking Act—trading book), the base for the commodities risk and foreign exchange-risk, including the risk arising from gold positions, each for positions outside the trading book (pursuant to section 22 (1) 3 Banking Act) and the base for the operational risk (pursuant to section 22 (1) 4 Banking Act).

The following table presents the customer loan book as of 30 September 2009, excluding loans to financial institutions and commitments, by reporting segments, broken down by risk category, risk provisions, the non-performing loan coverage and NPL ratio. For the purpose of this table, "NPL ratio" and "NPL coverage" only relate to customer loans. See "Risk management".

As of 30 September 2009 unaudited								
in EUR million, unless indicated otherwise	Mgmt			Non-	Total	Risk	NPL	
	Low risk	attention	Substandard	performing	loans	provisions	coverage	NPL ratio
Retail & SME .....	78,036	18,527	5,038	7,251	108,851	4,023	55.5%	6.7%
Austria .....	45,515	10,178	1,606	4,052	61,352	2,052	50.6%	6.6%
EB Oesterreich ....	21,147	3,155	414	1,289	26,005	612	47.5%	5.0%
Savings banks .....	24,368	7,023	1,192	2,763	35,346	1,439	52.1%	7.8%
CEE .....	32,520	8,349	3,432	3,199	47,500	1,971	61.6%	6.7%
Czech Republic ....	13,753	2,548	618	752	17,672	482	64.1%	4.3%
Romania .....	5,739	2,536	1,730	1,186	11,191	633	53.4%	10.6%
Slovakia .....	4,250	728	305	403	5,686	310	77.0%	7.1%
Hungary .....	5,440	929	376	490	7,235	227	46.3%	6.8%
Croatia .....	3,017	1,240	240	256	4,753	214	83.5%	5.4%
Serbia .....	214	200	10	35	459	42	>100.0%	7.7%
Ukraine .....	108	168	152	76	504	62	81.9%	15.1%
GCIB .....	13,716	4,308	1,426	879	20,329	392	44.6%	4.3%
Group Markets .....	182	1	0	0	183	1	nm	0.0%
Corporate Center .....	473	109	5	4	591	198	nm	0.7%
<b>Total group .....</b>	<b>92,407</b>	<b>22,945</b>	<b>6,468</b>	<b>8,134</b>	<b>129,954</b>	<b>4,613</b>	<b>56.7%</b>	<b>6.3%</b>

Source: Unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009

# Management's discussion and analysis of financial condition and results of operations

## Introduction

Erste Group's ultimate parent company, Erste Group Bank is Austria's oldest savings bank. Erste Group is a leading retail banking group in its extended home market, which includes Austria and adjacent CEE—mainly in the Czech Republic, Romania, the Slovak Republic, Hungary, Croatia, Serbia and Ukraine. As of 30 September 2009, Erste Group had approximately 17.5 million customers. Erste Group includes the Austrian savings banks that are required under IFRS to be consolidated into Erste Group's results as a result of their membership in the Haftungsverbund and in which Erste Group Bank holds either a minority interest or no equity stake at all.

Erste Group is one of the largest banking groups in Austria with total assets of EUR 203.6 billion as of 30 September 2009, including the assets of savings banks consolidated pursuant to the Haftungsverbund (Source: Unaudited Interim Consolidated Financial Statements of Erste Group Bank).

Erste Group offers a full range of banking and financial services, including deposit taking, lending, mortgage lending, investment banking, securities trading and derivatives business (on its own account and for its customers), portfolio management, project finance, insurance brokerage, international trade finance, corporate finance, capital and money market services, foreign exchange, leasing and factoring.

As of 30 September 2009, Erste Group operated 3,185 branches and employed 51,012 people worldwide. Erste Group has a particular focus on its extended home market in CEE, and operates in the major financial centres of the world, such as New York, London and Hong Kong.

In August 2008, Erste Group implemented a new group organisational structure. This has resulted in a new segmental reporting structure divided into four areas largely aligned with Erste Group's new organisational setup: Retail & SME, Group Corporate & Investment Banking, Group Markets and Corporate Center (see "New Segment Structure"). This leads to a somewhat lower group contribution from the CEE subsidiaries since part of their local results are now allocated to the two holding business divisions, Group Corporate & Investment Banking and Group Markets. Erste Group believes the new structure will help to improve transparency as the subsidiaries' results will fully reflect their core business activities and thus allow better comparison between the regions. Erste Group's segment reporting is described more fully below under "Segment Reporting".

Erste Group is a multinational bank that, as a result of its expansion strategy, during the nine-month period ended 30 September 2009 earned approximately 58% of its net profit after minority interests in CEE.

## Key factors that impact Erste Group's business

Erste Group's business and the results of its operations are affected by a range of economic, political and other external factors that affect the banking business in general and Erste Group's operations in particular. Erste Group believes that the following factors have been or will be the principal drivers for the development of its business, its results of operations and its financial condition.

### Economic and banking environments in Austria and Erste Group Bank's extended home market

#### *Austria*

In 2008, Austria recorded real GDP growth of 1.7%, ahead of EU 15 growth of 0.5%. In 2009, real GDP declined on a quarterly basis by 2.7% in the first quarter and 0.5% in the second quarter, mainly driven by declining exports and investments. For the total year 2009, real GDP is expected

to decline by 3.5% based on further declines in exports and investments as well as domestic demand (despite stable private consumption). Overall, Austria remained among the richest countries in the world with GDP per capita in 2008 averaging EUR 34 thousand. Consumer prices in Austria increased by 3.2% in 2008. In the first nine months of 2009 the annual changes in consumer prices per month were recorded between negative 0.4% and positive 1.4%. The consumer price inflation forecast for the full year 2009 amounts to 0.1%. The unemployment rate increased to 4.7% in August 2009 from 4.2% in December 2008. Source: Economist Intelligence Unit, Eurostat, OeNB. The Austrian commercial banking industry, in particular the retail sector, is highly competitive, with substantial pricing pressures, relatively high operating costs and low profit margins. In addition, growth in banking services is limited by the existing high degree of penetration. Erste Group's future performance in Austria therefore depends, to a large extent, on its ability to control costs, increase its market share and enhance the profitability of its operations by increasing fee and commission income and improving net interest margins. Source: Eurostat.

### CEE

CEE is a large and diverse region that has experienced high levels of economic growth over the past decade. However, local banking services remain somewhat underdeveloped throughout the region, with continued room for development of additional demand for banking services of all kinds. Erste Group comprises significant banking subsidiaries in the Czech Republic, Romania, the Slovak Republic, Hungary, Croatia, Serbia and the Ukraine, and these countries are the current focus of its operations and planned operations in CEE.

All of these countries started with relatively low levels of GDP when their markets began to open up after 1989, and all have experienced relatively high rates of GDP growth in recent years. In the five-year period ended 31 December 2008, the average annual real GDP growth rates in the Czech Republic (5.3%), Romania (6.7%), the Slovak Republic (7.4%), Hungary (2.9%), Croatia (4.2%), Serbia (6.3%) and the Ukraine (6.5%) (based on data from Economist Intelligence Unit), were all well above the 2.1% average annual real GDP growth rate of the 15 countries that were EU members prior to the EU's expansion in May 2004 ("EU 15"). Historical GDP growth has led to a significant degree of economic convergence with Western Europe, which Erste Group expects to continue, particularly in the Czech Republic, Hungary and the Slovak Republic, although the GDP per capita of each of these seven CEE countries remains substantially below the average GDP per capita of the EU 15 (based on data from Eurostat). The growth in GDP has been accompanied by relatively high inflation and by a steady decline in unemployment in many of these countries until 2008. GDP decline in the Czech Republic (-4.3%), Romania (-7.5%), the Slovak Republic (-5.5%), Hungary (-7.0%), Croatia (-5.4%), Serbia (-4.0%) and the Ukraine (-17.0%) is forecasted to be stronger compared to EU 15 (-4.2%). However, current real GDP forecasts suggest a faster recovery in CEE countries with stronger real GDP growth rates in 2010 and thereafter compared to EU 15. Source: Economist Intelligence Unit, Eurostat.

Erste Group believes that given the relatively well-developed infrastructure, high education levels, increasing political stability and other factors, including EU integration and competitive tax regimes in these CEE countries, they have the potential for significant long-term growth at levels exceeding those in Austria following the current economic slowdown.

On 1 May 2004, the Czech Republic, Hungary and the Slovak Republic and on 1 January 2007 Romania became members of the EU and, as such, are subject to an extensive set of strict political, legal and economic minimum standards. They have benefited greatly from an influx of foreign direct investment during the period leading up to their EU accession and they continue to benefit both economically and fiscally from EU membership.

Romania, Serbia and Ukraine are less developed economically, but Erste Group believes they have greater long-term potential for growth, but also higher risks, than Croatia, the Czech Republic, Hungary and the Slovak Republic. Croatia is benefiting significantly from the prospect of EU membership. Early accession requirements imposed by the EU have already produced positive

results in areas such as fiscal policy, the development of independent judiciaries, improvements in legislation and regulatory oversight and greater transparency in government. In its expansion, Erste Group has paid close attention to the risk-reward profile of the various target countries and hence has only limited exposure to higher risk countries such as Serbia or Ukraine. Nonetheless Erste Group's expansion into higher risk and higher potential countries may cause increased volatility in the results of operations of Erste Group.

Over time, Erste Group expects that economic growth and the growth of banking services in the CEE region will slow down, as penetration increases and pricing pressure intensifies. Continued EU integration will likely increase competitive pressures further in the region and will accelerate the trend of convergence between the banking markets in Austria and in CEE.

### Acquisitions and composition of the Haftungsverbund

A key growth driver for Erste Group's business and its consolidated results of operations has been the acquisition of banking subsidiaries in the CEE and, to a lesser extent, in Austria. The most significant of these acquisitions since January 2006 are shown in the table below:

Entity acquired (country)	Year(s)	Shares <sup>(1)</sup> held at 30 September 2009
BCR (Romania) . . . . .	2006	69.3% <sup>(2)</sup>
Erste Bank Ukraine . . . . .	2007	100.0%
ECC (Croatia) . . . . .	2007	69.3%

Source: Internal information of Erste Group, Erste Group Bank and Erste Bank Oesterreich

(1) representing total interest, i.e. shares held directly and indirectly by Erste Group Bank

(2) including shares in BCR acquired after 31 December 2006

The following banks joined the Haftungsverbund during the period 1 January 2006 to 30 September 2009:

2009	Sparkasse Kufstein
2008	Sparkasse Mittersill Bank, Sparkasse der Stadt Kitzbühel, Sparkasse Reutte, Sparkasse Schwaz
2007	Sparkasse Ried im Innkreis-Haag, Waldviertler Sparkasse von 1842
2006	—

As a result of its expansion, Erste Group now has significant operations in seven key CEE markets. Overall, Erste Group serves approximately 17.5 million customers, 14.2 million of which are located in the CEE region, through its network of 3,185 branches. Given the long-term growth potential of those markets and the continued underpenetration of banking services, Erste Group intends to focus its development resources on those markets where it already has significant operations and currently does not intend to undertake any significant acquisitions. Nevertheless, Erste Group may make additional regional banking acquisitions in the future if attractive opportunities should arise. Erste Group believes that future acquisitions, if any, could have a significant impact on its results of operations and financial condition.

### Wealth management in CEE

The market for wealth management services in the countries of CEE is still relatively small, both in terms of total assets under management and as a percentage of GDP. Growth in wealth management typically occurs at a later stage of economic development. Based on historic experience in countries such as Spain and Austria, Erste Group expects that demand for wealth management services begins to grow significantly when a country's nominal GDP per capita reaches a level above EUR 10,000. The Czech Republic, Hungary and the Slovak Republic have already surpassed this threshold.

Erste Group believes that, given the current economic environment, there is likely to be little growth in the CEE wealth management market in the short-term but Erste Group sees wealth management as a significant long-term growth driver in certain countries of the CEE market. It intends to utilise the expertise it has gained from wealth management activities in the more mature Austrian market and to apply these in CEE. Erste Group is engaged in increasing marketing efforts to enhance awareness of its wealth management products.

### **Focus on retail banking customers**

Erste Group has an extensive branch network and leading market positions, particularly in Austria, the Czech Republic, Romania and the Slovak Republic. Erste Group believes that its large existing retail customer base of approximately 17.5 million retail customers in all of its markets, combined with its access to a number of retail markets in CEE with excellent long-term growth prospects, represents one of its most important competitive strengths.

Erste Group wants to be perceived by its “middle market” retail customers as the “local bank” that can meet all of their banking needs. To achieve this goal, Erste Group plans to increase the range of products and services that it offers to this customer group and to compete based on quality of service. In Austria, Erste Group intends to focus on the mid-market retail customer segment which is subject to significant pressure on margins, and to improve margins by reducing its cost/income ratio.

In Austria, the reform of the pension system has helped Erste Group to increase sales of alternative products such as investment funds and deposit products. In addition, the comparatively low rate of home ownership in Austria compared to the EU average and the more recent trend in Austria towards buying a home, rather than renting, has helped to increase the sale of mortgages and real estate financial products. Treasury products and structured products represent further areas for potential growth in the retail market.

### **Interest rates**

Net interest income accounts for a significant portion of Erste Group’s operating income. The amount of net interest income that Erste Group earns depends on the level of its interest-bearing assets and liabilities, as well as on its net interest margin, which is the difference between the average rate earned on its interest-bearing assets and the average rate payable on its interest-bearing liabilities. Changes in interest rates in any of the countries in which Erste Group operates would be expected to result in a change in Erste Group’s net interest margin.

For a description of the most recent interest rate trends, see “Financial Results—Nine months ended 30 September 2009 compared with nine months ended 30 September 2008”.

### **Risk provisions for loans and advances**

The amount of risk provisions for loans and advances depends on the credit quality of loans and advances, both on-balance sheet and off-balance sheet, as well as changes in such credit quality. The amount also depends on expected recovery ratios and the expected value of available collateral.

Changes in the credit quality of loans and advances, both on-balance sheet and off-balance sheet, changes in the recovery ratios or changes in the value of available collateral would be expected to require changes to the provisioning ratio. Specifically, a deterioration of credit quality, a decrease in recovery ratios or a deterioration of the value of available collateral would result in an increase in required provisioning ratios.

For a description of the most recent risk provisioning trends, see “Financial Results—Nine months ended 30 September 2009 compared with nine months ended 30 September 2008”.

## General administrative expenses

General administrative expenses have a significant impact on Erste Group's profitability. These expenses comprise personnel expenses, other administrative expenses as well as depreciation and amortisation. Key factors that influence general administrative expenses are headcount, wages and salaries, bonuses, statutory and voluntary social security contributions, as well as staff-related taxes and levies. Other administrative expenses and depreciation and amortisation are driven, *inter alia*, by depreciation, IT expenditures, marketing costs as well as rent, maintenance and expansion of branch network.

Erste Group is able to directly influence some components of its cost base, for example through cost efficiency programs, bonus management, marketing expenditures and the level of investment in expanding its business. External factors that influence the cost base include wage inflation, administration costs as well as rental and other operating expense inflation. For a description of the most recent general administrative expenses trends, see "Financial Results—Nine months ended 30 September 2009 compared with nine months ended 30 September 2008".

## Segment reporting since 2008

Segment reporting of Erste Group follows the presentation and measurement requirements according to IFRS.

### New segment structure

In the new reporting structure, the segments Retail & SME, Group Corporate & Investment Banking, Group Markets and Corporate Center have been largely aligned with Erste Group's new organisational setup. This leads to a lower group contribution from the CEE subsidiaries as part of their local results are now allocated to the two holding business divisions, Group Corporate & Investment Banking and Group Markets. Erste Group believes the new structure will help to improve transparency as the subsidiaries' results will fully reflect their core business activities and thus allow better comparison between the regions.

### Retail & SME

The segment Retail & SME includes all retail customers and small and medium enterprises ("SME"). It is subdivided into the individual regional businesses focusing on Erste Group's local customer business and encompasses separate sub-segments for Austria and CEE. To improve transparency and to be consistent with current reporting, the Austria sub-segment is split into the new Erste Bank Oesterreich business (including local subsidiaries) and the savings banks consolidated under the Haftungsverbund. In the sub-segment CEE, all CEE subsidiaries report their Retail & SME figures individually.

The CEE market sub-segment is subdivided into regional businesses according to the major national subsidiaries operating in the CEE countries, encompassing the results of BCR (Romania), Česká spořitelna, a.s. ("Česká spořitelna") (Czech Republic), Slovenská sporiteľňa, a.s. ("Slovenská sporiteľňa") (Slovak Republic), Erste Bank Hungary Nyrt. ("Erste Bank Hungary") (Hungary), Erste & Steiermärkische banka d.d., Rijeka ("Erste Bank Croatia") (Croatia), Erste Bank a.d. (formerly Novosadska Banka a.d.), Novi Sad ("Erste Bank Serbia") (Serbia), and JSC Erste Bank ("Erste Bank Ukraine", formerly Bank Prestige, from January 2007) (Ukraine). The profit contributions from Erste Card Club (formerly Diners Club Adriatic d.d.) ("ECC") are assigned to the Croatia segment.

### Group Corporate & Investment Banking

The segment Group Corporate & Investment Banking includes all large corporate customers in Erste Group's region with a turnover of more than EUR 175 million in Austria. This threshold is adjusted for other markets in which Erste Group operates to reflect lower GDP per capita levels in the various CEE countries. In 2008, Austria was by far the largest contributor to this segment,

but net profit contributions to Group Corporate & Investment Banking from CEE entities increased: approximately 4.1% of the consolidated net profit came from the Czech Republic, 12.0% from Romania, 3.6% from the Slovak Republic and 3.4% from Hungary and Croatia. The contribution from other local subsidiaries was minimal. In the nine months ended 30 September 2009, however, Austria and International Banking were by far the largest contributors to this segment, whereas the contribution from CEE entities was very limited. The International Business (excluding treasury operations), Erste's Real Estate business, including the leasing subsidiary IMMORENT AG ("IMMORENT"), as well as the Investment Banking activities and Equity Capital Markets are also allocated to this segment.

### **Group Markets**

The Group Markets segment comprises the divisionalised business units Group Treasury and Debt Capital Markets. Besides Erste Group Bank's own treasury activities, it also includes the treasury units of the CEE subsidiaries and of the foreign branches in Hong Kong and New York, as well as the treasury activities of the investment banking subsidiaries, Erste Securities Polska, Erste Bank Investment Hungary and Erste Securities Zagreb, and the asset management activities of Erste Asset Management GmbH (formerly ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H.).

### **Corporate Center**

The Corporate Center segment includes group services such as marketing, organisation and information technology, as well as other departments supporting the execution of group strategy. In addition, consolidation items and selected non-operating items are allocated to this segment. In the new structure, Group Balance Sheet Management has been allocated to the Corporate Center. The result of local asset and liability management ("ALM") units remains with the respective local divisions.

In addition, amortisation of customer relationships and impairment of goodwill are reported in other operating result within the Corporate Center segment.

### **Segment reporting until 2007**

Prior to mid-2008, Erste Group's top-level segmentation consisted of the three market segments Austria, CEE, and International Business, as well as the Corporate Center segment.

### **Austria segment**

The Austria segment comprised all business units and subsidiaries operating in Austria. It was subdivided according to core business activity into further segments: Savings Banks, Retail & Mortgage, Large Corporates, and Treasury & Investment Banking. The Retail & Mortgage segment also encompassed those savings banks in which the then-named Erste Bank der oesterreichischen Sparkassen AG held a majority stake (Salzburger Sparkasse Bank AG ("Salzburger Sparkasse"), Tiroler Sparkasse Bankaktiengesellschaft Innsbruck ("Tiroler Sparkasse") and Sparkasse Hainburg-Bruck-Neusiedl). The savings banks that were consolidated as a result of their membership in the Haftungsverbund or in which Erste Group Bank held no equity, or held only a minority interest, were grouped in the Savings Banks segment.

### **CEE segment**

The CEE segment was subdivided into the major national subsidiaries operating in the Czech Republic, Romania, the Slovak Republic, Hungary, Croatia, Serbia and the Ukraine. The profit contribution from ECC were assigned to the Croatia segment.

### **International Business segment**

The International Business segment included both the International Business unit in Vienna and the commercial lending business of the London, New York and Hong Kong profit centres.

## **Corporate Center segment**

The Corporate Center segment encompassed several types of items: the results of those companies which could not be clearly assigned to another business segment; refinancing costs for investments in companies; elimination of profits and losses between segments; and one-off items that, in order to ensure comparability with prior-period segment data, were not allocated to a business segment. In addition, amortisation of customer relationships and impairment of goodwill were reported in other operating result within the Corporate Center segment.

## **Significant accounting policies**

Erste Group prepares its consolidated financial statements in compliance with IFRS. Erste Group's management selects and applies certain accounting policies that management believes are important for the understanding of Erste Group's financial condition and results of operations.

The following paragraphs describe those accounting policies that management believes are important for the understanding of Erste Group's consolidated financial statements and that involve the most complex judgements and assessments. The estimates and assumptions used are based on historical experience and other factors, such as planning as well as expectations and forecasts of future events that are currently deemed to be reasonable. As a consequence of the uncertainty associated with these assumptions and estimates, actual results could in future periods lead to adjustments in the carrying amounts of the related assets or liabilities. A more detailed description of Erste Group's accounting policies can be found in the notes to the consolidated financial statements incorporated by reference in this Prospectus.

## **Consolidation**

All material investments in subsidiaries are fully consolidated. IAS 27 (Consolidated and Separate Financial Statements) defines a subsidiary as an entity controlled by the parent entity, with control presumed to exist if the parent owns more than one-half of the voting power.

Erste Group Bank is a member of the Haftungsverbund of the Austrian savings banks sector. At 30 September 2009 almost all of Austria's savings banks, in addition to Erste Group Bank and Erste Bank Oesterreich, formed part of the Haftungsverbund.

The provisions of the agreement governing the Haftungsverbund are implemented by a steering company, Haftungsverbund GmbH ("Steering Company"). Erste Group Bank indirectly always holds at least 51% of the share capital of the Steering Company, through Erste Bank Oesterreich. Two of the four members of the Steering Company's management, including the CEO, who has the casting vote, are appointed by Erste Bank Oesterreich. The Steering Company is vested with the power to monitor the common risk policies of its members. If a member encounters serious financial difficulties—this can be discerned from the specific indicator data that is continually generated—the Steering Company has the mandate to provide support measures and/or to intervene, as required, in the business management of the affected member savings bank. As Erste Group Bank owns the controlling interest in the Steering Company, it exercises control over the members of the Haftungsverbund. In accordance with IFRS, all Haftungsverbund members are therefore fully consolidated.

Investments in companies over which Erste Group Bank exercises a significant influence (associated undertakings, or "associates") are accounted for by the equity method. As a rule, significant influence is given by an ownership interest of between 20% and 50%. Under the equity method, an interest in an associate is recognised in the balance sheet at cost plus post-acquisition changes in the group's share of the net assets of the entity. The group's share of the associate's profit or loss is recognised in the income statement. Entities accounted for by the equity method are recognised largely on the basis of annual financial statements at and for the year ended 31 December 2008.

## **Financial instruments**

IAS 39 (Financial Instruments: Recognition and Measurement) establishes principles for recognising and measuring information about financial instruments. It requires that all financial assets and liabilities, including all derivative instruments, are shown on the balance sheet. Financial instruments are initially recognised at fair value, which generally is the transaction price of the consideration given or received for the instrument.

### **Fair value option**

Financial instruments which, under the group's internal guidelines, are not classified as held for trading but whose performance is evaluated on a fair value basis are reported in financial assets—at fair value through profit or loss; this treatment is referred to as fair value option. These financial instruments are measured at fair value, with changes in fair value recognised in profit or loss under the respective income statement item.

### **Determination of fair value**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

The best indication of the fair value of financial instruments is provided by quoted market prices in an active market. Where quoted market prices in an active market are available, they are used to measure the financial instrument (level 1 of fair value hierarchy). The measurement of fair value at Erste Group is based primarily on external sources of data (stock market prices or broker quotes in highly liquid market segments). Where no market prices are available, fair value is determined on the basis of valuation models that are based on observable market information (level 2 of fair value hierarchy). In some cases the fair value of financial instruments can be determined neither on the basis of market prices nor of valuation models that rely entirely on observable market data. In this case, individual valuation parameters not observable in the market are estimated on the basis of reasonable assumptions (level 3 of fair value hierarchy).

Erste Group employs only generally accepted, standard valuation models. Net present values are determined for linear derivatives (e.g. interest rate swaps, cross currency swaps, foreign exchange forwards and forward rate agreements) by discounting the replicating cash flows. Plain vanilla OTC options (on shares, currencies and interest rates) are valued using option pricing models of the Black-Scholes class; complex interest rate derivatives are measured using Hull-White and/or Brace Gatarek Musiela (BGM) models. Erste Group uses only valuation models which have been tested internally and for which the valuation parameters (such as interest rates, exchange rates and volatility) have been determined independently.

### **Risk provisions**

Financial assets, including loans, accounted for at amortised cost, are evaluated for impairment, and required allowances and provisions are estimated in accordance with IAS 39. Impairment exists if the book value of a claim or a portfolio of claims exceeds the present value of the cash flows actually expected in future periods. These cash flows include scheduled interest payments, principal repayments or other payments due (for example on guarantees), including liquidation of collateral where available.

The total allowance and provision for credit losses consists of two components: specific counterparty allowances and provisions, and collectively assessed allowances. The specific counterparty component applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows expected to be received based on the incurred losses. In estimating these cash flows, management exercises judgements about a counterparty's financial situation and the net realisable value of any underlying collateral or guarantees in Erste Group's favour. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable is determined. Collectively assessed credit risk allowances cover credit losses inherent in portfolios of claims with

similar economic characteristics where there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations and economic factors. In order to estimate the required allowance, Erste Group makes assumptions both to define the way it models inherent losses and to determine the required input parameters based on historical experience and current economic conditions.

The accuracy of the allowances and provisions that Erste Group makes depends on how well Erste Group estimates future cash flows for specific counterparty allowances and provisions and the model assumptions and parameters used in determining collective allowances. While this necessarily involves judgement, management believes that Erste Group's allowances and provisions are reasonable and supportable.

### **Derivative instruments**

IAS 39 sets out rules for hedge accounting applicable to derivative instruments and hedged items.

If a derivative instrument is designated as a fair value hedge, changes in the derivative instrument's fair value are recognised as income or loss, as are changes in the fair value of the related hedged item with respect to the hedged risk. If the derivative instrument no longer meets the criteria for hedge accounting, the adjustment to its carrying value is amortised to profit and loss over the period of maturity.

If a derivative instrument is designated as a hedge of the variability in expected future cash flows related to particular risks, changes in the fair value of the derivative instrument are reported in other comprehensive income until the hedged item is recognised in the income statement. The ineffective portion of the hedge is recognised in the income statement immediately.

In line with Erste Group's risk management policies, its hedging activities focus on two main control variables—net interest income and market value risk. Erste Group uses cash flow hedges to mitigate interest rate risk and uses fair value hedges to reduce market risk.

### **Goodwill**

Goodwill arises on consolidation of subsidiaries or associates. As required by IFRS 3 (in conjunction with IAS 36 and IAS 38), an annual impairment test is carried out for all cash-generating units ("CGUs") to review the value of existing goodwill. A CGU is the smallest identifiable group of assets that generates cash inflows from continuing use which are largely independent of the cash inflows from other assets or groups of assets. In Erste Group, all business segments distinguished in the segment reporting in the financial statements are defined as CGUs. Separate legal entities within these segments are treated as separate CGUs.

The impairment test is performed for all CGUs to which goodwill is allocated. It is assumed for all other CGUs that any impairment in assets is taken into account on the basis of individual asset valuations. The calculation of the expected cash flows is based on the normalised projected earnings of the CGU. As a rule, the basis for the normalised projected earnings is the reported pre-tax profit before minority interests in local currency before deduction of consolidation items and before financing costs for the CGU.

Judgement and estimates are required to determine the value in use by estimating the timing and amount of future expected cash flows and the discount rates. To determine the net present values, future cash flows are discounted at a pre-tax discount rate. The planning period consists of a detailed forecast period (typically 3 to 5 years, or longer if warranted by exceptional circumstances) and a rough planning period (represented by a perpetuity calculated based on the latest available detailed planning period). For perpetuity a growth rate of 2% is used.

The discount rate used is a long-term risk-free rate before taxes in local currency, to which country- and industry-specific risk premiums are added. These risk premiums do not reflect risks for which future cash flows have already been adjusted.

Based on the above parameters, the CGU's value in use is calculated in Euro. Where available, the CGU's fair value less costs to sell is determined, based on recent transactions, market quotations, appraisals, etc. The higher of value in use and fair value less costs to sell is the recoverable amount.

The subsidiary's proportionate or full recoverable amount (calculated as outlined above) is compared, respectively, to the sum of proportionate or full equity in the subsidiary, and goodwill. If the proportionate or full recoverable amount is less than the sum of proportionate or full equity and goodwill, the difference is recognised as an impairment loss, in the following order. The impairment loss is allocated first to writing down the CGU's goodwill. Any remaining impairment loss reduces the carrying amount of the CGU's other assets, though not to an amount less than their fair value. There is no need to recognise an impairment loss if the proportionate or full recoverable amount of the CGU is higher than or equal to the sum of proportionate or full equity and goodwill. Once recognised, an impairment loss for goodwill cannot be reversed in later periods.

### **Income taxes**

Erste Group operates in many jurisdictions and is subject to a variety of tax regimes. For temporary differences arising between the carrying amount of an asset or liability in the balance sheet and its tax base, as well as for tax loss carry forward, Erste Group recognises deferred tax assets and liabilities.

Income tax on temporary differences is recognised as a deferred tax asset or a deferred tax liability at the tax rates of the relevant taxing jurisdictions that are expected to be applied. However, the recognition of deferred tax assets is limited to the extent that in the medium-term probable future taxable profits will be available against which the deductible temporary differences and tax loss carry forward can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies such as future revenue and margin growth, currency fluctuations and inflation.

### **Accounting for post-employment and other long-term employee benefits**

In accordance with IAS 19 (Employee Benefits), Erste Group's post-employment and other long-term employee benefits are defined benefit plans. To determine provisions related to them the projected unit method is applied.

Pension provisions pertain only to employees that are already retired, since all pension obligations to current employees were transferred to retirement funds prior to 2000.

Future obligations are determined based on actuarial expert opinions. The calculation takes into account not only those pensions and vested rights to future pension payments known at the balance sheet date, but also involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases.

The liability recognised from a defined-benefit plan represents the present value of the obligation less the fair value of the plan assets available for the direct settlement of obligations. At Erste Group the plan assets consist of qualifying insurance policies purchased to back severance and jubilee benefit provisions.

Erste Group applies the option allowed by IAS 19 to recognise actuarial gains or losses in respect of employee benefit provisions (defined-benefit plans for post-employment benefits) outside profit or loss. Actuarial gains or losses in pension and severance benefit provisions are recognised directly in other comprehensive income for the period in which they occur (IAS 19.93A).

Actuarial gains or losses in provisions for jubilee benefits—for which the option of recognition outside profit or loss is not allowed – are recognised in profit or loss in the period during which they occur.

## **Share-based payments**

Erste Group grants shares and share options to employees and managers as compensation for their services, under employee share ownership and management share option plans. These share-based payments are recognised and measured in accordance with IFRS 2 (Share-based Payment). Shares and share options granted under the employee share ownership programme (ESOP) and under the management stock option plans (MSOP) of 2002 and 2005 are measured at fair value at grant date. Any expense incurred in granting shares at a discounted price (the difference between issue price and fair value) under the ESOP is recognised immediately in profit or loss under personnel expenses. Any expense resulting from option grants under the MSOP is spread over the vesting period (the period between the grant date and the first permitted exercise date) and recognised in personnel expenses. Fair value is determined by means of generally accepted option pricing models (Black and Scholes, Binomial model).

## **Changes in accounting principles**

During the period 1 January 2006 to 30 September 2009 covered by this Prospectus, new standards or amendments were issued or became effective. None of these changes resulted in retrospective application of accounting policies or restatement of the financial statements for the periods presented.

In October 2008 the IASB issued amendments to IAS 39 (Financial Instruments: Recognition and Measurement) and to IFRS 7 (Financial Instruments: Disclosures) which were adopted into EU law in the same month. These amendments permit reclassification, in unusual circumstances, of some financial instruments out of the trading category and out of the available-for-sale portfolio. Erste Group did not make use of this option.

For further information on changes in accounting principles, see the Consolidated Financial Statements of Erste Group.

## **Effects of currency fluctuations**

Erste Group generates a significant amount of its income and incurs a significant amount of its expenses outside the Euro zone, primarily in the CEE countries in which it operates, and in US dollars. As a result, Erste Group's business is affected by fluctuations in exchange rates of the local currencies of these CEE countries and the US dollar vis-à-vis the Euro.

Because Erste Group prepares its financial statements in Euros, fluctuations in foreign exchange rates may have an effect both on results of operations and on the value of assets, liabilities, revenue and costs, which in turn may adversely affect reported earnings and the comparability of period-to-period results of operations. For purposes of Erste Group's consolidated financial statements, assets and liabilities of Subsidiaries are translated using exchange rates of the ECB at the balance sheet date. For the rates of Serbian Dinar and Ukrainian Hryvnya which are not published by ECB fixing rates of Erste Group Bank at the balance sheet date are used. Pursuant to IAS 21 (The effects of changes in foreign exchange rates), the positions of the profit and loss account are converted using average rates. The difference between net assets translated at exchange rates at the beginning and the end of the period is included within equity.

In order to minimise the effects of exchange rate fluctuations of the local currencies in Central Europe and of the US dollar, Erste Group Bank actively monitors developments and partially hedges its exposure to fluctuations by entering into currency hedging arrangements. Any decisions to enter into such arrangements are made by the Management Board. There are three types of currency exposures being monitored—exposure from incoming dividends, exposure from earned profits and exposure from net assets of the participation. Hedges of dividends and profits are entered into by Erste Group Bank with a view to reduce the effect of currency swings on anticipated net income from these operations. Hedges of net assets of the participation are entered with a view to reduce the effect of currency swing on the consolidated equity. The profit exposures hedged are not the operating results, but the net results after taxes and minority

interests of Erste Group Bank's Czech, Romanian, Slovakian, Hungarian, Croatian, Serbian and Ukrainian subsidiaries as well as of its foreign branches in New York, London and Hong Kong. Initially, Erste Group Bank based the amount hedged on an estimate of the net income in the particular currency after taxes and minority interests of the subsidiaries and branches concerned. Subsidiaries can earn their profit in different currencies, each currency is monitored separately. Erste Group Bank adjusts the estimate in the course of the year, as new information about the performance of the subsidiaries and branches involved becomes known.

The following exchange rates were applied for the purposes of foreign currency translation:

Rates in unit per EUR	2006		2007		2008		Nine month period ended 30 September 2009	
	Year end	Average	Year end	Average	Year end	Average	Period end	Average
British pound (GBP) . . . . .	0.6715	0.6822	0.7334	0.6861	0.9525	0.7972	0.9093	0.8864
Croatian kuna (HRK) . . . . .	7.3504	7.3251	7.3308	7.3353	7.3555	7.2301	7.2580	7.3635
Czech koruna (CZK) . . . . .	27.4850	28.3222	26.6280	27.7135	26.8750	25.1610	25.1640	26.6362
Hungarian forint (HUF) . . . . .	251.7700	263.2469	253.7300	251.4046	266.7000	251.2546	269.7000	283.9197
Romanian leu (RON) . . . . .	3.3835	3.5254	3.6077	3.3442	4.0225	3.6933	4.2180	4.2312
Serbian dinar (CSD) . . . . .	79.0500	84.2746	80.0450	79.8072	89.7290	81.8828	93.1325	93.7919
Slovak koruna (SKK) . . . . .	34.4350	37.1492	33.5830	33.8209	30.1260	31.3142	n.a.	n.a.
Ukrainian hryvnya (UAH) . . . . .	6.6505	6.3228	7.4240	6.9062	10.8486	7.8561	12.0757	10.9693
US dollar (USD) . . . . .	1.3170	1.2566	1.4721	1.3749	1.3917	1.4726	1.4643	1.3646

Source: ECB, internal information of Erste Group Bank

## Factors affecting comparability of period-to-period results

### Impact of acquisitions and disposals of subsidiaries on comparability of results—nine months ended 30 September 2009 compared with nine months ended 30 September 2008

In January 2009, Sparkasse Kufstein joined the Haftungsverbund. Furthermore, Ringturm KAG and Erste Bank Podgorica (formerly Opportunity Bank a.d., Montenegro), acquired by Erste Bank Croatia, was consolidated for the first time as of 31 March 2009. In addition, Investbanka a.d. Skopje, Macedonia, acquired by Steiermärkische Bank und Sparkassen AG, has been part of the consolidated financial statements of Erste Group Bank since 1 October 2008 and was not included during the entire reporting period for the nine months ended 30 September 2008. As the criteria for IFRS 5 (Sale within 12 months) were not fulfilled for the sale of Anglo Romanian Bank, a reclassification took place from the item "Assets held for sale and discontinued operations" to the respective balance sheet positions. As a result, comparisons with the previous period and rates of change are slightly distorted.

## **Impact of acquisitions and disposals of subsidiaries on comparability of results—2008 compared with 2007**

Two savings banks joined the Haftungsverbund in December 2007 and four savings banks joined the Haftungsverbund in January 2008 and are therefore incorporated in the consolidated financial statements from this point in time on. Investbanka a.d., Skopje, Macedonia, acquired by Steiermärkische Sparkasse, has been included into the group results starting 1 October 2008. On 15 September 2008 Erste Group Bank largely completed the sale of its insurance holdings in CEE (including Sparkassen Versicherung AG (“s-Versicherung”)). The sale of the Romanian insurance subsidiaries was completed on 17 December 2008. Furthermore, ECC has been part of the consolidated financial statements since 2 April 2007 and ABS Banka, Bosnia, acquired by Steiermärkische Sparkasse, since 3 April 2007. This results in minor distortions of the rates of change compared with the comparative periods for the previous year.

## **Impact of acquisitions and disposals of subsidiaries on comparability of results—2007 compared with 2006**

BCR has been included in the consolidated financial statements of Erste Group since 12 October 2006; Erste Bank Ukraine, since 24 January 2007; ECC, since 2 April 2007; ABS Banka in Bosnia (acquired by Steiermärkische Sparkasse), since 3 April 2007. This change in the reporting base should be taken into account when interpreting the reported rates of change. All companies that are material and are controlled by Erste Group are consolidated in the consolidated financial statements. Material investments in associated financial companies, i.e., companies that are neither directly nor indirectly controlled by Erste Group but over which it can exercise significant influence, are accounted for by using the equity method.

For more details on certain significant acquisitions that resulted in changes to the scope of consolidation during the period, see “Key factors that impact Erste Group’s business—Acquisitions”.

## **Explanation of key income statement items and other financial items**

**Net interest income** mainly includes interest income in the narrow sense on loans and advances to credit institutions and customers, on balances at central banks and on fixed-interest securities. Also reported under interest and similar income are current income from shares and other equity-related securities (especially dividends), income from associates accounted for at equity, income from investment properties and interest-like income calculated in the same manner as interest.

**Interest income on impaired loans and advances** (for the purpose of the unwinding of the discount) is calculated by applying the original effective interest rate and is also reported in interest and similar income.

**Interest and similar expenses** mainly include interest paid on deposits by banks and customer deposits, on deposits of central banks and on debt securities in issue and subordinated liabilities (including hybrid issues). This item also includes interest-like expenses calculated in the same way as interest.

**Interest income (if deemed collectible) and interest expenses** are recognised as they accrue. Income from investments in companies is recognised when the right to receive payment comes into being.

**Income from associates accounted for at equity** is likewise included in net interest income. Impairment losses, reversal of impairment losses and realised gains and losses on associates accounted for at equity are included under other operating result.

**Risk provisions for loans and advances** includes allocations to and releases of specific and general risk provisions for loans and advances for both on-balance sheet and off-balance sheet transactions. Also reflected in this item are direct write-offs of loans and advances as well as recoveries of loans written-off. Amounts allocated to and released from other risk provisions that do not pertain to lending business are reported in other operating result.

**Net fee and commission income** consists of income and expenses from services business accrued in the reporting period. It includes income and expenses mainly from fees and commissions payable or receivable for payment services, securities brokerage and lending business, as well as from insurance business, mortgage brokerage and foreign exchange transactions.

**Net trading result** includes all results from securities, derivatives and currencies classified as held for trading. These include realised gains and losses, unrealised changes in fair value, and dividend income and net interest from trading portfolios.

**General administrative expenses** represent the following expenses accrued in the reporting period: personnel and other administrative expenses, as well as depreciation and amortisation. Not included are any amortisation of customer relationships and impairment of goodwill. Personnel expenses include wages and salaries, bonuses, statutory and voluntary social security contributions, staff-related taxes and levies, and expenses for severance benefits (i.e., termination benefits), pensions and jubilee benefits (including amounts allocated to and released from provisions). Other administrative expenses include IT expenses, expenses for office space, office operating expenses, advertising and marketing, expenditures for legal and other consultants as well as sundry other administrative expenses.

**Income from insurance business** comprises all revenues and expenses of fully consolidated insurance companies, other than commission income from the sale of insurance products, which is included in net fee and commission income. Income includes primarily premiums earned net of ceded business, investment income from underwriting business and unrealised gains from capital investments. The main expenses included are claims incurred, changes in underwriting provisions, expenses for bonuses to holders of with profits policies, investment and interest expenses and all operating expenses of the insurance business. This business was discontinued in 2008 and is included in the discussion of the financial year 2008 results under discontinued business.

**Other operating result** reflects all other income and expenses not attributable to Erste Group's ordinary activities. This includes especially impairment losses or any reversal of impairment losses, as well as results on the sale of property and equipment, amortisation and impairment of customer relationships, any impairment losses on goodwill, and impairment and any reversal of impairment losses of other intangible assets. In addition, other operating result encompasses the following: expenses for other taxes and for deposit insurance contributions; income from the release of and expenses for allocations to other provisions; impairment losses on and reversal of impairment losses of associates accounted for at equity, as well as realised gains and losses from the disposal of associates accounted for at equity.

**Result from financial assets—at fair value** through profit or loss consists of results of fair value measurement of and realised gains or losses from securities, derivatives, investments in companies, and credit assets/liabilities assigned to the fair value portfolio (see Note: Financial assets—at fair value through profit or loss).

**Result from financial assets—available for sale** represents—for available for sale securities and investments in companies—gains or losses on disposal as well as impairment losses and certain types of reversal of impairment losses resulting from a change in Erste Group Bank's credit rating.

**Result from financial assets—held to maturity** is composed of gains and losses from securities classified as held to maturity. This includes especially impairment losses and any reversal of impairment losses resulting from a change in Erste Group Bank's credit rating. The reversal of an impairment loss cannot increase the amortised cost.

**Pre-tax profit** comprises net interest income, risk provisions for loans and advances, net fee and commission income, net trading result, general administrative expenses, income from insurance business and other operating result. In cases when profit or loss from discontinued operations is presented, this is the pre-tax profit from continuing operations.

**Taxes on income** consist of current and deferred taxes. In cases when profit or loss from discontinued operations is presented, taxes on income do not comprise taxes from discontinued operations.

**Post-tax from discontinuing operations** includes the income from insurance business up to the sale and also the result from sale of insurance business and related income taxes.

**Minority interests** is that portion of the profit or loss of a subsidiary that is not owned, directly or indirectly, by Erste Group.

**Net profit after minority interests** represents profit after taxes and minority interests. It is partly distributed to shareholders as a dividend and partly retained in the Group's reserves.

## Financial results

### Nine months ended 30 September 2009 compared with nine months ended 30 September 2008

#### Overview

The following table shows Erste Group Bank's condensed consolidated income statements for the nine-month period ended 30 September 2009 and 2008 and prepared in accordance with IFRS:

in EUR million	Nine months ended 30 September		
	2009 unaudited	2008 unaudited	change in %
Net interest income . . . . .	3,840.9	3,573.3	7.5
Risk provisions for loans and advances . . . . .	(1,449.2)	(602.3)	>100.0
Net fee and commission income . . . . .	1,313.3	1,489.0	(11.8)
Net trading result . . . . .	503.0	184.9	>100.0
General administrative expenses . . . . .	(2,880.3)	(3,053.7)	(5.7)
Other operating result . . . . .	(201.8)	(141.0)	(43.1)
Result from financial assets—at fair value through profit or loss . . . . .	56.4	(114.9)	>100.0
Result from financial assets—available for sale . . . . .	(106.4)	(11.6)	<(100.0)
Result from financial assets—held to maturity . . . . .	2.0	(1.9)	>100.0
<b>Pre-tax profit from continuing operations . . . . .</b>	<b>1,077.9</b>	<b>1,321.8</b>	(18.5)
Taxes on income . . . . .	(269.6)	(264.4)	2.0
<b>Post-tax profit from discontinuing operations . . . . .</b>	<b>808.3</b>	<b>1,057.4</b>	(23.6)
Profit from discontinued operations net of tax . . . . .	0.0	610.2	(100.0)
<b>Net profit before minority interests . . . . .</b>	<b>808.3</b>	<b>1,667.6</b>	(51.5)
Minority interests . . . . .	(88.2)	(204.6)	(56.9)
<b>Net profit after minority interests . . . . .</b>	<b>720.1</b>	<b>1,463.0</b>	(50.8)

Source: Unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009, except that the figures shown in the column "change in %" and under "Post-tax profit from continuing operations" and "Net profit before minority interests" are based on internal calculations or information of Erste Group Bank

## Net interest income

The following table presents a breakdown of the components of Erste Group Bank's net interest income:

in EUR million	Nine months ended 30 September		
	2009 unaudited	2008 unaudited	change in %
Interest income			
Lending and money market transactions with credit institutions	601.8	2,144.2	(71.9)
Lending and money market transactions with customers	5,332.1	5,955.8	(10.5)
Bonds and other interest-bearing securities	873.5	1,083.0	(19.3)
Other interest and similar income	20.5	21.3	(3.8)
Current income			
Equity-related securities	82.5	92.1	(10.4)
Investments	17.9	26.4	(32.2)
Investment properties	60.6	65.9	(8.0)
<b>Interest and similar income</b>	<b>6,988.9</b>	<b>9,388.7</b>	<b>(25.6)</b>
Interest income from financial assets—at fair value through profit or loss	113.3	141.5	(19.9)
<b>Total interest and similar income</b>	<b>7,102.2</b>	<b>9,530.2</b>	<b>(25.5)</b>
Interest expenses			
Deposits by banks	(251.4)	(2,433.2)	(89.7)
Customer deposits	(1,961.6)	(2,317.1)	(15.3)
Debt securities in issue	(765.4)	(911.5)	(16.0)
Subordinated liabilities	(289.1)	(301.0)	(4.0)
Other	(2.2)	(11.4)	(80.7)
<b>Interest and similar expenses</b>	<b>(3,269.7)</b>	<b>(5,974.2)</b>	<b>(45.3)</b>
Interest expenses from financial assets—at fair value through profit or loss	(4.1)	0.0	n.a.
<b>Total interest and similar expenses</b>	<b>(3,273.8)</b>	<b>(5,974.2)</b>	<b>(45.2)</b>
Income from associates accounted for at equity	12.5	17.3	(27.7)
<b>Total</b>	<b>3,840.9</b>	<b>3,573.3</b>	<b>7.5</b>

Source: Unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

Net interest income grew by 7.5%, from EUR 3,573.3 million in the nine months ended 30 September 2008 to EUR 3,840.9 million in the nine months ended 30 September 2009. Credit growth slowed significantly in the nine months ended 30 September 2009, showing an increase of only 3.0% to EUR 130.0 billion in the nine months ended 30 September 2009. The relatively stable margins and strong loan growth experienced in the nine months ended 30 September 2008—despite unfavourable interest rate development in some CEE countries—weakens significantly in the last quarter of 2008. Loan growth weakened as a result of the economic crisis and this weakness continued into 2009. In contrast to the nine months ended 30 September 2008, net interest income from loans to and deposit by banks made a positive contribution to this line item.

The net interest margin (net interest income as a percentage of average interest-bearing assets) improved from 2.77% during the nine months ended 30 September 2008 to 2.98% in the nine months ended 30 September 2009—both in CEE (from 4.5% to 4.6%) and in Austria (from 1.7% to 1.9%)—as a result of adjusted terms of loans to customers as well as an increase in customer deposits.

## Risk provisions for loans and advances

The following table presents the development of risk provisions for loans and advances:

in EUR million	Nine months ended 30 September		
	2009 unaudited	2008 unaudited	change in %
Net allocation to risk provisions for loans and advances . . . . .	(1,423.2)	(610.8)	>100.0
Direct write-offs of loans and advances and amounts received against written-off recoveries on loan and advances . . . . .	(26.0)	8.5	<(100)
<b>Total . . . . .</b>	<b>(1,449.2)</b>	<b>(602.3)</b>	<b>&gt;100.0</b>

Source: Unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

Risk provisions increased by 140.6% from EUR 602.3 million in the nine months ended 30 September 2008 to EUR 1,449.2 million in the nine months ended 30 September 2009. Weaker economic conditions in 2009, as compared to the previous year, and a rise in defaults as well as declining customer creditworthiness were the main reasons for creating additional risk provisions. However, the increase in the NPL coverage ratio (based on customer loans) in the third quarter from 55.2% to 56.7% also contributed to the increase. As a percentage of average customer loans, risk provisions amounted to 151 basis points in the nine months ended 30 September 2009 (nine months ended 30 September 2008: 67 basis points) on an annualised basis.

## Net fee and commission income

The following table presents a breakdown of the components of net fee and commission income:

in EUR million	Nine months ended 30 September		
	2009 unaudited	2008 unaudited	change in %
Lending business . . . . .	220.1	279.9	(21.4)
Payment transfers . . . . .	603.0	647.6	(6.9)
Card business . . . . .	137.9	128.2	7.6
Securities business . . . . .	280.6	349.8	(19.8)
Investment fund transactions . . . . .	121.1	166.3	(27.2)
Custodial fees . . . . .	23.9	34.4	(30.5)
Brokerage . . . . .	135.6	149.1	(9.1)
Insurance brokerage business . . . . .	63.6	60.3	5.5
Building society brokerage . . . . .	30.1	27.3	10.3
Foreign exchange transactions . . . . .	20.4	29.3	(30.4)
Investment banking business . . . . .	10.2	14.0	(27.1)
Other . . . . .	85.3	80.8	5.6
<b>Total . . . . .</b>	<b>1,313.3</b>	<b>1,489.0</b>	<b>(11.8)</b>

Source: Unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

Net fee and commission income fell by 11.8%, from EUR 1,489.0 million in the nine months ended 30 September 2008 to EUR 1,313.3 million in the nine months ended 30 September 2009. The most significant declines were recorded in fees from securities business (down 19.8% to EUR 280.6 million) and the lending business, as a result of slowing new business (down 21.4% to EUR 220.1 million). However, the income from the card business as well as insurance brokerage and building society brokerage businesses developed positively.

## Net trading result

The following table presents a breakdown of the components of net trading result:

in EUR million	Nine months ended 30 September		
	2009 unaudited	2008 unaudited	change in %
Securities and derivatives trading .....	271.4	5.7	>100.0
Foreign exchange transactions .....	231.6	179.2	29.2
<b>Total</b> .....	<b>503.0</b>	<b>184.9</b>	<b>&gt;100.0</b>

Source: Unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

The net trading result rose by 172%, from EUR 184.9 million in the nine months ended 30 September 2008 to EUR 503.0 million in the nine months ended 30 September 2009. The fixed income business (bond trading and money market business) as well as foreign exchange and equity trading all contributed to this positive result. Trading result benefited from unusual favourable market environment, with high volatility and wide spreads.

## General administrative expenses

The following table presents the components of general administrative expenses:

in EUR million	Nine months ended 30 September		
	2009 unaudited	2008 unaudited	change in %
Personnel expenses .....	(1,662.9)	(1,762.0)	(5.6)
Other administrative expenses .....	(945.2)	(1,008.3)	(6.3)
Depreciation and amortisation .....	(272.2)	(283.4)	(4.0)
<b>Total</b> .....	<b>(2,880.3)</b>	<b>(3,053.7)</b>	<b>(5.7)</b>

Source: Unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

In total, general administrative expenses were reduced by 5.7% (currency-adjusted 1.6%) from EUR 3,053.7 million in the nine months ended 30 September 2008 to EUR 2,880.3 million in the nine months ended 30 September 2009. The decrease was offset to some extent by an increase of EUR 12.9 million in the consolidated cost base due to the addition of Sparkasse Kufstein to the Haftungsverbund.

Personnel expenses fell by 5.6% (currency-adjusted 2.2%), from EUR 1,762.0 million in the nine months ended 30 September 2008 to EUR 1,662.9 million in the nine months ended 30 September 2009. The fall in headcount had a positive effect on this item as did cost saving measures and lower variable compensation. Adjusted for the consolidation of Sparkasse Kufstein into the Haftungsverbund (additional 199 employees), which took place at the beginning of 2009, and the first time consolidation of Erste Bank Podgorica (additional 213 employees in Erste Bank Croatia), headcount fell by about 4%. This was mainly due to hiring freezes and selective redundancies. The decline at BCR was due to the outsourcing of non-banking services and was one of the final measures of the efficiency program initiated following its acquisition. The fall in Slovakia resulted, *inter alia*, from the transfer of around 200 employees from asset management to a central unit and to other affiliated entities.

Other administrative expenses declined by 6.3% (currency-adjusted 1.2%), from EUR 1,008.3 million in the nine months ended 30 September 2008 to EUR 945.2 million in the nine months ended 30 September 2009.

Continuing the trend of the previous periods, depreciation and amortisation also declined by 4.0% from EUR 283.4 million in the nine months ended 30 September 2008 to EUR 272.2 million in the nine months ended 30 September 2009.

### Other operating result

The following table presents a breakdown of the components of other operating result:

in EUR million	Nine months ended 30 September		
	2009 unaudited	2008 unaudited	change in %
Other operating income	131.9	129.1	2.2
Other operating expenses	(333.7)	(270.1)	23.5
<b>Total</b>	<b>(201.8)</b>	<b>(141.0)</b>	<b>(43.1)</b>
Result from real estate/moveable assets	(42.4)	10.4	<(100.0)
Allocation/release of other provisions/risks	(2.8)	(3.0)	6.7
Expenses for deposit insurance contributions	(42.0)	(33.6)	25.0
Amortisation of intangible assets (customer relationships)	(53.0)	(58.0)	(8.6)
Other taxes	(19.2)	(18.5)	3.8
Result from other operating expenses/income	(42.4)	(38.3)	(10.7)
<b>Total</b>	<b>(201.8)</b>	<b>(141.0)</b>	<b>(43.1)</b>

Source: Unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

Other operating result deteriorated from EUR (141.0) million in the nine months ended 30 September 2008 to EUR (201.8) million in the nine months ended 30 September 2009, mainly due to higher write-downs related to real estate and moveable assets. This item also includes linear depreciation on intangible assets (customer relationships) of EUR 53.0 million, as well as costs for contributions to the deposits guarantee systems which, compared to the nine months ended 30 September 2008, rose by 25.0% to EUR 42.0 million in the nine months ended 30 September 2009, which increase is mainly due to an increase in the volume of customer deposits and changes in the payment requirements with respect to certain CEE countries.

### Result from financial assets

The following table presents a breakdown of the components of result from financial assets:

in EUR million	Nine months ended 30 September		
	2009 unaudited	2008 unaudited	change in %
Result from financial assets—at fair value through profit or loss	56.4	(114.9)	>100.0
Result from financial assets—available for sale	(106.4)	(11.6)	<(100.0)
Result from financial assets—held to maturity	2.0	(1.9)	>100.0
<b>Total</b>	<b>(48.0)</b>	<b>(128.4)</b>	<b>62.6</b>

Source: Unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009, except that the figures shown under "Total" in the last line of the table and in the column "change in %" are based on internal calculations or information of Erste Group Bank

The overall result of negative EUR 48.0 million in the nine months ended 30 September 2009 was significantly better than the result in the nine months ended 30 September 2008 (loss of EUR 128.4 million). While impairments for structured products and other securities in the AfS portfolio increased during the nine months ended 30 September 2009, this was offset by improved valuation results on securities in the fair value portfolio, resulting in an improved overall performance on the result from financial assets compared to the nine months ended 30 September 2008.

The market value of Erste Group's ABS/CDO portfolio amounted to approximately EUR 1.8 billion as of 30 September 2009, down from 2.0 billion at year-end 2008. In the nine months ended 30 September 2009, a revaluation in the fair value portfolio had a negative effect of EUR 3.5 million on the income statement. In the AfS portfolio, a revaluation took place with a negative P&L effect totalling EUR 53.4 million (impairment of EUR 22.5 million and realised losses of EUR 30.9 million). This resulted in a negative overall effect on pre-tax profits of EUR 56.9 million (nine months ended 30 September 2008: negative EUR 66.2 million). However, in the available for sale portfolio, the mark-to-market valuation in the nine months ended 30 September 2009 resulted in a EUR 136.7 million increase (nine months ended 30 September 2008: decline of EUR 167.6 million), booked against equity.

#### **Pre-tax profit and taxes on income from continuing operations**

The pre-tax profit from continuing operations fell by 18.5%, from EUR 1,321.8 million in the nine months ended 30 September 2008 to EUR 1,077.9 million in the nine months ended 30 September 2009, due in particular to higher risk costs.

Erste Group's effective tax rate from continuing operations increased from 20.0% in the nine months ended 30 September 2008 to 25.0% in the nine months ended 30 September 2009. Such increase was mainly due to higher non-tax deductible expenses in CEE and, compared to the previous year, lower deferred tax assets in Austria.

#### **Post tax profit from discontinuing operations**

For the nine months ended 30 September 2008, this item includes not only net profit from the insurance business until its sale but also the gain on disposal of the insurance business and the applicable taxes. Net profit from the sale of the insurance business amounted to EUR 601.8 million. There were no discontinuing operations recorded in the nine months ended 30 September 2009.

#### **Net profit after minority interests**

Net profit after minority interests fell by 50.8%, from EUR 1,463.0 million in the nine months ended 30 September 2008 to EUR 720.1 million in the nine months ended 30 September 2009. If the one-time effect of the sale of the insurance business is removed, net profit after minority interests would have been EUR 861.7 million in the nine months ended 30 September 2008, and the result for the nine months ended 30 September 2009 would show a decline of 16.4% on the result for the nine months ended 30 September 2008.

## Segmental Overview for the nine-month periods ended 30 September 2009 and 2008

The following table presents a breakdown by segment of Erste Group Bank's unaudited condensed consolidated income statements for the nine-month period ended 30 September 2009 and 2008:

in EUR million	Group Total	Retail&SME	GCI B	GM	Corporate Center
<b>Net interest income</b>					
2008 .....	3,573.3	3,143.2	329.8	163.3	(62.9)
2009 .....	3,840.9	3,284.1	407.2	158.8	(9.1)
Change in % .....	7.5	4.5	23.5	(2.8)	85.5
<b>Risk provisions for loans and advances</b>					
2008 .....	(602.3)	(494.6)	(57.7)	0.0	(50.0)
2009 .....	(1,449.2)	(1,146.7)	(216.0)	0.0	(86.4)
Change in % .....	>100	>100	>100	0.0	72.9
<b>Net fee and commission income</b>					
2008 .....	1,489.0	1,268.7	113.8	114.1	(7.5)
2009 .....	1,313.3	1,128.7	113.1	90.2	(18.6)
Change in % .....	(11.8)	(11.0)	(0.6)	(21.0)	<(100)
<b>Net trading result</b>					
2008 .....	184.9	95.6	4.3	97.5	(12.5)
2009 .....	503.0	145.7	0.4	342.7	14.2
Change in % .....	>100	52.4	(90.6)	>100	>100
<b>General administrative expenses</b>					
2008 .....	(3,053.7)	(2,646.4)	(126.4)	(142.9)	(138.0)
2009 .....	(2,880.3)	(2,490.0)	(126.1)	(144.9)	(119.3)
Change in % .....	(5.7)	(5.9)	(0.2)	1.4	(13.6)
<b>Other result<sup>(1)</sup></b>					
2008 .....	(269.4)	(117.9)	(23.0)	(4.5)	(124.0)
2009 .....	(249.8)	(172.4)	(32.7)	0.4	(45.1)
Change in % .....	7.3	(46.1)	(42.1)	>100	63.6
<b>Pre-tax profit (loss)</b>					
2008 .....	1,321.8	1,248.4	240.9	227.5	(394.9)
2009 .....	1,077.9	749.3	145.8	447.1	(264.4)
Change in % .....	(18.5)	(40.0)	(39.5)	96.6	33.1
<b>Taxes on income</b>					
2008 .....	(264.4)	(259.4)	(54.0)	(49.0)	98.0
2009 .....	(269.6)	(164.7)	(34.0)	(83.5)	12.6
Change in % .....	2.0	(36.5)	(36.9)	70.2	87.1
<b>Post tax profit from discontinuing operations</b>					
2008 .....	610.2	8.4	0.0	0.0	601.8
2009 .....	0.0	0.0	0.0	0.0	0.0
Change in % .....	(100)	(100)	<(0.0)	0.0	(100)
<b>Minority interests</b>					
2008 .....	(204.6)	(203.7)	(8.3)	(12.1)	19.5
2009 .....	(88.2)	(73.1)	3.6	(23.5)	4.8
Change in % .....	(56.9)	(64.1)	<(100)	95.0	(75.4)
<b>Net profit after minority interests</b>					
2008 .....	1,463.0	793.6	178.6	166.4	324.4
2009 .....	720.1	511.5	115.4	340.1	(247.0)
Change in % .....	(50.8)	(35.5)	(35.4)	>100	<(100)

Source: Unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

(1) Other result is the aggregate of other operating result, result from financial assets at fair value through profit or loss, available for sale and held to maturity.

## Results by Segment

### Retail & SME

The Retail & SME segment consists of the sub-segments Austria and CEE. The Austria sub-segment is further sub-divided into the Erste Bank Oesterreich and Haftungsverbund businesses. The CEE sub-segment is further sub-divided geographically into the retail and SME businesses of the local subsidiaries. The following tables presents the condensed income statements for the Retail & SME business for all countries in which Erste Group had operations for the nine-month periods ended 30 September 2009 and 30 September 2008:

in EUR million	Nine months ended 30 September		
	2009 unaudited	2008 unaudited	Change in %
Net interest income	3,284.1	3,143.2	4.5
Risk provisions for loans and advances	(1,146.7)	(494.6)	>100
Net fee and commission income	1,128.7	1,268.7	(11.0)
Net trading result	145.7	95.6	52.4
General administrative expenses	(2,490.0)	(2,646.4)	(5.9)
Other result	(172.4)	(117.9)	(46.1)
<b>Pre-tax profit</b>	<b>749.3</b>	<b>1,248.4</b>	<b>(40.0)</b>
Taxes on income	(164.7)	(259.4)	(36.5)
Post tax profit from discontinuing operations	0.0	8.4	(100.0)
Minority interests	(73.1)	(203.7)	(64.1)
<b>Net profit after minority interests</b>	<b>511.5</b>	<b>793.6</b>	<b>(35.5)</b>
Cost/income ratio (in %)	54.6	58.7	—
ROE based on net profit after minority interests (in %)	16.6	32.2	—
Average risk-weighted assets	74,437.1	72,574.6	2.6
Average attributed equity	4,109.7	3,288.3	25.0

Source: Unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

### Austria

#### Erste Bank Oesterreich

This business includes Erste Bank Oesterreich (particularly retail and commercial business) and allocated subsidiaries—which primarily include the savings banks in which Erste Bank Oesterreich holds majority stakes (Salzburger Sparkasse, Tiroler Sparkasse, Sparkasse Hainburg-Bruck-Neusiedl, Sparkasse Weinviertel) as well as Bausparkasse der österreichischen Sparkassen Aktiengesellschaft ("s-Bausparkasse").

The following table presents the condensed income statements for Erste Bank Oesterreich as included in the segment Retail & SME for the nine-month periods ended 30 September 2009 and 2008:

in EUR million	Nine months ended 30 September		
	2009 unaudited	2008 unaudited	change In %
Net interest income	476.9	445.5	7.0
Risk provisions for loans and advances	(105.4)	(73.7)	43.0
Net fee and commission income	218.9	234.9	(6.8)
Net trading result	6.9	13.5	(48.9)
General administrative expenses	(467.2)	(498.1)	(6.2)
Other result	19.2	(37.1)	>100
<b>Pre-tax profit</b>	<b>149.3</b>	<b>85.0</b>	<b>75.7</b>
Taxes on income	(34.1)	(18.5)	84.5
Post tax profits from discontinuing operations	0.0	4.9	(100)
Minority interests	(8.5)	(1.3)	>100
<b>Net profit after minority interests</b>	<b>106.7</b>	<b>70.1</b>	<b>52.1</b>
Cost/income ratio (in %)	66.5	71.8	
ROE based on net profit after minority interests (in %)	12.6	9.7	
Average risk-weighted assets	13,977.4	14,142.3	(1.2)
Average attributed equity	1,130.8	966.6	17.0

Source: Unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

The operating result (equals operating income minus general administrative expenses) increased by EUR 39.7 million, or 20.3%, from EUR 195.8 million in the nine months ended 30 September 2008 to EUR 235.5 million in the nine months ended 30 September 2009. An improvement in net interest income and a significant decline in general administrative expenses contributed to this result. Net interest income grew by EUR 31.4 million, or 7.0%, from EUR 445.5 million in the nine months ended 30 September 2008 to EUR 476.9 million in the nine months ended 30 September 2009 due to strong inflows of customer deposits resulting in lower funding costs and increased margins. The decline in securities business, which was a result of the slow recovery of customer confidence in the financial markets, together with a weaker result from insurance business, negatively affected net fee and commission income. At EUR 218.9 million in the nine months ended 30 September 2009, this was EUR 16.0 million, or 6.8%, below the EUR 234.9 million in the nine months ended 30 September 2008. The net trading result deteriorated by EUR 6.6 million, or 48.9%, from EUR 13.5 million in the nine months ended 30 September 2008 to EUR 6.9 million in the nine months ended 30 September 2009. Operating expenses declined by EUR 30.9 million, from EUR 498.1 million in the nine months ended 30 September 2008 to EUR 467.2 million in the nine months ended 30 September 2009. The cost/income ratio improved to 66.5% (following 71.8% in the nine months ended 30 September 2008). The EUR 31.7 million, or 43.0%, increase in risk provisions for loans and advances, from EUR 73.7 million in the nine months ended 30 September 2008 to EUR 105.4 million in the nine months ended 30 September 2009, was primarily driven by the SME/Local corporate business. The other result improved by EUR 56.3 million, from a negative EUR 37.1 million in the nine months ended 30 September 2008 to a positive EUR 19.2 million in the nine months ended 30 September 2009, due to positive revaluations of securities outside of the trading portfolio. Net profit after minority interests improved by EUR 36.6 million, from EUR 70.1 million in the nine months ended 30 September 2008 to EUR 106.7 million in the nine months ended 30 September 2009, despite the continuing difficult market situation. Return on equity grew from 9.7% in the nine months ended 30 September 2008 to 12.6% in the nine months ended 30 September 2009.

### Savings Banks (Haftungsverbund)

The following table presents the condensed income statements for the Savings Banks (Haftungsverbund) business for the years the nine-month periods ended 30 September 2009 and 2008:

in EUR million	Nine months ended 30 September		
	2009 unaudited	2008 unaudited	change in %
Net interest income	692.4	702.7	(1.5)
Risk provisions for loans and advances	(215.8)	(158.3)	36.3
Net fee and commission income	282.9	286.0	(1.1)
Net trading result	45.3	12.8	>100
General administrative expenses	(704.1)	(697.0)	1.0
Other result	(114.4)	(44.2)	<(100)
<b>Pre-tax profit</b>	(13.7)	102.0	<(100)
Taxes on income	(0.1)	(37.0)	(99.7)
Post-tax profit from discontinuing operations	0.0	0.0	
Minority interests	3.1	(59.5)	>100
Net profit after minority interests	(10.7)	5.4	<(100)
Cost/income ratio (in %)	69.0	69.6	
ROE based on net profit after minority interests (in %)	—	3.2	
Average risk-weighted assets	24,425.6	24,409.6	0.1
Average attributed equity	297.6	224.6	32.5

Source: Unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

Net interest income fell by EUR 10.3 million, or 1.5%, to EUR 692.4 million in the nine months ended 30 September 2009. The deterioration in the economic environment led to an increase of EUR 57.5 million in risk provisions for loans and advances, from EUR 158.3 million in the nine months ended 30 September 2008 to EUR 215.8 million in the nine months ended 30 September 2009. More than half of the increase was due to higher portfolio provisions as a result of a downward rating migration. The EUR 32.5 million improvement in the trading result, from EUR 12.8 million in the nine months ended 30 September 2008 to EUR 45.3 million in the nine months ended 30 September 2009, primarily reflected income from interest rate derivatives, particularly in the first quarter of 2009. General administrative expenses rose from EUR 697.0 million to EUR 704.1 million. If changes to the scope of consolidation are excluded, costs were down slightly in the nine months ended 30 September 2009 compared to the same period in the previous year. The decline in other result, from a loss of EUR 44.2 million in the nine months ended 30 September 2008 to a loss of EUR 114.4 million in the nine months ended 30 September 2009, was due to impairments of financial instruments in the AfS portfolios. Net profit after minority interests fell by EUR 16.1 million, from EUR 5.4 million in the nine months ended 30 September 2008 to a loss of EUR 10.7 million in the nine months ended 30 September 2009. The cost/income ratio was at 69.0% in the nine months ended 30 September 2009 and thus improved slightly compared with the ratio of 69.6% in the nine months ended 30 September 2008.

## CEE

The CEE sub-segment mainly includes the results from the retail and SME business of Česká spořitelna, BCR, Slovenská sporiteľňa, Erste Bank Hungary, Erste Bank Croatia, Erste Bank Serbia and Erste Bank Ukraine. The contributions made by the divisionalised business units Group Markets and Group Corporate and Investment Banking are reported under the respective segments.

The following table presents the condensed income statements for the CEE sub-segment for the nine-month periods ended 30 September 2009 and 2008:

in EUR million	Nine months ended 30 September		
	2009 unaudited	2008 unaudited	change in %
Net interest income	2,114.7	1,994.9	6.0
Risk provisions for loans and advances	(825.5)	(262.6)	>100
Net fee and commission income	626.9	747.7	(16.2)
Net trading result	93.5	69.3	34.9
General administrative expenses	(1,318.7)	(1,451.3)	(9.1)
Other result	(77.1)	(36.6)	<(100)
<b>Pre-tax profit</b>	<b>613.7</b>	<b>1,061.4</b>	<b>(42.2)</b>
Taxes on income	(130.5)	(203.9)	36.0
Post-tax profit from discontinuing operations	0.0	3.5	(100.0)
Minority interests	(67.7)	(142.9)	(52.6)
Net profit after minority interests	415.5	718.1	(42.1)
Cost/income ratio (in %)	46.5	51.6	
ROE based on net profit after minority interests (in %)	20.7	45.7	
Average risk-weighted assets	36,034.1	34,022.7	5.9
Average attributed equity	2,681.3	2,097.1	27.9

Source: Internal information of Erste Group Bank

## Czech Republic

The following table presents the condensed income statements for the Česká spořitelná business as included in the Retail & SME segment for the nine-month periods ended 30 September 2009 and 2008:

in EUR million	Nine months ended 30 September		
	2009 unaudited	2008 unaudited	change in %
Net interest income . . . . .	806.6	794.2	1.6
Risk provisions for loans and advances . . . . .	(187.8)	(78.3)	>100
Net fee and commission income . . . . .	310.3	311.4	(0.4)
Net trading result . . . . .	33.1	8.4	>100
General administrative expenses . . . . .	(530.5)	(566.9)	(6.4)
Other result . . . . .	(74.6)	(74.0)	(0.8)
<b>Pre-tax profit . . . . .</b>	<b>357.1</b>	<b>394.7</b>	<b>(9.5)</b>
Taxes on income . . . . .	(71.9)	(80.8)	(11.0)
Post-tax profit from discontinuing operations . . . . .	0.0	8.0	nm
Minority interests . . . . .	(7.5)	(9.7)	(23.5)
<b>Net profit after minority interests . . . . .</b>	<b>277.8</b>	<b>312.1</b>	<b>(11.0)</b>
Cost/income ratio (in %) . . . . .	46.1	50.9	
ROE based on net profit after minority interests (in %) . . . . .	37.1	52.0	
Average risk-weighted assets . . . . .	11,207.7	11,303.8	(0.8)
Average attributed equity . . . . .	997.3	799.9	24.7

Source: Unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

Net interest income from the Czech retail and SME business rose by EUR 12.4 million, or 1.6% (currency-adjusted 7.5%), from EUR 794.2 million in the nine months ended 30 September 2008 to EUR 806.6 million in the nine months ended 30 September 2009. This was driven by the continuing inflow of savings deposits, as well as selective growth in the lending business. The net interest income was negatively influenced by declining market interest rates (two weeks repo rate published by the CNB), which fell from 3.75% in the nine months ended 30 September 2008 to 1.25% in the nine months ended 30 September 2009. Net fee and commission income declined by 0.4%, from EUR 311.4 million in the nine months ended 30 September 2008 to EUR 310.3 million in the nine months ended 30 September 2009. However, on a currency-adjusted basis, the result improved by 5.4%, particularly due to improvements in the lending and payment transactions business. Due to the currency trend, general administrative expenses declined by EUR 36.4 million, or 6.4%, to EUR 530.5 million. On a currency-adjusted basis, general administrative expenses in the nine months ended 30 September 2009 declined by 1.0% compared to the 2008 period as a result of cost reduction measures. The improved net trading result (EUR 33.1 million versus EUR 8.4 million in the nine months ended 30 September 2008) was primarily due to foreign exchange business.

Overall, the operating result grew by EUR 72.5 million, or 13.3% (currency-adjusted: 19.9%), to EUR 619.5 million in the nine months ended 30 September 2009 compared to EUR 547.0 million in the nine months ended 30 September 2008. The significant EUR 109.5 million increase in risk provisions for loans and advances, from EUR 78.3 million to EUR 187.8 million, reflected the increased provisioning requirement—particularly in the SME business—as a result of the economic downturn. At a negative EUR 74.6 million, the other result remained stable compared to the nine months ended 30 September 2008, but on a currency-adjusted basis there was a decline of 6.7%, which was due to fair value adjustments in the securities portfolio and with respect to real estate investments. Net profit after minority interests showed a decline of EUR 34.3 million, or 11.0% (currency-adjusted: (5.8%)), to EUR 277.8 million in the nine months ended 30 September 2009 compared to EUR 312.1 million in the nine months ended 30 September 2008. The cost/income ratio stood at 46.1% (50.9% in 2008), while return on equity equalled 37.1% (previous year: 52.0%).

## Romania

The following table presents the condensed income statements for the BCR business as included in the Retail & SME segment for the nine-month periods ended 30 September 2009 and 2008:

in EUR million	Nine months ended 30 September		
	2009 unaudited	2008 unaudited	change in %
Net interest income	577.6	542.5	6.5
Risk provisions for loans and advances	(319.7)	(69.6)	100
Net fee and commission income	113.4	192.5	(41.1)
Net trading result	18.2	24.1	(24.4)
General administrative expenses	(286.7)	(352.3)	(18.6)
Other result	25.3	40.9	(38.1)
<b>Pre-tax profit</b>	<b>128.3</b>	<b>378.2</b>	<b>(66.1)</b>
Taxes on income	(21.8)	(62.8)	(65.3)
Post-tax profit from discontinuing operations	0.0	(4.5)	nm
Minority interests	(37.2)	(100.4)	(62.9)
<b>Net profit after minority interests</b>	<b>69.2</b>	<b>210.5</b>	<b>(67.1)</b>
Cost/income ratio (in %)	40.4	46.4	
ROE based on net profit after minority interests (in %)	16.7	63.6	
Average risk-weighted assets	9,756.5	9,150.6	6.6
Average attributed equity	552.8	441.1	25.3

Source: Unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

Strong lending growth ended in September 2008. Nevertheless this growth in 2008 contributed significantly to the increase in net interest income of the Romanian retail and SME business, which rose from EUR 542.5 million in the nine months ended 30 September 2008 to EUR 577.6 million in the nine months ended 30 September 2009 (an increase of 6.5%, currency-adjusted 23.4%). The declining net trading result (from EUR 24.1 million to EUR 18.2 million) reflected negative valuation effects as a result of the RON devaluation, particularly in the first and second quarters of 2009. Net fee and commission income fell by EUR 79.1 million, or 41.1% (currency-adjusted: 31.7%), from EUR 192.5 million in the nine months ended 30 September 2008 to EUR 113.4 million in the nine months ended 30 September 2009. The significant decline was due to lower payment transaction fees as well as reduced fees from the lending business, due to the strong decline in the lending business beginning in the fourth quarter of 2008. Higher general administrative expenses due to the expansion of the branch network (50 new branches compared to 2008) and IT costs that rose year-on-year were more than offset by lower personnel expenses, so that operating expenses overall fell by 18.6% (currency-adjusted: -5.7%) to EUR 286.7 million compared to EUR 352.3 million in the nine months ended 30 September 2008.

The EUR 15.6 million decline in the other result, from EUR 40.9 million to EUR 25.3 million, was due to positive one-time effects from the sale of a participation in the third quarter of 2008, as well as impairments on moveable assets during the third quarter of 2009. The solid operating result of EUR 422.6 million in the nine months ended 30 September 2009—up 20.4 % on a currency-adjusted basis—was achieved against the backdrop of a EUR 250.1 million rise in risk provisions—particularly for the retail portfolio—from EUR 69.6 million in the nine months ended 30 September 2008 to EUR 319.7 million in the nine months ended 30 September 2009. The comparability of these figures is affected by the release of a general reserve amounting to EUR 25.2 million in the nine months ended 30 September 2008. The increase in risk provisions was due to the general market trend over the past months (financial crisis, higher unemployment, devaluation of RON against EUR). Net profit after minority interests declined by EUR 141.3 million, or 67.1% (currency adjusted: (61.9%)), from EUR 210.5 million in the nine months ended 30 September 2008 to EUR 69.2 million in the nine months ended 30 September 2009. The cost/income ratio improved from 46.4% in the nine months ended 30 September 2008 to 40.4% in the nine months ended 30 September 2009; return on equity was 16.7%.

## Slovak Republic

The following table presents the condensed income statements for the Slovenská sporiteľňa business as included in the Retail & SME segment for the nine-month periods ended 30 September 2009 and 2008:

in EUR million	Nine months ended 30 September		
	2009 unaudited	2008 unaudited	change in %
Net interest income	281.8	256.2	10.0
Risk provisions for loans and advances	(105.8)	(41.3)	>100
Net fee and commission income	76.9	78.5	(2.0)
Net trading result	7.0	8.5	(17.8)
General administrative expenses	(194.6)	(189.0)	3.0
Other result	(29.8)	(10.3)	<(100)
<b>Pre-tax profit</b>	<b>35.5</b>	<b>102.5</b>	<b>(65.3)</b>
Taxes on income	(7.1)	(18.0)	(60.4)
Post-tax profit from discontinuing operations	0.0	0.0	0.0
Minority interests	(0.4)	(0.0)	>100
<b>Net profit after minority interests</b>	<b>28.0</b>	<b>84.4</b>	<b>(66.8)</b>
Cost/income ratio (in %)	53.2	55.1	
ROE based on net profit after minority interests (in %)	8.3	38.7	
Average risk-weighted assets	5,423.3	4,074.2	33.1
Average attributed equity	452.0	290.7	55.5

Source: Unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

Net interest income for the Slovakian retail and SME business was up EUR 25.6 million, or 10.0% (currency-adjusted: +4.8%), to EUR 281.8 million in the nine months ended 30 September 2009 driven by growth in retail loans and deposits offsetting several interest rate reductions—as a result of the introduction of the EUR and financial trends. Net fee and commission income amounted to EUR 76.9 million in the nine months ended 30 September 2009, down 2.0% (currency-adjusted: (6.6%)), compared to EUR 78.5 million in the nine months ended 30 September 2008. This decline was primarily a result of the ban on charging fees for cash transactions in the aftermath of the introduction of the EUR (which expired on 30 August 2009) as well as anticipated lower commissions from foreign exchange business and wealth management. The EUR 1.5 million decline in the net trading result compared with the 2008 period (from EUR 8.5 million to EUR 7.0 million) reflects the discontinuation of foreign exchange business due to the introduction of the EUR. The increase in risk provisions for loans and advances reflects the deterioration in the market environment in the nine months ended 30 September 2009, compared to nine months ended 30 September 2008. At EUR 105.8 million, risk provisions for loans and advances more than doubled compared to the 2008 period (EUR 41.3 million). General administrative expenses increased by EUR 5.6 million, or 3.0%, from EUR 189.0 million to EUR 194.6 million. An increase in IT costs (on a currency-adjusted basis, a decline of 1.9%) was offset by lower personnel expenses. The decline in other result by EUR 19.5 million, from a negative EUR 10.3 million in the nine months ended 30 September 2008 to a negative EUR 29.8 million in the nine months ended 30 September 2009, was mainly due to revaluation requirements in the AfS portfolio as well as costs of legal proceedings. Net profit after minority interests amounted to EUR 28.0 million in the nine months ended 30 September 2009, down 66.8% compared to the 2008 period, while return on equity was 8.3%. The cost/income ratio improved to 53.2%, from 55.1% in the nine months ended 30 September 2008.

## Hungary

The following table presents the condensed income statements for the Erste Bank Hungary business as included in the Retail & SME segment for the nine-month periods ended 30 September 2009 and 2008:

in EUR million	Nine months ended 30 September		
	2009 unaudited	2008 unaudited	change in %
Net interest income . . . . .	253.8	211.4	20.0
Risk provisions for loans and advances . . . . .	(117.6)	(46.0)	>100
Net fee and commission income . . . . .	61.4	100.1	(38.6)
Net trading result . . . . .	22.8	10.3	>100
General administrative expenses . . . . .	(158.6)	(176.8)	(10.3)
Other result . . . . .	8.6	0.7	>100
<b>Pre-tax profit . . . . .</b>	<b>70.4</b>	<b>99.7</b>	<b>(29.4)</b>
Taxes on income . . . . .	(17.3)	(25.5)	(31.9)
Post tax profit from discontinuing operations . . . . .	0.0	0.0	0.0
Minority interests . . . . .	(0.0)	(0.1)	(100)
<b>Net profit after minority interests . . . . .</b>	<b>53.0</b>	<b>74.2</b>	<b>(28.6)</b>
Cost/income ratio (in %) . . . . .	46.9	54.9	
ROE based on net profit after minority interests (in %) . . . . .	18.1	31.2	
Average risk-weighted assets . . . . .	4,734.0	4,588.0	3.2
Average attributed equity . . . . .	390.8	316.9	23.3

Source: Unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

In the Hungarian retail and SME business, net interest income increased from EUR 211.4 million in the nine months ended 30 September 2008 to EUR 253.8 million in the nine months ended 30 September 2009 (an increase of 20.0% and a currency-adjusted increase of 37.7%)—primarily due to improvements in margins and the strong loan growth in 2008. The decline in net fee and commission income by EUR 38.7 million, or 38.6% (currency-adjusted: (29.6%)), from EUR 100.1 million in the nine months ended 30 September 2008 to EUR 61.4 million in the nine months ended 30 September 2009 was due to lower contributions from the securities and lending businesses. The net trading result doubled from EUR 10.3 million in the nine months ended 30 September 2008 to EUR 22.8 million in the nine months ended 30 September 2009. At EUR 158.6 million in the nine months ended 30 September 2009, general administrative expenses were down by EUR 18.2 million, or 10.3% (currency-adjusted: +3.0%), on the comparable period in 2008. Personnel expenses remained stable. The cost/income ratio declined significantly, from 54.9% in the nine months ended 30 September 2008 to 46.9% in the nine months ended 30 September 2009. The operating result grew by 23.7% (currency-adjusted: +41.9%), from EUR 145.1 million to EUR 179.4 million. The general economic situation in Hungary and the associated weakening of the currency—mainly in the first and second quarters of 2009—also led to a rise in risk provisions for loans and advances at Erste Bank Hungary due to foreign exchange loans, from EUR 46.0 million in the nine months ended 30 September 2008 to EUR 117.6 million in the nine months ended 30 September 2009. The EUR 7.9 million increase in other result from EUR 0.7 million in the nine months ended 30 September 2008 to EUR 8.6 million in the nine months ended 30 September 2009 was primarily due to income from the sale of real estate in the second quarter of 2009. Net profit after minority interests deteriorated by 28.6% (currency-adjusted: (18.1%)), from EUR 74.2 million to EUR 53.0 million. Return on equity in the nine months ended 30 September 2009 stood at 18.1%.

## Croatia

The following table presents the condensed income statements for the Erste Bank Croatia business as included in the Retail & SME segment for the nine-month periods ended 30 September 2009 and 2008:

in EUR million	Nine months ended 30 September		
	2009 unaudited	2008 unaudited	change in %
Net interest income	152.5	144.3	5.7
Risk provisions for loans and advances	(41.5)	(15.9)	>100
Net fee and commission income	56.1	57.6	(2.4)
Net trading result	5.5	11.4	(51.7)
General administrative expenses	(97.8)	(96.4)	1.4
Other result	(4.8)	1.7	<(100)
<b>Pre-tax profit</b>	<b>69.9</b>	<b>102.6</b>	<b>(31.8)</b>
Taxes on income	(13.8)	(20.7)	(33.5)
Post-tax profit from discontinuing operations	0.0	0.0	0.0
Minority interests	(22.0)	(31.1)	(29.1)
<b>Net profit after minority interests</b>	<b>34.1</b>	<b>50.8</b>	<b>(32.8)</b>
Cost/income ratio (in %)	45.7	45.2	
ROE based on net profit after minority interests (in %)	23.9	41.8	
Average risk-weighted assets	3,600.1	3,559.6	1.1
Average attributed equity	190.8	161.9	17.8

Source: Unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009 except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

Net interest income in the Croatian retail and SME business increased from EUR 144.3 million in the nine months ended 30 September 2008 to EUR 152.5 million in the nine months ended 30 September 2009, an increase of 5.7% (currency-adjusted 7.6%). In addition to a continuing positive business trend, the first-time inclusion of Erste Bank Podgorica, Montenegro, also contributed to this positive result from the second quarter of 2009 onward. Its contribution to the operating result was EUR 3.5 million. Erste Bank Podgorica has total assets of EUR 179.5 million, operates 14 branches and employs 212 staff. Net fee and commission income declined by 2.4% (currency-adjusted: (0.7%)), from EUR 57.6 million in the nine months ended 30 September 2008 to EUR 56.1 million in the nine months ended 30 September 2009. The main reason for the decline was a weaker securities business. Due to the decline in the foreign exchange business at Erste Bank Croatia, as well as in ECC, the net trading result fell by EUR 5.9 million, or 51.7% (currency-adjusted: (50.8%)), from EUR 11.4 million in the nine months ended 30 September 2008 to EUR 5.5 million in the nine months ended 30 September 2009. Due to higher office and IT costs, general administrative expenses rose slightly (up 1.4%, or currency-adjusted up 3.3%), from EUR 96.4 million in the nine months ended 30 September 2008 to EUR 97.8 million in the nine months ended 30 September 2009. The cost/income ratio remained stable at 45.7%. Net profit after minority interests declined by 32.8% (currency-adjusted (31.6%)) from EUR 50.8 million in the nine months ended 30 September 2008 to EUR 34.1 million in the nine months ended 30 September 2009. Return on equity fell from 41.8% in the nine months ended 30 September 2008 to 23.9% in the nine months ended 30 September 2009.

## Serbia

The following table presents the condensed income statements for the Erste Bank Serbia business as included in the Retail & SME segment for the nine-month periods ended 30 September 2009 and 2008:

in EUR million	Nine months ended 30 September		
	2009 unaudited	2008 unaudited	change in %
Net interest income	22.0	24.1	(9.0)
Risk provisions for loans and advances	(6.1)	(4.3)	42.7
Net fee and commission income	8.1	5.4	49.0
Net trading result	2.2	2.3	(1.2)
General administrative expenses	(23.1)	(25.1)	(7.8)
Other result	(0.9)	4.3	<(100)
<b>Pre-tax profit</b>	2.1	6.7	(68.6)
Taxes on income	(0.3)	0.4	>100
Post-tax profit from discontinuing operations	0.0	0.0	0.0
Minority interests	(0.6)	(1.7)	(62.6)
<b>Net profit after minority interests</b>	1.2	5.4	(77.2)
Cost/income ratio (in %)	71.7	78.9	
ROE based on net profit (in %)	3.4	16.6	
Average risk-weighted assets	741.8	808.4	(8.2)
Average attributed equity	49.1	43.4	13.0

Source: Unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

Net interest income of the Serbian retail and SME business fell by 9.0% (currency-adjusted up 6.9%) from EUR 24.1 million in the nine months ended 30 September 2008 to EUR 22.0 million in the nine months ended 30 September 2009. Risk provisions for loans and advances were up by EUR 1.8 million, from EUR 4.3 million in the nine months ended 30 September 2008 to EUR 6.1 million in the nine months ended 30 September 2009, and reflected the general economic trend. Net fee and commission income increased by 49.0% (currency-adjusted: +75.0%), from EUR 5.4 million to EUR 8.1 million, reflecting stable payment transaction commissions and significant improvements in the lending business. The net trading result of EUR 2.2 million was slightly below the EUR 2.3 million result in the nine months ended 30 September 2008. The currency-adjusted increase of 16.1% in the net trading result was driven by an improvement in foreign exchange business. General administrative expenses declined by EUR 2.0 million, or negative 7.8%, to EUR 23.1 million in the nine months ended 30 September 2009. General administrative expenses increased, however, by 8.3% on a currency-adjusted basis due primarily to higher personnel expenses. The cost/income ratio improved from 78.9% to 71.7%. The operating result improved by 43.8% (currency-adjusted: +59.6%), from EUR 6.7 million in the nine months ended 30 September 2008 to EUR 9.1 million in the nine months ended 30 September 2009. Despite this increase, net profit after minority interests declined by EUR 4.2 million, to EUR 1.2 million in the nine months ended 30 September 2009. The reason for the period-over-period decline was the positive effect in the earlier period from the sale of a participation in the first half of 2008, which is reflected in other result. Return on equity was 3.4% in the nine months ended 30 September 2009.

## Ukraine

The following table presents the condensed income statements for the Erste Bank Ukraine business as included in the Retail & SME segment for the nine-month periods ended 30 September 2009 and 2008:

in EUR million	Nine months ended 30 September		
	2009 unaudited	2008 unaudited	change in %
Net interest income	20.5	22.2	(8.0)
Risk provisions for loans and advances	(47.0)	(7.3)	>100
Net fee and commission income	0.6	2.3	(74.0)
Net trading result	4.6	4.3	6.3
General administrative expenses	(27.3)	(44.8)	(39.0)
Other result	(1.0)	0.2	<(100)
<b>Pre-tax profit</b>	<b>(49.6)</b>	<b>(23.0)</b>	<b>&lt;(100)</b>
Taxes on income	1.8	3.6	50.5
Post-tax profit from discontinuing operations	0.0	0.0	0.0
Minority interests	0.0	0.0	0.0
<b>Net profit after minority interests</b>	<b>(47.8)</b>	<b>(19.4)</b>	<b>&lt;(100)</b>
Cost/income ratio (in %)	nm	nm	—
ROE based on net profit (in %)	nm	nm	—
Average risk-weighted assets	570.7	538.0	6.1
Average attributed equity	48.5	43.0	12.7

Source: Unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009, except that the figures shown in the column "change in %" and under "Cost/income ratio (in %)" are based on internal calculations or information of Erste Group Bank

The Ukrainian retail and SME business improved its operating result in the nine months ended 30 September 2009 compared with the comparable period in 2008 by EUR 14.3 million, from a negative EUR 15.9 million to a negative EUR 1.6 million. This improved result was achieved mainly through a EUR 17.5 million reduction in general administrative expenses, from EUR 44.8 million in the 2008 period to EUR 27.3 million in the nine months ended 30 September 2009 (down 39.0% or currency-adjusted down 9.3%). At the same time, net interest income fell from EUR 22.2 million in the nine months ended 30 September 2008 to EUR 20.5 million in the nine months ended 30 September 2009 ((8.0%)). On a currency-adjusted basis, net interest income posted an increase of 36.8%, which was due to the loan growth in the previous year. The reduction in net fee and commission income from EUR 2.3 million in the 2008 period to EUR 0.6 million in the nine months ended 30 September 2009 mainly resulted from the lack of new credit business during 2009. The net trading result grew from EUR 4.3 million in the nine months ended 30 September 2008 to EUR 4.6 million in the nine months ended 30 September 2009. The substantial EUR 39.7 million increase in risk provisions for loans and advances, to EUR 47.0 million in the nine months ended 30 September 2009, was mainly related to the deterioration of the loan portfolio, in line with the market trend in Ukraine. Overall, net profit after minority interests fell by EUR 28.4 million, from negative EUR 19.4 million in the nine months ended 30 September 2008 to negative EUR 47.8 million in the nine months ended 30 September 2009.

**GCI B**

The following table presents the condensed income statements for the Group Corporate & Investment Banking ("GCI B") segment for the nine-month periods ended 30 September 2009 and 2008:

in EUR million	Nine months ended 30 September		
	2009 unaudited	2008 unaudited	change in %
Net interest income	407.2	329.8	23.5
Risk provisions for loans and advances	(216.0)	(57.7)	>100
Net fee and commission income	113.1	113.8	(0.6)
Net trading result	0.4	4.3	(90.6)
General administrative expenses	(126.1)	(126.4)	(0.2)
Other result	(32.7)	(23.0)	(42.1)
<b>Pre-tax profit</b>	<b>145.8</b>	<b>240.9</b>	<b>(39.5)</b>
Taxes on income	(34.0)	(54.0)	(36.9)
Post-tax profit from discontinuing operations	0.0	0.0	<(100)
Minority interests	3.6	(8.3)	<(100)
<b>Net profit after minority interests</b>	<b>115.4</b>	<b>178.6</b>	<b>(35.4)</b>
Cost/income ratio (in %)	24.2	28.2	
ROE based on net profit (in %)	7.5	17.0	
Average risk-weighted assets	26,208.2	22,982.2	14.0
Average attributed equity	2,058.9	1,400.1	47.1

Source: Unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

The increase of EUR 77.4 million, or 23.5%, in net interest income from EUR 329.8 million in the nine months ended 30 September 2008 to EUR 407.2 million in the nine months ended 30 September 2009 was mainly achieved through a consistent pricing policy. Net fee and commission income remained stable at EUR 113.1 million, despite difficult market conditions. General administrative expenses also remained stable, at EUR 126.1 million in the nine months ended 30 September 2009, compared to EUR 126.4 million in the nine months ended 30 September 2008. As a result, the operating result rose by 22.7% from EUR 321.5 million in the nine months ended 30 September 2008 to EUR 394.5 million in the nine months ended 30 September 2009. The substantial increase in risk provisions for loans and advances, from EUR 57.7 million to EUR 216.0 million, reflected the negative market environment. As a result of the increase in risk provisions for loans and advances, net profit after minority interests declined by 35.4%, from EUR 178.6 million in the nine months ended 30 September 2008 to EUR 115.4 million in the nine months ended 30 September 2009. The decline of EUR 9.7 million, or 42.1%, in other result, from a negative EUR 23.0 million in the nine months ended 30 September 2008 to a negative EUR 32.7 million in the nine months ended 30 September 2009, was mainly due to negative revaluation requirements in the International Business division. The cost/income ratio improved from 28.2% in the nine months ended 30 September 2008 to 24.2% in the nine months ended 30 September 2009. Return on equity in the nine months ended 30 September 2009 stood at 7.5%.

## Group Markets

The following table presents the condensed income statements for the Group Markets (GM) segment for the nine-month periods ended 30 September 2009 and 2008:

in EUR million	Nine months ended 30 September		
	2009 unaudited	2008 unaudited	change in %
Net interest income	158.8	163.3	(2.8)
Risk provisions for loans and advance	(0.0)	0.0	>100
Net fee and commission income	90.2	114.1	(21.0)
Net trading result	342.7	97.5	>100
General administrative expenses	(144.9)	(142.9)	1.4
Other result	0.4	(4.5)	>100
<b>Pre-tax profit</b>	<b>447.1</b>	<b>227.5</b>	<b>96.6</b>
Taxes on income	(83.5)	(49.0)	70.2
Post-tax profit from discontinuing operations	0.0	0.0	0.0
Minority interests	(23.5)	(12.1)	95.0
<b>Net profit after minority interests</b>	<b>340.1</b>	<b>166.4</b>	<b>&gt;100</b>
Cost/income ratio (in %)	24.5	38.1	
ROE based on net profit (in %)	>100	>100	
Average risk-weighted assets	3,250.8	1,901.9	70.9
Average attributed equity	331.7	184.0	80.3

Source: Unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009 of Erste Group Bank, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

The operating result in the nine months ended 30 September 2009 in the Group Markets segment increased by 92.6% compared to the comparable 2008 period, from EUR 232.0 million to EUR 446.8 million, driven primarily by the very positive development in the net trading result in virtually all business segments. Fixed income business (bond trading and money market business) as well as foreign exchange and equity trading contributed to this result. The customer business accounted for about 50% of the net trading result. At EUR 158.8 million in the nine months ended 30 September 2009, net interest income was EUR 4.5 million, or 2.8%, below the EUR 163.3 million in the nine months ended 30 September 2008. The decline in net fee and commission income by EUR 23.9 million, or 21.0%, from EUR 114.1 million in the nine months ended 30 September 2008 to EUR 90.2 million in the nine months ended 30 September 2009, was due to market-related declines, particularly in the investment fund business. At EUR 144.9 million in the nine months ended 30 September 2009, general administrative expenses were only 1.4% above the EUR 142.9 million figure in the nine months ended 30 September 2008. The cost/income ratio improved significantly from 38.1% to 24.5%. At EUR 340.1 million, net profit after minority interests in the nine months ended 30 September 2009 more than doubled compared to the EUR 166.4 million figure for the comparable period of 2008. Return on equity reached 136.7% in the nine months ended 30 September 2009 compared to 120.6% in the comparable 2008 period.

## Corporate Center

The following table presents the condensed income statements for the Corporate Center segment for the for the nine-month periods ended 30 September 2009 and 2008:

in EUR million	Nine months ended 30 September		
	2009 unaudited	2008 unaudited	change in %
Net interest income .....	(9.1)	(62.9)	85.5
Risk provisions for loans and advances .....	(86.4)	(50.0)	72.9
Net fee and commission income .....	(18.6)	(7.5)	<(100)
Net trading result .....	14.2	(12.5)	>100
General administrative expenses .....	(119.3)	(138.0)	(13.6)
Other result .....	(45.1)	(124.0)	63.6
<b>Pre-tax profit .....</b>	<b>(264.4)</b>	<b>(394.9)</b>	<b>(33.1)</b>
Taxes on income .....	12.6	98.0	(87.1)
Post-tax profit from discontinuing operations .....	0.0	601.8	
Minority interests .....	4.8	19.5	(75.4)
<b>Net profit after minority interests .....</b>	<b>(247.0)</b>	<b>324.4</b>	<b>&lt;(100)</b>

Source: Unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

The Corporate Center segment includes results from companies that cannot be assigned directly to a specific business segment, profit consolidation between the segments, linear depreciation on the customer relationships for BCR, Erste Card Club and Ringturm KAG as well as one-off effects which cannot be assigned to a specific business segment without distorting comparability.

The asset/liability management of Erste Group Bank is also attributed to this segment. The results of the local asset/liability management units continue to be allocated to the respective individual segments.

The improvement in net interest income in the nine months ended 30 September 2009 was achieved through positive contributions from the unwinding effect (i.e., compound-interest effect from expected cash flows from non-performing loans and advances to customers) (EUR 85.6 million) and higher investment income (particularly from the issuance of participation capital). Overall, the unwinding effect does not affect the result, as the positive effect in net interest income simultaneously results in higher risk provisions for the same amount. The drop in net fee and commission income and the decrease in general administrative expenses were mainly due to profit consolidation of banking support operations. The significant improvement in the net trading result in the nine months ended 30 September 2009 was mainly driven by the positive development of hedging transactions. The other result included the required linear depreciation of the value of BCR's customer relationships, as well as the depreciation of customer relationships of ECC and Ringturm KAG, totalling EUR 51.9 million, as well as revaluation requirements from the fair value portfolio.

The "Post-tax profit from discontinuing operations" line item amounting to EUR 601.8 million in 2008 encompasses the net profit after minority interests, which resulted from the sale of the insurance business to Vienna Insurance Group in September 2008.

## Year ended 31 December 2008 compared with year ended 31 December 2007

### Overview

In 2008, Erste Group reported discontinued operations (insurance business) which led to a representation of the income statement of 2007 complying with IFRS 5.

The following table shows Erste Group's condensed consolidated income statements for the years ended 31 December 2008 and 2007 prepared in accordance with IFRS:

in EUR million	Year ended 31 December		
	2008 audited	2007 re-presented audited	change in %
Net interest income . . . . .	4,913.1	3,945.8	24.5
Risk provisions for loans and advances . . . . .	(1,071.4)	(454.7)	>100.0
Net fee and commission income . . . . .	1,971.1	1,857.9	6.1
Net trading result . . . . .	114.7	351.1	(67.3)
General administrative expenses . . . . .	(4,001.9)	(3,642.1)	9.9
Other operating result . . . . .	(778.8)	(169.3)	<(100.0)
Result from financial assets—at fair value through profit or loss . . . . .	(295.6)	(47.8)	<(100.0)
Result from financial assets—available for sale . . . . .	(213.8)	51.0	<(100.0)
Result from financial assets—held to maturity . . . . .	(61.2)	0.7	<(100.0)
<b>Pre-tax profit from continuing operations . . . . .</b>	<b>576.2</b>	<b>1,892.6</b>	<b>(69.6)</b>
Taxes on income . . . . .	(177.3)	(371.0)	(52.2)
<b>Post-tax profit from continuing operations . . . . .</b>	<b>398.9</b>	<b>1,521.6</b>	<b>(73.8)</b>
Profit from discontinued operations net of tax . . . . .	639.7	28.4	>100.0
<b>Net profit before minority interests . . . . .</b>	<b>1,038.6</b>	<b>1,550.0</b>	<b>(33.0)</b>
Minority interests . . . . .	(179.0)	(375.3)	(52.3)
<b>Net profit after minority interests . . . . .</b>	<b>859.6</b>	<b>1,174.7</b>	<b>(26.8)</b>

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008 and 31 December 2007, except that the figures shown in the column "change in %" and under "Post-tax profit from continuing operations" and "Net profit before minority interests" are based on internal calculations or information of Erste Group Bank

## Net Interest Income

The following table presents a breakdown of the components of Erste Group's net interest income:

in EUR million	Year ended 31 December		
	2008 audited	2007 re-presented audited	change in %
Interest income			
Lending and money market transactions with credit institutions	1,886.7	1,342.8	40.5
Lending and money market transactions with customers	8,120.4	6,334.1	28.2
Bonds and other interest-bearing securities	1,423.9	1,521.7	(6.4)
Other interest and similar income	26.9	54.4	(50.6)
Current income			
Equity-related securities	130.2	120.9	7.7
Investments			
Non-consolidated subsidiaries	13.4	9.5	41.1
Other investments	21.6	17.6	22.7
Investment properties	82.2	72.2	13.9
<b>Interest and similar income</b>	<b>11,705.3</b>	<b>9,473.2</b>	<b>23.6</b>
Interest income from financial assets—at fair value through profit or loss	239.2	192.2	24.5
<b>Total interest and similar income</b>	<b>11,944.5</b>	<b>9,665.4</b>	<b>23.6</b>
Interest expenses			
Deposits by banks	(2,105.9)	(1,829.0)	15.1
Customer deposits	(3,259.1)	(2,404.1)	35.6
Debt securities in issue	(1,292.5)	(1,135.2)	13.9
Subordinated liabilities	(389.0)	(351.3)	10.7
Other	(6.4)	(23.4)	(72.6)
<b>Interest and similar expenses</b>	<b>(7,052.9)</b>	<b>(5,743.0)</b>	<b>22.8</b>
Interest expenses from financial assets—at fair value through profit or loss	0.0	(0.4)	(100.0)
<b>Total interest and similar expenses</b>	<b>(7,052.9)</b>	<b>(5,743.4)</b>	<b>22.8</b>
Income from associates accounted for at equity	21.5	23.8	(9.7)
<b>Total</b>	<b>4,913.1</b>	<b>3,945.8</b>	<b>24.5</b>

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008 and 31 December 2007, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

Despite slowing credit demand in the last months of 2008, net interest income increased by 24.5% compared to the previous year, from EUR 3,945.8 million to EUR 4,913.1 million. All business segments contributed to the good performance of net interest income.

The net interest margin (net interest income as a percentage of average interest-bearing assets) rose from 2.49% in 2007 to 2.84% in 2008. Net interest margin in CEE rose from 4.1% to 4.6% while in the Austrian business it went up from 1.6% to 1.8%.

## Risk provisions for loans and advances

The following table presents the development of risk provisions for loans and advances:

in EUR million	Year ended 31 December		
	2008 audited	2007 re-presented audited	change in %
Allocation to risk provisions for loans and advances . . . . .	(1,720.3)	(1,308.6)	31.5
Release of risk provisions for loans and advances . . . . .	668.8	849.4	(21.3)
Direct write-offs of loans and advances . . . . .	(80.7)	(89.4)	(9.7)
Recoveries on written-off loans and advances . . . . .	60.8	93.9	(35.3)
<b>Total</b> . . . . .	<b>(1,071.4)</b>	<b>(454.7)</b>	<b>135.6</b>

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008 and 31 December 2007, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

On balance, this line item increased by 135.6% from EUR 454.7 million to EUR 1,071.4 million due to the impact of the allocation and release of provisions for the lending business, costs from writing off loans and income from the repayment of loans already written off. These additional risk provisions were made as a result of the conservative provisioning strategy against the background of deteriorating macroeconomic conditions and the associated anticipated rise in credit defaults. More than 50% of the increase came from the Austrian savings banks and the GCIB segment, both of which recorded very low risk costs in 2007. The risk costs relating to average customer advances in 2008 amounted to 88 basis points compared to 44 basis points in 2007.

## Net fee and commission income

The following table presents a breakdown of the components of net fee and commission income:

in EUR million	Year ended 31 December		
	2008 audited	2007 re-presented audited	change in %
Lending business . . . . .	375.5	346.3	8.4
Payment transfers . . . . .	855.2	742.0	15.3
Card business . . . . .	196.7	152.3	29.2
Securities transactions . . . . .	451.3	517.8	(12.8)
Investment fund transactions . . . . .	209.0	239.8	(12.8)
Custodial fees . . . . .	31.1	53.2	(41.5)
Brokerage . . . . .	211.2	224.8	(6.0)
Insurance brokerage . . . . .	89.2	59.7	49.4
Building society brokerage . . . . .	42.5	38.2	11.3
Foreign exchange transactions . . . . .	37.2	37.2	0.0
Investment banking business . . . . .	16.7	27.8	(39.9)
Other . . . . .	103.5	88.9	16.4
<b>Total</b> . . . . .	<b>1,971.1</b>	<b>1,857.9</b>	<b>6.1</b>

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008 and 31 December 2007, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

Net fee and commission income increased by 6.1%, from EUR 1,857.9 million to EUR 1,971.1 million in 2008. In particular, a significant rise was shown in payment transfers (+15.3% to EUR 855.2 million)—supported by the card business, which rose by 29.2% to EUR 196.7 million. Furthermore, lending business (+8.4% to EUR 375.5 million) and insurance brokerage (+49.4% to EUR 89.2 million) contributed significantly to this positive result. As

expected, the weaker stock markets and declining fund volumes led to a significant decline of the securities business overall (-12.8% to EUR 451.3 million)—particularly in the asset management and fund business.

### Net trading result

The following table presents a breakdown of the components of net trading result:

in EUR million	Year ended 31 December		
	2008 audited	2007 re-presented audited	change in %
Securities and derivatives trading	(141.1)	102.1	<(100.0)
Foreign exchange transactions	255.8	249.0	2.7
<b>Total</b>	<b>114.7</b>	<b>351.1</b>	<b>(67.3)</b>

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008 and 31 December 2007, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

Net trading result sharply declined by 67.3% from EUR 351.1 million in 2007 to EUR 114.7 million in 2008, mainly due to the continuously weak securities business (loss of EUR 141.1 million in 2008 compared to profit of EUR 102.1 million in 2007). This mainly includes valuation losses for securities in the trading book as a result of volatile markets.

### General administrative expenses

The following table presents the components of general administrative expenses:

in EUR million	Year ended 31 December		
	2008 audited	2007 re-presented audited	change in %
Personnel expenses	(2,313.8)	(2,189.3)	5.7
Other administrative expenses	(1,313.1)	(1,070.5)	22.7
Depreciation and amortisation	(375.0)	(382.3)	(1.9)
<b>Total</b>	<b>(4,001.9)</b>	<b>(3,642.1)</b>	<b>9.9</b>

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008 and 31 December 2007, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

General administrative expenses increased by a moderate 9.9% from EUR 3,642.1 million to EUR 4,001.9 million. Adjusted for the currency movements, the rise was 8.9%. Around two percentage points of the increase are attributable to the expansion in the scope of consolidation since October 2007 (six additional savings banks joined the Haftungsverbund).

Personnel expenses rose by only 5.7% (currency-adjusted 5.5%) from EUR 2,189.3 million to EUR 2,313.8 million. This was due in part to the selective expansion of the branch network, as well as to legally required and market-related salary adjustments in several CEE countries. In contrast, the decline in performance-related salaries in the 4<sup>th</sup> quarter and lower restructuring costs in Romania had a positive effect on personnel expenses.

In 2008, other administrative expenses increased by 22.7%, from EUR 1,070.5 million to EUR 1,313.1 million. Among other factors, this was due to costs relating to the conversion of the core banking system and the introduction of the euro in the Slovak Republic, as well as the expansion of the branch network in Romania and Ukraine. There was an above-average rise in IT costs (+27.2% to EUR 311.0 million) as well as in expenses related to the reorganisation of Erste Group and the implementation of group projects.

Continuing the trend of the previous years, the depreciation and amortisation also declined slightly in 2008 (-1.9% from EUR 382.3 million to EUR 375.0 million).

Restructuring and transformation costs at BCR were lower (EUR 22.5 million) in 2008 compared to EUR 68.2 million in the previous year.

### Other operating result

The following table presents a breakdown of the components of other operating result:

in EUR million	Year ended 31 December		
	2008 audited	2007 re-presented audited	change in %
Other operating income .....	242.5	198.8	22.0
Other operating expenses .....	(1,021.3)	(368.1)	>100.0
<b>Total</b> .....	<b>(778.8)</b>	<b>(169.3)</b>	<b>&lt;(100.0)</b>
Result from real estate/properties .....	4.7	25.1	(81.3)
Allocation/release of other provisions/risks .....	(25.5)	8.3	<(100.0)
Expenses for deposit insurance contributions .....	(45.3)	(37.6)	20.5
Amortisation of intangible assets (customer relationships) .....	(76.9)	(81.8)	(6.0)
Other taxes .....	(25.5)	(26.0)	(1.9)
Impairment of goodwill .....	(579.1)	0.0	n.a.
Result from other operating expenses/income .....	(31.2)	(57.3)	45.5
<b>Total</b> .....	<b>(778.8)</b>	<b>(169.3)</b>	<b>&lt;(100.0)</b>

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008 and 31 December 2007, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

The other operating result worsened from EUR -169.3 million to EUR -778.8 million. In addition to the write-down of goodwill (a total of EUR 566.8 million for Romania, Serbia and Ukraine), this item includes linear amortisation of intangible assets (customer base) in the amount of EUR 76.9 million, as well as expenses for payments into deposit guarantee systems in CEE.

## Result from financial assets

The following table presents a breakdown of the components of result from financial assets:

in EUR million	Year ended 31 December		
	2008 audited	2007 re-presented audited	Change in %
Result from financial assets—at fair value through profit or loss			
Gain/(loss) from measurement/sale of financial assets at fair value through p&l . . . . .	(295.6)	(47.8)	<(100.0)
<b>Total</b> . . . . .	<b>(295.6)</b>	<b>(47.8)</b>	<b>&lt;(100.0)</b>
Result from financial assets—available for sale			
Gain/(loss) of sale of financial assets available for sale . . . . .	66.1	54.5	21.3
Impairment / reversal of impairment of financial assets available for sale . . . . .	(279.9)	(3.5)	>100.0
<b>Total</b> . . . . .	<b>(213.8)</b>	<b>51.0</b>	<b>&lt;(100.0)</b>
Result from financial assets—held to maturity			
Income from sale of financial assets held to maturity . . . . .	0.0	0.7	(100.0)
Reversal of impairment loss of financial assets held to maturity . . . . .	0.0	0.2	(100.0)
Loss from sale of financial assets held to maturity . . . . .	(0.7)	(0.2)	>100.0
Impairment of financial assets held to maturity . . . . .	(60.5)	0.0	n.a.
<b>Total</b> . . . . .	<b>(61.2)</b>	<b>0.7</b>	<b>&lt;(100.0)</b>
<b>Total</b> . . . . .	<b>(570.6)</b>	<b>3.9</b>	<b>&lt;(100.0)</b>

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008 and 31 December 2007, except that the figures shown under "Total" in the last line of the table and in the column "change in %" are based on internal calculations or information of Erste Group Bank

The overall result from all categories of financial assets deteriorated significantly. Whereas in 2007—in an already difficult market environment—a slightly positive total result of EUR 3.9 million was posted, the balance as of 31 December 2008 was distinctly negative at EUR -570.6 million. This was mainly due to revaluation requirements for structured products in the fair value portfolio (EUR 158.4 million) and impairments of bonds held in the available for sale portfolio and held to maturity portfolio (particularly Icelandic banks and the Lehman Brothers-related).

On 31 December 2008 the fair value of Erste Group asset-backed securities ("ABS") / collateralised obligations ("CDO") portfolio, including that of the savings banks, amounted to around EUR 2.0 billion, down from EUR 3.4 billion at the end of 2007. In the fourth quarter of 2008, the fair value portfolio saw a measurement with an overall impact on the income statement of a loss of EUR 92.2 million (after tax and minorities a loss of EUR 73.8 million). For the full year 2008 the impact amounted to a loss of EUR 158.4 million (after tax and minorities a loss of EUR 126.7 million). In the available for sale portfolio, mark-to-market measurement in the fourth quarter of 2008 resulted in a decrease of EUR 381.0 million (full year 2008 decrease: EUR 548.6 million), recorded directly in equity. As there was no deterioration in the performance of the underlying assets, there continues to be no need to record any impairment for the overall portfolio.

## Pre-tax profit and taxes on income from continuing operations

As a result of the write-down of goodwill and valuation losses, as well as impairments of financial assets, pre-tax profit in the continuing business operations declined by 69.6%, from EUR 1,892.6 million to EUR 576.2 million.

Erste Group's effective tax rate from continuing operations was 30.8% in 2008, up from 19.6% in 2007 due to non-tax deductible impairment.

#### Profit from discontinued operations net of tax

This item comprises not only net profit from insurance business until its sale but also the gain on disposal from the sale of the insurance business and the applicable taxes. The result from the insurance business was, at about EUR 8.0 million as of 31 December 2008, far below that of the same period in the previous year (EUR 35.0 million). This was mainly due to weaker results from financial investments in light of the difficult financial market situation. Net profit from the sale of the insurance business amounted to EUR 630.9 million after taxes and before minorities.

#### Net profit after minority interests

Minority interests in profit decreased by 52.3% from EUR 375.3 million to EUR 179.0 million.

Net profit after minority interests declined by 26.8% from EUR 1.17 billion to EUR 859.6 million as a result of the factors described above.

#### Segmental Overview for the year ended 31 December 2008 with the year ended 31 December 2007

The following table presents a breakdown by segment of Erste Group's audited condensed consolidated income statements for the years ended 31 December 2008 and 2007. In 2008 Erste Group introduced a new segmentation which follows the new group structure as described in "Segment Reporting". The divisional reports for 2007 have been restated accordingly:

in EUR million	Group Total	Retail&SME	GCIB	GM	Corporate Center
Net interest income					
2007 .....	3,945.8	3,495.2	373.0	108.9	(31.3)
2008 .....	4,913.1	4,315.1	460.6	263.8	(126.3)
Change in % .....	24.5	23.5	23.5	>100.0	>100.0
Risk provisions for loans and advances					
2007 .....	(454.7)	(358.4)	(27.5)	0.0	(68.9)
2008 .....	(1,071.4)	(808.9)	(177.4)	0.0	(85.2)
Change in % .....	>100.0	>100.0	>100.0	n.a.	23.7
Net fee and commission income					
2007 .....	1,857.9	1,581.5	140.4	155.8	(19.8)
2008 .....	1,971.1	1,662.1	161.3	137.8	9.9
Change in % .....	6.1	5.1	14.8	(11.6)	>(100.0)
Net trading result					
2007 .....	351.1	127.0	7.8	213.2	3.2
2008 .....	114.7	113.7	2.8	15.8	(17.6)
Change in % .....	(67.3)	(10.5)	(64.5)	(92.6)	>(100.0)
General administrative expenses					
2007 .....	(3,642.1)	(3,221.0)	(150.4)	(177.6)	(93.1)
2008 .....	(4,001.9)	(3,468.1)	(172.8)	(196.1)	(164.9)
Change in % .....	9.9	7.7	14.9	10.4	77.1
Other result					
2007 .....	(165.4)	(101.5)	23.1	2.8	(89.7)
2008 .....	(1,349.3)	(469.6)	(44.4)	(10.1)	(825.1)
Change in % .....	>100.0	>100.0	(>100.0)	(>100.0)	>100.0

in EUR million	Group Total	Retail&SME	GClB	GM	Corporate Center
<b>Pre-tax (loss) profit</b>					
2007 .....	1,892.6	1,522.8	366.4	303.0	(299.6)
2008 .....	576.2	1,344.4	230.0	211.1	(1,209.3)
Change in % .....	(69.6)	(11.7)	(37.2)	(30.3)	>100.0
<b>Taxes on income</b>					
2007 .....	(371.0)	(300.5)	(82.7)	(55.7)	67.8
2008 .....	(177.3)	(264.4)	(51.6)	(45.9)	184.7
Change in % .....	(52.2)	(12.0)	(37.5)	(17.5)	>100.0
<b>Profit from discontinued operations net of tax</b>					
2007 .....	28.4	28.4	0.0	0.0	0.0
2008 .....	639.7	8.0	0.0	0.0	631.6
Change in % .....	>100.0	(71.7)	n.a.	n.a.	n.a.
<b>Minority interests</b>					
2007 .....	(375.3)	(361.9)	(14.2)	(19.9)	20.7
2008 .....	(179.0)	(207.8)	(8.6)	(13.7)	51.0
Change in % .....	(52.3)	(42.6)	(39.4)	(31.3)	>100.0
<b>Net profit (loss) after minority interests</b>					
2007 .....	1,174.8	888.8	269.5	227.5	(211.0)
2008 .....	859.6	880.2	169.8	151.5	(341.9)
Change in % .....	(26.8)	(1.0)	(37.0)	(33.4)	62.0

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008 and 31 December 2007, except that the figures shown in the lines "Change in %" are based on internal calculations or information of Erste Group Bank

## Results by Segment

### Retail & SME

The following table presents the condensed income statements for the Retail & SME segment for all countries in which Erste Group had operations in the years ended 31 December 2008 and 2007:

in EUR million	Year ended 31 December		
	2008 audited	2007 audited	change in %
Net interest income .....	4,315.1	3,495.2	23.5
Risk provisions for loans and advances .....	(808.9)	(358.4)	>100.0
Net fee and commission income .....	1,662.1	1,581.5	5.1
Net trading result .....	113.7	127.0	(10.5)
General administrative expenses .....	(3,468.1)	(3,221.0)	7.7
Other result .....	(469.6)	(101.5)	>100.0
<b>Pre-tax profit .....</b>	<b>1,344.4</b>	<b>1,522.8</b>	<b>(11.7)</b>
Taxes on income .....	(264.4)	(300.5)	(12.0)
Profit from discontinued operations net of tax .....	8.0	28.4	(71.7)
Minority interests .....	(207.8)	(361.9)	(42.6)
<b>Net profit after minority interests .....</b>	<b>880.2</b>	<b>888.8</b>	<b>(1.0)</b>
Cost/income ratio (in %) .....	56.9	61.9	
ROE based on net profit after minority interests (in %) .....	26.5	29.6	
Average risk-weighted assets .....	73,717.5	66,606.0	10.7
Average attributed equity .....	3,325.4	2,998.1	10.9

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008 and 31 December 2007, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

Austria

Erste Bank Oesterreich

The following table presents the condensed income statements for the Erste Bank Oesterreich business as included in the segment Retail & SME for the years ended 31 December 2008 and 2007:

in EUR million	Year ended 31 December		
	2008 audited	2007 audited	change in %
Net interest income	617.4	580.5	6.4
Risk provisions for loans and advances	(92.5)	(101.1)	(8.5)
Net fee and commission income	292.4	330.4	(11.5)
Net trading result	16.8	14.1	19.4
General administrative expenses	(654.1)	(649.9)	0.6
Other result	(84.8)	(15.8)	>100.0
<b>Pre-tax profit</b>	<b>95.2</b>	<b>158.2</b>	<b>(39.8)</b>
Taxes on income	(20.0)	(40.7)	(50.9)
Profit from discontinued operations net of tax	4.9	9.4	(48.1)
Minority interests	1.4	(8.2)	>(100.0)
<b>Net profit after minority interests</b>	<b>81.5</b>	<b>118.7</b>	<b>(31.4)</b>
Cost/income ratio (in %)	70.6	70.3	
ROE based on net profit after minority interests (in %)	8.3	13.4	
Average risk-weighted assets	14,316.3	12,917.0	10.8
Average attributed equity	981.1	889.0	10.4

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008 and 31 December 2007, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

In spite of the challenging market situation, the net interest income increased by 6.4% compared with the previous year, from EUR 580.5 million to EUR 617.4 million, largely due to a strong increase in customer deposits. Deposits increased by 10.6% to EUR 24.1 billion, loans to customers grew by 5.4% to EUR 23.2 billion. Net fee and commission income declined by 11.5% from the previous year (EUR 330.4 million), to EUR 292.4 million. A decline in securities business, primarily due to the development of the financial markets in the fourth quarter of 2008, was only partially offset by an increase of insurance fees and payment transactions. General administrative expenses were almost flat, up 0.6% from EUR 649.9 million to EUR 654.1 million due to cost management. Net operating income grew from EUR 174.0 million to EUR 180.0 million (3.5%), with an increase in the net trading result of 19.4% from EUR 14.1 million to EUR 16.8 million. Risk provisions for loans and advances were 8.5% below last year's levels (EUR 101.1 million), at EUR 92.5 million. The devaluations of financial assets, required as a result of the negative developments on the financial markets, resulted in a significant decline in other result (from EUR -15.8 million in 2007 to EUR -84.8 million) and led to a decline in net profit after minority interests from EUR 118.7 million in the previous year to EUR 81.5 million. The cost/income ratio was 70.6%, with return on equity at 8.3%.

### Savings Banks (Haftungsverbund)

The following table presents the condensed income statements for the Savings Banks (Haftungsverbund) business as included in the segment Retail & SME for the years ended 31 December 2008 and 2007:

in EUR million	Year ended 31 December		
	2008 audited	2007 audited	change in %
Net interest income	974.1	864.6	12.7
Risk provisions for loans and advances	(275.8)	(96.2)	>100.0
Net fee and commission income	381.9	374.1	2.1
Net trading result	15.8	23.6	(33.1)
General administrative expenses	(919.6)	(828.3)	11.0
Other result	(155.9)	(17.3)	>100.0
<b>Pre-tax profit</b>	<b>20.5</b>	<b>320.4</b>	<b>(93.6)</b>
Taxes on income	(5.4)	(64.9)	(91.7)
Profit from discontinued operations net of tax	0.0	0.0	n.a.
Minority interests	(41.2)	(235.4)	(82.5)
<b>Net profit (loss) after minority interests</b>	<b>(26.1)</b>	<b>20.0</b>	<b>&lt;(100.0)</b>
Cost/income ratio (in %)	67.0	65.6	
ROE based on net profit after minority interests (in %)	—	8.8	
Average risk-weighted assets	24,608.5	22,993.6	7.0
Average attributed equity	218.7	229.0	(4.5)

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008 and 31 December 2007, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

In 2008, four new savings banks joined the Haftungsverbund, affecting the comparability of results with the previous year. The 12.7% growth in net interest income, from EUR 864.4 million to EUR 974.1 million, is mainly due to the inclusion of the new savings banks. Net fee and commission income reached EUR 381.9 million, exceeding the 2007 result by EUR 7.8 million, again significantly affected by the contribution from the new savings banks, without which fees would have declined by EUR 13.8 million. General administrative expenses increased from EUR 828.3 million in the previous year to EUR 919.6 million (+11.0%). Excluding the new savings banks, however, this rise would only have been 3.2%. Despite higher costs and a declining trading result (from EUR 23.6 million in the previous year to EUR 15.8 million), the operating result reached 452.2 million, 4.2% above that of the previous year (EUR 433.9 million). Risk provisions for loans and advances, which grew significantly to EUR 275.8 million, compared with EUR 96.2 million in the previous year, resulted, on the one hand, from provision taken in relation with a savings banks merger, and, on the other hand, reflect a conservative risk policy. Valuation requirements for securities outside of the trading portfolio led to a significant decline in other result (by EUR 138.6 million, from EUR -17.3 million in the previous year to EUR -155.9 million), which ultimately resulted in a net loss after minority interests of EUR 26.1 million. The cost/income ratio was at 67.0%.

CEE

The following table presents the condensed income statements for the CEE sub-segment as included in the segment Retail & SME for the years ended 31 December 2008 and 2007:

in EUR million	Year ended 31 December		
	2008 audited	2007 audited	change in %
Net interest income	2,723.6	2,050.2	32.8
Risk provisions for loans and advances	(440.6)	(161.1)	>100.0
Net fee and commission income	987.9	877.1	12.6
Net trading result	81.1	89.3	(9.2)
General administrative expenses	(1,894.4)	(1,742.8)	8.7
Other result	(228.9)	(68.4)	>100.0
<b>Pre-tax profit</b>	<b>1,228.7</b>	<b>1,044.1</b>	<b>17.7</b>
Taxes on income	(239.0)	(194.8)	22.7
Profit from discontinued operations net of tax	3.1	19.0	(83.7)
Minority interests	(168.0)	(118.2)	42.1
<b>Net profit after minority interests</b>	<b>824.9</b>	<b>750.0</b>	<b>10.0</b>
Cost/income ratio (in %)	50.0	57.8	
ROE based on net profit after minority interests (in %)	38.8	39.9	
Average risk-weighted assets	34,792.7	30,695.4	13.3
Average attributed equity	2,125.6	1,880.0	13.1

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008 and 31 December 2007, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

The CEE sub-segment includes the results from the retail and SME business of Česká spořitelná, BCR, Slovenská sporiteľňa, Erste Bank Hungary, Erste Bank Croatia, Erste Bank Serbia and Erste Bank Ukraine. The contributions made by the divisionalised business units Group Markets and Group Corporate and Investment Banking are reported under the respective segments.

## Czech Republic

The following table presents the condensed income statements for the Česká spořitelná business as included in the segment Retail & SME for the years ended 31 December 2008 and 2007:

in EUR million	Year ended 31 December		
	2008 audited	2007 audited	change in %
Net interest income	1,092.7	820.1	33.2
Risk provisions for loans and advances	(116.6)	(70.1)	66.5
Net fee and commission income	424.9	342.2	24.1
Net trading result	2.6	18.4	(85.8)
General administrative expenses	(746.4)	(634.6)	17.6
Other result	(217.2)	(15.2)	>100.0
<b>Pre-tax profit</b>	<b>439.9</b>	<b>460.9</b>	<b>(4.6)</b>
Taxes on income	(89.7)	(92.5)	(3.0)
Profit from discontinued operations net of tax	9.7	14.4	(32.7)
Minority interests	(10.1)	(10.5)	(4.0)
<b>Net profit after minority interests</b>	<b>349.8</b>	<b>372.3</b>	<b>(6.0)</b>
Cost/income ratio (in %)	49.1	53.7	
ROE based on net profit after minority interests (in %)	43.3	50.8	
Average risk-weighted assets	11,484.8	10,512.8	9.2
Average attributed equity	808.4	732.1	10.4

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008 and 31 December 2007, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

Česká spořitelná increased its net interest income significantly, by 33.2%, from EUR 820.1 million to EUR 1,092.7 million, due to volume increases in both liabilities and assets. Net fee and commission income improved due to the positive trend in card business and account fees, by 24.1% from EUR 342.2 million to EUR 424.9 million. The declining trading result (from EUR 18.4 million in 2007 to EUR 2.6 million) is due to the depreciation of the CZK towards year end and the lowering of the key interest rate. Rising General administrative expenses in relation to business expansion resulted in an increase in General administrative expenses of EUR 111.8 million (17.6%) from EUR 634.6 million to EUR 746.4 million. The operating result showed a very positive trend and at EUR 773.8 million was up 41.7% compared to the previous year (EUR 546.1 million). Higher lending volumes together with the deterioration of market conditions resulted in a significant increase in risk provisions for loans and advances, which rose by EUR 46.5 million or 66.5% to EUR 116.6 million. Reflecting the current market situation, the other result was characterised by negative valuation requirements, which resulted in a decline to EUR -217.2 million from EUR -15.2 million. This item includes the write-down of exposure to Icelandic banks as well as to Lehman Brothers. The cost/income ratio improved from 53.7% to 49.1%. Net profit after minority interests was down 6.0% to EUR 349.8 million compared to EUR 372.3 million in 2007. Return on equity was 43.3%.

## Romania

The following table presents the condensed income statements for the BCR business as included in the segment Retail & SME for the years ended 31 December 2008 and 2007:

in EUR million	Year ended 31 December		
	2008 audited	2007 audited	change in %
Net interest income	741.6	510.8	45.2
Risk provisions for loans and advances	(121.2)	34.5	(>100.0)
Net fee and commission income	236.3	248.9	(5.1)
Net trading result	27.4	28.1	(2.4)
General administrative expenses	(457.6)	(516.9)	(11.5)
Other result	13.2	(11.2)	(>100.0)
<b>Pre-tax profit</b>	<b>439.8</b>	<b>294.2</b>	<b>49.5</b>
Taxes on income	(73.2)	(48.7)	50.1
Profit from discontinued operations net of tax	(6.5)	4.6	(>100.0)
Minority interests	(120.0)	(81.8)	46.7
<b>Net profit after minorities</b>	<b>240.1</b>	<b>168.3</b>	<b>42.7</b>
Cost/income ratio (in %)	45.5	65.6	
ROE based on net profit after minority interests (in %)	53.4	40.8	
Average risk-weighted assets	9,375.7	8,457.5	10.9
Average attributed equity	449.4	412.7	8.9

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008 and 31 December 2007, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

The operating result of BCR, which more than doubled compared with the previous year, reached EUR 547.7 million (2007: 270.8 million). The significant 45.2% rise in net interest income, from EUR 510.8 million to EUR 741.6 million, mainly resulted from a strong rise in customer loans at positive margins since the second half of 2007 supported by the application of the Effective Interest Rate (EIR) guidelines which stipulate that interest-related commissions be transferred to interest income. The increase without EIR effect and currency-adjusted was 37.0%. The rise in payment and lending fees was offset by the reclassification in net interest income and resulted in a decline in Net fee and commission income of EUR 12.6 million (5.1%) compared with 2007 to EUR 236.3 million. In addition to strict cost management, the 11.5% decline in General administrative expenses from EUR 516.9 million in the previous year to EUR 457.6 million is due to headcount reduction and other cost savings in connection with the integration of BCR, but also lower restructuring costs of EUR 22.5 million in 2008 (2007: EUR 68.2 million). The cost/income ratio significantly improved on the previous year, from 65.6% to 45.5%.

In 2008, the effects of the financial crisis, a conservative risk policy and currency trends were reflected in the substantial increase of risk provisions for loans and advances (from positive EUR 34.5 million in the previous year to negative EUR 121.2 million). Risk provisions for loans and advances in 2007 had been reduced due to various one-time positive effects, including cancellation of the reinsurance of consumer loans in June 2007; sales proceeds from receivables that had already been completely written off; and a higher release of risk provisions for loans and advances level from the first-time consolidation of BCR within the group. Sales proceeds from investments caused an increase in other result to EUR 13.2 million (2007: EUR -11.2 million). Net profit after minority interests totalled EUR 240.1 million, compared to EUR 168.3 million in the previous year, an increase of 42.7%. Return on equity improved from 40.8% to 53.4%.

## Slovak Republic

The following table presents the condensed income statements for the Slovenská sporiteľňa business as included in the segment Retail & SME for the years ended 31 December 2008 and 2007:

in EUR million	Year ended 31 December		
	2008 audited	2007 audited	change in %
Net interest income	334.8	291.4	14.9
Risk provisions for loans and advances	(81.4)	(37.4)	>100.0
Net fee and commission income	108.4	91.9	18.0
Net trading result	20.2	13.8	46.4
General administrative expenses	(247.2)	(218.2)	13.3
Other result	(34.5)	(27.8)	23.8
<b>Pre-tax profit</b>	<b>100.4</b>	<b>113.6</b>	<b>(11.7)</b>
Taxes on income	(17.6)	(10.0)	77.0
Profit from discontinued operations net of tax	0.0	0.0	n.a.
Minority interests	(0.0)	(0.0)	(5.2)
<b>Net profit after minorities</b>	<b>82.7</b>	<b>103.6</b>	<b>(20.2)</b>
Cost/income ratio (in %)	53.3	55.0	
ROE based on net profit after minority interests (in %)	27.5	38.4	
Average risk-weighted assets	4,263.9	3,825.1	11.5
Average attributed equity	301.3	270.0	11.6

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008 and 31 December 2007, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

The EUR 43.4 million, or 14.9% improvement of net interest income in Slovenská sporiteľňa from EUR 291.4 million in the previous year to EUR 334.8 million was due to the rise in lending volumes and customer deposits accompanied by almost stable margins. Rising credit and payment transaction volumes and a new pricing policy contributed to an increase in Net fee and commission income of 18% from EUR 91.9 million to EUR 108.4 million in 2008. The improved performance of net interest income and fee income and the increase in trading result from EUR 13.8 million in the previous year to EUR 20.2 million led to an operating result of EUR 216.3 million, exceeding that of the previous year (EUR 178.9 million) by 20.9%. The 13.3% increase in General administrative expenses from EUR 218.2 million in 2007 to EUR 247.2 million was mainly due to costs in relation to the Euro introduction and costs for a new core banking system.

The cost/income ratio further improved from 55.0% to 53.3%. The EUR 44.0 million rise in risk provisions for loans and advances to EUR 81.4 million (2007: EUR 37.4 million) reflects the changeover to the Basel II regime, as well as higher provisions for subsidiaries. Net profit after minority interests was 20.2% below the previous year's value of EUR 103.6 million, at EUR 82.7 million. Return on equity was 27.5%.

## Hungary

The following table presents the condensed income statements for the Erste Bank Hungary business as included in the segment Retail & SME for the years ended 31 December 2008 and 2007:

in EUR million	Year ended 31 December		
	2008 audited	2007 audited	change in %
Net interest income .....	294.3	245.7	19.8
Risk provisions for loans and advances .....	(69.1)	(59.7)	15.7
Net fee and commission income .....	130.7	121.6	7.4
Net trading result .....	4.5	13.4	(66.7)
General administrative expenses .....	(223.8)	(207.2)	8.0
Other result .....	10.8	(10.7)	(>100.0)
<b>Pre-tax profit .....</b>	<b>147.4</b>	<b>103.1</b>	<b>43.0</b>
Taxes on income .....	(37.7)	(26.3)	43.1
Profit from discontinued operations net of tax .....	0.0	0.0	n.a.
Minority interests .....	(0.2)	(0.2)	(16.0)
<b>Net profit after minority interests .....</b>	<b>109.5</b>	<b>76.5</b>	<b>43.1</b>
Cost/income ratio (in %) .....	52.1	54.4	
ROE based on net profit after minority interests (in %) .....	34.1	26.9	
Average risk-weighted assets .....	4,674.8	4,129.0	13.2
Average attributed equity .....	320.9	284.8	12.6

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008 and 31 December 2007, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

Erste Bank Hungary increased its net interest income by 19.8% to EUR 294.3 million in 2008 from EUR 245.7 million in the previous year. This increase was due principally to continued retail loan demand. The 7.4% increase in Net fee and commission income from EUR 121.6 million in the previous year to EUR 130.7 million also contributed to the 18.6% improvement in operating result. The 8.0% increase in General administrative expenses to EUR 223.8 million, following EUR 207.2 million in the previous year, resulted from personnel and salary increases and a higher office space requirement due to the expansion of business operations. The general market situation and higher lending volumes also caused a rise in risk provisions for loans and advances at Erste Bank Hungary, of 15.7% (from EUR 59.7 million in 2007 to EUR 69.1 million). The EUR 21.5 million increase in other result to EUR 10.8 million (2007: EUR -10.7 million) resulted primarily from income from the sale of a participation. At EUR 109.5 million, Net profit after minority interests improved by 43.1% (2007: EUR 76.5 million). The cost/income ratio further improved from 54.4% in the previous year to 52.1%. Return on equity was 34.1%.

## Croatia

The following table presents the condensed income statements for the Erste Bank Croatia business as included in the segment Retail & SME for the years ended 31 December 2008 and 2007:

in EUR million	Year ended 31 December		
	2008 audited	2007 audited	change in %
Net interest income .....	193.6	158.0	22.5
Risk provisions for loans and advances .....	(24.7)	(18.3)	35.0
Net fee and commission income .....	77.6	66.0	17.5
Net trading result .....	12.8	10.5	21.8
General administrative expenses .....	(128.9)	(112.2)	14.9
Other result .....	(1.7)	(5.3)	(68.7)
<b>Pre-tax profit .....</b>	<b>128.7</b>	<b>98.8</b>	<b>30.3</b>
Taxes on income .....	(25.9)	(21.7)	19.6
Profit from discontinued operations net of tax .....	0.0	0.0	n.a.
Minority interests .....	(36.1)	(25.9)	39.1
<b>Net profit after minority interests .....</b>	<b>66.7</b>	<b>51.2</b>	<b>30.4</b>
Cost/income ratio (in %) .....	45.4	47.8	
ROE based on net profit after minority interests (in %) .....	42.1	37.8	
Average risk-weighted assets .....	3,619.8	3,079.3	17.6
Average attributed equity .....	158.4	135.2	17.1

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008 and 31 December 2007, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

Comparison with the previous year is only possible to a limited extent due to the inclusion of the results of ECC from the second quarter of 2007. Erste Bank Croatia's retail & SME business increased net profit after minority interests by EUR 15.5 million or 30.4% in comparison with 2007 to EUR 66.7 million. The 22.5% growth in net interest income to EUR 193.6 million, following EUR 158.0 million in the previous year, reflected higher retail and corporate customer business. Increased payment transactions at Erste Bank Croatia and in the ECC credit card business led to a EUR 11.6 million, or 17.5% rise in Net fee and commission income to EUR 77.6 million (previous year: EUR 66.0 million). The operating result improved by 26.7% to EUR 155.0 million, from EUR 122.4 million for the previous year. The 35.0% increase in risk provisions for loans and advances from EUR 18.3 million to EUR 24.7 million is entirely due to ECC, which was only included in the Erste Group result for 9 months in 2007. The cost/income ratio further improved from 47.8% to 45.4% despite the 14.9% rise in General administrative expenses due to a higher headcount and higher IT service and premises costs. Return on equity was 42.1%.

## Serbia

The following table presents the condensed income statements for the Erste Bank Serbia business as included in the segment Retail & SME for the years ended 31 December 2008 and 2007:

in EUR million	Year ended 31 December		
	2008 audited	2007 audited	change in %
Net interest income	33.5	16.2	>100.0
Risk provisions for loans and advances	(6.6)	0.1	(>100.0)
Net fee and commission income	7.4	5.4	38.2
Net trading result	4.1	1.5	>100.0
General administrative expenses	(34.3)	(28.4)	20.7
Other result	1.8	1.8	0.4
<b>Pre-tax (loss) profit</b>	<b>5.9</b>	<b>(3.4)</b>	<b>(&gt;100.0)</b>
Taxes on income	0.4	0.5	(22.5)
Profit from discontinued operations net of tax	0.0	0.0	n.a.
Minority interests	(1.6)	0.2	(>100.0)
<b>Net profit (loss) after minority interests</b>	<b>4.7</b>	<b>(2.7)</b>	<b>(&gt;100.0)</b>
Cost/income ratio (in %)	76.2	—	
ROE based on net profit (in %)	10.5	—	
Average risk-weighted assets	815.8	466.6	74.8
Average attributed equity	44.5	26.6	67.3

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008 and 31 December 2007, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

Erste Bank Serbia's retail & SME business more than doubled its net interest income, from EUR 16.2 million to EUR 33.5 million due to a strong increase in customer business. Net fee and commission income grew by 38.2% from EUR 5.4 million to EUR 7.4 million, reflecting increased payment transactions. The improved trading result (EUR 4.1 million compared to EUR 1.5 million in the previous year) is based on higher income from foreign exchange transactions. Operating income nearly doubled, from EUR 23.1 million in the previous year to EUR 45.0 million, despite the 20.7% increase in General administrative expenses, from EUR 28.4 million to EUR 34.3 million, which reflected the expanded business operations. The operating result improved by EUR 16.1 million in comparison with 2007 to reach EUR 10.7 million. The rise in risk provisions for loans and advances from positive EUR 0.1 million to negative EUR 6.6 million reflects the higher lending volume. Net profit after minority interests increased by EUR 7.4 million, from negative EUR 2.7 million to positive EUR 4.7 million. Return on equity was 10.5%.

## Ukraine

The following table presents the condensed income statements for the Erste Bank Ukraine business as included in the segment Retail & SME for the years ended 31 December 2008 and 2007:

in EUR million	Year ended 31 December		
	2008 audited	2007 audited	change in %
Net interest income	33.0	8.0	>100.0
Risk provisions for loans and advances	(21.0)	(10.3)	>100.0
Net fee and commission income	2.6	1.0	>100.0
Net trading result	9.5	3.7	>100.0
General administrative expenses	(56.2)	(25.3)	>100.0
Other result	(1.3)	(0.1)	>100.0
<b>Pre-tax (loss) profit</b>	<b>(33.4)</b>	<b>(23.0)</b>	<b>45.1</b>
Taxes on income	4.7	3.9	21.0
Profit from discontinued operations net of tax	0.0	0.0	n.a.
Minority interests	0.0	0.0	n.a.
<b>Net profit (loss) after minority interests</b>	<b>(28.7)</b>	<b>(19.1)</b>	<b>50.0</b>
Cost/income ratio (in %)	—	—	
Average risk-weighted assets	557.8	225.1	>100.0
Average attributed equity	42.8	18.5	>100.0

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008 and 31 December 2007, except that the figures shown in the column "change in %" and under "Cost/income ratio (in %)" are based on internal calculations or information of Erste Group Bank

After the acquisition of Bank Prestige by Erste Group in January 2007, the focus of activities was on expanding the market position of the bank, now renamed Erste Bank Ukraine. At 31 December 2008, the bank had 2,120 employees and operated some 130 branches. Erste Bank Ukraine increased operating income during the 2008 financial year by EUR 32.3 million from EUR 12.8 million to EUR 45.1 million. This was driven primarily by net interest income, which at EUR 33.0 million more than quadrupled compared with the EUR 8.0 million of the previous year. The increase in Net fee and commission income (from EUR 1.0 million to EUR 2.6 million) and growth of EUR 5.8 million in the trading result to EUR 9.5 million (following EUR 3.7 million in the previous year), which were based on a significant rise in income from foreign exchange transactions and fixed-interest securities, contributed to this result. The expansion of the branch network (from 71 branches in December 2007 to some 130 in December 2008) and the significant rise in the number of employees (from 1,130 in December 2007 to 2,120 in December 2008) led to an increase in general administrative expenses by EUR 30.9 million to EUR 56.2 million.

Net loss after minority interests was EUR 28.7 million.

Due the current economic developments in Ukraine further business expansion has been postponed. Consequently, in 2009 headcount is expected to be reduced by about 300 employees. Furthermore, Erste Bank Ukraine has stopped growing its loan portfolio since late 2008.

## GCIB

The following table presents the condensed income statements for the GCIB segment for the years ended 31 December 2008 and 2007:

in EUR million	Year ended 31 December		
	2008 audited	2007 audited	change in %
Net interest income	460.6	373.0	23.5
Risk provisions for loans and advances	(177.4)	(27.5)	>100.0
Net fee and commission income	161.3	140.4	14.8
Net trading result	2.8	7.8	(64.5)
General administrative expenses	(172.8)	(150.4)	14.9
Other result	(44.4)	23.1	>(100.0)
<b>Pre-tax profit</b>	<b>230.0</b>	<b>366.4</b>	<b>(37.2)</b>
Taxes on income	(51.6)	(82.7)	(37.5)
Profit from discontinued operations net of tax	0.0	0.0	n.a.
Minority interests	(8.6)	(14.2)	(39.4)
<b>Net profit after minority interests</b>	<b>169.8</b>	<b>269.5</b>	<b>(37.0)</b>
Cost/income ratio (in %)	27.7	28.9	
ROE based on net profit (in %)	11.7	19.9	
Average risk-weighted assets	22,791.3	21,637.6	5.3
Average attributed equity	1,454.8	1,353.4	7.5

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008 and 31 December 2007, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

The 23.5% increase in net interest income in the GCIB segment resulted from the expansion of business operations in the Large Corporates, Real Estate Austria, and International Business groups and at the leasing subsidiary Immorent.

The EUR 20.9 million rise in Net fee and commission income (from EUR 140.4 million in the previous year to EUR 161.3 million) was driven by higher income in International Business. The operating result improved by 21.9% from EUR 370.8 million in the previous year to EUR 451.8 million—despite the fact that General administrative expenses rose by EUR 22.4 million, from EUR 150.4 million to EUR 172.8 million.

Risk provisions for loans and advances, which reached EUR 177.4 million (2007: EUR 27.5 million), include the write-down of the exposure to the defaulted Icelandic banks and provisions against the deteriorating economic situation. The strong increase in risk provisions for loans and advances in 2008 compared to 2007 is also related to the release of risk provisions in 2007. Other result was also impacted by market-related valuation requirements in the fair value portfolio and shows a decline of EUR 67.5 million to negative EUR 44.4 million. Net profit after minority interests was 37.0% below the previous year's value of EUR 269.5 million, at EUR 169.8 million. The cost/income ratio improved from 28.9% to 27.7%. Return on equity was 11.7%.

## Group Markets

The following table presents the condensed income statements for the Group Markets (GM) segment for the years ended 31 December 2008 and 2007:

in EUR million	Year ended 31 December		
	2008 audited	2007 audited	change in %
Net interest income	263.8	108.9	>100.0
Risk provisions for loans and advance	0.0	0.0	n.a.
Net fee and commission income	137.8	155.8	(11.6)
Net trading result	15.8	213.2	(92.6)
General administrative expenses	(196.1)	(177.6)	10.4
Other result	(10.1)	2.8	>(100.0)
<b>Pre-tax profit</b>	<b>211.1</b>	<b>303.0</b>	<b>(30.3)</b>
Taxes on income	(45.9)	(55.7)	(17.5)
Profit from discontinued operations net of tax	0.0	0.0	n.a.
Minority interests	(13.7)	(19.9)	(31.3)
<b>Net profit after minority interests</b>	<b>151.5</b>	<b>227.5</b>	<b>(33.4)</b>
Cost/income ratio (in %)	47.0	37.2	
ROE based on net profit (in %)	79.8	152.3	
Average risk-weighted assets	1,851.3	1,266.1	46.2
Average attributed equity	189.8	149.3	27.1

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008 and 31 December 2007, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

The EUR 154.9 million increase in net interest income, from EUR 108.9 million to EUR 263.8 million, is primarily due to strong results from the Money Market division in Vienna and the New York and Hong Kong branches. The declining Net fee and commission income (from EUR 155.8 million to EUR 137.8 million) and the—as expected—significantly lower trading result (EUR 15.8 million following EUR 213.2 million in the previous year) due to valuation requirements for securities in the trading portfolio, resulted in an operating result which was 26.3% below the previous year's value, at EUR 221.2 million.

The 10.4% rise in General administrative expenses from EUR 177.6 million to EUR 196.1 million is based on higher personnel and IT costs, which are, in turn, related to the set-up of the divisional structure. Net profit after minority interests showed a decline by EUR 76.0 million (-33.4%) to EUR 151.5 million. The cost/income ratio was at 47.0%, return on equity was at 79.8%.

## Corporate Center

The following table presents the condensed income statements for the Corporate Center segment for the years ended 31 December 2008 and 2007:

in EUR million	Year ended 31 December		
	2008 audited	2007 audited	change in %
Net interest income	(126.3)	(31.3)	>100.0
Risk provisions for loans and advances	(85.2)	(68.9)	23.7
Net fee and commission income	9.9	(19.8)	>(100.0)
Net trading result	(17.6)	3.2	>(100.0)
General administrative expenses	(164.9)	(93.1)	77.1
Other result	(825.1)	(89.7)	>100.0
<b>Pre-tax (loss) profit</b>	<b>(1,209.3)</b>	<b>(299.6)</b>	<b>&gt;100.0</b>
Taxes on income	184.7	67.8	>100.0
Profit from discontinued operations net of tax	631.6	0.0	n.a.
Minority interests	51.0	20.7	>100.0
<b>Net profit (loss) after minority interests</b>	<b>(341.9)</b>	<b>(211.0)</b>	<b>62.0</b>

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008 and 31 December 2007, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

The Corporate Center segment includes results from companies that cannot be assigned directly to a specific business segment, intra-group eliminations between the segments, straight-line depreciation of the customer base for BCR and ECC as well as one-off effects which cannot be assigned to a specific business segment without distorting comparability. The income from the sale of the insurance business to WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group ("VIG") is reported in the 2008 result of this segment. The complete write-off of intangible assets from the Ukraine and Serbia business, as well as the partial write-off of goodwill in Romania, in the total amount of EUR 566.8 million before tax, are also assigned to this segment as is the ALM of Erste Group Bank.

The results of the local ALMs continue to be allocated to the respective individual segments. In the net interest income, the positive contribution of interest income from impaired assets in the amount of EUR 85.2 million was more than offset by the negative contribution from ALM due to adverse market developments. Overall, the interest income from impaired assets does not affect the result, as the positive effect in net interest income simultaneously results in risk provisions of the same amount. The development in Net fee and commission income and General administrative expenses was mainly due to intra-group elimination of banking support operations.

The General administrative expenses are particularly impacted by group projects and costs in relation to the setup of the holding structure. Other result includes the linear depreciation of BCR's customer base, as well as the customer base depreciation of the Erste Card Club, totalling EUR 75.7 million and valuation requirements for financial assets. The Profit from discontinued operations net of tax, in the amount of EUR 631.6 million, relates to the net income after tax from the sale of the insurance business to the Vienna Insurance Group.

## Year ended 31 December 2007 compared with year ended 31 December 2006

### Overview

The following table shows Erste Group's condensed consolidated income statements for the years ended 31 December 2007 and 2006 prepared in accordance with IFRS:

in EUR million	Year ended 31 December		
	2007 audited	2006 audited	change in %
Net interest income . . . . .	3,945.8	3,189.3	23.7
Risk provisions for loans and advances . . . . .	(454.7)	(439.1)	3.6
Net fee and commission income . . . . .	1,857.9	1,445.9	28.5
Net trading result . . . . .	351.1	277.9	26.3
General administrative expenses . . . . .	(3,642.1)	(2,945.3)	23.7
Income from insurance business . . . . .	35.0	35.8	(2.2)
Other operating result . . . . .	(169.3)	(144.0)	(17.6)
Result from financial assets—at fair value through profit or loss . . . .	(47.8)	(4.5)	<(100.0)
Result from financial assets—available for sale . . . . .	51.0	100.0	(49.0)
Result from financial assets—held to maturity . . . . .	0.7	6.2	(88.7)
<b>Pre-tax profit . . . . .</b>	<b>1,927.6</b>	<b>1,522.2</b>	<b>26.6</b>
Taxes on income . . . . .	(377.6)	(339.8)	11.1
Net profit before minority interests . . . . .	1,550.0	1,182.4	31.1
<b>Minority interests . . . . .</b>	<b>(375.3)</b>	<b>(250.2)</b>	<b>50.0</b>
<b>Net profit after minority interests . . . . .</b>	<b>1,174.7</b>	<b>932.2</b>	<b>26.0</b>

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2007 and 31 December 2006, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

## Net Interest Income

The following table presents a breakdown of the components of Erste Group's net interest income:

in EUR million	Year ended 31 December		
	2007 audited	2006 audited	change in %
Interest income			
Lending and money market transactions with credit institutions ..	1,342.8	990.7	35.5
Lending and money market transactions with customers .....	6,334.1	4,273.5	48.2
Fixed-income securities .....	1,521.7	1,364.6	11.5
Other interest and similar income .....	54.4	58.8	(7.5)
Current income			
Shares and other variable-yield securities .....	120.9	163.2	(25.9)
Investments			
Non-consolidated subsidiaries .....	9.5	11.2	(15.2)
Other investments .....	17.6	6.9	>100.0
Investment properties .....	72.2	69.6	3.7
Interest and similar income .....	9,473.2	6,938.5	36.5
Interest income from financial assets—at fair value through profit or loss .....	192.2	150.8	27.5
Total interest and similar income .....	9,665.4	7,089.3	36.3
Interest expenses			
Deposits by banks .....	(1,829.0)	(1,288.6)	41.9
Customer accounts .....	(2,404.1)	(1,562.9)	53.8
Debt securities in issue .....	(1,135.2)	(787.7)	44.1
Subordinated liabilities .....	(351.3)	(282.2)	24.5
Other .....	(23.4)	(7.3)	>100.0
Interest and similar expenses .....	(5,743.0)	(3,928.7)	46.2
Interest expenses from financial assets—at fair value through profit or loss .....	(0.4)	0.0	n.a.
Total interest and similar expenses .....	(5,743.4)	(3,928.7)	46.2
Income from associates accounted for at equity .....	23.8	28.7	(17.1)
<b>Total .....</b>	<b>3,945.8</b>	<b>3,189.3</b>	<b>23.7</b>

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2007 and 31 December 2006, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

The strong credit demand at the CEE subsidiaries combined with rising interest rates led to an increase of 23.7% in net interest income from EUR 3,189.3 million to EUR 3,945.8 million. Even excluding the effect of the consolidation of BCR net interest income rose by 11.9 % to EUR 3,358.8 million.

The net interest margin (net interest income as a percentage of average interest-bearing assets) improved from 2.31% to 2.49%. The foremost reason for this increase was the inclusion of BCR in the accounts. The average margin in the Austrian business eased slightly to about 1.6% In the CEE countries, the average net interest margin expanded in 2007 from the prior year's 3.8% to 4.1%.

## Risk provisions for loans and advances

The following table presents the development of risk provisions for loans and advances:

in EUR million	Year ended 31 December		
	2007 audited	2006 audited	change in %
Allocation to risk provisions for loans and advances . . . . .	(1,308.6)	(1,070.5)	22.2
Release of risk provisions for loans and advances . . . . .	849.4	636.0	33.6
Direct write-offs of loans and advances . . . . .	(89.4)	(49.3)	81.3
Recoveries on written-off loans and advances . . . . .	93.9	44.7	>100.0
<b>Total . . . . .</b>	<b>(454.7)</b>	<b>(439.1)</b>	<b>3.6</b>

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2007 and 31 December 2006, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

Taking into account both new allocations and releases, amounts written off, and recoveries of amounts previously written off, risk provisions for loans and advances rose by only 3.6% from EUR 439.1 million to EUR 454.7 million. This was mainly due to income from revaluations and disposals of previously written-off loans of about EUR 39.6 million in BCR.

Excluding BCR, risk provisions for loans and advances increased by 11.3% to EUR 479.5 million driven by the recent years' vigorous credit growth in CEE. In the International Business segment the risk trend remained favourable, leading to a net release of provisions. At the savings banks, the adoption of Basel II methodology resulted in the release of specific risk provisions, while new allocations to portfolio provisions were only small. This effect, however, was largely eliminated by the presence of minority interests and thus had little impact on group net profit.

For a further discussion of loan and risk provisions, see "Risk Management—Credit Risk—Credit Risk Review and Monitoring".

## Net fee and commission income

The following table presents a breakdown of the components of net fee and commission income:

in EUR million	Year ended 31 December		
	2007 audited	2006 audited	change in %
Lending business . . . . .	346.3	211.2	64.0
Payment transfers . . . . .	742.0	551.0	34.7
Card business . . . . .	152.3	102.6	48.4
Securities transactions . . . . .	517.8	454.3	14.0
Investment fund transactions . . . . .	239.8	212.8	12.7
Custodial fees . . . . .	53.2	52.1	2.1
Brokerage . . . . .	224.8	189.4	18.7
Insurance business . . . . .	59.7	63.9	(6.6)
Building society brokerage . . . . .	38.2	31.8	20.1
Foreign exchange transactions . . . . .	37.2	38.6	(3.6)
Investment banking business . . . . .	27.8	21.7	28.1
Other . . . . .	88.9	73.4	21.1
<b>Total . . . . .</b>	<b>1,857.9</b>	<b>1,445.9</b>	<b>28.5</b>

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2007 and 31 December 2006, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

2007 brought growth of 28.5% in net fee and commission income compared to 2006, from EUR 1,445.9 million to EUR 1,857.9 million (excluding BCR: up 14.3% to EUR 1,601.4 million).

Superior growth rates were achieved especially in the credit business, up 64.0% (17.9% excluding BCR) and in payment services, up 34.7% (15.3% excluding BCR). Within payment services, this growth was led by the card business, up 48.4% (28.7% excluding BCR).

### Net trading result

The following table presents a breakdown of the components of net trading result:

in EUR million	Year ended 31 December		
	2007 audited	2006 audited	change in %
Securities and derivatives trading .....	102.1	104.1	(1.9)
Foreign exchange transactions .....	249.0	173.8	43.3
<b>Total</b> .....	<b>351.1</b>	<b>277.9</b>	<b>26.4</b>

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2007 and 31 December 2006, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

Despite difficult market conditions prevailing especially in the second half of 2007, net trading result increased by more than one quarter (26.4%) from EUR 277.9 million to EUR 351.1 million (excluding BCR: up 6.1% to EUR 274.6 million). Notably in the first half of 2007, above-average results were achieved in almost all trading areas, more than offsetting negative effects from the market upheaval in the third and fourth quarter that, in any case, had only limited impact thanks to the very conservative business strategy. Most of the trading units in CEE generated compelling profit growth (for example, in currency trading).

### General administrative expenses

The following table presents the components of general administrative expenses:

in EUR million	Year ended 31 December		
	2007 audited	2006 audited	change in %
Personnel expenses .....	(2,189.3)	(1,750.5)	25.1
Other administrative expenses .....	(1,070.5)	(848.2)	26.2
Depreciation and amortisation .....	(382.3)	(346.6)	10.3
<b>Total</b> .....	<b>(3,642.1)</b>	<b>(2,945.3)</b>	<b>23.7</b>

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2007 and 31 December 2006, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

Overall, general administrative expenses rose by 23.7% from EUR 2,945.3 million to EUR 3,642.1 million. As one factor in the increase, initial outlays for future efficiency gains made themselves felt in additional expenses for group-level projects (about EUR 58 million), particularly in other administrative expenses. At BCR, the restructuring and transformation costs in 2007 (EUR 68.2 million) had a strong impact on expenses.

Excluding the effects of BCR's inclusion in 2006, general administrative expenses were up 9.7% to EUR 3,113.3 million. Excluding the acquisitions of smaller subsidiaries acquired in 2007—Bank Ukraine, ECC and ABS Banka—the rate of increase eases to 8.0% with a total figure for 2007 of EUR 3,065.6 million.

Personnel expenses went up 25.1% from EUR 1,750.5 million to EUR 2,189.3 million (excluding BCR: up 8.7% to EUR 1,832.4 million). In CEE, this reflected the increase in performance-related compensation and severance pay (or the provisioning thereof) for outgoing staff at BCR, which represents a major component of the transformation programme. The increase was also due in part to the expansion of the branch network in Romania and Ukraine.

Other administrative expenses increased by 26.2% from EUR 848.2 million to EUR 1,070.5 million (up 16.2% to EUR 950.1 million excluding BCR). Within this rise, the CEE increase of 36.0% to EUR 628.8 million (excluding BCR: up 17.6% to EUR 508.3 million) was significantly higher than in the rest of the Erste Group (up 14.5% to EUR 441.7 million). This was partly due to expenses associated with the conversion of the core banking system and the introduction of the euro in the Slovak Republic, as well as the "Bank of First Choice" programme in the Czech Republic. IT expenses, as the largest cost component, therefore grew by 43.9% to EUR 244.4 million.

Depreciation and amortisation increased by 10.3% from EUR 346.6 million to EUR 382.3 million. Excluding BCR, however, there was a small decrease of 1.0% to EUR 330.9 million. This is explained by lower investment activity in Austria in the past few years, where this expense item decreased by 8.7% in 2007.

### Income from insurance business

The following table presents a breakdown of the components of income from insurance business:

in EUR million	Year ended 31 December		
	2007 audited	2006 audited	change in %
Premiums earned	1,199.6	1,081.3	10.9
Investment income from technical business	304.6	336.0	(9.3)
Claims incurred	(672.1)	(393.9)	70.6
Use	(592.0)	(831.1)	(28.8)
Expense for policyholder bonuses	(55.4)	(66.0)	(16.1)
Operating expenses	(145.8)	(124.0)	17.6
Sundry underwriting profit/loss	0.0	38.6	(100.0)
Underwriting profit/loss	38.9	40.9	(4.9)
Financial profit/loss	296.7	329.8	(10.0)
Carry forward-underwriting	(300.6)	(334.9)	(10.2)
<b>Total</b>	<b>35.0</b>	<b>35.8</b>	<b>(2.2)</b>

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2007 and 31 December 2006, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

At EUR 35.0 million, income from the insurance business was virtually constant compared to last year (EUR 35.8 million). Excluding BCR, the income decreased by 8.8% to EUR 29.6 million. Weighing on results in 2007 were the shift in product mix (a response mainly to the changed interest rate environment in Austria) from single-premium policies to selling regular-premium insurance, as well as expenses related to the revaluation on financial assets and losses realised on disposal of securities.

## Other operating result

The following table presents a breakdown of the components of other operating result:

in EUR million	Year ended 31 December		
	2007 audited	2006 audited	change in %
Other operating income .....	198.8	169.5	17.3
Other operating expenses .....	(368.1)	(313.5)	17.4
<b>Total .....</b>	<b>(169.3)</b>	<b>(144.0)</b>	<b>(17.6)</b>
Result from real estate/properties .....	25.1	29.9	(16.1)
Allocation/release of other provisions/risks .....	8.3	(38.6)	>100.0
Expenses for deposit insurance contributions .....	(37.6)	(29.5)	27.5
Amortisation of intangible assets (customer relationships) .....	(81.8)	(18.0)	>100.0
Other taxes .....	(26.0)	(25.1)	3.6
Result from other operating expenses/income .....	(57.3)	(62.7)	8.6
<b>Total .....</b>	<b>(169.3)</b>	<b>(144.0)</b>	<b>(17.6)</b>

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2007 and 31 December 2006, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

The amortisation of BCR's customer relationships and the first-time amortisation of the customer relationships and distribution network of ECC were the main causes of the 17.6% deterioration in other operating result from a deficit of EUR 144.0 million in the prior year to a negative of EUR 169.3 million in 2007. In total, this amortisation resulted in an expense of EUR 18 million in 2006 (the straight-line amortisation of BCR's customer relationships started from 12 October 2006), rising to EUR 81.8 million in 2007 (of which BCR accounted for EUR 76.0 million). Excluding BCR, other operating result would have improved from a deficit of EUR 113.8 million to a negative EUR 82.5 million or by 27.5%. This was due to the fact that in 2006, higher provisions had been booked for claims reported but not yet settled under the group's in-house reinsurance operations.

## Result from financial assets

The following table presents a breakdown of the components of result from financial assets:

in EUR million	Year ended 31 December		
	2007 audited	2006 audited	change in %
Result from financial assets—at fair value through profit or loss			
Gain/(loss) from measurement/sale of financial assets at fair value through p&l .....	(47.8)	(4.5)	<(100.0)
<b>Total .....</b>	<b>(47.8)</b>	<b>(4.5)</b>	<b>&lt;(100.0)</b>
Result from financial assets—available for sale			
Gain/(loss) from sale of financial assets available for sale .....	54.5	104.8	(48.0)
Impairment of financial assets available for sale .....	(3.5)	(4.8)	(27.1)
<b>Total .....</b>	<b>51.0</b>	<b>100.0</b>	<b>(49.0)</b>
Result from financial assets—held to maturity			
Income from sale of financial assets held to maturity .....	0.7	0.7	0.0
Appreciation of financial assets held to maturity .....	0.2	6.9	(97.1)
Loss from sale of financial assets held to maturity .....	(0.2)	(1.4)	(85.7)
Impairment of financial assets held to maturity .....	0.0	0.0	n.a.
<b>Total .....</b>	<b>0.7</b>	<b>6.2</b>	<b>(88.7)</b>
<b>Total .....</b>	<b>3.9</b>	<b>101.7</b>	<b>(96.2)</b>

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2007 and 31 December 2006, except that the figures shown in the column "change in %" and in the last line of the table are based on internal calculations or information of Erste Group Bank

Total results from all categories of financial assets fell sharply from last year's EUR 101.7 million to EUR 3.9 million.

Aside from lower realised gains on available-for-sale securities, this decline was attributable chiefly to required write-downs in the fair value portfolio, particularly structured products and equities. These were partly related to the impact of the US subprime crisis on international capital markets.

The total ABS/CDO exposure of Erste Group amounts to EUR 3.4 billion. The marking-to-market of fair value assets had a negative effect of EUR 30 million on the result from financial assets through profit and loss. The marking-to-market of available for sale assets led to a decline of EUR 81 million booked against equity. As there was no deterioration in underlying asset quality, no write-downs (impairment) were required for the portfolio.

#### Pre-tax profit and taxes on income

Pre-tax profit rose from EUR 1,522.2 million in the previous year to EUR 1,927.6 million, an increase of 26.6% (excluding BCR: up 12.9% to EUR 1,594.4 million).

The effective tax rate eased from 22.3% in 2006 to 19.6%. The main underlying factor was the profit contribution (increased compared to 2006) from BCR, which was subject to the lower Romanian tax rate of 16%.

#### Net profit after minority interests

Minority interests in profit increased by 50.0% from EUR 250.2 million to EUR 375.3 million.

Net profit after minority interest grew by 26.0% from EUR 932.2 million to EUR 1.17 billion (excluding BCR: up 14.2% to EUR 984.6 million) due to the factors described above.

#### Segmental Overview for the year ended 31 December 2007 with the year ended 31 December 2006

The following table presents a breakdown by segment of Erste Group's audited condensed consolidated income statements for the years ended 31 December 2007 and 2006. When comparing the rates of change, please note that BCR has been included in Erste Group's financial statements only since 12 October 2006:

in EUR million	Group Total	Austria	Central Europe	International Business	Corporate Center
<b>Net interest income</b>					
2006 .....	3,189.4	1,592.9	1,444.3	149.0	3.2
2007 .....	3,945.8	1,649.5	2,140.3	152.7	3.3
change in % .....	23.7	3.6	48.2	2.5	3.1
<b>Risk provisions for loans and advances</b>					
2006 .....	(439.1)	(312.7)	(126.9)	2.1	(1.5)
2007 .....	(454.7)	(225.2)	(170.2)	9.9	(69.3)
change in % .....	3.6	(28.0)	(34.1)	>100.0	>100.0
<b>Net commission income</b>					
2006 .....	1,445.9	891.4	575.1	33.3	(53.8)
2007 .....	1,857.9	936.8	915.1	32.4	(26.3)
change in % .....	28.5	5.1	59.1	(2.7)	(51.1)
<b>Net trading result</b>					
2006 .....	277.9	126.9	149.3	(0.2)	1.8
2007 .....	351.1	122.6	221.6	0.0	7.0
change in % .....	26.3	(3.4)	48.4	>100.0	>100.0

in EUR million	Group Total	Austria	Central Europe	International Business	Corporate Center
General administrative expenses					
2006 .....	(2,945.3)	(1,645.1)	(1,227.5)	(34.3)	(38.3)
2007 .....	(3,642.1)	(1,678.1)	(1,816.9)	(36.5)	(110.7)
change in % .....	23.7	2.0	48.0	6.4	>100.0
Income from insurance business					
2006 .....	35.9	17.9	17.9	0.0	0.0
2007 .....	35.0	11.8	23.2	0.0	0.0
change in % .....	(2.5)	(34.1)	29.6	—	—
Other result					
2006 .....	(42.3)	27.4	(23.7)	10.1	(56.2)
2007 .....	(165.4)	(27.2)	(66.7)	3.3	(74.9)
change in % .....	>100.0	>(100.0)	>100.0	(67.3)	33.3
Pre-tax profit (loss)					
2006 .....	1,522.3	698.7	808.5	160.0	(144.9)
2007 .....	1,927.6	790.2	1,246.4	161.9	(270.8)
change in % .....	26.6	13.1	54.2	1.2	86.9
Taxes on income					
2006 .....	(339.9)	(153.6)	(191.2)	(41.8)	46.8
2007 .....	(377.6)	(166.3)	(232.5)	(39.9)	61.1
change in % .....	11.1	8.3	21.6	(4.5)	30.6
Minority interest					
2006 .....	(250.2)	(199.1)	(53.6)	0.0	2.6
2007 .....	(375.3)	(249.4)	(144.4)	0.0	18.6
change in % .....	50.0	25.3	>100.0	—	>100.0
Net profit (loss) after minorities					
2006 .....	932.2	345.9	563.7	118.2	(95.6)
2007 .....	1,174.7	374.5	869.6	121.9	(191.2)
change in % .....	26.0	8.2	54.3	3.1	100.0

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2007 and 31 December 2006, except that the figures shown in the lines "change in %" are based on internal calculations or information of Erste Group Bank

Despite the difficult situation in international capital markets and concern about economic trends in CEE, Erste Group had positive economic results in 2007.

Net profit after minorities increased by 26.0% from EUR 932.2 million to EUR 1.17 billion. This growth was driven largely by very strong performance in net interest income and net fee and commission income, which both rose by more than 20%. The net trading result also improved by more than 25%.

## Results by Segment

### Austria

The following table presents the condensed income statements for the Austria segment for the years ended 31 December 2007 and 2006:

in EUR million	Year ended 31 December		
	2007 audited	2006 audited	change in %
Net interest income	1,649.5	1,592.9	3.6
Risk provisions for loans and advances	(225.2)	(312.7)	(28.0)
Net fee and commission income	936.8	891.4	5.1
Net trading result	122.6	126.9	(3.4)
General administrative expenses	(1,678.1)	(1,645.1)	2.0
Income from insurance business	11.8	17.9	(34.1)
Other result	(27.2)	27.4	>(100.0)
<b>Pre-tax profit</b>	<b>790.2</b>	<b>698.7</b>	<b>13.1</b>
Taxes on income	(166.3)	(153.6)	8.3
Minority interest	(249.4)	(199.1)	25.3
<b>Net profit after minorities</b>	<b>374.5</b>	<b>345.9</b>	<b>8.2</b>
Cost/income ratio (in %)	61.7	62.6	
ROE based on net profit after minorities (in %)	18.7	18.3	
Average risk-weighted assets	49,365.8	49,634.7	(0.5)
Average allocated equity	1,997.5	1,890.8	5.6

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2007 and 31 December 2006, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

The Austria segment's net profit after minorities rose by EUR 28.6 million or 8.3% from EUR 345.9 million to EUR 374.5 million. This was driven by an improvement in net interest income (up EUR 56.6 million or 3.6%) and a very strong increase in net fee and commission income (up EUR 45.4 million or 5.1%), as well as by significantly reduced risk provisions for loans and advances (EUR 225.2 million compared to EUR 312.7 million in 2006). While total operating income was up 3.5% from 2006, the rise of 2.0% (EUR 33.0 million) in general administrative expenses was, as in the previous financial years, modest.

Operating result improved by EUR 58.6 million or 6.0% to EUR 1.04 billion. The cost/income ratio improved from 62.6% to 61.7% in 2007. A drop in other result was caused largely by higher negative revaluation requirements of securities not held for trading, particularly in the third quarter of 2007. Return on equity (based on the new equity allocation method) was increased not only by the profit growth but also by lower capital requirements due to the application of Basel II, primarily in the Retail and Mortgage and Savings Banks segments. Return on equity improved from 18.3% in the prior year to 18.7% in 2007.

## CEE

The following table presents the condensed income statements for the CEE segment for the years ended 31 December 2007 and 2006:

in EUR million	Year ended 31 December		
	2007 audited	2006 audited	change in %
Net interest income	2,140.3	1,444.3	48.2
Risk provisions for loans and advances	(170.2)	(126.9)	34.1
Net fee and commission income	915.1	575.1	59.1
Net trading result	221.6	149.3	48.4
General administrative expenses	(1,816.9)	(1,227.5)	48.0
Income from insurance business	23.2	17.9	29.6
Other result	(66.7)	(23.7)	>100.0
<b>Pre-tax profit</b>	<b>1,246.4</b>	<b>808.5</b>	<b>54.2</b>
Taxes on income	(232.5)	(191.2)	21.6
Minority interest	(144.4)	(53.6)	>100.0
<b>Net profit after minorities</b>	<b>869.6</b>	<b>563.7</b>	<b>54.3</b>
Cost/income ratio (in %)	55.1	56.1	
ROE based on net profit after minorities (in %)	41.2	36.0	
Average risk-weighted assets	34,757.9	24,146.7	43.9
Average allocated equity	2,112.0	1,565.8	34.9

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2007 and 31 December 2006, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

## Czech Republic

The following table presents the condensed income statements for Česká spořitelna for the years ended 31 December 2007 and 2006:

in EUR million	Year ended 31 December		
	2007 audited	2006 audited	change in %
Net interest income	834.9	705.6	18.3
Risk provisions for loans and advances	(70.7)	(52.5)	34.7
Net fee and commission income	354.5	324.9	9.1
Net trading result	62.5	55.1	13.4
General administrative expenses	(662.9)	(613.2)	8.1
Income from insurance business	17.7	14.5	22.1
Other result	(11.7)	17.4	>(100.0)
<b>Pre-tax profit</b>	<b>524.3</b>	<b>451.7</b>	<b>16.1</b>
Taxes on income	(105.8)	(114.4)	(7.5)
Minority interest	(11.3)	(12.9)	(12.4)
<b>Net profit after minorities</b>	<b>407.3</b>	<b>324.4</b>	<b>25.5</b>
Cost/income ratio (in %)	52.2	55.7	
ROE based on net profit after minorities (in %)	49.2	40.7	
Average risk-weighted assets	11,971.2	11,572.0	3.4
Average allocated equity	827.1	796.2	3.9

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2007 and 31 December 2006, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

Česká spořitelna's contribution to the Erste Group's net profit after minorities jumped from EUR 324.4 million in 2006 to EUR 407.3 million in 2007, an increase of EUR 82.9 million or 25.5%. Operating result also grew markedly by 24.6% from EUR 486.8 million to EUR 606.7 million. This increase was driven mainly by the strong rise in net interest income, which went up by 18.3% (EUR 129.3 million) from EUR 705.6 million to EUR 834.9 million. This was due to an advance in net interest income with growth of more than 20% in loans and advances to customers and rising market interest rates, as well as significantly improved profit contributions from the building society and pension fund activities. A 9.1% increase in net fee and commission income from EUR 324.9 million to EUR 354.5 million reflected the strong performance in payment services and securities businesses. General administrative expenses went up from EUR 613.2 million to EUR 662.9, or by 8.1%, as a result of higher personnel costs (partly due to an increase in weekly working hours) and expenses related to the considerable business expansion. Other result fell to a deficit of EUR 11.7 million from a 2006 surplus of EUR 17.4 million due to the fact that revaluation gains in 2006 on securities not held for trading could not be repeated in 2007. The cost/income ratio was 52.2% (improving from 55.7% in the prior year) and return on equity amounted to 49.2% (prior year: 40.7%).

### Romania

The following table presents the condensed income statements for BCR for the years ended 31 December 2007 and 2006:

in EUR million	Year ended 31 December		
	2007 audited	2006 audited	change in %
Net interest income	568.2	127.8	>100.0
Risk provisions for loans and advances	25.4	(8.2)	>(100.0)
Net fee and commission income	256.4	45.0	>100.0
Net trading result	76.5	19.0	>100.0
General administrative expenses	(528.8)	(107.6)	>100.0
Income from insurance business	5.5	3.5	57.1
Other result	(12.3)	(11.6)	6.0
<b>Pre-tax profit</b>	<b>391.0</b>	<b>67.9</b>	<b>&gt;100.0</b>
Taxes on income	(66.2)	(11.5)	>100.0
Minority interest	(106.5)	(21.8)	>100.0
<b>Net profit after minorities</b>	<b>218.2</b>	<b>34.6</b>	<b>&gt;100.0</b>
Cost/income ratio (in %)	58.3	55.1	
ROE based on net profit after minorities (in %)	45.7	34.6	
Average risk-weighted assets	9,977.3	2,100.9	>100.0
Average allocated equity	477.8	100.1	>100.0

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2007 and 31 December 2006, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

BCR has only been included in Erste Group's accounts since 12 October 2006. Net profit after minorities in the full year 2007, which was defined by the transformation projects, reached EUR 218.2 million. Operating result was EUR 377.9 million. This translated into a cost/income ratio of 58.3% and return on equity of 45.7%. Risk provisions for loans and advances were greatly enhanced by the sale of assets that had been written off and by unexpected recoveries on amounts previously written off. A positive effect also came from EUR 74.0 million in partial releases of provisions made at group level on initial consolidation. The restructuring and transformation costs of EUR 68.2 million included in the net profit figure (representing in particular termination benefits, marketing, consulting and training) distorted the result. The valuation of customer relationships required by IFRS 3 (using purchase price accounting) with the

associated amortisation expense of EUR 76.1 million (recognised in other result) is allocated to Corporate Center, primarily to ensure comparability with all other segments.

### *Slovak Republic*

The following table presents the condensed income statements for Slovenská sporiteľňa for the years ended 31 December 2007 and 2006:

in EUR million	Year ended 31 December		
	2007 audited	2006 audited	change in %
Net interest income	300.5	239.5	25.5
Risk provisions for loans and advances	(37.5)	(16.5)	>100.0
Net fee and commission income	95.8	82.8	15.7
Net trading result	20.9	20.9	0.0
General administrative expenses	(222.8)	(185.0)	20.4
Income from insurance business	0.0	0.0	—
Other result	(27.8)	(7.3)	>100.0
<b>Pre-tax profit</b>	<b>129.1</b>	<b>134.3</b>	<b>(3.9)</b>
Taxes on income	(11.5)	(26.5)	(56.6)
Minority interest	(0.0)	(0.1)	—
<b>Net profit after minorities</b>	<b>117.6</b>	<b>107.7</b>	<b>9.2</b>
Cost/income ratio (in %)	53.4	53.9	
ROE based on net profit after minorities (in %)	38.1	44.8	
Average risk-weighted assets	4,415.6	3,387.4	30.4
Average allocated equity	308.8	240.7	28.3

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2007 and 31 December 2006, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

Net profit after minorities at Slovenská sporiteľňa rose by 9.2% in 2007 compared to 2006, from EUR 107.7 million to EUR 117.6 million. Net interest income improved by 25.5% (EUR 61.0 million) from EUR 239.5 million to EUR 300.5 million. This was attributable in part to a significant increase of 27% in loans and advances to customers. Net fee and commission income (EUR 95.8 million versus EUR 82.8 in 2006) rose on the strong credit demand and higher transaction volume in payment services. General administrative expenses rose by EUR 37.8 million or 20.4% from EUR 185.0 million to EUR 222.8 million. Contributing to this were both increased expenses for IT projects (the core banking system and introduction of the euro) and the trend in the exchange rate (up 9.0%). Operating result thus improved by almost 23% from EUR 158.1 million to EUR 194.4 million. The significant increase in risk provisions from EUR 16.5 million in 2006 to EUR 37.5 million resulted partly from the pronounced credit growth in the last several quarters, but also from releases of provisions in the prior year (EUR 9.5 million). The fall in other result from a 2006 deficit of EUR 7.3 million to a negative balance of EUR 27.8 million in 2007 was related primarily to the exceptional impairment of software triggered by the implementation of a new core banking system and introduction of the euro, as well as revaluations on securities not held for trading. The decline in income tax expense is based on the release of a provision from 2006 that was no longer required as a result of a change in legislation. Return on equity was 38.1% and the cost/income ratio improved from 53.9% to 53.4%.

## Hungary

The following table presents the condensed income statements for Erste Bank Hungary for the years ended 31 December 2007 and 2006:

in EUR million	Year ended 31 December		
	2007 audited	2006 audited	change in %
Net interest income	253.2	251.2	0.8
Risk provisions for loans and advances	(59.3)	(34.2)	73.4
Net fee and commission income	133.4	88.4	50.9
Net trading result	37.6	35.3	6.5
General administrative expenses	(230.1)	(206.9)	11.2
Income from insurance business	0.0	0.0	—
Other result	(11.3)	(22.0)	(48.6)
<b>Pre-tax profit</b>	<b>123.4</b>	<b>111.8</b>	<b>10.4</b>
Taxes on income	(30.6)	(26.3)	16.3
Minority interest	(0.2)	(0.2)	0.0
<b>Net profit after minorities</b>	<b>92.6</b>	<b>85.2</b>	<b>8.6</b>
Cost/income ratio (in %)	54.2	55.2	
ROE based on net profit after minorities (in %)	29.8	31.0	
Average risk-weighted assets	4,467.9	3,949.4	13.1
Average allocated equity	311.1	274.8	13.2

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2007 and 31 December 2006, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

Erste Bank Hungary's operating result grew by 15.5% from EUR 168.0 million in 2006 to EUR 194.1 million in 2007. Net interest income showed a small increase of 0.8% (EUR 2.0 million) from EUR 251.2 million to EUR 253.2 million. A factor detracting from net interest income was a correction for interest incorrectly accrued in the prior year (about EUR 8 million in the first quarter of 2007). In addition, a change in the allocation of up-front commission expense in the leasing business from net fee and commission income resulted in a decrease in the latter. The significant increase in risk provisions from EUR 34.2 million to EUR 59.3 million is consistent with the growth in lending and the overall macroeconomic developments. In the fourth quarter of 2007, portfolio risk provisions of EUR 6.4 million were created for the credit portfolio. Net fee and commission income rose substantially to EUR 133.4 million, from EUR 88.4 million in 2006. This resulted from a significant increase in payment services and securities business and also partly from the presentation changes described above. General administrative expenses rose by 11.2% from EUR 206.9 million to EUR 230.1 million, mainly due to higher staff costs in connection with the branch network expansion and the legally required employment of temporary staff at the bank. On the other hand, other administrative expenses declined by a currency-adjusted 2%. An improvement in other result (to a negative EUR 11.3 million from a deficit of EUR 22.0 million in 2006) was attributable largely to a change in the allocation of the expense for local taxes (municipal and innovation tax) into the line item taxes on income. Net profit after minorities strengthened by 8.6% from EUR 85.2 million to EUR 92.6 million. The cost/income ratio was 54.2% and return on equity declined from 31.0% to 29.8%.

## Croatia

The following table presents the condensed income statements for Erste Bank Croatia for the years ended 31 December 2007 and 2006:

in EUR million	Year ended 31 December		
	2007 audited	2006 audited	change in %
Net interest income	159.2	111.1	43.3
Risk provisions for loans and advances	(17.8)	(12.3)	44.7
Net fee and commission income	68.6	29.7	>100.0
Net trading result	18.8	19.8	(5.1)
General administrative expenses	(118.6)	(84.5)	40.4
Income from insurance business	0.0	0.0	—
Other result	(5.3)	0.3	>(100.0)
<b>Pre-tax profit</b>	<b>105.0</b>	<b>64.1</b>	<b>63.8</b>
Taxes on income	(22.9)	(12.6)	81.7
Minority interest	(26.5)	(18.5)	43.2
<b>Net profit after minorities</b>	<b>55.7</b>	<b>32.9</b>	<b>69.3</b>
Cost/income ratio (in %)	48.1	52.6	
ROE based on net profit after minorities (in %)	39.2	24.1	
Average risk-weighted assets	3,234.2	2,970.8	8.9
Average allocated equity	142.1	136.4	4.2

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2007 and 31 December 2006, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

With effect from 2007, Erste Bank Croatia is consolidated as a partial group within the group accounts of Erste Group Bank. This produced effects in net fee and commission income and in general administrative expenses that almost completely offset each other. From the second quarter of 2007, the results of ECC, are also included in the Croatia segment. Operating result at Erste Bank Croatia increased markedly compared to 2006, by 68.3% (EUR 52.0 million), rising from EUR 76.1 million to EUR 128.1 million. Net interest income registered considerable growth—in spite of the restrictive legal regime aimed at curbing foreign-currency lending in Croatia and generally limiting credit growth—thanks to accelerating growth in lending and to stronger margins as the retail product mix shifted in favour of higher-interest products. As a consequence, net interest income rose by EUR 48.1 million from EUR 111.1 million to EUR 159.2 million (ECC's contribution: EUR 10.3 million). Net fee and commission income more than doubled from EUR 29.7 million to EUR 68.6 million—buoyed particularly in payments and securities business, but also by the income from credit card subsidiary ECC (which contributed EUR 19.2 million). General administrative expenses increased by EUR 34.1 million or 40.4% from EUR 84.5 million to EUR 118.6 million, due largely to the abovementioned inclusion of additional subsidiaries. Return on equity rose sharply from 24.1% to 39.2% and the cost/income ratio improved from 52.6% to 48.1%.

## Serbia

The following table presents the condensed income statements for Erste Bank Serbia for the years ended 31 December 2007 and 2006:

in EUR million	Year ended 31 December		
	2007 audited	2006 audited	change in %
Net interest income . . . . .	16.2	9.2	76.1
Risk provisions for loans and advances . . . . .	0.1	(3.3)	>(100.0)
Net fee and commission income . . . . .	5.4	4.3	25.6
Net trading result . . . . .	1.5	(0.8)	>(100.0)
General administrative expenses . . . . .	(28.4)	(30.3)	(6.3)
Income from insurance business . . . . .	0.0	0.0	—
Other result . . . . .	1.8	(0.3)	>(100.0)
<b>Pre-tax (loss) profit . . . . .</b>	<b>(3.4)</b>	<b>(21.3)</b>	<b>(84.0)</b>
Taxes on income . . . . .	0.5	0.1	>100.0
Minority interest . . . . .	0.2	0.1	100.0
<b>Net profit (loss) after minorities . . . . .</b>	<b>(2.7)</b>	<b>(21.2)</b>	<b>(87.2)</b>
Cost/income ratio (in %) . . . . .	—	—	
ROE based on net profit after minorities (in %) . . . . .	—	—	
Average risk-weighted assets . . . . .	466.6	166.2	>100.0
Average allocated equity . . . . .	26.6	17.6	51.1

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2007 and 31 December 2006, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

Net loss after minorities improved from a deficit of EUR 21.2 million to a net loss of EUR 2.7 million, representing a positive change of EUR 18.5 million or 87.2%. This comparison reflects heavy restructuring activity in the base year 2006. In addition to significant growth in net interest income (to EUR 16.2 million from EUR 9.2 million in 2006), which was driven by expansion in customer lending and interbank activity, risk provisions decreased noticeably. In 2007 both net fee and commission income and net trading result improved. General administrative expenses receded somewhat from the 2006 level (to EUR 28.4 million from EUR 30.3 million); costs in 2006 had been higher mainly due to restructuring costs. The reason for a rise of EUR 2.1 million in other result from a loss of EUR 0.3 million to a profit of EUR 1.8 million was one-off revenue from the realisation of collateral in the first quarter of 2007.

## Ukraine

The following table presents the condensed income statements for Erste Bank Ukraine for the years ended 31 December 2007 and 2006:

in EUR million	Year ended 31 December		
	2007 audited	2006 audited	change in %
Net interest income	8.0	—	—
Risk provisions for loans and advances	(10.3)	—	—
Net fee and commission income	1.0	—	—
Net trading result	3.7	—	—
General administrative expenses	(25.3)	—	—
Income from insurance business	0.0	—	—
Other result	(0.1)	—	—
<b>Pre-tax (loss) profit</b>	<b>(23.0)</b>	—	—
Taxes on income	3.9	—	—
Minority interest	0.0	—	—
<b>Net profit (loss) after minorities</b>	<b>(19.1)</b>	—	—
Cost/income ratio (in %)	—	—	
ROE based on net profit after minorities (in %)	—	—	
Average risk-weighted assets	225.1	—	—
Average allocated equity	18.5	—	—

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2007 and 31 December 2006

Following the 100% acquisition of Bank Prestige by the Erste Group in January 2007, the focus of activity in this segment has been the expansion of the market position of the bank, renamed "Erste Bank Ukraine". At 31 December 2007, Erste Group continued to hold 100% of Erste Bank Ukraine. At the end of 2007, the bank had 1,130 employees and operated 71 branches with preparations to open an additional 52 branches underway. The fourth quarter continued to show a rise in net interest income, driven by growth in loans and advances to customers. General administrative expenses, as anticipated, increased significantly from the third quarter as a result of the rapid business expansion. Net loss after minorities in the Ukraine segment for the reporting period was EUR 19.1 million.

## International Business

The following table presents the condensed income statements for the International Business segment for the years ended 31 December 2007 and 2006:

in EUR million	Year ended 31 December		
	2007 audited	2006 audited	change in %
Net interest income . . . . .	152.7	149.0	2.5
Risk provisions for loans and advances . . . . .	9.9	2.1	>100.0
Net fee and commission income . . . . .	32.4	33.3	(2.7)
Net trading result . . . . .	0.0	(0.2)	>(100.0)
General administrative expenses . . . . .	(36.5)	(34.3)	6.4
Income from insurance business . . . . .	0.0	0.0	—
Other result . . . . .	3.3	10.1	(67.3)
<b>Pre-tax profit . . . . .</b>	<b>161.9</b>	<b>160.0</b>	<b>1.2</b>
Taxes on income . . . . .	(39.9)	(41.8)	(4.5)
Minority interest . . . . .	0.0	0.0	—
<b>Net profit after minorities . . . . .</b>	<b>121.9</b>	<b>118.2</b>	<b>3.1</b>
Cost/income ratio (in %) . . . . .	19.7	18.9	
ROE based on net profit after minorities (in %) . . . . .	27.4	23.5	
Average risk-weighted assets . . . . .	6,844.8	7,735.9	(11.5)
Average allocated equity . . . . .	445.2	503.1	(11.5)

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2007 and 31 December 2006, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

Net profit after minorities increased by EUR 3.7 million or 3.1% from EUR 118.2 million to EUR 121.9 million. Other result saw a marked decrease (to EUR 3.3 million from EUR 10.1 million in 2006) owing to positive one-off effects in 2006 totalling EUR 8.1 million from the revaluation of financial assets and sale of written-off loans and receivables. In 2007 risk provisions were released that were no longer required given the improved risk situation in the credit portfolio. Operating result, at EUR 148.6 million, was held at the prior-year level; the cost/income ratio was 19.7% Return on equity, reflecting the lower capital requirement under Basel II, rose from 23.5% to 27.4%.

## Corporate Center

The following table presents the condensed income statements for the Corporate Center segment for the years ended 31 December 2007 and 2006:

in EUR million	Year ended 31 December		
	2007 audited	2006 audited	change in %
Net interest income . . . . .	3.3	3.2	3.1
Risk provision for loans and advances . . . . .	(69.3)	(1.5)	>100.0
Net fee and commission income . . . . .	(26.3)	(53.8)	(51.1)
Net trading result . . . . .	7.0	1.8	>100.0
General administrative expenses . . . . .	(110.7)	(38.3)	>100.0
Income from insurance business . . . . .	0.0	0.0	—
Other result . . . . .	(74.9)	(56.2)	33.3
<b>Pre-tax (loss) profit . . . . .</b>	<b>(270.8)</b>	<b>(144.9)</b>	<b>86.9</b>
Taxes on income . . . . .	61.1	46.8	30.6
Minority interest . . . . .	18.6	2.6	>100.0
<b>Net profit (loss) after minorities . . . . .</b>	<b>(191.2)</b>	<b>(95.6)</b>	<b>100.0</b>

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2007 and 31 December 2006, except that the figures shown in the column "change in %" are based on internal calculations or information of Erste Group Bank

The Corporate Center segment encompasses the following: the results of those companies which cannot be clearly assigned to a specific business segment; consolidating entries; amortisation of the customer relationships of BCR and ECC; and one-time effects, that, in order to safeguard comparability, have not been allocated to a business segment. Thus, in the 2007 results, interest income from impaired assets of EUR 62 million was allocated to this segment. In the prior-year comparison, this positive effect in 2007 net interest income is fully offset by the absence of the positive effects from the 2006 capital increase. As a result, in 2007 the risk provisions increased by EUR 67.8 million overall.

Most of the change in net fee and commission income and general administrative expenses represented consolidating entries in respect of companies providing banking support services. Important cost items within general administrative expenses were group projects as well as expenses related to the restructuring of Erste Group.

## LIQUIDITY AND CAPITAL RESOURCES

### Sources of Funding

Erste Group relies principally on a three-pronged approach to funding, which consists of (i) deposits and other amounts owed to customers, (ii) interbank deposits and other amounts owed to credit institutions and (iii) debt securities in issue. Erste Group's main sources of funding consist of deposits and other amounts owed to customers and it had a loan-to-deposit ratio of 114.7% at 30 September 2009. Erste Group is one of the largest retail banking groups in Austria and CEE and has a deposit base spread across Austria and other countries in its extended home market. Erste Group believes that it has a diversified deposit base across its extended home market which creates a relatively stable funding base for its operations. During the recent liquidity crisis, Erste Group experienced no significant outflows of deposits.

Erste Group's secondary source of funding comes from interbank deposits and other amounts due to credit institutions. At 31 December 2008 and 30 September 2009 the deposits by banks totalled EUR 34.7 billion and EUR 26.9 billion, respectively. During the liquidity crisis, Erste Group significantly decreased the total volume of short-term funding in order to secure its liquidity risk profile.

In addition, Erste Group had a total of EUR 30.5 billion in debt securities in issue outstanding as of 31 December 2008 (down from EUR 31.1 billion at 31 December 2007). At 30 September 2009 the amount owed was EUR 30.4 billion. This debt represents principally long-term funding through the issuance of bonds. This debt has an aggregate redemption amount of EUR 20 billion by 2014, with total redemption amounts of no more than EUR 5 billion annually. In August 2008, Erste Group increased its existing DIP for issuing debt instruments in any currency to an aggregate of EUR 30 billion. At 30 September 2009, 71% were outstanding. In addition, Erste Group has a EUR 10 billion Euro-commercial paper programme, which includes certificates of deposits. At 30 September 2009, approximately 13% were outstanding thereunder.

On 8 January 2009, Erste Group Bank established a EUR 6 billion DIP in respect of issues guaranteed by the Republic of Austria pursuant to a framework agreement for bond issues entered into with the Republic of Austria (see "Description of Erste Group's Business—Material Contracts—Framework Agreement for Guaranteed Bonds). Under this programme, Erste Group Bank has the right to issue bonds with an aggregate volume of EUR 6 billion that will be guaranteed by the Republic of Austria. As of 30 September 2009, Erste Group Bank had issued four series of bonds guaranteed by the Republic of Austria, three series with a total nominal amount of EUR 4.0 billion and one series with a total nominal amount of CHF 75 million.

## Shareholders' Equity and Subordinated Liabilities

The following table shows the shareholder's equity of Erste Group Bank as of 30 September 2009 and as of 31 December 2008, 2007 and 2006:

in EUR million	As of	As of 31 December		
	30 September 2009 unaudited	2008 audited	2007 audited	2006 audited
<b>Shareholders' equity</b>				
Share capital .....	636	634	632	630
Additional paid-in capital .....	4,592	4,583	4,557	4,514
Participation capital <sup>(1)</sup> .....	1,760	0	0	0
Retained earnings, other reserves and net profit before minority interests .....	3,679	2,862	3,263	2,835
Thereof cash flow hedge reserve .....	94	70	(28)	(14)
Thereof available for sale reserve .....	(655)	(1,073)	(321)	5
Thereof actuarial gains/losses from long-term employee provisions .....	(254)	(254)	(256)	(237)
Thereof deferred tax reserve .....	157	380	159	57
<b>Total shareholders' equity</b> .....	<b>10,667</b>	<b>8,079</b>	<b>8,452</b>	<b>7,979</b>

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008, 31 December 2007 and 31 December 2006 and unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009

(1) Participation capital according to section 23(4) Banking Act net of expenses associated with the capital raising of EUR 4 million.

Shareholders' equity increased by 32%, from EUR 8,079 million as of 31 December 2008 to EUR 10,667 million as of 30 September 2009. This increase was driven primarily by the issue of participation capital, positive revaluation effect in the available for sale reserve and an increase in retained earnings, since profits in the nine months ended 30 September 2009 exceeded the amount of dividends paid with respect to the financial year 2008.

In 2008 shareholders' equity decreased by EUR 373 million or 4.4% to EUR 8,079 million. This decrease was mainly driven by the negative impact of the available for sale reserve and the currency translation recorded directly in equity.

In 2007 shareholders' equity increased by EUR 473 million or 5.9% to EUR 8,452 million. The increase resulted largely from an increase in retained earnings in 2007. This increase mainly reflects profits for 2007 less dividends paid. Income and expenses recognised directly in equity (mainly currency translation and measurement of financial assets available for sale) had a negative impact on retained earnings of EUR 446 million.

The following table shows the subordinated liabilities as of 30 September 2009 and as of 31 December 2008, 2007, 2006:

in EUR million	As of	As of 31 December		
	30 September 2009 unaudited	2008 audited	2007 audited	2006 audited
<b>Total subordinated liabilities</b> .....	<b>6,184</b>	<b>6,047</b>	<b>5,589</b>	<b>5,210</b>

Source: Audited consolidated financial statements of Erste Group Bank for the financial year ended 31 December 2008, 31 December 2007 and 31 December 2006 and unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009

The following table shows a breakdown of remaining maturities for the subordinated liabilities:

in EUR million	On demand	Up to 3 months	3 months to 1 year	1 year to 5 years	Greater than 5 years
Subordinated liabilities as of 30 September 2009 . . . .	3	5	277	1,232	4,667
Subordinated liabilities as of 31 December 2008 . . . .	4	39	335	1,703	3,966
Subordinated liabilities as of 31 December 2007 . . . .	4	19	39	678	4,849
Subordinated liabilities as of 31 December 2006 . . . .	0	122	24	631	4,433

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2007 and 31 December 2006, except that the figures shown under "Subordinated liabilities as of 31 December 2008" and "Subordinated liabilities as of 30 September 2009" are based on internal calculations or information of Erste Group Bank

## Capital adequacy

Erste Group complies with regulatory capital adequacy requirements on the basis of capital ratios under the Banking Act. Erste Group Bank has to comply with capital adequacy requirements both on a consolidated and on an individual (non-consolidated) basis. Since 1 January 2007 Erste Group applies Basel II. For more information on the capital adequacy requirements to which Erste Group is subject, see "The Austrian Banking System—Regulation and Supervision—Capital adequacy requirements".

The eligible qualifying own funds are calculated by addition of the tier-1 capital plus eligible supplementary liabilities, also called tier-2 capital, and the short-term subordinated capital, also referred to as tier-3 capital less regulatory deductions according to the Banking Act.

The major components of consolidated tier-1 capital are paid-in capital (share capital and participation capital), reserves (disclosed reserves including the liability reserve according to section 23 (6) Banking Act) minority interests, hybrid capital, the differential amount resulting from the consolidation of own capital and participations and the funds for general banking risk, less balance sheet losses and intangible assets. The participation capital issued by Erste Group Bank qualifies as tier-1 capital for Erste Group Bank on an individual basis and for Erste Group on a consolidated basis. The hybrid tier-1 capital pursuant to section 24 (2) 5 and 6 Banking Act qualifies as tier-1 capital for Erste Group on a consolidated basis. Tier-2 capital consists primarily of qualifying eligible supplementary liabilities, revaluation reserves, qualifying eligible subordinated liabilities, a portion of hidden reserves and, if available, the IRB-surplus according to Basel II. Short-term subordinated capital, also referred to as tier-3 capital can only be used to meet the qualifying capital requirements for the trading book and open fx-currency positions. The deductions according to section 23 (13) 3 Banking Act (deductions of held shares and own-funds components in credit institutions or financial institutions in which a participation of more than 10% is held), section 23 (13) 4 Banking Act (deductions of held shares and own-funds components in credit institutions or financial institutions in which a participation of 10% or less than 10% is held, if the total amount for these deductions exceeds 10% of the sum of tier-1 and tier-2 capital before deductions), 23 (13) 4c Banking Act (IRB-shortfall) and 23 (13) 4d (calculated exposure amount for securitisation positions which is applied at a weight of 1250%) are deducted by 50% from the tier-1 capital and 50% from the tier-2 capital. The deduction according to section 23 (13) 4a Banking Act (participations and instruments related to such participations pursuant to Article 73b insurance Supervision Act (*Versicherungsaufsichtsgesetz*—VAG) held by a credit institution in insurance undertakings, reinsurance undertakings and insurance holding companies) are deducted only from tier-2 capital.

Erste Group also presents core tier-1 capital, which is defined as tier-1 capital excluding hybrid capital pursuant to section 24 (2) 5 and 6 Banking Act.

In order to compute the risk-weighted assets and certain off-balance sheet items (together the "RWA"), Erste Group is using both the standardised approach and the IRB approach. Furthermore, capital requirements for all types of risk in the trading book, for commodities risk and foreign-exchange risk and for the operational risk are calculated.

The standardised approach is used for those assets where no internal rating is available. Within the standardised approach the assets are assigned to asset classes and therein into categories of relative credit risk (0%, 10%, 20%, 35%, 50%, 75%, 100% or 150%). The exposure value is reduced by the effects of credit risk mitigation due to collateral. The remaining exposure value is multiplied by the percentage weight applicable to its risk category to arrive at the risk-weighted value. Off-balance sheet items, such as financial guarantees, letters of credit, swaps and other financial derivatives, are included (swaps and other derivatives at their fair values). Then the value is adjusted according to the risk classification of the type of instrument either by 0%, 20%, 50% or 100%. As with on-balance sheet assets, each off-balance sheet item is assigned to a credit risk category depending upon the type of counterparty or the debtor and multiplied by the applicable percentage weight.

The following table shows the amount of RWA computed using the IRB and standardised approaches for Austria and the CEE as of 30 September 2009:

In EUR million	Standardised approach	IRB approach	Total
<b>Group</b> .....	31,699	74,865	106,564
<b>Austria</b> .....	13,534	49,230	62,764
<b>CEE</b> .....	18,165	25,635	43,800

Source: Internal information of Erste Group Bank

Erste Group has established a regular RWA forecast and active management of RWA that is integral to Erste Group's ICAAP. The forecast is based predominantly on the analysis of foreign exchange effects, effects from Basel II parameter recalibrations, etc., as well as portfolio migrations due to re-ratings and pure volume changes as a consequence of business developments.

Erste Group member banks are currently applying or plan to apply the IRB approach beginning at various times (see "Risk Management—Credit Risk—Regulatory Capital Requirement for Credit Risk—Basel II"). The switch from the standardised to the IRB approach typically causes a one-time decrease in RWAs over a business cycle. In addition, Erste Group has undertaken an initiative to improve processes, methodologies and data quality to reduce RWA in its existing portfolio.

For assets where an internal rating is available Erste Group is using the Internal Ratings Based Approach. The risk weight of an exposure depends on the "probability of default" ("PD"), the "loss given default" ("LGD") and the maturity of an exposure (except for retail exposures where the maturity is not considered for the risk weight calculation and LGD and the credit conversion factor ("CCF") is estimated internally). The PD is a result of the rating. The LGD is per default 45% for senior exposures and 65% for subordinated exposures. The maturity of the exposure is per default 0.5 years for repurchase transactions, for securities or commodities lending and for borrowing transactions, 2.5 years for all other exposures.

The risk-weighted assets are calculated by multiplying the exposure value after the effects of credit risk mitigation with the risk weight resulting from the parameters PD, LGD and maturity.

Since 1 July 2009, the capital requirement for operational risk has been computed using the advanced measurement approach ("AMA") (internal Value-at-Risk model) for Erste Group Bank, Erste Bank Oesterreich, Česká spořitelna, Slovenská sporiteľňa and Erste Bank Hungary. For other entities in the Erste Group the basic indicator approach ("BIA") is used (the capital charge is computed by multiplying the three-year average of the operating income by 15%).

The following table shows the components of Erste Group's consolidated qualifying capital and regulatory capital ratios under the Banking Act:

in EUR million, unless indicated otherwise	As of	As of		
	30 September	31 December		
	2009	2008	2007	2006
	unaudited	audited	audited	audited
		Basel II	Basel II	Basel I
Subscribed capital	2,400	634	633	629
thereof share capital	636	634	633	629
thereof participation capital	1,764	—	—	—
Reserves	6,491	6,482	6,498	6,199
Deduction of Erste Group Bank shares held within the group	(689)	(761)	(666)	(493)
Consolidation difference	(2,622)	(2,540)	(3,256)	(3,594)
Minority interests (excluding hybrid tier-1 capital pursuant to section 24 (2) 5 and 6 Banking Act)	3,216	3,083	2,832	2,703
Hybrid tier-1 capital pursuant to section 24 (2) 5 and 6 Banking Act	1,177	1,256	1,247	1,250
Intangible assets	(500)	(513)	(485)	(509)
<b>Tier-1 capital (before regulatory deductions)</b>	<b>9,473</b>	<b>7,641</b>	<b>6,802</b>	<b>6,185</b>
Eligible subordinated liabilities	4,208	4,195	3,875	3,604
Revaluation reserve	137	140	130	216
Excess risk provisions	0	0	250	0
<b>Qualifying supplementary capital (Tier-2)</b>	<b>4,345</b>	<b>4,335</b>	<b>4,255</b>	<b>3,820</b>
<b>Short-term subordinated capital (Tier-3)</b>	<b>398</b>	<b>402</b>	<b>386</b>	<b>331</b>
<b>Total qualifying capital</b>	<b>14,216</b>	<b>12,378</b>	<b>11,443</b>	<b>10,336</b>
Deductions according to section 23 (13) 3 and 4 (excl. 4a) Banking Act—50% from tier-1 capital and 50% from tier-2 capital <sup>(1)</sup>	(600)	(386)	(256)	(165)
Deductions according to section 23 (13) 4a Banking Act—100% from tier-2 capital	(182)	(234)	(73)	(60)
<b>Total eligible qualifying capital</b>	<b>13,434</b>	<b>11,758</b>	<b>11,114</b>	<b>10,111</b>
Capital requirement	9,858	9,598	8,769	7,952
Surplus capital	3,576	2,160	2,345	2,159
Cover ratio (in %)	136.3	122.5	126.7	127.2
Tier-1 capital (after regulatory deductions)	9,173	7,448	6,674	6,185
Core tier-1 capital (after regulatory deductions) <sup>(2)</sup>	7,996	6,192	5,427	4,935
Tier-1 ratio—credit risk (in %) <sup>(3)</sup>	8.6	7.2	7.0	6.6
Core tier-1 ratio—total risk (in %) <sup>(4)</sup>	6.5	5.2	5.0	5.0
Tier-1 ratio—total risk (in %) <sup>(5)</sup>	7.4	6.2	6.1	6.2
Solvency ratio (in %) <sup>(6)</sup>	10.9	9.8	10.1	10.2

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008, 31 December 2007 and 31 December 2006 and unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009, except that the figures shown under "Reserves", "Deduction of Erste Group Bank shares held within the group", "Consolidation difference", "Minority interests", "Hybrid tier-1 capital", "Eligible subordinated liabilities", "Excess risk provisions", "Deductions according to section 23 (13) 3 and 4 (excl. 4a) of the Banking Act—50% from tier-1 capital and 50% from tier-2 capital" "Deductions according to section 23 (13) 4a of the Banking Act—100% from tier-2 capital", "Core tier-1 capital (after regulatory deductions)", "Core tier-1 ratio—total risk", "Tier-1 ratio—total risk" and "Solvency ratio" are based on internal calculations or information of Erste Group

(1) In accordance with Basel I deduction only from tier-2 capital (until year end 2006).

(2) Core tier-1 capital (after regulatory deductions) is tier-1 capital (excluding hybrid capital pursuant to section 24 (2) 5 and 6 Banking Act) after regulatory deductions.

(3) Tier-1 ratio—credit risk is the ratio of tier-1 capital (including hybrid capital pursuant to section 24 (2) 5 and 6 Banking Act) after regulatory deductions, to the risk weighted assets pursuant to section 22 (2) Banking Act.

(4) Core tier-1 ratio—total risk is the ratio of tier-1 capital (excluding hybrid capital pursuant to section 24 (2) 5 and 6 Banking Act) after regulatory deductions, to the calculation base for the capital requirement pursuant to section 22 (1) Banking Act.

(5) Tier-1 ratio—total risk is the ratio of tier-1 capital (including hybrid capital pursuant to section 24 (2) 5 and 6 Banking Act) after regulatory deductions, to the calculation base for the capital requirement pursuant to section 22 (1) Banking Act.

(6) Solvency ratio is the ratio of the sum of tier-1, tier-2 and tier-3 capital, after regulatory deductions, to the calculation base for the capital requirement pursuant to section 22 (1) Banking Act.

The risk-weighted basis pursuant to section 22 (1) of the Banking Act and the resulting capital requirement is shown below:

in EUR million	As of	As of 31 December		
	30 September	2008	2007	2006
	2009	2008	2007	2006
	unaudited	audited	audited	audited
	Basel II	Basel II	Basel II	Basel I
Base for the risk pursuant to section 22 (1) 1 Banking Act <sup>(1)</sup> . . . . .	106,564	103,663	95,091	94,129
Base risk pursuant to section 22 (1) 2 Banking Act <sup>(2)</sup> . .	4,950	4,958	4,850	5,238
Base risk pursuant to section 22 (1) 3 Banking Act <sup>(3)</sup> . .	25	61	71	38
Base risk pursuant to section 22 (1) 4 Banking Act <sup>(4)</sup> . .	11,688	11,293	9,600	0
<b>Total risk . . . . .</b>	<b>123,227</b>	<b>119,975</b>	<b>109,612</b>	<b>99,405</b>
<b>Capital requirement (8% from total risk) . . . . .</b>	<b>9,858</b>	<b>9,598</b>	<b>8,769</b>	<b>7,952</b>

Source Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008, 31 December 2007 and 31 December 2006 and unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009, except that the figures shown under "Base risk pursuant to section 22 (1) 2 Banking Act", "Base risk pursuant to section 22 (1) 3 Banking Act" and "Base risk pursuant to section 22 (1) 4 Banking Act" are based on internal calculations or information of Erste Group.

(1) Risk weighted assets—credit risk.

(2) Base for the market risk (trading book).

(3) Base for the commodities risk and foreign exchange-risk, including the risk arising from gold positions, each for positions outside the trading book.

(4) Base for the operational risk.

## Development in 2009

The total eligible qualifying capital under the Banking Act as of 30 September 2009 is EUR 13.4 billion. Total deductions from total eligible qualifying capital increased by EUR 162.1 million compared to year end 2008.

The tier-1 capital before regulatory deductions increased by EUR 1.8 billion to EUR 9.5 billion.

On 26 February 2009, Erste Group Bank and Erste Bank Oesterreich signed the *Grundsatzvereinbarung* with the Republic of Austria for the subscription of tier-1 capital according to the Banking Act, originally announced in October 2008.

On 11 March 2009 the Republic of Austria subscribed for a tranche of participation capital, which qualifies as tier-1 capital according to the Banking Act, in an amount of EUR 1 billion. In May 2009 Erste Group Bank issued participation capital in a total amount of EUR 764 million following a public offer (including participation capital in a total amount of EUR 224 million subscribed by the Republic of Austria). The total issued amount of EUR 1,764 million participation capital increased the tier-1 capital of Erste Group by the same amount.

RWA for credit risk increased by 2.8% from EUR 103.7 billion at 31 December 2008 to EUR 106.6 billion at 30 September 2009 (base for risk pursuant to section 22 (1) Banking Act). Despite moderate business growth, Erste Group's capital adequacy was negatively affected primarily by pro-cyclical effects from re-calibrated Basel II parameters and adverse portfolio migrations. The negative pro-cyclical effects were partially offset by internal measures taken to reduce exposures with high risk weightings.

## Development in 2008

The total eligible qualifying capital under the Banking Act at the end of December 2008 was EUR 11.8 billion. Total deductions from total eligible qualifying capital increased by EUR 292 million in 2008 compared to 2007.

In October 2008 Erste Group Bank received a notice from the FMA stating that Erste Group no longer qualified as a financial conglomerate according to the Austrian Financial Conglomerate Act (*Finanzkonglomeratengesetz, "FKG"*). This resulted from the disposal of Erste Group's 85% participation as of 31 December 2007 in s-Versicherung. As a result, the participation and capital held in s-Versicherung had to be deducted from own funds according to the Banking Act. Therefore, deductions according to the Banking Act increased by EUR 183 million.

The IRB-measurement (risk provisions in ratio to expected loss according to section 23 paragraph 1 No 10 of the Banking Act) turned into a shortfall of EUR 67 million in 2008 (2007: IRB-surplus EUR 250 million). This shortfall is deducted from the total eligible capital.

Following the sale of Erste Group's insurance operations, its reported tier-1 ratio based on credit risk reached 7.2% at year end 2008. This level was in line with previously announced goals of maintaining a tier-1 ratio between 6% and 7%.

Tier-1 capital (before regulatory deductions) increased by EUR 839 million to EUR 7.6 billion.

RWA for credit risk (*i.e.*, the base for the credit risk pursuant to section 22 (1) 1 Banking Act) increased by EUR 8.6 billion to EUR 103.7 billion.

In 2008 Slovenská sporiteľňa and Erste Bank Hungary changed the calculation method according to Basel II from the Standardised Approach to the IRB-Approach.

### **Development in 2007**

The total eligible qualifying capital increased by EUR 1.0 billion to EUR 11.1 billion. The increase was mainly caused by a reserve allocation out of profit for 2007 and the IRB-surplus according to Basel II (EUR 250 million).

Tier-1 capital (before regulatory deductions) increased by EUR 617 million to EUR 6.8 billion.

Effective 1 January 2007 the approach to capital adequacy calculation under the Banking Act was changed into the Basel II framework. This meant that, from 2007, for the entire credit risk in the retail business of Austria and the Czech Republic, the IRB Approach has been applied to the calculation of qualifying capital; for the other Basel segments, the Foundation IRB Approach has been used. The remaining group companies followed the Standardised Approach. Market risks are covered by an internal model approved by the Austrian supervisory authority. Operational risk in 2007 was measured by the Basic Indicator Approach.

RWA for credit risk (*i.e.*, the base for the credit risk pursuant to section 22 (1) 1 Banking Act) increased slightly by 1.02% to EUR 95.1 billion. This is explained above all by the more favourable risk weights applied to retail assets under Basel II.

### **Development in 2006**

The capital increase for financing of the acquisition of BCR caused an increase of capital of EUR 2.9 billion during the first quarter of 2006. After its approval by the Romanian government, the acquisition of BCR was closed on 12 October 2006. BCR is included in the consolidated own funds of Erste Group with effect from this date. Tier-1 capital decreased by EUR 2.7 billion and RWAs increased by EUR 8.8 billion as a result of the first time consolidation of BCR in October 2006.

The total eligible qualifying capital under the Banking Act at the end of December 2006 was EUR 10.1 billion.

Tier-1 capital (before regulatory deductions) of Erste Group was EUR 6.2 billion. The increase in tier-1 capital resulted from an issuance of hybrid tier-I capital amounting to EUR 400 million and the reserve allocation of profits for 2006.

RWA for credit risk (*i.e.*, the base for the credit risk pursuant to section 22 (1) 1 Banking Act) grew by 25.4% to EUR 94.1 billion.

At all times the solvency ratio of Erste Group Bank and Erste Group has been significantly above the statutory minimum of 8%.

## Off-balance sheet transactions

In the normal course of its business, Erste Group engages in a variety of financial transactions that either are not recorded on the balance sheet or are recorded on the balance sheet in amounts that differ from the full contract or notional amounts. These transactions involve varying elements of market, credit and liquidity risk. These include off-balance sheet guarantees and undrawn credit and loan commitments.

The following table shows a summary of Erste Group's off-balance sheet exposures as of 30 September 2009 and as of 31 December 2008, 2007 and 2006:

in EUR million	As of	As of 31 December		
	30 September 2009 unaudited	2008 audited	2007 audited	2006 audited
Contingent liabilities .....	20,342	15,691	19,194	15,041
Guarantees and warranties .....	19,923	15,212	18,765	14,661
Other .....	419	479	429	380
Other obligations .....	23,410	22,436	21,500	20,326
Undrawn credit and loan commitments, promissory notes .....	23,187	22,149	21,193	19,217
Other .....	223	287	307	1,109
<b>Total .....</b>	<b>43,752</b>	<b>38,127</b>	<b>40,694</b>	<b>35,367</b>

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008, 31 December 2007 and 31 December 2006 and unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009

Guarantees are contracts that contingently require Erste Group to make payments to a guaranteed party if that party incurs a loss because a specified debtor fails to make a payment. Erste Group's guarantees and warranties are generally in the form of standby letters of credit and liquidity obligations. The amount of guarantees increased by EUR 4.1 billion between 2006 and 2007 and decreased by EUR 3.6 billion between 2007 and 2008.

Other obligations consist of undrawn credit and loan commitments, which are unused credit lines that have been granted to customers and that are recorded as commitments. These represent externally committed credit lines which could be used by customers but which have not yet been called.

For further information on these obligations, see "Risk Management—Credit Exposure".

## Working capital statement

Erste Group Bank is of the opinion that the working capital available for Erste Group is sufficient for its present requirements, that is for at least a period of 12 months from the date of the publication of this Prospectus.

## Recent developments

There have been no material developments since 30 September 2009.

# Description of Erste Group's Business

## Introduction

Erste Group Bank AG is registered as a joint-stock corporation (*Aktiengesellschaft*) in the Austrian companies register (*Firmenbuch*) at the Vienna Commercial Court (*Handelsgericht Wien*) ("Companies Register") and has the registration number 33209m. The registered office of Erste Group Bank is Graben 21, 1010 Vienna, Austria, and its telephone number is +43-50100-0.

Erste Group Bank was established in 1819 as a Vereinssparkasse (association savings bank) under the name "Verein der Ersten österreichischen Spar-Casse" and, as the name suggests, was the first savings bank in Austria ("erste" means "first" in German). It was subsequently renamed "DIE ERSTE österreichische Spar-Casse—Bank" and its business was transformed into a stock corporation with the name "DIE ERSTE österreichische Spar-Casse Bank Aktiengesellschaft" ("Die Erste") in 1993. Die Erste changed its name to "Erste Bank der oesterreichischen Sparkassen AG" on 4 October 1997, following the merger of GiroCredit Bank Aktiengesellschaft der Sparkassen ("GiroCredit") with Die Erste which created the then second largest banking group in Austria.

On 9 August 2008, in accordance with the decision of the annual shareholders' meeting of 6 May 2008, the Austrian regional banking activities of Erste Group Bank were de-merged and renamed Erste Bank der oesterreichischen Sparkassen AG ("Erste Bank Oesterreich"), and the parent company changed its name to Erste Group Bank AG. Erste Group Bank operates as the parent company and remains the sole company of Erste Group listed on a stock exchange in the EEA (see below "New Group Governance Structure" for more details).

## Background

Erste Group Bank is the lead bank in the Austrian Savings Banks Sector. Erste Group is also a leading retail banking group in CEE, where it serves approximately 17.5 million customers (for information on market shares of Erste Group in CEE, see "Description of Erste Group's Business—Business Overview—Erste Group's Business Segments—Erste Group's Business in CEE"). Total assets amounted to EUR 203.6 billion as of 30 September 2009.

Erste Group is a leading financial service provider in Austria and CEE. It provides a full range of banking and financial services, including deposit taking, lending, mortgage lending, investment banking, securities trading and derivatives business (on its own account and for its customers), portfolio management, project finance, international trade finance, corporate finance, capital and money market services, foreign exchange, leasing, and factoring.

"Erste Group" consists of Erste Group Bank, together with its subsidiaries and participations, including Erste Bank Oesterreich, Česká spořitelna in the Czech Republic, BCR, Slovenská sporiteľňa in the Slovak Republic, Erste Bank Hungary, Erste Bank Croatia, Erste Bank Serbia, Erste Bank Ukraine, Salzburger Sparkasse, Tiroler Sparkasse, s-Bausparkasse, other savings banks of the Haftungsverbund (see "Haftungsverbund" below), Immorent, and others.

Comprising 3,185 branches, Erste Group employed 51,012 people worldwide as of 30 September 2009 (of which 1,319 people were employed by Erste Group Bank). Erste Group is active in its extended home market in CEE (in particular, and in addition to Austria, in the Czech Republic, Romania, the Slovak Republic, Hungary, Croatia, Serbia, and the Ukraine), as well as operating in the major financial centres of the world, such as New York, London and Hong Kong.

## Business overview

### Strategy

Erste Group's goal is to be the leading financial services provider with a clear focus on retail and SME banking in Austria and CEE. The strategic positioning of Erste Group has been shaped by its core strategies, which have been followed since the IPO of Erste Group Bank in 1997.

### ***Business focus—retail and SME banking***

A clearly defined business focus—retail and SME banking—lies at the core of Erste Group's operations. Retail and SME banking is attractive to Erste Group for a number of reasons: it offers a compelling business case that is built on leading positions in this market segment in Austria and certain CEE countries (source: Erste group internal data); a favourable risk reward profile and the principle of self-funding; comprehensive scope in terms of product offering, covering simple and understandable products with substantial cross-selling potential; and the opportunity to operate in well diversified markets both geographically and in terms of maturity. In short, Erste Group's retail and SME banking model allows for sustainable, self-funded and profitable growth even in economically more challenging times.

### ***Geographic focus—CEE***

Initially, Erste Group defined its extended home market as Austria's neighbouring countries in Central Europe. In the next phase of its strategic development, Erste Group extended its home market to the adjacent regions (including any further potential EU candidates in Eastern and South-Eastern Europe). It now has significant operating subsidiaries in the Czech Republic, Romania, the Slovak Republic, Hungary and Croatia. Erste Group believes that the foremost requirement for succeeding in retail banking in this region is achieving a strong market presence and accordingly Erste Group does not intend to change this strategic objective in response to the current international financial and economic crises, because it believes that this strategy offers substantial and sustainable, long-term growth potential.

### ***Efficiency focus***

Erste Group's aim to work more efficiently across the group is a direct result of its rapid expansion. It also reflects the realisation that a number of tasks are more efficiently carried out on a group-wide, standardised basis, while sales efforts are best handled locally.

The organisational restructuring related to the group governance model was completed in 2008 and led to the spin-off of the Austrian retail and SME business into a stand-alone subsidiary—Erste Bank Oesterreich—and to the setup of an operating holding company. In addition to executing classic steering functions Erste Group Bank also became home to two operating divisions in the form of the newly established Global Markets (GM) and GCIB divisions. This allows better group-wide coordination, improved market presence and regional as well as industry-specific customer service.

In contrast to Erste Group Bank the regional subsidiaries in CEE as well as the spun-off Austrian customer business, Erste Bank Oesterreich, will run the local retail and SME businesses. In addition, group-wide platforms for regional business topics (e.g. retail cross-selling initiatives) will ensure the adoption of best practices and exchange of experience across the group.

### ***Competitive strengths***

The business of Erste Group is influenced to a large extent by the following competitive strengths:

***Leading market positions in retail and SME banking.*** Erste Group is a market leader in retail banking in Austria and a number of CEE countries. It has a retail market share (in terms of retail loans and deposits by volume) between approximately 20% and 30% in Austria and key EU member states in CEE, such as the Czech Republic, Slovakia and Romania, and approximately 5% to 15% in Hungary and Croatia. In certain comparably higher risk, non-EU countries, such as Ukraine and Serbia, it holds less than a 3% market share. (Source: Erste Group internal data). Overall, Erste Group serves approximately 17.5 million customers, more than 95% of whom live in the EU, through a region-wide network of approximately 3,200 branches and a number of alternative distribution channels. Erste Group pursues a focused regional market approach in all the countries it is currently operating in. Erste Group's market position allows it to act as a local currency liquidity provider in almost all of its markets.

**Proven and resilient business model.** Erste Group pursues a balanced business model focused on sustainability. A case in point is Erste Group's ability to fund its customer loans almost entirely by customer deposits. This is also reflected in its relatively stable loan-to-deposit ratio which amounted to 114.7% as of 30 September 2009. Erste Group's business model has shown resilience during the current economic downturn. Erste Group believes that this business model helps to reduce the concentration of risk in any one sector or region and supports the profit performance and the capacity for risk absorption throughout the crisis. In Erste Group's view, it shows upside potential should the credit cycle reverse. Erste Group's business model has a track record of profitability: since becoming a public company in 1997 it has always operated profitably—both on an operating as well as on a net income level.

**Well-known brand.** Erste Group was established as the first Austrian savings bank in 1819. The founders aimed to bring affordable banking services to wide sections of the population. This goal is in Erste Group's view just as valid today as it was some 190 years ago. Since then Erste Group has continued this tradition. Erste Group believes that this was a reason that during times of financial market distress in late 2008 and in 2009 customers on an aggregate basis rather than withdrawing funds, actually deposited additional funds with Erste Group. This trend was not limited to one market and was pronounced in countries which suffered a high loss of confidence in the banking sector, such as Ukraine.

**Operating in CEE markets with low levels of GDP and banking penetration.** Erste Group operates in a region of 120 million inhabitants, the majority of whom live in countries with comparably low levels of GDP and banking penetration. Erste Group expects the demand for both basic banking services and more sophisticated banking products, e.g. wealth and asset management services, to increase, offering scope for organic growth in the future. In addition, Erste Group expects to benefit from cross-selling opportunities among its existing customer base. In countries like the Czech Republic, Romania, Hungary or Slovakia only approximately 2% to 20% of the existing clients have a mortgage or home equity loan, while only approximately 10% to 15% have an unsecured consumer loan. Similarly, the size of an average mortgage, home equity loan or unsecured consumer loan is comparably low.

### **Relationship with Austrian Savings Banks**

The Savings Banks Sector comprises all savings banks in Austria, excluding Bank Austria. Bank Austria is legally organised as a savings bank and participates in the savings banks deposit insurance system and the Sparkassen-Prüfungsverband Prüfungsstelle is its statutory auditor.

The Banking Act requires savings banks to maintain with Erste Group Bank, as the central financial institution of the savings bank group, a specified amount of their savings deposits and other Euro deposits ("Liquidity Reserve"). Recently, a legal change has been required by the European Commission, which enables the savings banks to keep the Liquidity Reserve with banks other than the relevant central financial institution. Nevertheless, as of 30 September 2009 all savings banks of the Savings Banks Sector kept their Liquidity Reserve with Erste Group Bank.

Erste Group Bank provides a wide range of services and products to the savings banks and their customers. These services and products include syndication services, risk management advice, support in legal matters, retail mortgage, investment fund products, portfolio and asset management services, as well as securities-related services.

### **Haftungsverbund**

In 2002, the Haftungsverbund was formed on the basis of a set of agreements among the majority of the member banks in the Austrian Savings Banks Sector, including the Haftungsverbund-Grundsatzvereinbarung. The Haftungsverbund, as an integral part of the joint marketing strategy and co-operation of the Savings Banks Sector, is based on three pillars:

- joint product development and centralisation of processing functions, a uniform risk policy (including standardised credit risk classification), coordinated liquidity management and common standards of control;

- a joint early-warning system designed to identify financial difficulties at member savings banks, which also provides support mechanisms, including intervention in management to prevent such member savings banks from becoming insolvent; and
- a cross-guarantee for certain liabilities of member savings banks.

In 2007 and 2008, Erste Group Bank entered into further agreements, including the supplementary agreement (*Zusatzvereinbarung*), with all members of the Austrian Savings Banks Sector (except for Allgemeine Sparkasse Oberösterreich) that confer on Erste Group Bank, on a contractual basis, the possibility to exercise a controlling influence over these savings banks. These agreements were approved by the Austrian competition authority as mergers (*Zusammenschluss*) within the meaning of the EU Merger Regulation and the Austrian Cartel Act (*Kartellgesetz*). These mergers are designed to further strengthen the group's unity and performance, in particular by taking a joint approach in the following four main areas:

- the joint development of products and services;
- the creation of a uniform identity through a single-brand strategy;
- the standardisation of business and marketing strategies for retail and corporate banking; and
- the development of common management information and control systems and integration of central functions.

Pursuant to the Haftungsverbund agreements and supplementary agreements, Haftungsverbund GmbH ("Steering Company") is vested with the power to set the common risk policies of its members and to monitor and enforce adherence to these policies. The 54 Austrian savings banks that are part of the Haftungsverbund hold the entire share capital of the Steering Company. Erste Group Bank effectively controls the Steering Company through its 52% interest (held directly or indirectly through its 100% subsidiary Erste Bank Oesterreich as of 30 September 2009) in the share capital and nomination rights for the board of managing directors (*Geschäftsführung*). The Steering Company is responsible for resolving on measures to support members saving banks in financial difficulties, to make, as a trustee of the Haftungsverbund, compensation payments to customers, and to enforce certain information and control rights vis-à-vis member savings banks. In addition to the provisions of the Haftungsverbund agreements and supplementary agreements, activities of the Haftungsverbund are also governed by several rule books setting forth detailed provisions in the fields of risk management, treasury, financial reporting, internal control and audit.

The Steering Company has four corporate bodies: the board of managing directors, the advisory board (*Beirat*), the shareholders' committee (*Gesellschafterausschuss*), and the shareholders' meeting (*Gesellschafterversammlung*). The board of managing directors comprises four managing directors, two of whom are nominated by Erste Bank Oesterreich and the other two by the other member savings banks. The chairman of the board of managing directors, who is nominated by Erste Bank Oesterreich, casts the deciding vote in the event of a deadlock. The shareholders' committee consists of fifteen members, eight of whom are nominated by Erste Bank Oesterreich and the remaining seven by the member savings banks. The shareholders' committee is primarily responsible for monitoring compliance with the supplementary agreement. In order to implement joint business and marketing strategies, the Steering Company has established working committees for various fields, such as internal audits, accounting, infrastructure and risk management. The chairperson of each working committee is an employee of Erste Group Bank or Erste Bank Oesterreich.

The Haftungsverbund is designed to enable a common risk management approach and implementation across the Savings Banks Sector. This includes establishing general principles of business conduct, the determination of risk capacity for each member savings bank and the setting of risk limits. The Steering Company's governance rights include the following: prior approval by the Steering Company of appointments to the management boards of member savings banks; prior approval by the Steering Company of annual budgets and capital expenditure plans; prior approval of significant changes of a member savings bank's business;

and, in case of continuing non-compliance with material provisions of the Haftungsverbund agreements and policies, expulsion from the Haftungsverbund.

The member savings banks share an IT platform and a common management reporting system. This allows the Steering Company to generate comprehensive reports regarding the operations and financial condition of each member savings bank, data regarding key performance indicators as well as risk profiles on both an individual savings bank and on an aggregate basis. Depending on the information being collected, these analyses are performed on a quarterly, monthly and even daily basis.

A key focus of the Haftungsverbund is the early warning system. If the risk monitoring systems indicate that a member savings bank could experience financial difficulties, the Steering Company will alert this member savings bank and discuss remedial measures. To date, the Haftungsverbund has been able to address most situations of concern through the early warning system.

If a member encounters serious difficulties, the Steering Company has the power to intervene in the management of the affected member savings bank and to require other member savings banks to provide such support and assistance as the Steering Company determines. Economic problems are deemed to exist in the following scenarios: (i) if the core capital ratio (as defined in the Banking Act) drops below 5% or the solvency ratio (as defined in the Banking Act) falls below 8.5% for the prior three months, (ii) if there is no pre-tax profit for the year, (iii) if a 20% drop in managed customers' funds occurs compared to the respective monthly period of the preceding year or if such funds have, compared to the two preceding years, decreased to an extent that indicates a material and lasting loss of market share or (iv) if the return on equity in the preceding business year is below the average of twelve months' EURIBOR over the preceding three full business years. The Steering Company may order and implement support measures in the event that a member savings bank experiences financial difficulties. Such support measures include, *inter alia*, the implementation of certain restructuring measures, the engagement of outside advisors, injections of liquidity, the granting of subordinated loans, the assumption of guarantees, and the contribution of equity. In providing any such support measures, the Steering Company may require that the management board of a member savings bank in financial difficulties is supplemented by additional members until the financial difficulties have been resolved or that individual members of the management board of such member savings bank is removed and substituted.

In the event that a member savings bank becomes insolvent, the other members guarantee, through the Steering Company, the payment of all amounts owed to customers by the insolvent member, including:

- all deposits (as defined in section 1 paragraph 1, No. 1 of the Banking Act);
- all monetary claims based on credit balances from banking transactions; and
- all monetary claims from the issuance of securities,

unless the relevant amounts are owed to a credit institution. This guarantee is also subject to the cumulative limit on members' obligations referred to above.

Each of the member savings bank has made a commitment to contribute funds up to a maximum cumulative amount of 1.5% of the member's risk-weighted assets, determined on a non-consolidated basis and based on the previous financial statement of the member, plus 75% of the member's anticipated pre-tax profits for the current financial year in case of insolvency of a member savings bank.

Each member savings bank has a right to terminate the Haftungsverbund-*Grundsatzvereinbarung* and the supplementary agreement if it notifies Erste Group Bank within a period of twelve weeks after the occurrence of a change of control at Erste Group Bank. A change of control at Erste Group Bank is defined as any acquisition of more than 25% of the voting rights in or outstanding shares

of Erste Group Bank by a non-member of the Austrian Savings Bank Sector. If a termination of the *Haftungsverbund-Grundsatzvereinbarung* and the supplementary agreement becomes effective, the relevant member savings bank would cease to be a member of the *Haftungsverbund*.

Erste Group's Unaudited Interim Consolidated Financial Statements as of and for the period ended 30 September 2009 comprise all members of the Austrian Savings Banks Sector including Sparkasse Kufstein that became a member in the *Haftungsverbund* effective as of 1 January 2009. Allgemeine Sparkasse Oberösterreich is also included in the Unaudited Interim Consolidated Financial Statements as of and for the period ended 30 September 2009 as a member of the original *Haftungsverbund* agreement. This agreement will expire on 31 December 2009. Negotiations regarding a continuation and strengthening of the existing relationship between Allgemeine Sparkasse Oberösterreich and Erste Group Bank are currently pending. Should the negotiations not be successful, Allgemeine Sparkasse Oberösterreich will not be included in Erste Group's consolidated financial statements for periods beginning after 31 December 2009.

## **Group governance structure**

Through its systematic expansion in CEE over recent years, Erste Group had reached a scale that necessitated a more centralised and coordinated approach towards its most important management and information processes and a structure that enabled and safeguarded efficient enterprise-wide decision-making and execution.

The key element of the new Group structure was the new structural setup in Austria, which separated a new operating holding company, the parent company, from a regional bank in Austria.

On 6 May 2008, the annual shareholders' meeting approved the de-merger which then became effective on 9 August 2008. In the course thereof, the Austrian regional bank business was de-merged from the then existing Erste Bank der oesterreichischen Sparkassen AG, which subsequently changed its name to "Erste Group Bank AG". Erste Group Bank operates as a parent company and remains the sole company of Erste Group listed on a stock exchange. The de-merged entity, which is not listed and the shares in which are all held by Erste Group Bank, was renamed "Erste Bank der oesterreichischen Sparkassen AG" and is the Austrian regional bank of Erste Group (Erste Bank Oesterreich).

Both Erste Group Bank and the regional Erste Bank Oesterreich in Austria hold an Austrian credit institution license, belong to the Austrian savings bank sector, and are members of and benefit from the *Haftungsverbund*. See "*Haftungsverbund*".

Another structural change became effective in 2009. The CEE banking subsidiaries of Erste Group Bank (Slovenská sporiteľňa, Česká spořitelna, Erste Bank Hungary, BCR, Erste Bank Croatia, Erste Bank Serbia) were placed under EGB Ceps Holding GmbH, a 100% indirect subsidiary of Erste Group Bank. It is planned that the ownership of Erste Bank Ukraine will also be transferred to EGB Ceps Holding GmbH in 2010 after the receipt of the relevant local regulatory approvals. The reorganisation did not affect Erste Group Bank's Consolidated Financial Statements, as its (indirect) stake in its CEE banking subsidiaries is equal to its direct stake before the reorganisation.

## **Erste Group's Business Segments**

Prior to the de-merger of Erste Group Bank and Erste Bank Oesterreich, Erste Group's business in Austria was divided into four segments: Savings Banks/*Haftungsverbund*, Retail and Mortgage, Large Corporates, and Treasury and Investment Banking.

The new segmentation became effective as of the third quarter of 2008 and reflects the new organisational structure of Erste Group Bank. The new segmental reporting follows the new Group structure and is therefore divided into the following four reporting segments: Retail & SME, Group Corporate & Investment Banking, Group Markets, and Corporate Center.

The Retail & SME segment is subdivided into the individual regional businesses focusing on Erste's local customer business. To improve transparency and to be consistent with current reporting, the Austrian sub-segment is subdivided into the Erste Bank Oesterreich business (including local subsidiaries and majority owned savings banks) and the savings banks business (*i.e.*, the other savings banks consolidated under the Haftungsverbund agreement). The CEE sub-segment is subdivided into regional businesses according to the major national subsidiaries operating in the CEE countries, encompassing the results of BCR (Romania), Česká spořitelna (Czech Republic), Slovenská sporiteľňa (Slovak Republic), Erste Bank Hungary, Erste Bank Croatia, Erste Bank Serbia, and Erste Bank Ukraine. The profit contributions from ECC are assigned to the Croatia segment.

The Group Corporate & Investment Banking segment includes all large corporate customers in Erste Group's region with a turnover of more than EUR 175 million in Austria. This threshold is adjusted for Erste Group's CEE markets to reflect lower GDP per capita levels in these CEE countries. The international business (excluding treasury operations), the leasing subsidiary Immorent as well as the investment banking activities and equity capital markets are also allocated to this segment.

The Group Markets segment includes divisionalised business lines like group treasury and debt capital markets.

The Corporate Center segment continues to contain group services such as marketing, organisation and information technology, as well as other departments supporting the execution of group strategy. In addition, consolidation items and selected non-operating items are allocated to this segment. In the new structure group balance sheet management is now allocated to the Corporate Center. The result of local asset/liability management units remains with the respective local divisions.

### **Retail & SME**

The Retail & SME segment includes business with private individuals and SME in Austria and CEE. The Austria sub-segment is further subdivided into the Erste Bank Oesterreich business and the savings banks' Austrian business. The CEE sub-segment is further sub-divided into the Czech Republic, Romania, Slovakia, Hungary, Croatia, Serbia and Ukraine businesses.

#### *Erste Group's Retail and SME Business in Austria*

##### *Erste Bank Oesterreich*

This segment comprises Erste Bank Oesterreich (retail and SME business) and those subsidiaries, in which Erste Bank Oesterreich has majority holdings (Salzburger Sparkasse, Tiroler Sparkasse, Sparkasse Hainburg-Bruck-Neusiedl and, since May 2009, Weinviertler Sparkasse) and the s-Bausparkasse. The contributions made by the divisionalised business units Group Markets and Group Corporate and Investment Banking are reported under the respective segments.

The following table sets out summary financial information for the Erste Bank Oesterreich retail and SME business for the years ended 31 December 2007 and 2008 and for the nine months ended as of 30 September 2009 and 2008:

in EUR million	Nine months ended		Year ended	
	30 September		31 December	
	2009	2008	2008	2007
Pre-tax profit from continuing operations . . . . .	149.3	85.0	95.2	158.2
Net profit after taxes and minority interests . . . . .	106.7	70.1	81.5	118.7
Cost/income ratio in % . . . . .	66.5	71.8	70.6	70.3
ROE based on net profit after minority interests in % . . . . .	12.6	9.7	8.3	13.4

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008 and 31 December 2007 and unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009

### Savings banks

This business comprises those savings banks which—as a result of their membership in Haftungsverbund—are consolidated at the level of Erste Group Bank or in which Erste Bank Oesterreich holds no equity, or holds only a minority interest.

The following table sets out Erste Bank Oesterreich's ownership in such savings banks as of 30 September 2009:

in EUR million	Ownership in %	Total Assets
Sparkasse Mühlviertel-West	40.00	511
Allgemeine Sparkasse Oberösterreich	26.93	11,590
Steiermärkische Bank und Sparkasse	25.00	13,841
Sparkasse Kremstal-Pyhrn	30.00	599
Kärntner Sparkasse	25.00	4,647
Sparkasse Voitsberg-Köflach	4.45	521

Source: Internal information of Erste Group, Erste Group Bank and Erste Bank Oesterreich, except that the figures shown in the column "Total Assets" are based on internal calculations or information of Erste Group Bank

The following table sets out summary financial information for the savings banks retail and SME business for the years ended 31 December 2007 and 2008 and for the nine months ended as of 30 September 2009 and 2008:

in EUR million	Nine months ended		Year ended	
	30 September	31 December	31 December	2007
	2009	2008	2008	2007
Pre-tax profit (loss) from continuing operations	(13.7)	102.0	20.5	320.4
Net profit (loss) after taxes and minority interests	(10.7)	5.4	(26.1)	20.0
Cost/income ratio in %	69.0	69.6	67.0	65.6
ROE based on net profit after minority interests in %	n.a.	3.2	n.a.	8.8

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008 and 31 December 2007 and unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009

As of June 2009, the Austrian Savings Banks Sector overall reached a market share of 16.4% in terms of total assets, 19% based on retail loans and 19.4% in terms of retail deposit.

Source: OeNB.

### Erste Group's Retail and SME Business in CEE

Initially, Erste Group defined its extended home market as Austria's neighbouring countries in Central Europe. In the next phase of its strategic development, Erste Group extended its home market to the adjacent regions (including any further potential EU candidates Eastern and South-Eastern Europe). Erste Group believes that the foremost requirement for succeeding in retail banking in this region is achieving a strong market presence and accordingly Erste Group does not intend to change this strategic objective because of the current international financial and economic crises, since Erste Group believes that this strategy offers substantial and sustainable long-term growth potential.

### Majority holdings of Erste Group Bank in CEE (as of 30 September 2009)

Country	Erste Group Bank's subsidiary
Croatia	Erste Bank Croatia
Czech Republic	Česká spořitelna
Hungary	Erste Bank Hungary
Romania	BCR
Serbia	Erste Bank Serbia
Slovak Republic	Slovenská sporiteľňa
Ukraine	Erste Bank Ukraine

Source: Internal information of Erste Group, Erste Group Bank and Erste Bank Oesterreich

#### Česká spořitelna

The following table sets out summary financial information for the retail and SME portion of the Czech Republic business, of which Česká spořitelna represents a major part, for the years ended 31 December 2007 and 2008 and for the nine months ended 30 September 2009 and 2008:

in EUR million	Nine months ended 30 September		Year ended 31 December	
	2009	2008	2008	2007
Pre-tax profit from continuing operations . . . . .	357.1	394.7	439.9	460.9
Net profit after taxes and minority interests . . . . .	277.8	312.1	349.8	372.3
Cost/income ratio in % . . . . .	46.1	50.9	49.1	53.7
ROE based on net profit after minority interests in % . . . . .	37.1	52.0	43.3	50.8

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008 and 31 December 2007 and unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009

Since its privatisation in 2000, the former state savings bank has become a universal bank serving some 5.3 million retail and SME clients. As of 30 June 2009, it operated a network of 652 branches and 1,185 ATMs. Česká spořitelna's services include also fund management, securities trading, factoring and foreign exchange dealing.

Česká spořitelna maintained its leading position again in 2008 in retail banking and continued to rank among the three leading banks in terms of total assets. In June 2009 its market share remained stable and represented 20.6% by total assets, 28.5% by retail loans and 30.4% by retail deposits, confirming Česká spořitelna's leading position on the Czech market.

#### BCR

The following table sets out summary financial information for the retail and SME portion of the Romania business, of which BCR represents a major part, for the years ended 31 December 2007 and 2008 and for the nine months ended as of 30 September 2009 and 2008:

in EUR million	Nine months ended 30 September		Year ended 31 December	
	2009	2008	2008	2007
Pre-tax profit from continuing operations . . . . .	128.3	378.2	439.8	294.2
Net profit after taxes and minority interests . . . . .	69.2	210.5	240.1	168.3
Cost/income ratio in % . . . . .	40.4	46.4	45.5	65.6
ROE based on net profit after minority interests in % . . . . .	16.7	63.6	53.4	40.8

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008 and 31 December 2007 and unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009

BCR is the leading financial services group in Romania. In June 2009 the bank served approximately 4.5 million retail and corporate customers and operates a network of 652 branches. The market share reached 20.5% in terms of total assets, 20.5% based on retail loans and 25.4% by retail deposits at the end of June 2009.

During the first half year of 2009, BCR continued to benefit from a favourable funding position compared to its direct competitors. This resulted in an improved share of the lending market, especially in corporate banking. A strong presence in the municipal segment supported the RON loan portfolio and helped to secure a consistent SME customer base. Overall, the focus in lending shifted to secured retail loans, among which the new scheme for government guaranteed housing loans remained the primary driver.

BCR's subsidiaries also performed well in the first half of 2009. BCR Leasing remained among the top-ranked companies on the Romanian leasing market and conducted a capital increase of EUR 1.3 million. The pension fund subsidiary (BCR Administrare Fond de Pensii) improved its position in the pension fund market and carried out a capital increase of EUR 5.9 million. The housing savings bank (BCR BpL) also consolidated its market position, ranking first on this market, with more than 85,000 contracts and RON 1.85 billion in total subscribed loans. It also carried out a significant capital increase.

#### *Slovenská sporiteľňa*

The following table sets out summary financial information for the retail and SME portion of the Slovak Republic business, of which Slovenská sporiteľňa represents a major part, for the years ended 31 December 2007 and 2008 and for the nine months ended as of 30 September 2009 and 2008:

in EUR million	Nine months ended 30 September		Year ended 31 December	
	2009	2008	2008	2007
Pre-tax profit from continuing operations . . . . .	35.5	102.5	100.4	113.6
Net profit after taxes and minority interests . . . . .	28.0	84.4	82.7	103.6
Cost/income ratio in % . . . . .	53.2	55.1	53.3	55.0
ROE based on net profit after minority interests in % . . . . .	8.3	38.7	27.5	38.4

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008 and 31 December 2007 and unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009

Slovenská sporiteľňa has the longest tradition of providing services as a savings bank in Slovakia. By the end of the second quarter of 2009, the former state savings bank served some 2.5 million clients, equalling roughly 50% of the Slovak population, through a network of 272 branches and 647 ATMs. It has a leading position in the Slovakian banking market which is evidenced by its market share of 20.8% based on total assets, 25.0% based on retail loans and 28.6% in terms of retail deposits as of 30 June 2009.

### Erste Bank Hungary

The following table sets out summary financial information for the retail and SME portion of the Hungary business, of which Erste Bank Hungary represents a major part, for the years ended 31 December 2007 and 2008 and for the nine months ended as of 30 September 2009 and 2008:

in EUR million	Nine months ended 30 September		Year ended 31 December	
	2009	2008	2008	2007
Pre-tax profit from continuing operations . . . . .	70.4	99.7	147.4	103.1
Net profit after taxes and minority interests . . . . .	53.0	74.2	109.5	76.5
Cost/income ratio in % . . . . .	46.9	54.9	52.1	54.4
ROE based on net profit after minority interests in % . . . . .	18.1	31.2	34.1	26.9

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008 and 31 December 2007 and unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009

Following the merger with and integration of Postabank és Takarékpénztár Rt. ("Postabank"), Erste Bank Hungary has become one of the leading institutions in the Hungarian banking market. It has grown into one of the largest retail banks with a market share as of 30 June 2009 of 8.1% based on its balance sheet total, 12.8% by retail loans and 6.3% based on retail deposits. By the end of the first half of 2009, Erste Bank Hungary served more than 800 thousand private customers in its nationwide network of 203 branches.

The cooperation with Magyar Posta Rt (the Hungarian post office) continued in 2009. In return for using their outlets as a secondary distribution network, Erste Bank Hungary supplies them with modern banking products ranging from current accounts to bank cards and investment funds.

### Erste Bank Croatia

The following table sets out summary financial information for the retail and SME portion of the Croatia business, of which Erste Bank Croatia represents a major part, for the years ended 31 December 2007 and 2008 and for the nine months ended as of 30 September 2009 and 2008:

in EUR million	Nine months ended 30 September		Year ended 31 December	
	2009	2008	2008	2007
Pre-tax profit from continuing operations . . . . .	69.9	102.6	128.7	98.8
Net profit after taxes and minority interests . . . . .	34.1	50.8	66.7	51.2
Cost/income ratio in % . . . . .	45.7	45.2	45.4	47.8
ROE based on net profit after minority interests in % . . . . .	23.9	41.8	42.1	37.8

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008 and 31 December 2007 and unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009

By the end of the first half of 2009, Erste Bank Croatia was one of the largest universal banks in Croatia serving more than 726,000 clients through a nationwide network of 122 branches with around 2,300 employees in its group. As of 30 June 2009 Erste Bank Croatia had a 12.9% market share by total assets, 12.7% by retail loans and 12.4 % by retail deposits. In addition, Erste Bank Croatia distributes a range of related financial products in the areas of asset management, life insurance, securities brokerage, leasing and pension funds.

On 3 December 2008 Erste Bank Croatia initiated a co-operation with the non-profit microfinance organisation Opportunity International and has signed a share purchase agreement to acquire a 100% stake in Opportunity Bank a.d. Podgorica in Montenegro. The acquisition has been closed on 5 March 2009.

### *Erste Bank Serbia*

The following table sets out summary financial information for the retail and SME portion of the Serbia business, of which Erste Bank Serbia forms a major part, for the years ended 31 December 2007 and 2008 and for the nine months ended as of 30 September 2009 and 2008:

in EUR million	Nine months ended 30 September		Year ended 31 December	
	2009	2008	2008	2007
Pre-tax profit (loss) from continuing operations . . . . .	2.1	6.7	5.9	(3.4)
Net profit (loss) after taxes and minority interests . . . . .	1.2	5.4	4.7	(2.7)
Cost/income ratio in % . . . . .	71.7	78.9	76.2	—
ROE based on net profit after minority interests in % . . . . .	3.4	16.6	10.5	—

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008 and 31 December 2007 and unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009

Erste Bank Serbia is one of Serbia's smaller banks with a market share by total assets of 2.6%, 3.3% by retail loans and 2.4% by retail deposits as of 30 June 2009. By the end of the first half of 2009 Erste Bank Serbia had some 220,000 clients and a network of 73 branches. Adhering to the needs of a broad retail and mid-market corporate client base, the bank is particularly well represented in the north and centre of Serbia and it further strengthened its presence in Belgrade.

Erste Bank Serbia's strategic aim is to further strengthen its market position in Serbia as a whole, especially with the help of further optimisation of processes, improved product portfolio and service offered to the customers.

### *Erste Bank Ukraine*

The following table sets out summary information for the retail and SME portion of the Ukraine business, of which Erste Bank Ukraine represents a major part, for the years ended 31 December 2007 and 2008 and for the nine months ended as of 30 September 2009 and 2008:

in EUR million	Nine months ended 30 September		Year ended 31 December	
	2009	2008	2008	2007
Pre-tax profit (loss) from continuing operations . . . . .	(49.6)	(23.0)	(33.4)	(23.0)
Net profit (loss) after taxes and minority interests . . . . .	(47.8)	(19.4)	(28.7)	(19.1)
Cost/income ratio in % . . . . .	—	—	—	—
ROE based on net profit after minority interests in % . . . . .	—	—	—	—

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008 and 31 December 2007 and unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009

Following the 100% acquisition of Bank Prestige by Erste Group in January 2007, the focus of activity in this segment has been the expansion of the market position of the bank, which was renamed "JSC Erste Bank". Since the acquisition, the bank opened some 135 branches and increased its market share to 1.2% in terms of total assets, 1.7 % based on retail loans and 0.2% of retail deposits (as of 30 June 2009). Since late 2008, this bank has stopped growing its loan portfolio.

### **Group Corporate and Investment Banking**

The Group Corporate and Investment Banking (GCIB) segment comprises equity capital markets, corporate banking, real estate and international wholesale banking activities. As part of the division, IMMORENT focuses on leasing, project development and construction services, allowing better group-wide coordination, improved market presence and regional as well as industry-specific customer service in the real estate sector.

GCIB's strategic thrust is to seize opportunities from multi-national large corporate clients and real estate projects, institutional and public sector clients, as well as to foster the cross-fertilisation with other business lines, such as capital markets and retail & SME.

The following table sets out summary financial information for the Group Corporate and Investment Banking segment for the years ended 31 December 2007 and 2008 and for the nine months ended as of 30 September 2009 and 2008:

in EUR million	Nine months ended 30 September		Year ended 31 December	
	2009	2008	2008	2007
Pre-tax profit from continuing operations . . . . .	145.8	240.9	230.0	366.4
Net profit after taxes and minority interests . . . . .	115.4	178.6	169.8	269.5
Cost/income ratio in % . . . . .	24.2	28.2	27.7	28.9
ROE based on net profit after minority interests in % . . . . .	7.5	17.0	11.7	19.9

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008 and 31 December 2007 and unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009

The division employs approximately 1,500 employees and provides a full range of banking services to the group's corporate clients throughout Central and Eastern Europe. Austrian business dominates this segment, accounting for approximately 78% of pre-tax profits in 2008, with the Czech Republic, Romania, Slovak Republic, Hungary and Croatia accounting for most of the rest.

### Group Markets

The Group Markets (GM) segment comprises the divisionalised business units Group Treasury and Capital Markets (which includes all capital markets activities except equity capital markets). Besides Erste Group Bank's own treasury activities, it also includes the Capital Market units of the CEE subsidiaries and of the foreign branches in Hong Kong and New York, as well as the Capital Market activities of the investment banking subsidiaries, Erste Securities Polska, Erste Bank Investment Hungary and Erste Securities Zagreb, and the asset management activities of Erste Asset Management GmbH (formerly ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H.).

GM is the link between financial markets, customers and Erste Group, and views itself as the 'CEE specialist' for its customers in Austria and CEE. The principal activities of Group Markets include money market operations, asset management, structured products and trading (e.g., money market and fixed income products).

The following table sets out summary financial information for the Group Markets segment for the years ended 31 December 2007 and 2008 and for the nine months ended as of 30 September 2009 and 2008:

in EUR million	Nine months ended 30 September		Year ended 31 December	
	2009	2008	2008	2007
Pre-tax profit from continuing operations . . . . .	447.1	227.5	211.1	303.0
Net profit after taxes and minority interests . . . . .	340.1	166.4	151.5	227.5
Cost/income ratio in % . . . . .	24.5	38.1	47.0	37.2
ROE based on net profit after minority interests in % . . . . .	136.7	120.6	79.8	152.3

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008 and 31 December 2007 and unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009

## Corporate Center

The following table sets out summary financial information for the Corporate Centre for the years ended 31 December 2007 and 2008 and for the nine months ended as of 30 September 2009 and 2008:

in EUR million	Nine months ended 30 September		Year ended 31 December	
	2009	2008	2008	2007
Pre-tax profit (loss) from continuing operations . . . . .	(264.4)	(394.9)	(1,209.3)	(299.6)
Net profit (loss) after taxes and minority interests . . . . .	(247.0)	324.4	(341.9)	(211.0)
Cost/income ratio in % . . . . .	—	—	—	—
ROE based on net profit after minority interests in % . . . . .	—	—	—	—

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2008 and 31 December 2007 and the unaudited interim consolidated financial statements for the nine months ended 30 September 2009

The Corporate Center segment includes results from companies that are not directly assigned to a specific business segment, consolidated items between the segments, the straight-line amortisation of customer relationships at BCR, ECC and Ringturm KAG and one-off effects which, in order to ensure comparability, were not assigned to a specific business segment. The proceeds from the sale of the insurance business to Vienna Insurance Group are reported under this heading. In addition, Erste Group Bank's balance sheet structure management is assigned to this segment. The results of the local balance sheet management structure units continue to be reported under the individual segments.

## Subsidiaries and participations

The following table contains a list of important subsidiaries and participations of Erste Group Bank as of 30 September 2009. For the purpose of this table, "Erste Group" does not include the Austrian savings banks that are required to be consolidated under IFRS into Erste Group's results as a result of their membership in the Haftungsverbund and in which Erste Group Bank holds either a minority interest or no equity stake at all:

Name of the subsidiary	Country	Erste Group
Erste Bank Oesterreich . . . . .	Austria	100
BCR . . . . .	Romania	69.3
Česká spořitelna . . . . .	Czech Republic	98.0 <sup>(1)</sup>
Slovenská sporiteľňa . . . . .	Slovak Republic	100
Erste Bank Hungary . . . . .	Hungary	99.9
Erste Bank Croatia . . . . .	Croatia	65.4
Erste Bank Serbia . . . . .	Serbia	80.5
Erste Bank Ukraine . . . . .	Ukraine	100
Erste Asset Management GmbH <sup>(2)</sup> . . . . .	Austria	100
Immorent . . . . .	Austria	100
s IT Solutions Holding GmbH <sup>(3)</sup> . . . . .	Austria	100
ecetra Internet Services AG . . . . .	Austria	100
s Haftungs- und Kundenabsicherungs GmbH . . . . .	Austria	68.5
Steering Company . . . . .	Austria	63.4

Source: Internal information of Erste Group Bank and Erste Bank Oesterreich

(1) Voting rights 99.5%

(2) Holding company for all domestic and foreign asset management/Investment funds operations/companies of Erste Group

(3) Holding company for all domestic and foreign IT operations/companies of Erste Group

## Legal proceedings

Erste Group Bank and some of its subsidiaries are involved in legal disputes, most of which have arisen in the course of its ordinary banking business. These proceedings are not expected to have a significant negative impact on the financial position or profitability of Erste Group and/or Erste Group Bank. Erste Group is also subject to the following ongoing proceedings:

### Haftungsverbund

In 2002, Erste Group Bank formed the Haftungsverbund on the basis of a set of agreements with the majority of the Austrian savings banks. The purpose of the Haftungsverbund was to establish a joint early-warning system as well as a cross-guarantee for certain liabilities of member savings banks and to strengthen the group's cooperation in the market.

In competition proceedings before the Austrian cartel court, both a competitor of Erste Group Bank and the Austrian federal competition authority requested the court to set aside the Haftungsverbund agreements because of an alleged infringement of Article 81 of the EC Treaty.

In March 2007, the Supreme Court issued a decision confirming that the agreements that constitute the Haftungsverbund are for the most part in compliance with Article 81 of the EC Treaty.

However, the Supreme Court held certain provisions to be anticompetitive on their merits. In its findings, the Supreme Court did not cite any explicit measures that needed to be implemented by Erste Group Bank and the other parties. In April 2008, Erste Group Bank and the Cartel Court reached an understanding on the necessary adjustments to be made. This understanding (commitments within the meaning of section 27 Cartel Act relating primarily to the sharing of data that might have competitive value) was challenged by Erste Group Bank's competitor before the Supreme Court. In October 2008, the Supreme Court set aside the decision of the Cartel Court due to a procedural error and remanded the case to the Cartel Court for reconsideration.

Neither the commitments (assuming they are upheld) nor the preceding decision of the Supreme Court affect the consolidation of the Qualifying Capital of the savings banks nor their inclusion as subsidiaries in the consolidated financial statements in accordance with IFRS of Erste Group Bank.

Since 2007, Erste Group Bank has entered into agreements with all Austrian savings banks (with the exception of Allgemeine Sparkasse Oberösterreich) that grant Erste Group Bank, on a contractual basis, a decisive influence on the savings banks and that lead to the establishment of an economic unit (merger) within the meaning of the EC Merger Regulation and the Cartel Act. These agreements were formally approved by the competition authorities.

There are ongoing negotiations about a continuation and strengthening of the existing relationship between Allgemeine Sparkasse Oberösterreich and Erste Group Bank.

### Auditors' Case—Erste Bank Hungary

Several years prior to Postabank's acquisition by Erste Group Bank in 2003—and its subsequent merger with Erste Bank Hungary—a court dispute was initiated by the Hungarian State, as the former majority shareholder of Postabank, against Deloitte Hungary and Arthur Andersen Kft, two former auditors of Postabank, alleging that the Hungarian State suffered substantial losses as a result of their negligence as auditors of Postabank's financial statements for certain periods between 1995 and 1998. This dispute has gone through various court instances, and in the meantime the originally claimed amount has subsequently been reduced to approximately HUF 50 billion. The outcome of these proceedings will have implications for Erste Bank Hungary, as Deloitte Hungary and Arthur Andersen Kft have each filed an arbitration action against Erste Bank Hungary for possible recourse claims, should they finally be held liable in the main proceedings, arguing that any errors in the financial statements of Postabank were the result of erroneous data provided by Postabank to them. These arbitration proceedings have been stayed to await the outcome of the main proceedings.

## Consumer protection

In 2008, the Verein für Konsumenten information, an Austrian association for the protection of consumers ("VKI"), initiated legal proceedings by way of an association suit (*Verbandsklage*) pursuant to section 28 Consumer Protection Act against Erste Group Bank. The VKI claims that certain terms and conditions of three series of note issues of Erste Group Bank, in particular a provision relating to the calculation of interest and the unilateral termination right of the issuer contained in the terms and conditions of such notes, violate mandatory legal consumer protection provisions. Erste Group Bank has contested these allegations. Erste Group Bank believes that the VKI views this as a test case, as so far in relation to bond issues there are almost no judicial precedents on some of the legal issues raised. In June 2009, the court of first instance ruled in favour of the claimant, Erste Group Bank filed an appeal in July 2009. Erste Group Bank believes that even if the ruling were to be upheld on appeal, the financial impact on Erste Group Bank would be limited.

## Acquisitions

### Overview

A key growth driver for Erste Group's business and its consolidated results of operations has been the acquisition of banking subsidiaries in its extended home market.

The most significant of these acquisitions since January 2002 are shown in the table below:

Entity acquired (country)	Year(s)	Shares <sup>(1)</sup>
		held as per 30 September 2009
Česká spořitelna (Czech Republic) <sup>(1)</sup> .....	2002-2005	98.0%
Rijecka banka (Croatia) <sup>(2)</sup> .....	2002	65.4%
Postabank (Hungary) <sup>(3)</sup> .....	2003	99.9%
Slovenská sporiteľňa (Slovak Republic) .....	2003-2005	100.0%
Erste Bank Serbia (Serbia) .....	2005	80.5%
BCR (Romania) <sup>(4)</sup> .....	2006	69.3%
Bank Prestige (Ukraine) .....	2007	100.0%
ECC (Croatia) .....	2007	69.3%
Ringturm Kapitalanlagegesellschaft (Austria) .....	2009	95.0%

Source: Audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2002, 2003, 2004, 2005, 2006, 2007 and 2008, and the Unaudited Interim Consolidated Financial Statements of Erste Group Bank for the nine-month period ended 30 September 2009, except that the figure shown under "ECC" is based on internal calculations or information of Erste Group Bank

(1) representing total interest, i.e. shares held directly and indirectly by Erste Group Bank

(2) merged with Erste Bank Croatia in 2004

(3) merged with Erste Bank Hungary in 2005

(4) including shares in BCR acquired after 31 December 2006

### Details regarding significant acquisitions of last three years as published in the Audited Consolidated Financial Statements of Erste Group Bank

#### Acquisition of BCR in 2006

On 21 December 2005 the share purchase agreement was signed for the acquisition by Erste Group Bank of 61.88% (490,399,321 shares) of Romania's BCR. Erste Group Bank acquired 36.88% of the bank's shares from the Romanian government, 12.5% plus one share from the EBRD and an equal interest of 12.5% plus one share from the International Finance Corporation (IFC). After its approval by the Romanian government, the acquisition of BCR was closed on 12 October 2006. BCR is included in the consolidated financial statements of Erste Group with effect from that date.

From 1 to 24 November 2006, Erste Group Bank submitted a share purchase offer to BCR's employee shareholders to either buy their BCR shares or swap them for Erste Group Bank shares.

Through this offer, Erste Group Bank acquired an additional 57,577,014 shares, or 7.27% of BCR. As of 31 December 2006, Erste Group Bank's total ownership interest in BCR was 69.15% (547,976,335 shares).

The total purchase price for the acquisition of the BCR shares, including ancillary costs of the transactions involved, was approximately EUR 4.2 billion. This gave rise to goodwill (taking into account net asset value adjustments) of RON 9.8 billion or EUR 2.8 billion.

The net asset value adjustments pertain to risk provisions for loans and advances, intangible assets acquired in this business combination (i.e., the value of the customer relationships and the brand) as well as related deferred taxes (see the table below).

Both the customer relationships and the brand can be measured with sufficient accuracy and are thus recognised separately from goodwill. The customer relationships are divided into retail and corporate clients, with both values determined separately. The retail customer relationships, measured at RON 1.7 billion or EUR 467.0 million, is amortised on a straight-line basis over its estimated useful life of twelve years. The corporate customer relationships, measured at RON 1.2 billion or EUR 330.0 million, is amortised over ten years on a straight-line basis. For the brand was an amount of RON 1.3 billion or EUR 367.0 million determined and an indefinite useful life assumed.

The contribution of BCR to Erste Group's consolidated net profit after minority interests from the time of initial consolidation is EUR 27.4 million after taking account of customer relationships amortisation.

The identifiable assets acquired and liabilities assumed, measured at fair value, on 12 October 2006 had the following composition from the time of initial consolidation:

in EUR million	Carrying amount at BCR	Fair value adjustment	Fair value
Cash and balances with central banks . . . . .	3,256.4	—	3,256.4
Loans and advances to credit institutions . . . . .	578.1	—	578.1
Loans and advances to customers . . . . .	6,906.7	—	6,906.7
Risk provisions for loans and advances . . . . .	(197.3)	(116.0)	(313.3)
Customer relationships . . . . .	0.0	797.0	797.0
Brand . . . . .	0.0	367.0	367.0
Property and equipment . . . . .	482.4	—	482.4
Other assets . . . . .	672.3	18.6	690.9
<b>ASSETS</b> . . . . .	<b>11,698.6</b>	<b>1,066.6*</b>	<b>12,765.2</b>
Deposits by banks . . . . .	2,936.3	—	2,936.3
Customer deposits . . . . .	6,155.2	—	6,155.2
Debt securities in issue . . . . .	1,091.3	—	1,091.3
Other liabilities . . . . .	359.2	186.3	545.5
Total equity . . . . .	1,156.5	880.3	2,036.8
<b>LIABILITIES AND EQUITY</b> . . . . .	<b>11,698.6</b>	<b>1,066.6*</b>	<b>12,765.2</b>

Source: Audited consolidated financial statements of Erste Group Bank for the financial year ended 31 December 2006, except that the figures marked with \* are based on internal calculations or information of Erste Group Bank

Total goodwill was determined as follows:

in EUR million	2006
Purchase price . . . . .	4,196.1
Share in shareholder's equity restated . . . . .	(1,408.5)
<b>Goodwill</b> . . . . .	<b>2,787.6</b>

Source: Audited consolidated financial statements of Erste Group Bank for the financial year ended 31 December 2006

There is an agreement between Erste Group and BCR's minority shareholders to postpone the listing of BCR on the Bucharest Stock Exchange for an additional two years.

#### *Acquisition of Erste Bank Ukraine (formerly called Bank Prestige) in 2007*

After signing the purchase agreement for the acquisition of 100% of Bank Prestige (now Erste Bank Ukraine) in December 2006, the transaction was closed on 24 January 2007. Erste Bank Ukraine is included in the consolidated financial statements of Erste Group with effect from that date.

The total purchase price for the acquisition of Erste Bank Ukraine was EUR 81.5 million. This gave rise to goodwill of UAH 230.8 million or EUR 35.4 million.

The contribution of Erste Bank Ukraine to the operating income of the Erste Group from the time of initial consolidation was EUR 29.8 million; its contribution to net profit after minority interests was EUR -3.4 million. Had Erste Bank Ukraine been included in the Erste Group's consolidated financial statements from 1 January 2007, the contribution to net profit after minority interests would have been EUR -3.4 million.

The identifiable assets acquired and liabilities assumed, measured at fair value, had the following composition at the time of initial consolidation:

<b>in EUR million</b>	<b>Carrying amount (equals fair value)</b>
Cash and balances with central banks . . . . .	4.0
Loans and advances to credit institutions . . . . .	31.1
Loans and advances to customers . . . . .	87.2
Risk provisions for loans and advances . . . . .	(0.6)
Property and equipment . . . . .	8.3
Other assets . . . . .	9.1
<b>ASSETS</b> . . . . .	<b>139.1</b>
Deposits by banks . . . . .	80.4
Customer deposits . . . . .	12.3
Other liabilities . . . . .	0.3
Total equity . . . . .	46.1
<b>LIABILITIES AND EQUITY</b> . . . . .	<b>139.1</b>

Source: Audited consolidated financial statements of Erste Group Bank for the financial year ended 31 December 2007

The goodwill associated with Erste Bank Ukraine was determined as follows:

<b>in EUR million</b>	<b>2007</b>
Purchase price . . . . .	81.5
Share in shareholder's equity restated . . . . .	(46.1)
<b>Goodwill</b> . . . . .	<b>35.4</b>

Source: Audited consolidated financial statements of Erste Group Bank for the financial year ended 31 December 2007

#### *Acquisition of ECC in 2007*

On 2 April 2007 the purchase agreement was signed for the acquisition of 100% of the shares in ECC (formerly Diners Club Adriatic d.d. Croatia), one of the leading Croatian credit card companies. ECC is included in the consolidated financial statements of Erste Group from that date. The purchase price was EUR 152.2 million. Taking into account net asset value adjustments, this gave rise to goodwill of HRK 602.7 million or EUR 81.4 million.

At 31 December 2007 Erste Group Bank sold an interest of 41% of ECC to Steiermärkische Sparkasse, a subsidiary of Erste Group.

The net asset value adjustments pertain to employee benefit provisions and to the intangible assets acquired in this business combination (specifically, the value of customer relationships and the merchant relationships) as well as to related deferred taxes.

Both the customer relationships and the merchant relationships are recognised separately from goodwill. Customer relationships, measured at HRK 299.1 million or EUR 40.4 million, are amortised on a straight-line basis over the estimated useful life of 8 years; the merchant relationships, measured at HRK 70.1 million or EUR 9.5 million, is amortised on a straight-line basis over 5.5 years.

The contribution of ECC to the operating income of the Erste Group from the time of initial consolidation to 31 December 2007 was EUR 30.4 million; its contribution to net profit after minority interests and after amortisation of the customer relationships and merchant relationships was EUR 2.6 million.

The identifiable assets acquired and liabilities assumed, measured at fair value, had the following composition at the time of initial consolidation:

in EUR million	Carrying amount	Fair value adjustment	Fair value
Loans and advances to credit institutions . . . . .	1.0		1.0
Loans and advances to customers . . . . .	160.8		160.8
Risk provisions for loans and advances . . . . .	(11.7)		(11.7)
Customer relationships . . . . .	0.0	40.4	40.4
Merchant relationships . . . . .	0.0	9.5	9.5
Property and equipment . . . . .	3.9		3.9
Other assets . . . . .	4.8		4.8
<b>ASSETS</b> . . . . .	<b>158.8</b>	<b>49.9</b>	<b>208.7</b>
Deposits by banks . . . . .	65.1		65.1
Customer deposits . . . . .	56.8		56.8
Other liabilities . . . . .	6.0	10.0	16.0
Total equity . . . . .	30.9	39.9	70.8
<b>LIABILITIES AND EQUITY</b> . . . . .	<b>158.8</b>	<b>49.9</b>	<b>208.7</b>

Source: Audited consolidated financial statements of Erste Group Bank for the financial year ended 31 December 2007

The goodwill associated with ECC was determined as follows:

in EUR million	2007
Purchase price . . . . .	152.2
Share in shareholder's equity restated . . . . .	(70.8)
<b>Goodwill</b> . . . . .	<b>81.4</b>

Source: Audited consolidated financial statements of Erste Group Bank for the financial year ended 31 December 2007

#### *Acquisitions of asset management business—Ringturm KAG in 2008/2009*

During the course of selling the insurance activities, the asset management business of VIG (Ringturm KAG) was acquired by Erste Group, with a view to a further intensification of the cooperation with the VIG. In the first quarter of 2009 Erste Asset Management GmbH (a member of Erste Group) acquired 95% of the shares in Ringturm Kapitalanlagegesellschaft m.b.H. (which it continued to hold as of 30 September 2009) together with an asset management contract, which was signed in 2008. After signing the purchase contract the acquisition became effective with the granting of the approval by the Austrian federal Competition Authority as on 21 March 2009. The aggregate goodwill for these transactions amounts to EUR 123.4 million, customer relationships are recognised with EUR 208.7 million.

After the acquisition of Opportunity Bank a.d., Podgorica (Montenegro) by Erste Bank Croatia was concluded in March, this was included in the group financial statements of Erste Group for the first time as of 31 March 2009.

There was no other material acquisition in 2009.

## **Material contracts**

Since 31 December 2007, Erste Group Bank has not entered into material contracts, other than contracts entered into in the ordinary course of business, except for the following agreements:

### **De-Merger and Acquisition Agreement relating to Austrian Business**

On 26 March 2008, Erste Group Bank entered into a de-merger and acquisition agreement for the transfer of the so-called "business division Austria" (as described therein) from what was then Erste Bank der oesterreichischen Sparkassen AG to its wholly-owned subsidiary Dritte Wiener Vereins-Sparcasse AG by a de-merger by transfer by way of universal succession in accordance with the Austrian De-Merger Act (*Spaltungsgesetz*). This agreement, which was approved on 6 May 2008 by the annual shareholders' meeting of Erste Group Bank, constitutes the legal basis for the separation of the business division Austria from the holding activities of Erste Group Bank. The separation became legally effective on 9 August 2008, the date of its recording in the Company Register. For tax purposes and for reporting under Austrian GAAP, the de-merger became legally effective as of 1 January 2008. See "New Group Governance Structure".

### **Sale of Insurance Business**

Furthermore, on 26 March 2008, Erste Group Bank signed both an agreement to sell its insurance operations, including the Austrian-based s-Versicherung and its subsidiaries, to VIG, as well as a 15-year distribution agreement with VIG.

### **Framework Agreement for Guaranteed Bonds**

On 8 January 2009, Erste Group Bank signed a framework agreement for bond issues with the Republic of Austria and has established a EUR 6 billion DIP in respect of issues guaranteed by the Republic of Austria. Under this programme, Erste Group Bank has the right to issue bonds with an aggregate volume of EUR 6 billion that will be guaranteed by the Republic of Austria (pursuant to section 1 paragraph 4 of the Interbank Market Support Act 2008, ("IBSA")). The issuance of the bonds under this programme is subject to certain terms: In particular, the liquidity obtained through the guaranteed bonds is to be used to grant credit to support the economy. The issue proceeds must not be used for any aggressive growth measures, and Erste Group Bank's business strategy—which must continue to be focused on sustainability—shall not be permitted to include terms that are not customary for the market. Furthermore, it must be ensured that Erste Group Bank's remuneration policies do not encourage the taking of any excessive risks. The agreement states that the maturity of any individual bond issue may not exceed five years. The guarantee of the Republic of Austria is explicit, unconditional, irrevocable and unsubordinated, and it warrants due and timely payment. For the state guarantee, Erste Group Bank has agreed to pay 50 basis points plus the median value of its CDS spread (reference period 1 January 2007 to 31 August 2008). Overall, this corresponds to a fee of around 90 basis points. Bonds may be issued under the framework agreement until (and including) 31 December 2009.

### **Agreement for the issue of tier-1 capital with the Republic of Austria**

On 26 February 2009, Erste Group Bank and Erste Bank Oesterreich signed the *Grundsatzvereinbarung* with the Republic of Austria for the subscription of tier-1 capital according to the Banking Act originally announced in October 2008. This allows for the issue of tier-1 capital by Erste Group in a total amount of up to EUR 2.7 billion. The *Grundsatzvereinbarung* contains certain covenants and undertakings to the Republic of Austria

in connection with the issue of the above-mentioned tier-1 capital and in connection with the conduct of business of Erste Group Bank and Erste Bank Oesterreich, which will be in force for as long as the Republic of Austria holds such tier-1 capital. Erste Group Bank and Erste Bank Oesterreich have to comply with a number of reporting obligations. The *Grundsatzvereinbarung* is subject to the EU state aid regime.

### **Agreement on cooperation with La Caixa and Criteria**

On 4 June 2009, Erste Group Bank entered into a cooperation agreement with Caja de Ahorros y Pensiones de Barcelona ("La Caixa") and Criteria. This agreement sets out the framework for a non-exclusive commercial cooperation between Erste Group Bank, La Caixa, one of Spain's largest banking groups, and Criteria. The agreement gives Criteria, under certain conditions, a right of first refusal to participate with Erste Group Bank in the acquisition of any financial and banking services companies in the CEE and CIS countries, provided that Erste Group Bank is seeking a co-investor for such acquisition.

### **Ratings**

Erste Group Bank's long-term indebtedness had a rating from Moody's of Aa3, and from both FitchRatings and Standard & Poor's of A at the date of the approval of this Prospectus. Standard & Poor's and Moody's affirmed these ratings of Erste Group Bank with a negative outlook, FitchRatings affirmed the rating for Erste Group Bank with a stable outlook. Nevertheless, the bank financial strength rating of Erste Group Bank was decreased by Moody's from C to C- in April 2009. See "Risk Factors—There is a risk that a rating agency may suspend, downgrade or withdraw a rating of Erste Group Bank or of a country where Erste Group Bank is active and that such action might negatively affect the refinancing conditions for Erste Group Bank, in particular its access to debt capital markets".

### **Real Estate and buildings**

As of 30 September 2009, the carrying value of real estate and buildings owned by Erste Group amounted to EUR 1,929 million. The majority of buildings owned by Erste Group are used by Erste Group. Real estate owned by Erste Group is only encumbered to a negligible extent.

### **Trademarks and Patents**

Several slogans incorporating the phrase "Erste Bank" and "Erste Group Bank" were registered as trade marks in Austria and several other countries, in particular the countries of Erste Group's extended home market. Additional trademarks utilised by members of Erste Group were registered in the relevant countries. Erste Group is the owner of several domain names, including "erstegroup" and "erstebank" in connection with the top level domain "com" and certain local top level domains ("at", "cz", "sk", "hu", "hr", "rs" and "ro"), the domains "sparkasse.at", "sparefroh.at", "sparefroh.or.at", "spark7.at", "spark7.com" as well as local domain names, such as "csas.cz", "slsp.sk" and "novban.co.yu". Patents are not relevant for the business operation of Erste Group.

# Erste Group Bank management, employees and supervision

## Management

Erste Group Bank, in accordance with Austrian law, has a two-tiered board comprised of the Supervisory Board and the Management Board. Day-to-day management of Erste Group Bank is vested in the Management Board, which represents Erste Group Bank with respect to third parties and delegates some of its tasks to employees. The Supervisory Board is vested with the authority to appoint and remove the members of the Management Board. Although the Supervisory Board may not directly manage Erste Group Bank, the Stock Corporation Act and the Articles of Association of Erste Group Bank require the consent of the Supervisory Board before the Management Board is permitted to take certain actions. See “Description of the share capital and summary of the Articles of Association of Erste Group Bank”.

Regular reports are submitted by the Management Board to the Supervisory Board; the Supervisory Board may also require special reports on the business and operations of Erste Group Bank. Members of the Management Board are full-time employees of Erste Group Bank

## The Supervisory Board

Two-thirds of the members of the Supervisory Board are elected (appointed) by the shareholders of Erste Group Bank. See “Description of the share capital and the Articles of Association of Erste Group Bank—Summary of the Articles of Association of Erste Group Bank—Supervisory Board”. Erste Stiftung has the right to nominate one third of the members of the Supervisory Board, who were elected by the shareholders. The remaining one-third is delegated by the employee council, as required by Austrian law. Members of the Supervisory Board that are delegated by the employee council are full-time employees of Erste Group Bank unlike the members elected (appointed) by the shareholders. The Stock Corporation Act does not permit simultaneous membership of both the Management Board and the Supervisory Board of the same company. Two members of Erste Group Bank’s Supervisory Board are representatives of retail shareholders. Suitable persons are publicly invited by announcements in newspapers to apply for the positions. Prior to a shareholders’ meeting deciding on the appointment of minority representatives, retail shareholders first hold a separate election (supervised by a notary public) among the candidates. At the shareholders’ meeting, Erste Group Bank’s major shareholder, the Erste Stiftung, announces its support for the winners of such election, and then exercises its votes to elect such nominees accordingly.

The current members of the Supervisory Board are listed below, together with information on their term of office and their principal activities outside Erste Group.

Name	Position	Principal Activities outside Erste Group	Appointment expires on
Heinz Kessler . . . . .	Chairman	Retired CEO	Annual shareholders’ meeting in 2012
Georg Winckler . . . . .	First Deputy Chairman	Rector of the University of Vienna, Professor of Economics at the University of Vienna	Annual shareholders’ meeting in 2010
Theresa Jordis . . . . .	Second Deputy Chairman	Attorney at Law	Annual shareholders’ meeting in 2013
Bettina Breiteneder . . . . .	Member	Businesswoman, B.I.Pf. Breiteneder Immobilien Parkring	Annual shareholders’ meeting in 2014
Elisabeth Gürtler . . . . .	Member	Businesswoman, General Manager of Hotel Sacher Betriebsgesellschaft m.b.H.	Annual shareholders’ meeting in 2010
Jan Homan . . . . .	Member	CEO of Teich AG	Annual shareholders’ meeting in 2014
Juan Maria Nin Génova*) . . . . .	Member	President and CEO of La Caixa	Annual shareholders’ meeting in 2014
Brian Deveraux O’Neill . . . . .	Member	Retired Businessman	Annual shareholders’ meeting in 2012
Wilhelm Rasinger . . . . .	Member	Businessman, IVA Interessenverband für Anleger	Annual shareholders’ meeting in 2010

Name	Position	Principal Activities outside Erste Group	Appointment expires on
Friedrich Rödler	Member	Public Accountant and Tax Consultant, PwC PricewaterhouseCoopers GmbH	Annual shareholders' meeting in 2014
John James Stack	Member	Retired Businessman	Annual shareholders' meeting in 2012
Werner Tessmar-Pfohl	Member	Retired Businessman	Annual shareholders' meeting in 2013
Friedrich Lackner	Employee Representative	Chairman of the Employee Council	not applicable
Bertram Mach	Employee Representative	Vice Chairman of the Employee Council	not applicable
Barbara Smrcka	Employee Representative	Vice Chairwoman of the Employee Council	not applicable
Karin Zeisel	Employee Representative	Vice Chairwoman of the Employee Council	not applicable
Christian Havelka	Employee Representative	Member of the Employee Council	not applicable
Andreas Lachs	Employee Representative	Member of the Employee Council	not applicable

Source: Internal Information of Erste Group Bank

\*) member of the Supervisory Board since 2009

The members of the Supervisory Board can be reached at Erste Group Bank's business address Graben 21, A-1010 Vienna.

The following table sets out the names of all companies and partnerships of which each of the current members of the Supervisory Board has been a member of the administrative, management or supervisory board or partner (as the case may be) at any time in the five years prior to the date of this Prospectus:

Name	Name of relevant company/partnership	Position held	Position still held?
Heinz Kessler	Stadlbauer (gegr. 1845) Beteiligungs- und VerwaltungsgmbH	SB deputy chairman	No
	Allgemeine Sparkasse Oberösterreich Bankaktiengesellschaft	SB member	No
	Austria Versicherungsverein auf Gegenseitigkeit Privatstiftung	SB deputy chairman	Yes
	AVS Beteiligungsgesellschaft m.b.H.	SB chairman	No
	Erste Stiftung	SB member	Yes
	Duropack Aktiengesellschaft	SB deputy chairman	No
	Erste Bank der oesterreichischen Sparkassen AG	SB deputy chairman	Yes
	Investkredit Bank AG	SB member	No
	Nettingsdorfer Papierfabrik Management AG	SB chairman	Yes
	Rath Aktiengesellschaft	SB chairman	Yes
	Reform-Werke Bauer & Co Holding Aktiengesellschaft	SB chairman	Yes
	Reform-Werke Bauer & Co Gesellschaft m.b.H.	SB chairman	Yes
	STEPSKI Privatstiftung	MB chairman	No
	Tiroler Sparkasse	SB member	No
	UNIQA Versicherungen AG	SB deputy chairman	No
	Slovenská sporiteľňa	SB member	No
	Česká spořitelna	SB member	Yes

Name	Name of relevant company/partnership	Position held	Position still held?	
Georg Winckler	Austria Versicherungsverein auf Gegenseitigkeit Privatstiftung	SB member	No	
	Austria Versicherungsverein auf Gegenseitigkeit Privatstiftung	SB chairman	Yes	
	Erste Stiftung	SB deputy chairman	Yes	
	Educational Testing Service (ETS), Princeton/New Jersey	Member of the Board of Trustees	Yes	
	Innovationszentrum Universität Wien GmbH	SB member	Yes	
	Steiermärkische Bank und Sparkassen Aktiengesellschaft	SB member	Yes	
	UNIQA Versicherungen AG	SB deputy chairman	Yes	
	Wenckheim Privatstiftung	MB member	Yes	
	Theresa Jordis	ABIGAIL Beteiligungsverwaltungs GmbH	MB member	No
		ABUTILON Beteiligungsverwaltungs GmbH	MB member	No
Accelerando Beteiligungsverwaltungs GmbH		MB member	No	
ADAMANT Beteiligungsverwaltungs GmbH		MB member	No	
ADELA Beteiligungsverwaltungs GmbH		MB member	No	
ADORA Beteiligungsverwaltungs GmbH		MB member	No	
AKELEI Beteiligungsverwaltungs GmbH		MB member	No	
ALBERICH Beteiligungsverwaltungs GmbH		MB member	No	
Aligator Beteiligungsverwaltungs GmbH		MB member	No	
ALISSA Beteiligungsverwaltungs GmbH		MB member	No	
Allegretto Beteiligungsverwaltungs GmbH		MB member	Yes	
ALOMA Beteiligungsverwaltungs GmbH		MB member	No	
ALPAKA Beteiligungsverwaltungs GmbH		MB member	No	
AMARILLA Beteiligungsverwaltungs GmbH		MB member	No	
AMPIA Beteiligungsverwaltungs GmbH		MB member	No	
ANCILLA Beteiligungsverwaltungs GmbH		MB member	No	
Andantino Beteiligungsverwaltungs GmbH		MB member	No	
ANDIO Beteiligungsverwaltungs GmbH		MB member	No	
ANTEGNA Beteiligungsverwaltungs GmbH		MB member	Yes	
ANTURIE Beteiligungsverwaltungs GmbH		MB member	No	
Arancia Beteiligungsverwaltungs GmbH		MB member	No	
ARINDAL Beteiligungsverwaltungs GmbH		MB member	No	
Arlberg Privatstiftung		MB member	Yes	
ARNIKA Beteiligungsverwaltungs GmbH		MB member	No	
ARPEGGIO Beteiligungsverwaltungs GmbH		MB member	No	
ARSINOE Beteiligungsverwaltungs GmbH		MB member	No	
ASTILBE Beteiligungsverwaltungs GmbH		MB member	No	
ATHINA Beteiligungsverwaltungs GmbH		MB member	No	
ATLIS Beteiligungsverwaltungs GmbH		MB member	No	
Austrian Airlines AG		SB member	Yes	
AZALEE Beteiligungsverwaltungs GmbH		MB member	No	
BORCKENSTEIN PRIVATSTIFTUNG		MB member	Yes	
DORDA BRUGGER JORDIS Rechtsanwälte GmbH		MB member	Yes	
Cedar Holding GmbH		MB member	No	
ConvaTec (Austria) GmbH		MB member	No	
Gemeinnützige Privatstiftung für Brustgesundheit		MB member	No	
Generali Holding Vienna AG		SB member	No	
Gold Hotels Holding GmbH		MB member	No	
GSP Holding GmbH		MB member	No	
Hollenburg Privatstiftung		MB chairman	Yes	
JN Privatstiftung		MB chairman	Yes	
Jos. R. Privatstiftung		MB deputy chairman	Yes	
Karl Josef Privatstiftung		MB member	No	
KREMSLEHNER Privatstiftung		MB member	Yes	
MELKER Privatstiftung		MB member	Yes	
Miba Aktiengesellschaft		SB chairman	Yes	
Miba Sinter Austria GmbH		SB deputy chairman	No	

Name	Name of relevant company/partnership	Position held	Position still held?
	MITTERBAUER Privatstiftung	MB member	Yes
	Mitterbauer Beteiligungs—Aktiengesellschaft	SB chairman	Yes
	NEREU Holdings GmbH	MB member	No
	ÖLP Österreichische Luftverkehrs-Privatstiftung	MB member	Yes
	Peter und Paul Privatstiftung	MB member	Yes
	PFC Energy Ventures GmbH	MB member	No
	Prinzhorn Holding GmbH	SB chairman	Yes
	PUPA Privatstiftung	MB chairman	Yes
	QUELUZ Holdings II GmbH	MB member	No
	SAYRAN Beteiligungsverwaltungs GmbH	MB member	No
	SAYRAN Holding GmbH	MB member	No
	SCHNEIDER Privatstiftung	MB chairman	Yes
	SSF Technologie Transfer GmbH	SB member	No
	STEPH Holding GmbH	MB member	No
	Stephanie“Besitzgesellschaft“ mbH	MB member	Yes
	Stephanie Privatstiftung	MB member	Yes
	Suntory MD Holding GmbH	MB member	No
	Thomas Prinzhorn Privatstiftung	MB member	No
	UK Active Real Estate 2 GmbH	MB member	No
	Valartis (Wien) GmbH	MB member	No
	W. Hamburger GmbH	SB member	No
	Wolford Aktiengesellschaft	SB chairman	Yes
Bettina Breiteneder	A-Garagenbesitz und Vermietungs GmbH	MB member	Yes
	AlphaBeta 1 Beteiligungsverwaltung AG	MB member	Yes
	B-Beteiligungs GmbH	MB member	Yes
	BB-Beratungs- und Beteiligungs GmbH	MB member	Yes
	B & W Liegenschaftsverwertungs GmbH	MB member	Yes
	BIP CEE Immobilien GmbH	MB member	Yes
	BIP Verwaltungs- und Beteiligungsgesellschaft mbH	MB member	Yes
	BIP-Garagengesellschaft Breiteneder Ges.m.b.H.	MB member	Yes
	BIP-Immobilienverwaltung Gesellschaft m.b.H.	MB member	Yes
	BIP-Park & Ride Hütteldorf GmbH	MB member	Yes
	BIP-Tiefgarage Promenade Bau- und Betriebs GmbH DFG	MB member	Yes
	Immobilienprojektentwicklungs GmbH	MB member	No
	DZ-Donauzentrum Besitz- und Vermietungs-GmbH	MB member	No
	Garage Hanuschspital Errichtungs GmbH	MB member	Yes
	Güterzentrum Weitendorf Gesellschaft m.b.H.	MB member	Yes
	JB & B-Beteiligungs GmbH	MB member	Yes
	JBB PS Breiteneder Gesellschaft m.b.H.	MB member	Yes
	KB 190 Bau- und Projektentwicklungs GmbH	MB member	Yes
	KFJ Garagenbetriebsgesellschaft m.b.H.	MB member	Yes
	LOGINVEST Beteiligungs GmbH	MB member	No
	Objekt Opernring 13-15 Liegenschaftsverwertung GmbH	MB member	Yes
	PARK LIVING FASANGARTEN GMBH	MB member	Yes
	Park-Tiefgaragen Bau- und Betriebsgesellschaft m.b.H.	MB member	Yes
	Pratergarage Errichtungs- und Betriebsgesellschaft m.b.H.	MB member	Yes
	“Romediuss“ Industriebeteiligungen GmbH	MB member	No
	Südpark Holding GmbH	MB member	No
	TPG-Beteiligungs GmbH	MB member	Yes
	Wiener Garagenbau- und Betriebs GmbH	MB member	Yes
	ZS Einkaufszentren Errichtungs- und Vermietungs-Aktiengesellschaft	SB chairman	Yes

Name	Name of relevant company/partnership	Position held	Position still held?
Elisabeth Gürtler	Hofburg-Kongresszentrum	SB member	Yes
	Hotel Sacher, Eduard Sacher GmbH	MB member	Yes
	OeNB	Advisory board member	Yes
	Original Sacher-Torten Handel- und ProduktionsgmbH	MB member	Yes
	Österreichischer Hotelverband	MB member	Yes
	Sacher Cafes Betriebsgesellschaft m.b.H.	MB member	Yes
	Sacher Hotels Betriebsgesellschaft m.b.H	MB member	Yes
	Spanische Hofreitschule—Bundesgestüt Pieber	MB member	Yes
	Kreditschutzverband von 1870	MB member	Yes
	Österreich Werbung	SB member	Yes
Chocoladenfabriken Lindt & Sprüngli AG	Advisory board member	Yes	
Jan Homan	Alfred Umdasch Privatstiftung	MB member	Yes
	Allianz Elementar Versicherungs-AG	SB member	Yes
	Constantia Flexibles Holding GmbH	MB member	Yes
	Teich AG	MB chairman	Yes
	Danapak Flexibles AS	SB member	No
	Constantia Patz Ges.m.b.H	Advisory Council	Yes
	Constantia Inter AG	MB member	Yes
	Alucommerz AG	SB member	Yes
	Teich Russia Unternehmensbeteiligungs GmbH	MB member	Yes
	Constantia Hueck Folien GmbH & Co KG	Advisory Council	Yes
Constantia Colmar Inc.	SB member	Yes	
Constantia Aloform GmbH	Advisory Council	Yes	
Juan Maria Nin Génova	„la Caixa“ Foundation	Deputy chairman	Yes
	Federació Catalana de Caixes d'Estalvis	Secretary	Yes
	Criteria	Member Board of Directors	Yes
	CaiFor, S.A. (Insurances)	Member	Yes
	Gas Natural	Member Board of Directors	Yes
	Repsol YPF	Member Board of Directors	Yes
	Banco BPI, S.A.	Member Board of Directors	Yes
	Grupo Financiero Inbursa, S.A.B. DE C.V. (Mexico)	Member Board of Directors	Yes
	Deusto University	Member Board of Directors	Yes
	Deusto Business School	Member Board of Directors	Yes
	Esade Business School Foundation	Trustee	Yes
	Federico Garcia Lorca Foundation	Trustee	Yes
	Economic Politics Commission, Barcelona Chamber of Commerce	Member	Yes
	Academic Board, APD	Member	Yes
	Circulo Ecuestre	Member Board of Directors	Yes
	Spanish-United States Council Foundation	Member	Yes
	Economic Group, Spanish-China Forum	Member	Yes
Spanish-India Council Foundation	Deputy chairman	Yes	
Banco Sabadell	Advisory Board member	No	
Ibersecurities	Chairman	No	
BanSabadell Vida	Chairman	No	

Name	Name of relevant company/partnership	Position held	Position still held?
Brian Deveraux O'Neill	JP Morgan Chase	Chairman, Investment Banking, Canada & Latin America	No
	JP Morgan Chase	Vice Chairman, Investment Banking	No
	Gafisa, Sao Paulo	Board member	No
	Mercantil Commercebank, Florida	Board and audit committee member	No
	Latin America Agribusiness Development Corporation	Vice Chairman of the board	No
	El Museo del Barrio	Member of the Board of Trustees	Yes
	David Rockefeller Center for Latin American Studies	Advisory Board member	Yes
Wilhelm Rasinger	Council of the Americas	Director	Yes
	Steirerobst AG	SB member	No
	"Am Klimtpark" LiegenschaftsverwaltungsgmbH	MB member	Yes
	BÖHLER-UDDEHOLM Aktiengesellschaft	SB member	No
	CEE Immobilien Development AG	SB member	Yes
	Inter-Management Unternehmensberatung Gesellschaft m.b.H.	MB member	Yes
	Wienerberger AG	SB member	Yes
	Friedrichshof Wohnungsgenossenschaft reg. Gen.mbH	SB chairman	Yes
IVA – Interessenverband für Anleger	President	Yes	
Friedrich Rödler	DACA-Privatstiftung	MB member	Yes
	Erste Bank der oesterreichischen Sparkassen AG	SB member	Yes
	PricewaterhouseCoopers Steiermark Wirtschaftsprüfung und Steuerberatung GmbH	MB member	Yes
	PricewaterhouseCoopers Tirol	MB member	Yes
	Wirtschaftsprüfungsgesellschaft mbH		
	PricewaterhouseCoopers Vorarlberg Wirtschaftsprüfung GmbH	MB member	Yes
	PwC Business Services Wirtschaftsprüfung und Steuerberatung GmbH	MB member	Yes
	PwC Burgenland Wirtschaftsprüfung und Steuerberatung GmbH	MB member	Yes
	PwC Business Solutions GmbH	MB member	Yes
	PwC Corporate Finance Beratung GmbH	MB member	Yes
	PwC GRT Interberatung Wirtschaftsprüfung und Steuerberatung GmbH	MB member	Yes
	PwC Kärnten Wirtschaftsprüfung und Steuerberatung GmbH	MB member	Yes
	PwC Oberösterreich Wirtschaftsprüfung und Steuerberatung GmbH	MB member	Yes
	PwC PricewaterhouseCoopers GmbH	MB member	Yes
	PwC PricewaterhouseCoopers Wirtschaftsprüfung und Steuerberatung GmbH	MB member	Yes
	PwC Transaction Services Wirtschaftsprüfung GmbH	MB member	Yes
	PwC Wirtschaftsprüfung GmbH	MB member	No
RFR Consulting Wirtschaftsprüfung und Steuerberatung GmbH	MB member	Yes	
TM Liegenschaftsverwaltungs- und Vermietungs-GmbH	MB member	No	
John James Stack	Česká spořitelna	MB chairman	No
	Česká spořitelna Foundation	SB member	No
	Shorebank International	SB member	Yes
	Mutual of America	SB member	Yes
	American Friends of the Czech Republic	SB member	Yes
	Fund for Peace	SB member	Yes

Name	Name of relevant company/partnership	Position held	Position still held?
Werner	Borckenstein AG	SB member	No
Tessmar-Pfohl	GRAWE-Vermögensverwaltung	SB member	No
	Grazer Wechselseitige Versicherung Aktiengesellschaft	SB member	No
	MITTERBAUER Privatstiftung	MB member	No
	OSA Textilhandelsgesellschaft m.b.H.	MB member	Yes
	Sattler AG	MB member	No
	Sattler AG	SB chairman	Yes
	Steiermärkische Bank und Sparkassen Aktiengesellschaft	SB chairman	Yes
	Tessmar-Pfohl GmbH		
	Teufelberger Holding Aktiengesellschaft	MB member	Yes
		SB deputy chairman	Yes
Christian Havelka	Erste Stiftung	SB member	No
Andreas Lachs	none		
Friedrich Lackner	Erste Stiftung	SB member	Yes
Bertram Mach	none		
Barbara Smrcka	none		
Karin Zeisel	none		

Source: Internal information of Erste Group Bank

### *Remuneration of the Supervisory Board*

From 1 January to 30 September 2009 the following amounts of compensation were paid to the current members of the Supervisory Board:

Supervisory Board member in EUR 1,000	Remuneration	Attendance fees	Total
Heinz Kessler	50	8	58
Georg Winckler	38	7	45
Theresa Jordis	38	7	45
Bettina Breiteneder	25	4	29
Elisabeth Gürtler	25	3	28
Jan Homan	25	4	29
Brian Deveraux O'Neill	25*)	2	27
Juan María Nin Génova, since 12 May 2009	0	1	1
Wilhelm Rasinger	25	7	32
Friedrich Rödler	25	9	34
John James Stack	25	1	26
Werner Tessmar-Pfohl	17	1	18
Christian Havelka	0	4	4
Andreas Lachs	0	7	7
Friedrich Lackner	0	5	5
Bertram Mach	0	6	6
Barbara Smrcka	0	2	2
Karin Zeisel	0	4	4

Source: Internal Information of Erste Group Bank

\*) Remuneration was not paid out.

The compensation of the Supervisory Board members depends on the individual's responsibilities, the business volume and the company's financial situation.

Based on a resolution of the annual shareholders' meeting held on 12 May 2009, the Supervisory Board at its constituting meeting set the following annual compensation structure for the financial year 2008:

Compensation in EUR 1,000	Quantity	Compensation per person	Total compensation
Chairman . . . . .	1	50	50
Deputy chairman . . . . .	2	37.5	75
Member . . . . .	8	25	200
Total . . . . .	11		325

Source: Internal Information of Erste Group Bank

In the financial year 2008 one member was unable to attend the meetings of the Supervisory Board. Therefore this member did not receive a remuneration for 2008.

The specific compensation of each member is calculated by dividing the annual allowance by twelve and multiplying the result by the number of months served in the respective position during the year.

There are no service contracts between Erste Group Bank and/or its subsidiaries and Supervisory Board members providing for benefits upon termination, other than the employment contracts of the members delegated by the employee council (see "Employees").

#### *Pension, retirement and similar benefits of the Supervisory Board*

There are no amounts set aside or accrued by Erste Group Bank for pension, retirement and similar benefits of the Supervisory Board as of 30 September 2009.

#### *Shareholdings of the Members of the Supervisory Board*

As of 30 September 2009 members of the Supervisory Board had the following shareholdings in Erste Group Bank:

Supervisory Board member	shares
Georg Winckler . . . . .	2,000
Bettina Breiteneder . . . . .	2,560
Jan Homan . . . . .	4,400
Juan Maria Nin Génova . . . . .	0
Wilhelm Rasinger . . . . .	13,435
Theresa Jordis . . . . .	2,900
Friedrich Rödler . . . . .	849
John James Stack . . . . .	34,161
Werner Tessmar-Pfohl . . . . .	1,268
Andreas Lachs . . . . .	46
Friedrich Lackner . . . . .	477
Bertram Mach . . . . .	95
Barbara Smrcka . . . . .	281
Karin Zeisel . . . . .	35
Christian Havelka . . . . .	1,651
Heinz Kessler . . . . .	0
Brian Deveraux O'Neill . . . . .	0
Elisabeth Gürtler . . . . .	0

Source: Internal information of Erste Group Bank

Supervisory Board members have declared holding a total of 3,150 options on shares in Erste Group Bank as of 30 September 2009. These options were not granted due to their capacity as Supervisory Board members but are due to other functions held within Erste Group in accordance with the MSOP 2005

## The Management Board

The six members of the Management Board have extensive experience in the Austrian banking market and the Savings Banks Sector. The current members of the Management Board are listed below, together with information on their term of office. All members of the Management Board have positions in various companies which are part of Erste Group.

Name	Responsibility	Appointment expires on
Andreas Treichl (Chief Executive Officer) . . . .	Strategic Group Development, Group Secretariat, Group Communications, Group Investor Relations, Group Human Resources, Group Audit, Group Marketing	30 June 2012
Franz Hochstrasser (Deputy CEO) . . . . .	Group Research, Group Balance Sheet Management, Group Capital Markets	30 June 2012
Manfred Wimmer . . . . .	Group Accounting, Group Performance Management	30 June 2012
Bernhard Spalt . . . . .	Group Risk Management, Risk Management International, Group Legal, Group Retail Risk Management, Group Compliance	30 June 2012
Herbert Juranek . . . . .	Group Organisation/IT, Group Operations/Processing, Group Card Management, Property Management	30 June 2012
Johannes Leobacher . . . . .	Group Real Estate & Leasing, Group Investment Banking, Group Large Corporates Banking, International Banking, GCIB Operations	30 June 2012

Source: Organisational Charts of Erste Group Bank

The members of the Management Board can be reached at Erste Group Bank's business address Graben 21, A-1010 Vienna. The following table sets out the names of all companies and partnerships of which each of the members of Erste Group Bank's Management Board has been a member of the management or supervisory board or administrative board ("AB") or partner (as the case may be) at any time within the five years prior to the date of this Prospectus (including selected subsidiaries):

Name	Name of relevant company/partnership	Position held	Position still held?
Andreas Treichl	Allgemeine Sparkasse Oberösterreich Bankaktiengesellschaft	SB member	No
	BCR	SB chairman	Yes
	s-Bausparkasse	SB chairman	No
	Česká spořitelna	SB chairman	No
	Erste Stiftung	MB chairman	Yes
	DONAU Versicherung AG Vienna Insurance Group	SB deputy chairman	Yes
	Erste Bank der oesterreichischen Sparkassen AG	SB chairman	Yes
	Erste Bank Hungary Rt	SB deputy chairman	No
	Felima Privatstiftung	MB chairman	Yes
	Ferdima Privatstiftung	MB chairman	Yes
	good.bee Holding GmbH	AB member	Yes
	Haftungsverbund GmbH	AB chairman	Yes
	Kärntner Sparkasse Aktiengesellschaft	MB chairman	No
	MAK—Österreichisches Museum für angewandte Kunst	SB chairman	Yes

Name	Name of relevant company/partnership	Position held	Position still held?
	Österreichische Galerie Belvedere OeKB	SB member	Yes
	Österreichischer Sparkassenverband	SB chairman	No
	s Haftungs- und Kundenabsicherungs GmbH	MB member	Yes
	Slovenská sporiteľňa	AB member	Yes
	Sparkasse Bregenz Bank Aktiengesellschaft	SB member	No
	s-Versicherung	SB member	No
	Insurance Group	SB chairman	Yes
	Sparkassenbeteiligungs und Service AG für Oberösterreich und Salzburg	SB deputy chairman	No
	Steiermärkische Bank und Sparkassen Aktiengesellschaft	SB member	No
	Tiroler Sparkasse	SB chairman	No
Franz Hochstrasser	brokerjet Ceske sporitelny, a.s.	SB member	Yes
	BVP-Pensionsvorsorge-Consult G.m.b.H.	SB deputy chairman	No
	Capexit Beteiligungs Invest MF-AG	SB chairman	No
	Capexit Private Equity Invest AG	SB chairman	No
	CEE PROPERTY-INVEST Immobilien AG	SB chairman	No
	ecetra Central European e-Finance AG	SB chairman	Yes
	ecetra Internet Services AG	SB chairman	Yes
	Erste Asset Management GmbH	SB member	No
	Erste Corporate Finance GmbH	SB member	No
	Erste Financial Products Ltd.	MB chairman	No
	Erste Securities Polska S.A.	SB chairman	No
	Erste Securities Zagreb d.o.o.	AB chairman	Yes
	Immorent	SB chairman	No
	OeKB	SB deputy chairman	Yes
	Österreichischer Sparkassenverband	MB member SB	No
	Slovenská sporiteľňa	chairman	Yes
	Sparkasse Kremstal-Pyhrn Aktiengesellschaft	SB member	No
	Sparkassen Immobilien Aktiengesellschaft	SB chairman	No
	Steiermärkische Bank und Sparkassen Aktiengesellschaft	SB member	No
	VBV—Vorsorgekasse AG	SB deputy chairman	No
	Wiener Börse AG	SB member	Yes
Herbert Juranek	BCR	SB member	Yes
	Česká spořitelna	SB member	Yes
	Dezentrale IT-Infrastruktur Services GmbH	SB chairman	Yes
	ecetra Central European e-Finance AG	MB member	No
	ecetra Central European e-Finance AG	SB member	Yes
	ecetra Internet Services AG	MB member	No
	ecetra Internet Services AG	SB member	Yes
	Erste Group Beteiligungen GmbH	SB member	No
	Erste Bank Croatia	SB deputy chairman	Yes
	Informations-Technologie Austria GmbH	SB deputy chairman	Yes
	Informations-Technologie Austria SK, spol. S.r.o.	executive committee chairman	Yes
	Informations-Technologie Austria CZ, spol. S.r.o.	executive committee chairman	Yes
	OM Objektmanagement GmbH	AB chairman	Yes
	Österreichische Wertpapierdaten Service GmbH	SB chairman	No
	s IT Solutions AT Spardat GmbH	SB chairman	Yes
	s IT Solutions Holding GmbH	AB member	Yes
	s IT Solutions SK, spol. S.r.o.	SB chairman	Yes
	Slovenská sporiteľňa	SB member	Yes

Name	Name of relevant company/partnership	Position held	Position still held?	
Bernhard Spalt	BCR	SB member	Yes	
	Česká spořitelna	SB deputy chairman	Yes	
	ecetra Central European e-Finance AG	SB deputy chairman	Yes	
	ecetra Internet Services AG	SB deputy chairman	Yes	
	Erste Bank der oesterreichischen Sparkassen AG	SB member	Yes	
	Erste Bank Hungary	SB member	Yes	
	Erste Reinsurance S.A.	Administrative Council chairman	Yes	
	Haftungsverbund GmbH	AB member	Yes	
	Joint-Stock Company "Erste Bank"	SB chairman	Yes	
	Österreichische Clearingbank AG	SB deputy chairman	Yes	
	s Haftungs- und Kundenabsicherungs GmbH	AB member	Yes	
	Slovenská sporiteľňa	SB member	Yes	
	Manfred Wimmer	BCR	SB deputy chairman	Yes
		CEE PROPERTY-INVEST Immobilien AG	SB member	No
Česká spořitelna		SB chairman	Yes	
Erste Bank der oesterreichischen Sparkassen AG		SB member	Yes	
Erste Bank Hungary		SB chairman	Yes	
Johannes Leobacher	Erste Securities Zagreb d.o.o.	AB Member	Yes	
	Erste Bank Investment Hungary Nyrt	SB Member	No	
	Immorent	SB Member	Yes	
	VBV Pensionskasse Aktiengesellschaft	SB Member	No	
	Erste Securities Polska	SB Member	No	
	s-Wohnbaubank	SB Member	No	
	ecetra Internet Services AG	SB Member	No	
	Erste Financial Products Ltd.	MB Member	No	

Source: Internal information of Erste Group Bank

**Andreas Treichl.** Chairman of the Management Board. Born in 1952, Mr. Treichl studied economics in Vienna. He started his career with Chase Manhattan Bank in New York in 1977. He first joined Erste Group Bank in 1983 for three years; he rejoined the bank in 1994, when he was appointed to the Management Board. He is Chairman of the Management Board since July 1997.

**Franz Hochstrasser.** Deputy chairman of the Management Board. Born in 1963, Mr. Hochstrasser studied business administration at the University of Graz from 1982 to 1990. He has been a member of the Management Board since January 1999. From 1997 to 1998 he was a Divisional Manager for Controlling and Risk Management of Erste Group Bank. From 1991 to 1997, he served at GiroCredit, Vienna, in the Risk Management, Equities & Equity Derivatives and Investment Banking Divisions.

**Herbert Juranek.** Born in 1966, Mr. Juranek joined Erste Group Bank in 1999 after working for GiroCredit Bank AG and Reuters Ges.m.b.H. Austria. He has been member of the Management Board since July 2007.

**Bernhard Spalt.** Born in 1968, Mr. Spalt studied law in Vienna. He joined Erste Group Bank in 1991 and after various management positions in Austria and the Czech Republic was appointed as Chief Risk Officer to the Management Board in November 2006.

**Manfred Wimmer.** Born in 1956, Mr. Wimmer studied law in Innsbruck. He started his career with Creditanstalt-Bankverein, Vienna in 1982. He joined Erste Group Bank in 1998. After various senior management positions, including as Head of Group Architecture and Strategic Group Development, he was appointed interim CEO of BCR. He became member of the Management Board as CFO and CPO as of 1 September 2008.

**Johannes Leobacher.** Born in 1964, Mr. Leobacher started in the New Issues Department (Equity and Bonds) of the former Girozentrale in 1990, then moved on to Structured & Project Finance and became Division Director in Fixed Income Trading and Sales in 1997. After two more years

working as Division Director Proprietary Trading (equities, bonds, currencies, commodities and derivative products) Mr. Leobacher was appointed Head of Treasury in 1999, with responsibility for Group Treasury of Erste Group Bank. Prior to being appointed a member of the Management Board, i.e. between 2007 and March 2009, he held the position of Head of Group Capital Markets Division within Erste Group Bank.

#### *Remuneration of the Management Board*

Total base salaries of Management Board members, who are assigned to the Management Board amount to EUR 3.6 million.

In 2008, Management Board members received remuneration (including compensation in kind) totalling approximately EUR 10.8 million (2007: approximately EUR 15.2 Million) in this capacity. This represented 0.5% of the total personnel expenses of Erste Group. This remuneration included severance payments of approximately EUR 1.1 million. In the 2008 financial year, approximately EUR 1.6 million (2007: EUR 664,000) was paid to former members of the Management Board or their surviving dependants.

The breakdown of Management Board compensation paid in 2008 was as follows:

in EUR thousand	Bonus for the year 2007	Salary for the fiscal year 2008	Bonus for the year 2008	Other compen- sation for the year 2008	Total (including bonus for the year 2007)
Management Board member:*)					
Andreas Treichl . . . . .	1,756	1,209	0	352	3,317
Franz Hochstrasser . . . . .	1,261	609	0	143	2,013
Bernhard Spalt . . . . .	483	609	0	62	1,154
Peter Kisbenedek, until 30 June 2008 . . . . .	350	355	0	1,087	1,792
Johannes Kinsky (†), until 29 June 2008 . . . . .	900	305	0	103	1,308
Herbert Juranek . . . . .	300	609	0	61	970
Manfred Wimmer, since 1 September 2008 . . . . .	0	202	0	47	249

Source: Audited consolidated financial statements of Erste Group Bank for the financial year ended 31 December 2008. Includes only members of the Management Board who have not been transferred to Erste Bank Oesterreich in the course of the demerger.

\*) Johannes Leobacher was appointed as a member of the Management Board in 2009 and is thus not listed in the table.

The performance-based compensation paid in 2008 related to the financial results achieved in the 2007 financial year. As early as autumn 2008, the Management Board of Erste Group waived its performance-related compensation for the year 2008. The item other compensation includes pension fund contributions and various non-cash compensation. Payments made in the reporting period for severance payments and for unused holidays are also included in other compensation.

In 2008 the Management Board did not receive board emoluments or other compensation from fully consolidated subsidiaries of Erste Group Bank. The compensation of Management Board members is based on the individual's responsibilities, the achievement of corporate targets and Erste Group's financial situation.

The employment contracts with the members of the Management Board (*Vorstandsverträge*) do not provide for specific benefits upon termination. Due to the collective contract for savings banks in Austria, all members of the Management Board have the same rights on termination as employees, i.e., severance payments up to a maximum amount of 100% of the annual remuneration, depending on years in service.

### *Pension, retirement and similar benefits of the Management Board*

As of 31 December 2008, total expenses for the pension fund of the Management Board amounted to EUR 657,600. In 2008, Erste Group Bank paid approximately EUR 1.6 million (compared to EUR 664,000 in 2007) to former members of the Management Board or their surviving dependents.

### *Shareholdings of the Members of the Management Board*

The below table gives information on shareholdings from and transactions in shares in Erste Group Bank conducted by members of the Management Board. The shareholdings of Management Board members whose office term began or ended during Erste Group Bank's financial year 2009 are included as additions or disposals as of the date of inception or termination of the office term.

<b>Management Board member</b>	<b>Shareholding as of 31 December 2008</b>	<b>Increases of holding 2009</b>	<b>Decreases of holding 2009</b>	<b>Shareholding as of 30 September 2009</b>
Andreas Treichl .....	184,640	25,000	0	209,640
Franz Hochstrasser .....	33,260	0	0	33,260
Berhard Spalt .....	6,376	0	0	6,376
Herbert Juranek .....	656	0	0	656
Manfred Wimmer .....	13,132	5,000	0	18,132
Hannes Leobacher, since 1 April 2009 .....	1,800	0	0	1,800

Source: Audited consolidated financial statements of Erste Group Bank for the financial year ended 31 December 2008 and internal information of Erste Group Bank

### **Conduct and conflict of interest**

Within the five years prior to the date of this Prospectus, no member of the Management Board or the Supervisory Board

- was convicted in relation to fraudulent offences;
- was associated with bankruptcies, receiverships or liquidations of the companies or partnerships listed against his or her name in the above table;
- was officially and publicly incriminated and/or sanctioned by statutory or regulatory authorities (including designated professional bodies); and/or
- has been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

No potential conflict of interest exists in respect of any member of the Management Board or Supervisory Board between his or her duties to Erste Group Bank and his or her private duties and/or other duties. There are no family ties between or among members of the Management Board and the Supervisory Board.

## Representatives of the Supervisory Authority

Pursuant to the Banking Act and the Mortgage Bank Act 1899, the Austrian Minister of Finance is required to appoint representatives, who monitor Erste Group Bank's compliance with certain legal requirements. The current representatives are listed below:

Name	Position
Robert Spacek	Chief Senate Councillor, State Commissioner
Dietmar Griebler	Senate Councillor, Vice State Commissioner
Tamara Els	Councillor, Commissioner for Covered Bonds
Erhard Moser	Councillor, Vice-Commissioner for Covered Bonds
Irene Kienzl	Councillor, Trustee for <i>Pfandbriefe und Kommunalschuldverschreibungen (öffentliche Pfandbriefe)</i>
Anton Rainer	Councillor, Deputy Trustee for <i>Pfandbriefe und Kommunalschuldverschreibungen (öffentliche Pfandbriefe)</i>

Source: Internal information of Erste Group Bank

## Employees

As of 30 September 2009 Erste Group had 51,012 employees, of whom 1,319 were employed by Erste Group Bank in Austria.

The following table lists the number of employees on the payroll as of the dates stated below (in full time equivalents):

	As of 30 September 2009	As of 31 December 2008	As of 31 December 2007	As of 31 December 2006
Erste Group Bank	51,012	52,648	52,442	50,164
Austria	16,335	16,278	15,658	14,709
thereof Erste Group Bank <sup>(1)</sup>	1,319	1,351	n.a.	n.a.
thereof Erste Bank Oesterreich	2,713	2,777	3,867	3,629
International	34,677	36,370	36,784	35,455
thereof BCR	9,198	9,985	12,224	13,492
thereof Česká spořitelna	10,841	10,865	10,842	10,856
thereof Slovenská sporiteľňa	4,242	4,953	4,763	4,797
thereof Erste Bank Hungary	3,133	3,255	3,056	2,881
thereof Erste Bank Serbia	912	1,009	958	871
thereof Erste Bank Croatia	2,289	2,061	1,886	1,759
thereof Erste Bank Ukraine	1,755	2,120	1,130	n.a.

Source: Internal information of Erste Group, Erste Group Bank and Erste Bank Oesterreich

(1) Due to the de-merger of Erste Bank Oesterreich from Erste Group Bank, which became effective in August 2008, this data is only available for 2008 onwards

In Austria, savings banks employees below management level generally have employment arrangements which are negotiated each year collectively between the Österreichischer Sparkassenverband (the Austrian Savings Bank Association) and the relevant union. The current agreement with the employees of Erste Group Bank, who are members of the Savings Banks Sector employee group, came into effect on 1 March 2009 and will continue to be in effect permanently, as far as the revaluation of salaries is concerned, until 31 January 2010, as supplemented by other agreements between Erste Group Bank and its Employee Council dealing with various matters, including contributions to pension funds. Employees of Erste Group Bank, who were employees of Österreichisches Credit Institut (ÖCI) when it was acquired by and merged into GiroCredit in 1992 are still partly covered by the collective arrangement reached between the association for commercial banks and the commercial bank sector employee group.

On 1 January 1999, Erste Group Bank (the then existing Erste Bank der oesterreichischen Sparkassen AG) implemented a defined contribution pension scheme, which is independent from the governmental pension system, and the pension claims of all employees who were not retired on 1 January 1999 were transferred to a pension fund. Until 31 December 1998, a defined benefit pension scheme was in place.

## Employee stock ownership programme and management stock option plans

At the annual shareholders' meeting held on 8 May 2001, Erste Group Bank's shareholders approved the issuance of new shares for the purpose of establishing the Employee Stock Ownership Programme ("ESOP") and the Management Stock Option Plan ("MSOP").

In exercising the power granted by a resolution passed by the annual shareholders' meeting held on 8 May 2001 and described in section 6 of Erste Group Bank's Articles of Association, stock options are to be granted via a conditional increase of EUR 18,168,208.54 of the share capital by issuing up to 2,500,000 shares, limited to the number of shares to which the granted stock options are actually exercised.

At its meeting held on 30 January 2002, Erste Group Bank's Supervisory Board (the Supervisory Board of the then existing Erste Bank der oesterreichischen Sparkassen AG) approved the ESOP and the MSOP 2002 as well as a conditional capital increase pursuant to section 6 of the Articles of Association. The exclusion of shareholders' subscription rights was justified according to section 153 paragraph 5 of the Stock Corporation Act.

At the annual shareholders' meeting held on 11 May 2005, the shareholders approved a new MSOP, the MSOP 2005, in accordance with Rule 28 of the CGC (as defined below).

Furthermore, in the annual shareholders' meeting of 19 May 2006 the Management Board was authorised to conduct a conditional capital increase with the consent of the Supervisory Board of up to 10,000,000 new shares. The Management Board has not yet exercised this authorisation.

### Employee Stock Ownership Programme (ESOP)

Since 2002 based on the authorised conditional capital, the Management Board has annually resolved to implement an ESOP with the consent of the Supervisory Board. Under the ESOP, employees and management board members of Erste Group are entitled to subscribe for a certain number of shares of Erste Group Bank at a discount.

Under the recurring ESOP terms, each participant is entitled to acquire a certain number of shares at the average share price during a specified month on the Vienna Stock Exchange for the respective year, reduced by a discount of approximately 20% rounded down to EUR 0.5. The ESOP terms also stipulates minimum order sizes (usually ten shares for participants in Austria, and lower or no thresholds for participants in Central Europe).

In the event of oversubscription, the number of shares issued to each individual is reduced proportionately. In order to retain the discount on the purchase price, participants of the ESOP must hold the issued shares for a period of one year. Shares purchased under the ESOP are entitled to dividends for the entire business year during which they were granted.

The following table gives selected information for the already completed tranches of the ESOP for the previous 3 years:

	ESOP 2009	ESOP 2008	ESOP 2007
Maximum size of the ESOP . . . . .	1,100,000	1,700,000	2,000,000
Maximum amount of shares per participant . . . . .	200	200	200
Shares acquired by employees . . . . .	912,323	644,104	663,349
Purchase price per share (EUR) . . . . .	12.00	34.50	47.50
Value date of purchase . . . . .	28 May 2009	27 May 2008	6 June 2007

Source: Internal information of Erste Group, Erste Group Bank and Erste Bank Oesterreich

## Management Stock Option Plans (MSOP)

Erste Group Bank introduced stock option plans in 1997, 2002, 2005 and 2008. The MSOP 1997 expired in 2003 and the MSOP 2002 expired in 2009, with no option exercised after 31 December 2008.

### MSOP 2005

The MSOP comprises a maximum of 2,000,000 ordinary shares of Erste Group Bank, represented by 2,000,000 options. The distribution of vested options as at 31 December 2008 among management board members, managers and eligible other staff of Erste Group is shown in the tables below.

Terms of MSOP 2005: Each of the options, which are granted free of charge, entitles the holder to receive one share; the transfer of options inter vivos is not permitted. The 2005 option grant dates were as follows: for the management board and other managers, 1 June 2005; for other key personnel, the grants occurred in three tranches, on 1 September 2005, 1 September 2006 and 31 August 2007. The options vested in three tranches, at which time they were credited to recipients' accounts: 1 September 2005, 1 September 2006 and 31 August 2007. The exercise price for all three tranches was set at the average market price of Erste Group Bank, the then existing Erste Bank der oesterreichischen Sparkassen AG, shares quoted at the Vienna Stock Exchange in April 2005 plus a 10% premium, rounded down to the nearest half euro. The resulting exercise price was EUR 43.00 per share. The option term begins at the grant date and ends on the value date of the last exercise window of the fifth calendar year after the year in which the option vested. Every year, notices of intention to exercise may be submitted within 14 days from the day of publication of the quarterly results for the first, second and third quarter of each financial year (i.e. there are three exercise windows per year). The holding period runs for one year from the value date of the share purchase. Up to 25% of the purchased shares may be sold during this holding period.

### MSOP 2008

The Management Board, and subsequently the Supervisory Board as well as the annual shareholders' meeting of 2008, approved another MSOP, the MSOP 2008, in the first half of 2008. In October 2008 the MSOP 2008 was eventually cancelled as a result of the deterioration in stock prices that adversely affected the rationale of such an incentive scheme.

The following tables show the number of options credited, exercised, unexercised, and if applicable expired under the MSOP 2005 as of 31 December 2008:

### MSOP 2005

	credited	exercised	not yet exercised
Andreas Treichl	9,000	3,000	6,000
Franz Hochstrasser	9,000	3,000	6,000
Bernhard Spalt	5,000	0	5,000
Herbert Juranek	5,000	0	5,000
Peter Kisbenedek until 30 June 2008	9,000	3,000	6,000
Johannes Kinsky	3,000	0	3,000
Manfred Wimmer since 1 September 2008	3,000	0	3,000
<b>Total received by Management Board members</b>	<b>43,000</b>	<b>9,000</b>	<b>34,000</b>
Other management	729,500	127,610	601,890
Other staff	686,741	99,572	587,169
<b>Total options</b>	<b>1,459,241</b>	<b>236,182</b>	<b>1,223,059</b>

Source: Audited consolidated financial statements of Erste Group Bank for the financial year ended 31 December 2008

## Shareholder structure

Erste Group Bank's major shareholder, the Erste Stiftung, is a private foundation which was created by the transformation of DIE ERSTE Österreichische Spar-Casse Anteilsverwaltungssparkasse, a special form of savings bank holding company, with effect as of 19 December 2003. Such type of transformation is provided for under the Savings Bank Act. As of 31 December 2008, the major shareholders of Erste Group Bank were the Erste Stiftung (31.0%) and Austria Versicherungsverein auf Gegenseitigkeit (5.0%). The free float amounted to 58.9% (of which all Savings Banks in aggregate held 9.3% and Erste Group's employees held 3.9%). Erste Group has been informed that Criteria has acquired a participation of 5.1% in Erste Group Bank's shares.

Ever since Erste Group Bank's IPO in 1997 the main shareholder of Erste Group Bank, the Erste Stiftung, has supported the growth of Erste Group by partly subscribing to the capital increases in 2000, 2002 and 2006. As the foundation has no other significant assets than its stake in Erste Group Bank, these investments have been funded by taking up debt from Austrian and international banks and insurance companies (but not from Erste Group). According to information of Erste Group Bank, the Erste Stiftung did not pledge its Erste Group Bank shares as collateral for the debt taken up and the debt bears no other relevant financial obligations for the Erste Stiftung than to pay interest on the debt and to repay the capital amount owed when due.

### Preferred Partnership Agreement between the Erste Stiftung and Criteria

The Erste Stiftung and Criteria have entered into a Preferred Partnership Agreement ("PPA") under which the Erste Stiftung grants to Criteria the status of a friendly investor and preferred investment partner. Under the PPA, Criteria is entitled to designate one person for nomination as a member of the Supervisory Board of Erste Group Bank. In return, Criteria has agreed to refrain from participating in a hostile takeover bid for shares in Erste Group Bank and has granted to the Erste Stiftung a right of first refusal and option rights with respect to the shares Criteria holds in Erste Group Bank. In the PPA, the Erste Stiftung agrees not to grant rights to third parties that are more favourable than those granted to Criteria, except in limited circumstances. The PPA does not limit the exercise by the Erste Stiftung and Criteria of their voting rights in Erste Group Bank. The PPA has been cleared by the Austrian Takeover Commission.

### Related party transactions

As of 30 September 2009, the Erste Stiftung, a foundation, held approximately 31% of the shares of Erste Group Bank, making the Erste Stiftung the largest shareholder. In 2009 the Erste Stiftung received dividends of EUR 64.1 million with respect to its shareholdings in Erste Group Bank (for the financial year 2008). The purpose of the Erste Stiftung, which is intended to be achieved particularly by holding a substantial equity interest in Erste Group Bank, is to support social, scientific, cultural and charitable institutions as well as to generally promote the guiding principles of the savings bank philosophy. At 1 October 2009, the members of the Erste Stiftung's management board were Andreas Treichl (chairman of the Management Board), Dietrich Karner, Richard Wolf and Boris Marte. Richard Wolf is a partner in Wolf Theiss Rechtsanwälte GmbH, Austrian counsel to Erste Group Bank with respect to the Combined Offer. At that date the Erste Stiftung's supervisory board had nine members, three of whom were also members of the Supervisory Board.

As of 30 September 2009, in respect of the Erste Stiftung, Erste Group had accounts receivable of EUR 283.8 million (almost entirely as a result of the consolidation of the Austrian savings banks) and accounts payable of EUR 46.1 million. In addition, standard derivative transactions on normal market terms were in place for hedging purposes between Erste Group and the Erste Stiftung at the end of 2008. These were interest rate swaps with caps and floors in the notional amount of EUR 247.4 million each.

In 2008, Erste Group accrued interest income of EUR 13.3 million receivable from and interest expenses of EUR 3.1 million payable to the Erste Stiftung from accounts receivable and payable and from the derivative transactions outlined.

At the end of 2008, loans and advances to members of the Management Board totalled EUR 882,000 (31 December 2007: EUR 663,000). Loans and advances to persons related to members of the Management Board totalled EUR 59,000 at 31 December 2008 (31 December 2007: EUR 29,000). Loans to members of the Supervisory Board totalled EUR 294,000 (end of 2007: EUR 362,000). Loans and advances to persons related to members of the Supervisory Board totalled EUR 33,000 (31 December 2007: EUR 15,000). The applicable interest rates and other terms (maturity dates and collateral) represent market terms. In 2008, members of the Management Board made loan repayments on loans totalling EUR 489,000 (2007: EUR 12,000) and repayments amounting to EUR 6,000 were made by the members of the Supervisory Board (2007: EUR 400). Further information on related party transactions in the financial year 2008 can be found in the Audited Consolidated Financial Statements of Erste Group Bank for the financial year ended 31 December 2008 which are incorporated by reference into this Prospectus.

At the end of 2007, the Erste Stiftung held approximately 30.95% of the shares of Erste Group Bank, making it the largest shareholder. In 2007 the foundation received a dividend of EUR 62.7 million on its shareholding in Erste Group Bank (for the financial year 2006). The members of the foundation's management board as of 31 December 2007 were Andreas Treichl (chairman of the Management Board), Franz Ceska and Dietrich Karner. The foundation's supervisory board had nine members at the end of 2007, two of whom were also members of the Supervisory Board. At 31 December 2007, in respect of the foundation, Erste Group Bank had accounts payable of EUR 53.6 million and accounts receivable of EUR 7.3 million. Standard derivative transactions at market conditions for hedging purposes were in place between Erste Group Bank and the foundation at the end of 2007. These were interest rate swaps with a notional value of EUR 75 million and interest rate swaps with caps and floors in the notional amount of EUR 247.4 million each. In 2007, Erste Group Bank accrued interest income of EUR 4.3 million receivable and interest expenses of EUR 3.4 million payable to the foundation from accounts receivable and payable and from the derivative transactions outlined. Further information on related party transactions in the financial year 2007 can be found in the Audited Consolidated Financial Statements of Erste Group Bank for the financial year ended 31 December 2007 which are incorporated by reference into this Prospectus.

At the end of 2006, the Erste Stiftung held approximately 30.5% of the shares of Erste Group Bank, making it the largest shareholder. The foundation received a dividend of EUR 43.1 million on its shareholding in Erste Group Bank in 2006 (for the financial year 2005). The members of the foundation's management board as of 31 December 2006 were Andreas Treichl (chairman of the Management Board), Franz Ceska and Dietrich Karner. The supervisory board of the foundation had nine members at the end of 2006, two of whom were also members of the Supervisory Board. At 31 December 2006, in respect of the foundation, Erste Group Bank reported accounts payable of EUR 35.2 million and accounts receivable of EUR 7.3 million. Standard derivative transactions for hedging purposes were in place between Erste Group Bank and the foundation at the end of 2006 (interest rate swaps with a notional value of EUR 75 million and interest rate swaps with caps and floors in the notional amount of EUR 247.4 million each). In 2006, Erste Group Bank accrued interest income of EUR 3.2 million receivable and interest expenses of EUR 2.7 million payable to the foundation from accounts receivable and payable and from the derivative transactions outlined. Further information on related party transactions in the financial year 2006 can be found in the Audited Consolidated Financial Statements of Erste Group Bank for the financial year ended 31 December 2006 which are incorporated by reference into this Prospectus.

# Risk management

## Risk policy and strategy

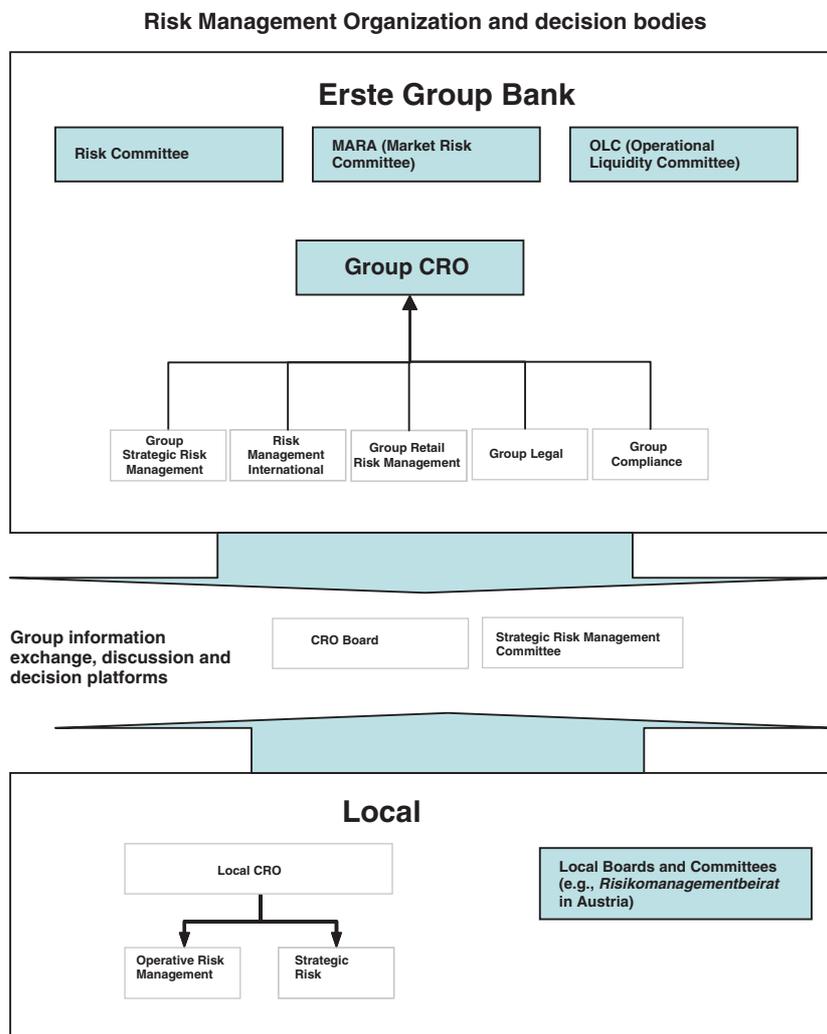
It is a core function of every bank to take risks in a conscious and selective manner and to professionally manage such risks. Erste Group's proactive risk policy and strategy aims at achieving an optimal balance of risk and return in order to achieve a sustainable, high return on equity.

Erste Group uses a control and risk management system that is proactive and tailored to Erste Group's business and risk profile, which is based on a clear risk strategy consistent with the group's business strategy, focusing on early identification and management of risks and trends. In addition to meeting the internal goal of effective and efficient risk management, Erste Group's control and risk management system has been developed to fulfil external, and in particular, regulatory requirements.

Given Erste Group's business strategy, the key risks for Erste Group are credit risk, market risk and operational risk. Erste Group also focuses on managing liquidity and business risks. In addition to managing these risks, Erste Group's control and risk management system takes full account of the range of other significant risks faced by Erste Group. These systems may prove to be insufficient or even fail. See "Risk factors – Risks related to the business of Erste Group—Erste Group's risk management strategies and procedures may leave it exposed to unidentified or unanticipated risks."

## Risk management organisation

Risk monitoring and control is achieved through a clear organisational structure with defined roles and responsibilities, delegated authorities, and risk limits. The following diagram presents an overview of Erste Group’s risk management and control governance and responsibility structure:



### Overview of Risk Management Structure

The Management Board, and in particular Erste Group’s chief risk officer (“Group CRO”), has to perform its oversight function within Erste Group’s risk management structure. Risk control and management functions within Erste Group are performed based on the business and risk strategies approved by the Management Board and the strategic risk framework. The Group CRO, working together with the chief risk officers of the subsidiaries, is responsible for the implementation of and adherence to the risk control and risk management strategies across all risk types and business lines. While the Management Board, and in particular, the Group CRO ensures the availability of appropriate infrastructure and staff as well as methods, standards and processes to that effect, the actual identification, measurement, assessment, approval, monitoring, steering, and setting limits for the relevant risks are performed at the operating entity level within Erste Group. At the group level, the Management Board is supported by several divisions established to perform operational risk control functions and exercise strategic management responsibilities:

- Group Strategic Risk Management;
- Risk Management International;

- Group Retail Risk Management;
- Group Legal; and
- Group Compliance.

Group Strategic Risk Management, which exercises the “risk control” function, is responsible primarily for further refinement and group-wide implementation of the risk management strategy as determined by the Management Board, and notably the infrastructure, methods and processes used. This unit is comprised of the departments “Group OpRisk and Credit Risk Control”, “Group Enterprise-wide Risk Management and Reporting” and “Group Market and Liquidity Risk Management” as well as the corporate function “Basel II”. Group Strategic Risk Management also has a special interface function in relation to the individual group entities and their risk management units and optimises communication and information flow within Erste Group. See “—Risk Control—Overview of Risk Control Governance Structure” for a further discussion of the risk control management structure of the Erste Group.

Risk Management International is the operative credit risk management function of Erste Group Bank and is responsible for the formal and material verification, recommendation and approval of all credit risks of Erste Group Bank as a holding company. Risk Management International is also responsible for credit risk management for the GCIB segment as well as all credit applications where the amount involved exceeds the approval limits granted to the respective subsidiary. This unit covers certain customer groups/asset classes from a credit risk perspective where a top-level, group-wide review is required. These asset/risk classes are country risks, sovereigns, other credit institutions, securitisations (ABS and CDO), large corporates, and real estate risks. Risk Management International provides specific credit risk reports on the aforementioned centrally managed portfolios of Erste Group Bank as a holding company and is in charge of process development for credit risk management and of the implementation of group standards for these asset classes. Risk Management International is also responsible for establishing and monitoring appropriate credit analysis processes and systems at the subsidiary level and coordinating and reviewing the credit and project analysis adopted across the business.

Group Retail Risk Management focuses on retail business, which is Erste Group’s primary business. It coordinates at group level retail risk management processes and standards. Operational risk management functions for Erste Group’s retail operations are performed at the local level.

Group Legal, in addition to performing the functions of a central legal department, also has responsibility for Anti Money Laundering Compliance, which is undertaken through the anti-money laundering compliance unit. Group Compliance is responsible for the implementation of and adherence to the Standard Compliance Code of the Austrian banking industry (“SCC”) and the compliance-related provisions of the WAG 2007.

In addition to the risk management activities performed at the Erste Group Bank level in its special role as a holding company, each subsidiary also has a risk control and management unit, the responsibilities of which are tailored to the applicable local requirements. Each subsidiary’s risk control and management unit is headed by the respective entity’s chief risk officer.

### **Group Coordination of Risk Management Activities**

With the purpose of carrying out risk management activities within Erste Group, certain committees have been established, including the following:

- Risk Committee;
- CRO Board;
- Strategic Risk Management Committee;
- Group Operational Liquidity Committee; and
- Market Risk Committee.

The Risk Committee, which consists of the Management Board and senior managers of Erste Group Bank, is the most senior committee in Erste Group Bank. It is responsible for the approval of methods and processes of risk control and management as well as for the risk infrastructure. The Risk Committee also monitors the capital base and allocates capital at the macro level and determines the risk framework on a group-level. As the central risk control body, the Risk Committee is frequently and regularly briefed on the risk status, both retrospectively and prospectively, and across all risk types. The Risk Committee analyses the then current status as well as any trends and makes management decisions at the highest level.

The CRO Board and the Strategic Risk Management Committee are responsible for consistent coordination and implementation of risk management activities within Erste Group, including the Sparkassen Haftungsverbund. The CRO Board is made up of the Group CRO and the chief risk officers of the subsidiaries in the Erste Group. Chaired by the Group CRO, the CRO Board has responsibility for the group-wide coordination of risk management and for ensuring uniformity of risk management standards across Erste Group. The Strategic Risk Management Committee, which is made up of the department heads of the strategic risk management department at each bank, provides support in decision-making to the CRO Board and any working group established on the then current risk-related topics.

Erste Group has established committees at the holding level that are specifically responsible for monitoring and managing two key risk categories:

- The Group Operational Liquidity Committee (“Group OLC”) is responsible for the day-to-day management of the global liquidity position of Erste Group. It analyses the liquidity situation of Erste Group on a regular basis and reports directly to the Group Asset Liability Committee (“Group ALCO”). It also proposes measures to the Group ALCO within the scope of the Management Policies and Principles of the Liquidity Rule Book. Furthermore, members of the Group OLC are points of contact for other departments or Erste Group members for liquidity-related matters. Each local bank has its own local operational liquidity committee. The detailed roles and responsibilities of the Group OLC are described in the Erste Group Liquidity Risk Management Rule Book. For additional information on the Group ALCO, see “—Liquidity Risk—Organisation and reporting”.
- The Market Risk Committee (“MRC”) is the main steering body for all risks related to capital market trading operations in Erste Group. The MRC meets quarterly, approves group-wide market risk limits and elaborates on the current market situation. The members of the MRC are the Group CRO, the board member responsible for Group Capital Markets, the Head of Group Capital Markets, head of Group Strategic Risk Management, the Head of Group Market and Liquidity Risk Management and the head of Group Market Risk Control.

In addition, committees established at local level, *i.e.*, the *Risikomanagementbeirat*, carry out a common risk approach in the savings banks. For Austria, Erste Group Bank as the holding company also performs some shared-services according to Group standards, including for example risk parameter estimation and validation.

As a result of the principle of segregation of risk origination and risk control, at every level of the risk management structure of Erste Group—particularly concerning market and credit risks—the risk management and control functions are exercised independently of the front office functions. Local operative risk management divisions carry out this control function.

## Risk Control

### Overview of Risk Control Governance Structure

The Group Strategic Risk Management unit performs the function of the central and independent risk control unit required by section 39 paragraph 2 of the Banking Act. One objective of Group Strategic Risk Management, a unit that is independent from the business units, is to ensure that all risks measured or taken are within the limits approved by the Management Board.

Group OpRisk and Credit Risk Control, which is a sub-unit of the Group Strategic Risk Management, is in charge of management of operational risks and fraud, key tasks regarding Erste Group's credit risk methods and rating models and monitoring compliance with relevant credit risk limits. The Group Enterprise-wide Risk Management and Reporting department, which is also a sub-unit of the Group Strategic Risk Management, has responsibility for enterprise-wide risk management, the group data pool and the group-wide credit risk reporting. Group Enterprise-wide risk management, which is a sub-unit of the Group Enterprise-wide Risk Management and Reporting, is in charge of the Erste Group's risk policy framework to ensure adequate guidance on all risk-related matters. Furthermore, this unit is responsible for Group's ICAAP, risk-weighted asset management and stress testing. The group-wide daily calculation, analysis and reporting of market and liquidity risks is provided by the Group Market and Liquidity Risk Management department of Group Strategic Risk Management. Ongoing risk calculations are performed using models, the quality of which is continually refined by this department.

## **Risk Control Process**

Erste Group's independent risk control process consists of five main steps:

**Risk identification.** Risk identification at Erste Group refers to the detection of all relevant existing and potential risks related to banking operations, with particular emphasis on the use of a systematic and structured approach towards risk identification. The aim of this process is the permanent, timely, rapid, complete and cost-effective identification of each individual risk that has a bearing on the achievement by Erste Group of its business targets. Risk identification process is concerned not only with the early detection of risks, but also with the recognition of all sources of risks in as comprehensive a manner as possible.

**Risk measurement.** Risk measurement at Erste Group refers to the valuation and analysis of all quantifiable risks using statistical methods. In addition, stress scenarios are defined, with the goal of quantifying the losses that may be triggered by extremely adverse and highly unlikely events. The information gained from stress test scenarios complements Value-at-Risk ("VaR") results, making it easier to predict the effects of potential extreme market movements on Erste Group.

**Risk aggregation.** Risk aggregation at Erste Group refers to the compilation of the results of risk measurement for each individual risk type (taking into account any diversification effects) to determine the aggregate potential loss based on the assumption of all of the relevant individual risks. The resulting aggregate measure for potential loss is known as economic capital (representing VaR at a confidence level of 99.95% over a one-year time period). As part of the process for determination of Erste Group's risk-bearing capacity, following a multi-stage process, the aggregate total potential loss (*i.e.*, economic capital) is compared against the resources (profitability, reserves, equity and subordinated liabilities) available to cover potential losses.

**Risk limit-setting.** Risk limit-setting at Erste Group refers to the setting of a loss ceiling by the management through the Risk Committee based on the periodic determination of risk-bearing capacity, which takes into account the group's equity base and profitability status.

**Risk reporting.** Risk reporting at Erste Group refers to the continuous reporting of the risk measurement results for each individual risk type to management.

## **Group-wide risk and capital management**

### **Overview**

Erste Group has implemented a risk and capital adequacy assessment framework as required under Pillar 2 of the Basel framework. Within ICAAP, capital adequacy is reported both in terms of Pillar 1 and Pillar 2 requirements. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Adequacy."

Under the umbrella of ICAAP, stress testing and modelling of risks, in particular credit risks, is undertaken based on the assessment of macroeconomic developments and trends in the markets where Erste Group operates.

The design of Erste Group's ICAAP is tailored to the group's business and risk profile, reflects the strategic goal of protecting senior debt holders and ensuring sustainability of the organisation. A comprehensive, economic and proactive approach is chosen with the purpose of ensuring that Erste Group remains adequately capitalised. ICAAP forms a key steering and management tool and is integral to Erste Group's control and planning framework.

Within ICAAP, Erste Group's material risks are compared against the capital/coverage potential according to internal ICAAP standards. The quarterly capital adequacy calculation undertaken by Erste Group serves not only as a tool to assess the actual capital adequacy of the group but also to provide a forward-looking picture, make recommendations and start taking actions as may be necessary.

The Management Board and the risk management committees are briefed regularly and at least on a quarterly basis in relation to the results of the capital adequacy calculation. The report includes movements in risks and available capital / coverage potential, the degree of utilisation of the risk limit and overall status of ICAAP according to the signalling system. The ICAAP report also includes a comprehensive forecast of risk-weighted assets and capital adequacy.

#### *Risk Assessment as a Capital Requirement*

According to ICAAP, relevant risks are continuously monitored and at least annually reassessed. Currently, Erste Group is required to dedicate capital reserves for credit risk, market risk and operational risk as an analysis of the group's business and risk profile as well as the underlying risk portfolios requires that capital reserves be dedicated for these three key risks. Credit risk accounts for more than 80% of the total economic capital requirement. Reflecting what management believes is the conservative risk management policy and strategy of Erste Group, Erste Group does not offset diversification effects between these three risk types. The economic capital requirement for unexpected losses is computed on a one-year time horizon with 99.95% confidence level, which reflects the implied default risk consistent with a long-term credit rating of AA (double A).

Other risk types, in particular liquidity and business risks, are managed by means of a proactive management framework that includes forward-looking elements, stress testing, trigger levels and signalling systems. See "Liquidity Risk" for liquidity risk management within Erste Group.

#### *Capital/Coverage Potential*

The capital or coverage potential required to cover economic risks and unexpected losses is determined based on the characteristic of their components, such as the legal qualification of the source of capital and the tenor of subordinated debt. The coverage potential must be sufficient to absorb unexpected losses resulting from the group's operations. The capital and capital structure is managed by dedicated units within Erste Group. Requirements for additional capital or changes in the capital structure could, among other things, be triggered by ICAAP.

#### *Stress Testing and Risk Modelling*

In addition to the application of the 99.95% confidence level for economic capital, Erste Group forecasts risks (on a going-concern basis) and models and undertakes stress tests according to specific predefined scenarios. The parameters applied for simulations are derived from continuous observation of both macroeconomic and market trends as well as trends observed and potential scenarios. Results are reflected in the forecast by means of setting additional economic capital requirements.

In stress testing, tools such as the Enterprise Risk Assessment Template or Economic Stress Assessment Template are used to support the process, which represents a combined bottom-up / top-down approach. In addition, Erste Group leverages the intimate knowledge of its professionals located in the different regions to further adapt scenarios and stress parameters to

the particular developments in each of these regions. Scenarios simulated individually take into account, among other things, developments in certain regions, industries and product types. The adequacy of scenarios and stress parameters is reviewed on a quarterly basis. Default probabilities and movements in collateral values, loss rates or credit conversions are modelled, in addition to associated profit and loss sensitivities.

Erste Group participates in a variety of stress test exercises, both at a national (OeNB / IMF) and international (CEBS) level. The results of these stress tests indicated that Erste Group's regulatory capital was adequate.

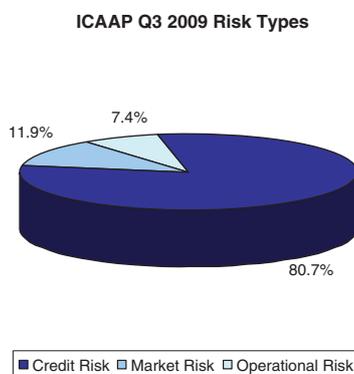
### *Limit Setting and Monitoring*

In addition to the credit limits set by the existing limit frame of the group, Erste Group has defined a Maximum Risk Exposure Limit ("MREL"), which includes the available coverage potential where short-term subordinated debt is excluded. The MREL serves to ensure that there is sufficient time (at least one year) for the management to plan and execute actions to ensure capital adequacy and sustainability going forward.

In case of unforeseeable events, such as a crisis, an Emergency Response Plan ("ERP") has been defined by Erste Group. The ERP includes a predefined set of tools as well as processes, resources, roles and responsibilities, with the goal of responding immediately and effectively to any such crisis. Measures take into account not only capital, but also the liquidity position and strategy of Erste Group.

### **Erste Group's Aggregate Capital Requirement by Risk Type**

The following diagram presents the composition of the regulatory capital requirement as of 30 September 2009 according to the type of risk.



Source: Internal information of Erste Group Bank

## **Market risk**

### **Overview**

Fluctuations in interest rates, exchange rates, security and commodity prices create market risk. Market risk is a product of short-term trading in instruments, the prices of which are fixed daily (the trading book), as well as of the traditional banking business (the banking book).

Taking into account Erste Group's risk-bearing capacity and projected earnings, the Management Board sets the aggregate limit for the trading book through the Risk Committee. The aggregate limit is then allocated by the Market Risk Committee, which is a sub-unit of the Risk Committee, based on a recommendation of the Group Market and Liquidity Risk Management. Each market risk activity in the trading book is assigned a risk limit which, in the aggregate, is statistically

consistent with the aggregate VaR limit covering all market risks of Erste Group. Limit compliance is verified at two levels: first, by the appropriate local decentralised risk management unit, and second, by Group Market and Liquidity Risk Management.

A key step in limit-setting is the estimation of the potential losses that could result from movements in capital markets. This amount—VaR—is calculated at the group level on a daily basis and relayed to the Management Board via the electronic management information system. VaR for market risk is determined using a historical simulation method. In its analysis of market risk, Erste Group uses a 99% confidence level and holding periods of one day and ten days. The validity of the statistical methods applied is verified on an ongoing basis by backtesting.

Extreme market situations have a significant impact on the value of trading positions and have extraordinary effects on trading results, which are typically market movements with a low probability of occurrence. As purely statistical methods such as VaR do not measure market risk by taking into account market conditions at a time of crisis, Erste Group reinforces its VaR-based risk measurement with stress testing applying several other methods, including historical worst, extreme value theory and scenario analysis. The results of these assessments are also made available to the Management Board via the electronic management information system.

The market risk model approved by the FMA is used to determine the minimum regulatory capital requirements of Erste Group under the Banking Act. As back-testing results of the model remain good, even during the recent crisis, and following an appraisal by OeNB, the FMA assigned Erste Group the multiplier 3, which is the most favourable multiplier possible. Erste Group currently foresees no change in the multiplier.

The following tables show the VaR amounts for the year ended 31 December 2008 and the nine months ended 30 September 2009 at 99% confidence level, with a holding period of one day:

in EUR thousand	As of 30 September 2009					
	Total	Interest	Currency	Shares	Commodity	Volatility
Erste Group .....	43,633	39,788	1,531	10,658	163	2,026
Banking book .....	39,085	38,345	20	1,785	0	0
Trading book .....	8,215	3,333	1,520	9,624	163	2,026

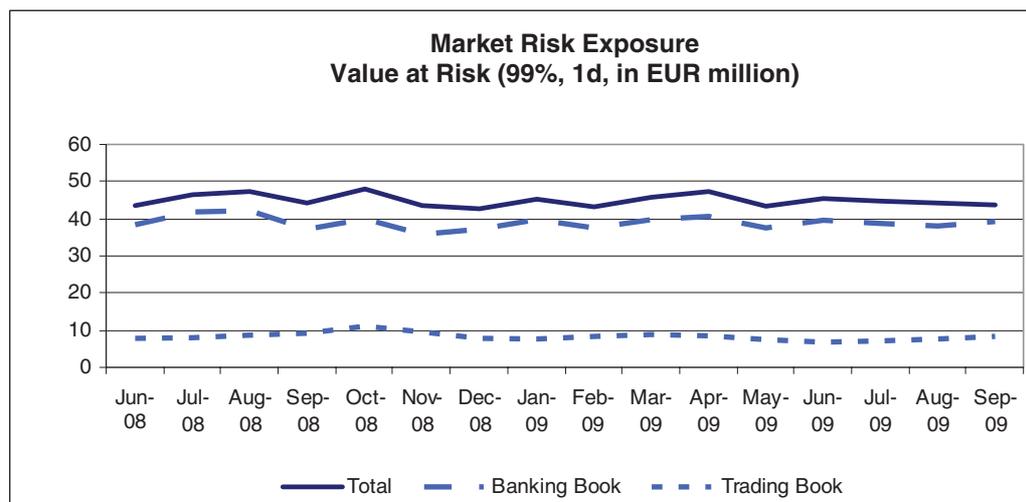
Source: Internal information of Erste Group Bank

in EUR thousand	As of 31 December 2008					
	Total	Interest	Currency	Shares	Commodity	Volatility
Erste Group .....	42,657	29,892	2,719	5,350	227	2,164
Banking book .....	37,168	37,023	68	867	3	0
Trading book .....	7,789	4,309	2,685	4,869	225	2,164

Source: Audited consolidated financial statements of Erste Group Bank for the financial year ended 31 December 2008

The main sources of market risk positions are customer driven transactions, transactions for trading purposes (including hedges of cash positions and market making), transactions for funding purposes (FX Swaps and Cross Currency Swaps) and hedging of the banking book assets or liabilities (hedge accounting). All market risk positions, including customer driven trading positions, have to be within the market risk limits set by the Market Risk Committee.

The following chart shows the market risk of Erste Group, divided into market risk attributable to the trading book and market risk attributable to the banking book, from June 2008 until September 2009, expressed by VaR.



Source: Internal information of Erste Group Bank

While the trading book exposure of Erste Group is generally comparably low compared to the banking book, trading book risk peaked in October 2008 as a result of the sharp increase in market volatility. Although volatility remained high in 2009, VaR declined due to reduced position exposure. The banking book exposure remained at approximately the same level during the period between October 2008 and September 2009, and exhibited only minor fluctuations due to changes in positioning and market volatility.

### Regulatory Capital Requirements for Trading Book Exposures and Internal Market Risk Model

Erste Group uses an internal model to calculate the capital requirement for market risk, which was approved by the Austrian banking authorities for the purpose of calculating capital adequacy in September 2001. Regulatory capital requirement for the specific risk capital charge of the trading book is calculated by the standardised approach. The following table shows the capital requirements for the trading book of Erste Group as of each date indicated:

#### Trading Book Capital

in EUR million	As of			
	31 December 2008	31 March 2009	30 June 2009	30 September 2009
Total Trading book . . . . .	402	354	380	396
Standard Approach . . . . .	334	294	324	326
Internal Model . . . . .	68	60	56	70

Source: Internal information of Erste Group Bank

## Operational risk

### Overview

In line with Section 2 No 57b Banking Act, Erste Group defines operational risk as “the risk of loss resulting from inadequacy or failure of internal processes, people or systems, or from external events”. Both quantitative and qualitative methods are used to identify operational risks. Consistent with international practice, the responsibility for managing operational risk rests with the line management.

The quantitative measurement methods are based on internal loss experience data, which is collected across Erste Group using a standard methodology and entered in a central data pool. Additionally, in order to be able to model losses that have not occurred in the past but are nonetheless possible, scenarios and external data are also used. Erste Group sources external data from the Operational Risk Data Exchange Organisation, a non-profit industry association and leading risk-loss data consortium.

In addition to quantitative methods, qualitative methods are also used to determine operational risk, such as risk assessment surveys. The results of and suggestions for risk control in these surveys taken by experts are reported to line management and thus help to reduce operational risks. Erste Group also reviews certain key indicators periodically to ensure early detection of changes in risk potential that may lead to losses.

Erste Group uses a group-wide insurance programme, which, since its establishment in 2004, has reduced the cost of meeting Erste Group's traditional property insurance needs and made it possible to buy additional insurance for previously uninsured banking-specific risks. Without any increase in overall costs for individual entities, Erste Group achieves coverage of the losses via a captive reinsurance firm, which permits diversification of risk in Erste Group.

The quantitative and qualitative methods used, together with the insurance strategy and the modelling approaches described above form the operational risk framework of Erste Group. Information on operational risk is periodically communicated to senior management and the Management Board via various reports, including the quarterly top management report, which includes recent loss history, loss development, qualitative information from risk assessments and key risk indicators as well as the operational VaR for Erste Group.

### **Regulatory Capital Requirement for Operational Risk**

In the first half of 2009, Erste Group received regulatory approval to use the AMA at the group level and, as of 1 July 2009, for major subsidiaries (Erste Bank Oesterreich, Česká spořitelna, Slovenská sporiteľňa and Erste Bank Hungary). Other major subsidiaries which are currently using the Basic Indicator Approach intend to apply for the AMA in the future. AMA is a sophisticated approach to measure operational risk. Pursuant to AMA, the required capital is calculated using an internal VaR model, taking into account internal data, external data, scenario analysis, business environment and internal risk control factors. The capital requirement for operational risk amounts to EUR 935 million as of 30 September 2009. Moving from Basic Indicator Approach, to AMA had almost no effect on the capital requirements at group level, although a reduction is expected when AMA coverage is extended to other entities within Erste Group.

## **Credit risk**

### **Overview**

Credit risk arises in Erste Group's traditional lending business, comprising losses incurred as a result of default by the borrowers or by the need to set aside provisions as a result of the deteriorating credit quality of certain borrowers, as well as from trading in market risk instruments (counterparty risk). Country risks are also recognised implicitly in the calculation of credit risk. Operational credit decisions are made by the decentralised credit risk management units, namely, the Risk Management International at group level and the credit risk management units at each of the banking subsidiaries. See "Risk Management Organisation—Overview of Risk Management Structure" for a detailed explanation of the role and responsibilities of Risk Management International.

The central database used for credit risk management is the group data pool. All data relevant to credit risk management, performance management and determination of risk-weighted assets and the regulatory capital requirement are regularly input into this database.

The Group Credit Risk Reporting department uses the group data pool for centralised credit risk reporting. This ensures centralised analysis and application of ratios according to unified methods

and segmentation across Erste Group, using COGNOS as the group-wide reporting tool. The credit risk reporting comprises of regular reports on Erste Group's credit portfolio for external and internal audiences and permits continuous monitoring of credit risk developments, enabling management to take control measures. In-house recipients of these reports include, above all, the Supervisory Board and Management Board of Erste Group Bank, as well as the risk managers, business unit directors and internal audit staff.

The organisational unit "Credit Limit System" is in charge of the rollout and continual technical improvement of a group-wide online limit system for capping counterparty risk arising from treasury transactions, as well as for surveillance of credit risk from exposure to clients that fall into the asset segments "financial institutions", "sovereigns" and "international large corporates" that work with several different members of Erste Group.

### **Regulatory Capital Requirement for Credit Risk—Basel II**

Having passed the required audit conducted by the Austrian supervisory authority in 2006, Erste Group (including almost all Haftungsverbund savings banks and Česká spořitelna) successfully qualified for Basel II advanced internal ratings based (IRB) approach to the measurement of credit risk, effective from the entry of the new regulations into force on 1 January 2007. For credit risk, Erste Group applies the Advanced IRB Approach in the retail segment and the Foundation IRB Approach in all other Basel segments. In 2008, these standards were also adopted by Erste Bank Hungary and Slovenská sporiteľňa and since 1 July 2009 by Erste Bank Croatia (on a consolidated level).

According to the current rollout plan for Erste Group, the transition from the Standardised Approach to the IRB Approach is to be made in 2010 for s-Wohnbaubank in Austria, for Erste Bank Croatia (on a local level) and in the subsequent years for BCR, Erste Bank Serbia and Erste Bank Ukraine.

### **Internal Rating System**

#### *Overview*

Erste Group has business and risk strategies in place for lending policies and credit approval processes, which are reviewed and adjusted at least on a yearly basis. The business and risk strategy is a forward-looking, written definition of strategic risk parameters to be achieved by Erste Group, which is based on the analysis of the then current situation and the assessment of the risks associated with the lending business. The business and risk strategy covers the entire lending business, taking into account the nature, scope and risk level of the transactions and the counterparties involved. The strategy includes planning based on credit types, industry focuses, geographic dispersion (including regions and countries) and the distribution of the exposures by rating and size. In addition to the foregoing parameters, credit approval is also based on the creditworthiness of the customer, the type of credit, collateral, covenant package and other risk mitigation factors involved.

Assessment of counterparty default risk within Erste Group is based on probability of default ("PD"). For each credit exposure and lending decision, Erste Group assigns an internal rating, which is a unique measure of counterparty default risk within each entity of the Erste Group (an "Internal Rating").

The main purpose of the Internal Ratings is to affect the decision-making for lending and the terms of the credit facility to be extended; however, Internal Ratings also determines the level of decision-making authority within Erste Group and the monitoring procedures for existing exposures. At a quantitative level, Internal Ratings drive the level of required risk pricing and risk provisions. For IRB compliant entities of Erste Group, Internal Ratings are a key element of risk weighted assets' calculation and Internal Capital Adequacy Assessment Process ("ICAAP").

Internal Ratings take into account all available essential information for assessment of counterparty default risk. For non-retail borrowers, Internal Ratings take into account financial

strength of the counterparty, possibility for external support, company information, and external credit history information, where available. For the wholesale segment, Internal Ratings also take into account market information such as external rating or credit spreads. For retail clients, Internal Ratings are based mainly on behavioural and application scoring information, but also utilise demographic and financial information, supplemented by credit bureau information, where available. Country ceilings on credit quality are applied based on country domicile and membership in a group of economically related entities.

All scorecards, whether retail or non-retail, are regularly validated using statistical techniques in respect to default prediction performance, rating stability, data quality, completeness and relevancy of the credit documentation and user acceptance. The results of this validation process are reported to the management and regulatory bodies. In addition to the validation process, the Group applies monthly monitoring process on the performance of rating tools, reflecting the month-to-month new defaults and any early delinquencies. All rating processes, definitions, methodologies and new model development activities are coordinated by the rating methods of Erste Group.

### *Risk Classes and Categories*

The classification of credit assets into risk classes is based on Erste Group's Internal Ratings. Erste Group uses two internal risk-scales for risk classification: for customers that have not defaulted, a risk scale of eight risk classes (for retail) and 13 risk classes (for all other segments) is used. Defaulted customers are classified in one risk class. For newly acquired subsidiaries of Erste Group, the respective local risk classification is mapped to group standard classifications until internal rating systems are introduced.

For the purpose of group-steering and reporting, Erste Group developed a framework to map the risk grades into four different risk categories, as follows:

**Low risk:** Typically regional customers with a well-established and rather long standing relationship with Erste Group or large internationally recognised customers. Strong and good financial health and not foreseeable financial difficulties. Retail clients with long relationship with the bank, or clients with a wide product pool use. No late payments currently or in the most recent twelve months. New business is generally with clients in this risk category.

**Management attention:** Vulnerable non-retail clients, which may have overdue payments/ defaults in their credit history or which may encounter debt repayment difficulties in the medium-term. Retail clients with limited savings or probable past payment problems triggering early collection reminder. These clients typically have a good recent history and no current delinquency.

**Substandard:** The borrower is vulnerable to negative financial and economic developments; such loans are managed in specialised risk management departments.

**Non-performing:** One or more of the default criteria under Basel II are met: full repayment unlikely, interest or principal payments on a material exposure more than 90 days past due, restructuring resulting in a loss to the lender, realisation of a loan loss, or initiation of bankruptcy proceedings. For purposes of analysing non-performing loans, in Austria Erste Group applies the "customer view". Accordingly, if an Austrian customer defaults on one product then all of that customer's performing products are classified as non-performing. For corporate borrowers in CEE, the customer view is also applied. However, in the retail and SME segment in CEE, Erste Group uses the "product view", so that only the product actually in default is counted as an NPL whereas the other products of the same customer are considered performing.

The foregoing four categories are also mapped to the external rating grades of rating agencies, as follows:

<b>Risk Category within Erste Group*</b>	<b>External Ratings assigned by Rating Agencies</b>
Low Risk	AAA to BB/Aaa to Ba
Management Attention	B
Sub-standard	CCC to C/ Caa to C
Non-performing	D, R, RD, SD**

\* Source: Internal information of Erste Group Bank

\*\* Moody's does not use a symbol for default; C is the closest approximation, but does not always correspond to default.

Erste Bank calibrates the PDs for the diverse client portfolio (ranging from private individuals to multi-national corporates and across different countries) in order to provide sufficiently distinct rating distribution of all portfolios and to support underwriting and customer relationship management with the best risk differentiation possible. A regular validation is undertaken at each entity level to assure a good calibration for each portfolio. Accordingly, rising PDs are expected in the near future.

## **Credit Risk Review and Monitoring**

### *Credit Monitoring*

In order to manage the credit risk for large corporates, banks, sovereigns and country risk, credit limits are established to reflect the maximum exposure Erste Group is willing to take on that particular customer or the group of connected customers. All credit limits and the exposures booked within the limits are reviewed at least once a year. For borrowers for which no credit limits have been established (corporates, real estate), formal monitoring is done through regular credit reviews. For small corporates and retail customers, monitoring and credit review is based on a rating model, which is updated monthly. For weaker small corporates (with a risk category of "Management attention" or "Substandard"), an annual review process is undertaken.

Portfolio reports for asset classes and business lines are prepared on a regular basis. Watch-list meetings or remedial committee-meetings are held on a regular basis to discuss customers with weak ratings or to discuss pre-emptive measures to help a particular client avoid default. Upon the assignment to Management Attention risk category or worse, responsibility for the management of the exposure is transferred from the business line to the credit risk management. All of such customers belong to the risk category "Management attention" or "Substandard".

For retail business, local operational risk management is responsible to undertake these monitoring activities and fulfil the minimum requirements of Group Retail Risk Management.

### **Credit Exposure**

Credit exposure relates to the following balance sheet items: loans and advances to credit institutions and loans and advances to customers; fixed-income securities held for trading, at fair value through profit or loss, or available for sale; held-to-maturity investments; and derivatives and credit risks held off-balance sheet (including undrawn credit commitments).

The total credit exposure of Erste Group increased by 5.1% or EUR 11.0 billion, from EUR 215.7 billion at 31 December 2008 to EUR 226.7 billion at 30 September 2009.

Erste Group's total credit exposure is presented below divided into the following categories:

- credit exposure by industry;
- credit exposure by risk category;
- credit exposure by industry and risk category;
- credit exposure by region; and

- credit exposure by reporting segment.

Following this detailed breakdown of credit exposure, Erste Group presents a detailed breakdown of its non-performing assets and risk provisions, and a detailed breakdown of Erste Group's loans to customers by reporting segment, country and industry. In addition, the Retail and SME reporting segment is presented on a quarterly basis in more detail. See "Distribution of Loans to Customers", below.

### ***Credit Exposure by Industry***

The following tables present Erste Group's total credit exposure by industry, broken down into on- and off-balance sheet items, as of each period indicated.

### **Credit Exposure by Industry**

in EUR million	As of 30 September 2009		
	Total loans and advances to credit institutions and customers (incl. fixed-income securities)	Guarantees/ letters of credit Undrawn commitments	Total Exposure
Private households . . . . .	48,497	7,608	56,105
Financial and insurance services . . . . .	41,375	12,558	53,933
Public administration . . . . .	20,795	4,951	25,746
Real estate and housing . . . . .	18,988	2,915	21,903
Manufacturing . . . . .	11,484	4,127	15,611
Trade . . . . .	9,751	2,690	12,441
Construction . . . . .	6,880	3,141	10,021
Transport and communication . . . . .	6,915	928	7,843
Services . . . . .	6,468	1,249	7,717
Hotels and restaurants . . . . .	4,238	568	4,806
Energy and water supply . . . . .	2,557	819	3,377
Education, health and art . . . . .	2,842	356	3,197
Agriculture and forestry . . . . .	1,929	252	2,181
Mining . . . . .	755	140	895
Other . . . . .	66	810	876
<b>Total . . . . .</b>	<b>183,540</b>	<b>43,112</b>	<b>226,652</b>

Source: Internal information of Erste Group Bank

## Credit Exposure by Industry

in EUR million	As of 31 December 2008		
	Total loans and advances to credit institutions and customers (incl. fixed-income securities)	Guarantees/ letters of credit Undrawn commitments	Total Exposure
Private households . . . . .	47,362	3,409	50,771
Financial and insurance services . . . . .	41,686	8,865	50,551
Public administration . . . . .	20,906	2,918	23,824
Real estate and housing . . . . .	16,584	4,470	21,054
Manufacturing . . . . .	10,614	5,265	15,879
Trade . . . . .	10,023	3,623	13,646
Construction . . . . .	5,731	3,633	9,364
Services . . . . .	6,284	1,562	7,846
Transport and communication . . . . .	4,842	1,261	6,102
Hotels and restaurants . . . . .	3,797	715	4,512
Energy and water supply . . . . .	2,790	672	3,461
Education, health and art . . . . .	2,883	509	3,392
Agriculture and forestry . . . . .	1,778	243	2,021
Mining . . . . .	715	119	834
Other . . . . .	2,315	97	2,412
<b>Total . . . . .</b>	<b>178,308</b>	<b>37,361</b>	<b>215,668</b>

Source: Audited consolidated financial statements of Erste Group Bank for the financial year ended 31 December 2008 and internal information of Erste Group

## Credit Exposure by Risk Category

The following table presents the total credit risk exposure of Erste Group by risk category as of 30 September 2009, compared with total credit exposure as of 31 December 2008.

For purposes of analysing non-performing loans, in Austria Erste Group applies the "customer view". Accordingly, if an Austrian customer defaults on one product then all of that customer's performing products are classified as non-performing. For corporate borrowers in CEE, the customer view is also applied. However, in the Retail & SME segment in CEE, Erste Group uses the "product view", so that only the product actually in default is counted as an NPL whereas the other products of the same customer are considered performing.

### Credit Exposure by Risk Category: Total

in EUR million, unless indicated otherwise	Low risk	Management attention	Substandard	Non-performing	Total Exposure
Total exposure at 30 September					
2009 .....	180,378	29,857	7,706	8,711	226,652
Share of total exposure .....	79.6%	13.2%	3.4%	3.8%	100.0%
Risk provisions at 30 September					
2009 .....	152	279	481	3,993	4,905
Covered by risk provisions <sup>(1)</sup> .....	0.1%	0.9%	6.2%	45.8%	2.2%
Total exposure at 31 December					
2008 .....	177,762	25,692	5,869	6,345	215,668
Share of total exposure .....	82.4%	11.9%	2.7%	2.9%	100.0%
Risk provisions at 31 December					
2008 .....	135	178	325	3,273	3,911
Covered by risk provisions <sup>(1)</sup> .....	0.1%	0.7%	5.5%	51.6%	1.8%
Change in total exposure in 2009 ...					
Change .....	2,616	4,165	1,837	2,366	10,984
Change .....	1.5%	16.2%	31.3%	37.3%	5.1%
Change in risk provisions in 2009 ...					
Change .....	17	101	156	720	994
Change .....	12.2%	56.6%	48.1%	22.0%	25.4%

Source: Audited consolidated financial statements of Erste Group Bank for the financial year ended 31 December 2008 and unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009 and internal information of Erste Group Bank

(1) Coverage is based on individual risk categories and not comparable to the NPL coverage ratio.

From 31 December 2008 to 30 September 2009, the percentage of total exposure in the low risk category decreased, while exposure increased in the other categories. Non-performing assets as a share of total exposure (*i.e.*, "NPL ratio") showed a marked increase from 2.9% to 3.8%. Of Erste Group's total credit exposure, 79.6% constituted the best risk category and 13.2% was in the management attention category; the combined proportion of the two poorer risk categories rose from 5.6% to 7.2% from 31 December 2008 to 30 September 2009.

The following tables present the credit risk exposure of Erste Group by risk category in and outside of Austria, respectively, as of 30 September 2009, compared with the credit exposure of Erste Group in Austria and outside of Austria, respectively, as of 31 December 2008.

### Credit Exposure by Risk Category: Austria

in EUR million, unless indicated otherwise	Low risk	Management attention	Substandard	Non-performing	Total Exposure
Total exposure at 30 September					
2009 .....	73,601	10,517	2,446	3,915	90,479
Share of total exposure .....	81.3%	11.6%	2.7%	4.3%	100.0%
Risk provisions at 30 September					
2009 .....	26	74	285	1,855	2,240
Covered by risk provisions .....	0.0%	0.7%	11.7%	47.4%	2.5%
Total exposure at 31 December					
2008 .....	70,374	8,816	2,277	3,667	85,135
Share of total exposure .....	82.7%	10.4%	2.7%	4.3%	100.0%
Risk provisions at 31 December					
2008 .....	22	46	170	1,823	2,061
Covered by risk provisions .....	0.0%	0.5%	7.4%	49.7%	2.4%
Change in total exposure in 2009 ...					
Change .....	3,226	1,701	169	248	5,344
Change .....	4.6%	19.3%	7.4%	6.8%	6.3%
Change in risk provisions in 2009 ...					
Change .....	4	27	116	32	179
Change .....	17.8%	59.1%	68.2%	1.8%	8.7%

Source: Audited consolidated financial statements of Erste Group Bank for the financial year ended 31 December 2008 and unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009 and internal information of Erste Group Bank.

In Austria, total credit exposure grew by EUR 5.3 billion or 6.3% from EUR 85.1 billion at 31 December 2008 to EUR 90.5 billion at 30 September 2009, driven mainly by changes in low risk and management attention in absolute terms. The low risk category increased by EUR 3.2 billion or 4.6%, the management attention portfolio increased by EUR 1.7 billion or 19.3%, substandard assets increased by EUR 169 million or 7.4% and non-performing assets rose by EUR 248 million or 6.8%.

### Credit Exposure by Risk Category: Outside of Austria

in EUR million, unless indicated otherwise	Low risk	Management attention	Substandard	Non-performing	Total Exposure
Total exposure at 30 September					
2009 .....	106,778	19,340	5,260	4,796	136,174
Share of total exposure .....	78.4%	14.2%	3.9%	3.5%	100.0%
Risk provisions at 30 September					
2009 .....	126	205	196	2,139	2,665
Covered by risk provisions .....	0.1%	1.1%	3.7%	44.6%	2.0%
Total exposure at 31 December					
2008 .....	107,388	16,876	3,591	2,678	130,533
Share of total exposure .....	82.3%	12.9%	2.8%	2.1%	100.0%
Risk provisions at 31 December					
2008 .....	113	132	155	1,450	1,850
Covered by risk provisions .....	0.1%	0.8%	4.3%	54.1%	1.4%
Change in total exposure in 2009 ...					
Change .....	(610)	2,464	1,669	2,118	5,640
Change .....	(0.6%)	14.6%	46.5%	79.1%	4.3%
Change in risk provisions in 2009 ...					
Change .....	13	73	41	689	815
Change .....	11.1%	55.8%	26.2%	47.5%	44.1%

Source: Audited consolidated financial statements of Erste Group Bank for the financial year ended 31 December 2008 and unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009 and internal information of Erste Group Bank.

The amount of credit exposure outside Austria increased by EUR 5.6 billion, or 4.3%, from EUR 130.5 billion at 31 December 2008 to EUR 136.2 billion at 30 September 2009. However, low-risk assets contracted by EUR 610 million, or 0.6%, while management attention exposure increased by EUR 2.5 billion, or 14.6%, substandard loans increased by EUR 1.7 billion, or 46.5%, and non performing assets increased by EUR 2.1 billion, or 79.1%. This reflected the deterioration of the fundamental environment in the core markets in CEE.

### **Credit Exposure by Industry and Risk Category**

The following tables present the total credit risk exposure of Erste Group broken down by industry and risk category as of 30 September 2009 and 31 December 2008, respectively.

#### **Credit Exposure by Industry and Risk Category: Total**

in EUR million	As of 30 September 2009				
	Gross Exposure				Aggregate Exposure
	Low risk	Management attention	Substandard	Non-performing	
Agriculture and forestry . . . . .	1,237	650	148	146	2,181
Mining . . . . .	665	126	13	91	895
Manufacturing . . . . .	9,476	3,908	1,188	1,039	15,611
Energy and water supply . . . . .	2,570	619	85	104	3,377
Construction . . . . .	6,544	2,169	771	537	10,021
Trade . . . . .	7,954	2,868	700	919	12,441
Transport and communication . . .	5,774	1,327	348	394	7,843
Hotels and restaurants . . . . .	2,236	1,667	336	567	4,806
Financial and insurance services . .	51,643	1,478	340	472	53,933
Real estate and housing . . . . .	15,863	4,368	806	866	21,903
Services . . . . .	5,575	1,390	243	508	7,717
Public administration . . . . .	25,123	608	11	5	25,746
Education, health and art . . . . .	2,306	596	140	156	3,197
Private households . . . . .	43,306	8,062	1,833	2,903	56,105
Other . . . . .	106	20	745	5	876
<b>Total . . . . .</b>	<b>180,378</b>	<b>29,857</b>	<b>7,706</b>	<b>8,711</b>	<b>226,652</b>

Source: Internal information of Erste Group Bank

## Credit Exposure by Industry and Risk Category: Total

in EUR million	As of 31 December 2008				
	Gross Exposure				
	Low risk	Management attention	Substandard	Non-performing	Total Exposure
Agriculture and forestry	1,139	588	156	138	2,021
Mining	735	66	21	11	834
Manufacturing	10,908	3,501	773	697	15,879
Energy and water supply	2,779	509	99	74	3,461
Construction	6,682	1,861	460	362	9,364
Trade	9,190	3,313	448	694	13,646
Transport and communication	4,239	1,262	349	252	6,102
Hotels and restaurants	2,495	1,278	270	469	4,512
Financial and insurance services	48,306	1,775	105	364	50,551
Real estate and housing	16,059	3,995	410	590	21,054
Services	6,055	1,192	174	425	7,846
Public administration	23,015	776	20	13	23,824
Education, health and art	2,423	566	270	132	3,392
Private households	42,394	4,978	1,279	2,120	50,771
Other	1,342	32	1,033	4	2,412
<b>Total</b>	<b>177,762</b>	<b>25,692</b>	<b>5,869</b>	<b>6,345</b>	<b>215,668</b>

Source: Audited consolidated financial statements of Erste Group Bank for the financial year ended 31 December 2008

The following tables present the credit risk exposure of Erste Group by industry and risk category, in Austria and outside of Austria, respectively, and as of 30 September 2009, and 31 December 2008, respectively.

## Credit Exposure by Industry and Risk Category: Austria

in EUR million	As of 30 September 2009				
	Gross Exposure				
	Low risk	Management attention	Substandard	Non-performing	Total Exposure
Agriculture and forestry	591	204	43	80	917
Mining	97	31	0	7	135
Manufacturing	4,868	906	142	347	6,263
Energy and water supply	925	164	14	45	1,149
Construction	3,707	658	109	294	4,769
Trade	4,425	1,021	173	465	6,084
Transport and communication	1,782	328	115	189	2,413
Hotels and restaurants	1,370	958	182	445	2,955
Financial and insurance services	15,401	308	37	96	15,842
Real estate and housing	10,075	1,878	232	440	12,625
Services	3,063	801	107	359	4,330
Public administration	5,149	6	0	0	5,155
Education, health and art	1,326	284	111	89	1,811
Private households	20,787	2,964	440	1,058	25,250
Other	35	5	741	0	781
<b>Total</b>	<b>73,601</b>	<b>10,517</b>	<b>2,446</b>	<b>3,915</b>	<b>90,479</b>

Source: Internal information of Erste Group Bank

## Credit Exposure by Industry and Risk Category: Austria

in EUR million	As of 31 December 2008				
	Gross Exposure				
	Low risk	Management attention	Substandard	Non-performing	Total Exposure
Agriculture and forestry . . . . .	530	164	27	79	801
Mining . . . . .	56	26	0	8	90
Manufacturing . . . . .	4,954	593	119	280	5,946
Energy and water supply . . . . .	890	171	8	32	1,101
Construction . . . . .	3,719	627	71	266	4,683
Trade . . . . .	4,663	1,064	127	475	6,329
Transport and communication . . . . .	1,765	318	117	160	2,360
Hotels and restaurants . . . . .	1,303	911	169	391	2,773
Financial and insurance services . . . . .	13,363	246	47	78	13,734
Real estate and housing . . . . .	9,532	1,849	163	444	11,988
Services . . . . .	2,896	629	90	340	3,955
Public administration . . . . .	4,853	67	0	0	4,920
Education, health and art . . . . .	1,269	264	32	94	1,658
Private households . . . . .	19,916	1,884	279	1,022	23,101
Other . . . . .	665	2	1,028	0	1,695
<b>Total . . . . .</b>	<b>70,374</b>	<b>8,816</b>	<b>2,277</b>	<b>3,667</b>	<b>85,135</b>

Source: Audited consolidated financial statements of Erste Group Bank for the financial year ended 31 December 2008

## Credit Exposure by Industry and Risk Category: Outside of Austria

in EUR million	As of 30 September 2009				
	Gross Exposure				
	Low risk	Management attention	Substandard	Non-performing	Total Exposure
Agriculture and forestry . . . . .	646	446	105	66	1,264
Mining . . . . .	568	95	13	85	760
Manufacturing . . . . .	4,609	3,002	1,046	692	9,348
Energy and water supply . . . . .	1,645	454	70	58	2,228
Construction . . . . .	2,836	1,511	662	243	5,253
Trade . . . . .	3,530	1,847	527	454	6,357
Transport and communication . . . . .	3,992	1,000	233	205	5,429
Hotels and restaurants . . . . .	866	709	154	122	1,851
Financial and insurance services . . . . .	36,241	1,171	303	376	38,091
Real estate and housing . . . . .	5,789	2,490	574	425	9,278
Services . . . . .	2,512	589	136	150	3,387
Public administration . . . . .	19,974	602	11	5	20,592
Education, health and art . . . . .	980	311	28	66	1,386
Private households . . . . .	22,519	5,098	1,393	1,845	30,855
Other . . . . .	71	15	5	5	95
<b>Total . . . . .</b>	<b>106,778</b>	<b>19,340</b>	<b>5,260</b>	<b>4,796</b>	<b>136,174</b>

Source: Internal information of Erste Group Bank

## Credit Exposure by Industry and Risk Category: Outside of Austria

in EUR million	As of 31 December 2008				
	Gross Exposure				
	Low risk	Management attention	Substandard	Non-performing	Total Exposure
Agriculture and forestry	610	423	129	58	1,220
Mining	679	40	21	4	744
Manufacturing	5,954	2,907	654	417	9,932
Energy and water supply	1,889	338	91	43	2,360
Construction	2,963	1,234	388	96	4,681
Trade	4,527	2,249	321	220	7,316
Transport and communication	2,474	944	232	93	3,743
Hotels and restaurants	1,193	366	102	78	1,738
Financial and insurance services	34,943	1,529	58	286	36,816
Real estate and housing	6,527	2,145	247	146	9,066
Services	3,158	564	85	85	3,892
Public administration	18,162	709	20	13	18,904
Education, health and art	1,154	303	239	39	1,734
Private households	22,477	3,094	1,001	1,098	27,670
Other	677	30	5	4	716
<b>Total</b>	<b>107,388</b>	<b>16,876</b>	<b>3,591</b>	<b>2,678</b>	<b>130,533</b>

Source: Audited consolidated financial statements of Erste Group Bank for the financial year ended 31 December 2008

The total increase of credit exposure of EUR 5.3 billion from 31 December 2008 to 30 September 2009 in Austria was driven primarily by private households and the financial and insurance industry. Outside of Austria, credit exposure increased by EUR 5.6 billion primarily due to private households, transport and communication as well as public administration.

### **Credit Exposure by Region**

The geographic analysis of credit exposure is based on the risk country of the borrower. Accordingly, the distribution among Erste Group entities of the credit exposure by geography differs from the composition of credit risk in terms of reporting segments of Erste Group.

The following table presents the total credit risk exposure of Erste Group broken down by region as of 30 September 2009 and 31 December 2008, respectively.

### Credit Exposure by Region

in EUR million	As of 30 September 2009				
	Gross Exposure				
	Low risk	Management attention	Substandard	Non-performing	Total Exposure
Core market	140,444	27,024	7,117	7,805	182,390
Austria	73,601	10,517	2,446	3,915	90,479
Croatia	6,182	2,150	257	317	8,905
Romania	9,354	6,390	2,138	1,328	19,209
Serbia	358	484	11	71	924
Slovak Republic	10,155	1,063	364	445	12,027
Slovenia	1,850	228	176	159	2,414
Czech Republic	27,901	4,234	1,015	926	34,075
Ukraine	174	565	182	101	1,022
Hungary	10,869	1,394	529	543	13,334
Other EU	28,481	1,763	269	486	30,999
Other industrialised countries	6,180	397	187	290	7,054
Emerging markets	5,274	674	132	130	6,210
South-eastern Europe / CIS	1,132	344	82	109	1,667
Asia	1,831	73	39	7	1,950
Latin America	762	45	11	11	828
Middle East / Africa	1,548	212	1	4	1,765
<b>Total</b>	<b>180,378</b>	<b>29,857</b>	<b>7,706</b>	<b>8,711</b>	<b>226,652</b>

Source: Internal information of Erste Group Bank

### Credit Exposure by Region

in EUR million	As of 31 December 2008				
	Gross Exposure				
	Low risk	Management attention	Substandard	Non-performing	Total Exposure
Core market	138,299	23,354	5,418	5,719	172,789
Austria	70,374	8,816	2,277	3,667	85,135
Croatia	6,239	1,742	189	187	8,358
Romania	9,347	5,089	1,718	532	16,686
Serbia	419	556	27	45	1,046
Slovak Republic	11,325	1,081	259	281	12,946
Slovenia	1,916	286	96	81	2,379
Czech Republic	27,354	3,689	542	610	32,195
Ukraine	527	523	56	12	1,119
Hungary	10,798	1,571	253	303	12,925
Other EU	26,253	1,287	72	343	27,956
Other industrialised countries	7,216	385	328	240	8,170
Emerging markets	5,993	666	51	44	6,753
South-eastern Europe / CIS	1,807	212	10	17	2,046
Asia	1,554	122	40	3	1,719
Latin America	837	81	0	15	933
Middle East / Africa	1,796	251	0	9	2,056
<b>Total</b>	<b>177,762</b>	<b>25,692</b>	<b>5,869</b>	<b>6,345</b>	<b>215,668</b>

Source: Audited consolidated financial statements of Erste Group Bank for the financial year ended 31 December 2008

The increase in credit exposure by EUR 11 billion from 31 December 2008 to 30 September 2009 reflected an increase of EUR 5.3 billion, or 6.3%, in Austria and of EUR 4.3 billion, or 4.9%, in the CEE core markets, coupled with an increase of EUR 3.0 billion, or 10.9% in the other EU member states (EU 27 excluding core markets), a decrease in other industrialised countries of EUR 1.1 billion, or 13.7%, and a decrease of EUR 544 million, or 8%, in the emerging markets. The exposure increase in CEE resulted from increases in the two most important markets for Erste Group, Romania and the Czech Republic.

The countries of Erste Group's core market and the EU accounted for 94.1% of credit exposure. At 2.7%, credit exposure in emerging markets remained of minor significance of the group total.

### **Credit Exposure by Reporting Segment**

This section describes the composition of credit exposure based on reporting segments. Exposure is classified to segments based on the domicile of the group entities that carry the credit risk on their books.

The following tables present the total credit risk exposure of Erste Group broken down by reporting segment as of 30 September 2009 and 31 December 2008, respectively.

### **Credit Exposure by Reporting Segment**

in EUR million	As of 30 September 2009				Total Exposure
	Low risk	Management attention	Substandard	Non-performing	
Retail & SME	123,531	21,379	5,493	7,585	157,988
Austria	68,508	11,495	1,838	4,315	86,156
EB Oesterreich	30,629	3,520	509	1,424	36,081
Savings banks	37,880	7,975	1,329	2,891	50,075
CEE	55,023	9,884	3,655	3,270	71,832
Czech Republic	24,789	3,019	657	804	29,270
Romania	8,952	3,111	1,883	1,190	15,137
Slovakia	8,498	877	317	407	10,099
Hungary	7,063	1,025	383	494	8,965
Croatia	5,168	1,361	245	262	7,037
Serbia	335	316	10	37	698
Ukraine	217	174	159	76	627
GCIB	33,634	5,516	1,589	1,091	41,831
Group Markets	17,438	254	35	10	17,737
Corporate Center	5,775	2,707	589	25	9,097
<b>Total</b>	<b>180,378</b>	<b>29,857</b>	<b>7,706</b>	<b>8,711</b>	<b>226,652</b>

Source: Internal information of Erste Group Bank

## Credit Exposure by Reporting Segment

in EUR million	As of 31 December 2008				Total Exposure
	Low risk	Management attention	Substandard	Non-performing	
Retail & SME	118,607	19,931	4,241	5,665	148,444
Austria	67,181	9,618	1,418	3,874	82,091
EB Oesterreich	30,545	3,031	363	1,245	35,185
Savings banks	36,636	6,587	1,055	2,629	46,906
CEE	51,426	10,313	2,823	1,791	66,353
Czech Republic	25,078	2,576	421	539	28,613
Romania	7,297	3,769	1,676	502	13,243
Slovakia	7,188	829	234	275	8,526
Hungary	6,858	1,198	245	248	8,549
Croatia	4,295	1,272	171	186	5,923
Serbia	358	342	21	29	750
Ukraine	353	327	55	12	747
GCIB	39,554	5,377	681	638	46,250
Group Markets	15,277	240	353	42	15,912
Corporate Center	4,325	145	593	0	5,063
<b>Total</b>	<b>177,762</b>	<b>25,692</b>	<b>5,869</b>	<b>6,345</b>	<b>215,668</b>

Source: Audited consolidated financial statements of Erste Group Bank for the financial year ended 31 December 2008 and internal information of Erste Group Bank.

### Non-performing assets and risk provisions

Credit exposures are classified and reported as non-performing loans ("NPL"), if one or more of the default criteria under Basel II are met: full repayment unlikely, interest or principal payments on a material exposure more than 90 days past due, restructuring resulting in a loss to the lender, realisation of a loan loss, or initiation of bankruptcy proceedings.

For purposes of analysing non-performing loans, in Austria Erste Group applies the "customer view". Accordingly, if an Austrian customer defaults on one product then all that customer's performing products are classified as non-performing. For corporate borrowers in CEE, the customer view is also applied. However, in the Retail & SME segment in CEE, Erste Group uses the "product view", so that only the product actually in default is counted as an NPL whereas the other products of the same customer are considered performing.

Erste Group provisions for credit risk, with risk provisions divided into specific risk provisions and portfolio risk provisions. Erste Group has established a common framework which defines minimum standards and principles for risk provisioning principles related to risk infrastructure, processes and quantification of risk provisioning. It also puts risk provisioning into overall economic perspective in terms of financial planning and ratios relevant for the group's performance management. The policy describes also underlying methodological standards for specific risk provisions and portfolio risk provisions, respectively. Through a standardised process, portfolio risk provisions are created for the portion of exposure that is not covered by collateral or expected recoveries. This particularly includes methodologies, processes and guidance regarding necessary policies for operative risk management.

The following table shows the risk provisions divided into specific and portfolio risk provisions and provisions for guarantees, as of 30 September 2009 and 31 December 2008, respectively.

in EUR million	As of	
	31 December 2008	30 September 2009
Specific risk provisions .....	3,002	3,677
Portfolio risk provisions .....	781	1,036
Provisions for guarantees .....	127	192
<b>Total</b> .....	<b>3,911</b>	<b>4,905</b>

Source: Audited consolidated financial statements of Erste Group Bank for the financial year ended 31 December 2008 and unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009 and internal information of Erste Group Bank.

Risk provisions covered 56.3% of reported NPL as of 30 September 2009. For the portion of NPL that is not covered by provisions, Erste Group believes there are sufficient levels of collateral and expected other recoveries. In addition, low average LTV in CEE retail (approximately 60% in Hungary and Romania) provides a cushion against declines in the value of collateral. In accordance with the Basel II definition of default, the NPL category also includes debt on which interest and principal payments are being made.

As a consequence of Erste Group's strength in mortgages and home equity loans, the majority of the retail loan book is comprised of secured lending. By contrast, credit card exposure accounts for only approximately 2% of the retail loan book.

In the nine months ended 30 September 2009, NPL increased by EUR 2.4 billion, or 37.3%, from EUR 6.3 billion at 31 December 2008 to EUR 8.7 billion at 30 September 2009. Erste Group has experienced a declining growth rate of NPL formation during the third quarter of 2009. In addition, the average debt burden ratios for retail customers based on proven income are at a low level. Risk provisions were increased by EUR 994 million, or 25.4%, from EUR 3.9 billion at 31 December 2008 to EUR 4.9 billion at 30 September 2009. These movements resulted in a net reduction of 5.3 percentage points in NPL provision coverage.

The following tables show the coverage of non-performing loans across the reporting segments by provisions (excluding collateral) as of 30 September 2009 and 31 December 2008, respectively. The differences in provisioning levels for the segments result from the risk situation in the respective markets, regulatory requirements, different levels of collateralisation and the local legal environment.

The NPL ratio is calculated by dividing non-performing exposure by total exposure. NPL coverage is calculated by dividing risk provisions by non-performing exposures. NPL coverage is calculated exclusive of any collateral.

## Coverage of NPL by Provisions

As of 30 September 2009					
in EUR million, unless indicated otherwise	Total Exposure		Risk provisions	NPL Ratio	NPL Coverage
	Non-performing	Total Exposure			
Erste Bank Oesterreich	1,424	36,081	663	3.9%	46.6%
Savings Banks	2,891	50,075	1,493	5.8%	51.6%
Austria	4,315	86,156	2,156	5.0%	50.0%
Czech Republic	804	29,270	483	2.7%	60.0%
Romania	1,190	15,137	653	7.9%	54.9%
Slovakia	407	10,099	315	4.0%	77.3%
Hungary	494	8,965	228	5.5%	46.2%
Croatia	262	7,037	223	3.7%	85.1%
Serbia	37	698	45	5.3%	121.8%
Ukraine	76	627	63	12.2%	81.8%
Central and Eastern Europe	3,270	71,832	2,009	4.6%	61.4%
Retail & SME	7,585	157,988	4,165	4.8%	54.9%
Group Large Corporates	407	12,056	280	3.4%	68.7%
Group Real Estate	455	10,561	147	4.3%	32.3%
International Business	229	19,214	191	1.2%	83.4%
Group Corporate and Investment Banking	1,091	41,831	618	2.6%	56.6%
Group Markets	10	17,737	2	0.1%	22.4%
Corporate Center	25	9,097	120	0.3%	470.5%
<b>Total</b>	<b>8,711</b>	<b>226,652</b>	<b>4,905</b>	<b>3.8%</b>	<b>56.3%</b>

Source: Internal information of Erste Group Bank

## Coverage of NPL by Provisions

As of 31 December 2008					
in EUR million, unless indicated otherwise	Total Exposure		Risk provisions	NPL Ratio	NPL Coverage
	Non-performing	Total Exposure			
Erste Bank Oesterreich	1,245	35,185	680	3.5%	54.6%
Savings Banks	2,629	46,906	1,383	5.6%	52.6%
Austria	3,874	82,091	2,063	4.7%	53.3%
Czech Republic	539	28,613	322	1.9%	59.8%
Romania	502	13,243	532	3.8%	106.0%
Slovakia	275	8,526	226	3.2%	82.3%
Hungary	248	8,549	124	2.9%	50.1%
Croatia	186	5,923	176	3.1%	94.7%
Serbia	29	750	39	3.8%	135.7%
Ukraine	12	747	31	1.6%	263.8%
Central and Eastern Europe	1,791	66,353	1,451	2.7%	81.0%
Retail & SME	5,665	148,444	3,514	3.8%	62.0%
Group Large Corporates	235	14,031	154	1.7%	65.6%
Group Real Estate	219	10,154	109	2.2%	49.7%
International Business	184	22,065	132	0.8%	71.9%
Group Corporate and Investment Banking	638	46,250	395	1.4%	61.9%
Group Markets	42	15,912	1	0.3%	3.3%
Corporate Center	0	5,063	1	0.0%	157.3%
<b>Total</b>	<b>6,345</b>	<b>215,668</b>	<b>3,911</b>	<b>2.9%</b>	<b>61.6%</b>

Source: Audited consolidated financial statements of Erste Group Bank for the financial year ended 31 December 2008 and internal information of Erste Group Bank

Specific provisions exist for the following exposures:

in EUR million	As of 30 September 2009 Total loans under specific provisions	As of 31 December 2008 Total loans under specific provisions
Loans and advances to credit institutions . . . . .	68	130
Loans and advances to customers . . . . .	5,867	4,749
<b>Total</b> . . . . .	<b>5,935</b>	<b>4,879</b>

Source: Audited consolidated financial statements of Erste Group Bank for the financial year ended 31 December 2008 and internal information of Erste Group Bank

All loans and other advances presented in the tables above were classified as non-performing. Provisions are as a rule established for loans and other advances that are more than 90 days past due. However, specific provisions are not established if the loans and other advances are covered by portfolio provisions or by adequate collateral.

Erste Group focuses on early identification of customers who are facing difficulties with payments or other loan-related obligations with the aim of restructuring their loans if the mid-to long-term outlook is positive. Erste Group believes that this can help to build customer loyalty for long-term relationships and cooperation. In principle, Erste Group follows a policy of restructuring by lengthening maturity and/or by deferring capital repayment but insisting on payment of interest.

## Distribution of Loans to Customers

### *Distribution of Loans to Customers by reporting segment*

The following tables present the customer loan book as of 30 September 2009 and 31 December 2008, excluding loans to financial institutions and commitments, by reporting segments, broken down by risk category, risk provisions, the non-performing loan coverage and NPL ratio. For the purpose of this section, "NPL ratio" and "NPL coverage" only relate to customer loans:

	As of 30 September 2009							
	Low risk	Mgmt attention	Sub- standard	Non- performing	Total loans	Risk provisions	NPL coverage	NPL ratio
Retail & SME . . . . .	78,036	18,527	5,038	7,251	108,851	4,023	55.5%	6.7%
Austria . . . . .	45,515	10,178	1,606	4,052	61,352	2,052	50.6%	6.6%
EB Oesterreich . . . . .	21,147	3,155	414	1,289	26,005	612	47.5%	5.0%
Savings banks . . . . .	24,368	7,023	1,192	2,763	35,346	1,439	52.1%	7.8%
CEE . . . . .	32,520	8,349	3,432	3,199	47,500	1,971	61.6%	6.7%
Czech Republic . . . . .	13,753	2,548	618	752	17,672	482	64.1%	4.3%
Romania . . . . .	5,739	2,536	1,730	1,186	11,191	633	53.4%	10.6%
Slovakia . . . . .	4,250	728	305	403	5,686	310	77.0%	7.1%
Hungary . . . . .	5,440	929	376	490	7,235	227	46.3%	6.8%
Croatia . . . . .	3,017	1,240	240	256	4,753	214	83.5%	5.4%
Serbia . . . . .	214	200	10	35	459	42	119.0%	7.7%
Ukraine . . . . .	108	168	152	76	504	62	81.9%	15.1%
GCIB . . . . .	13,716	4,308	1,426	879	20,329	392	44.6%	4.3%
Group Markets . . . . .	182	1	0	0	183	1	nm	0.0%
Corporate Center . . . . .	473	109	5	4	591	198	nm	0.7%
<b>Total group</b> . . . . .	<b>92,407</b>	<b>22,945</b>	<b>6,468</b>	<b>8,134</b>	<b>129,954</b>	<b>4,613</b>	<b>56.7%</b>	<b>6.3%</b>

Source: Unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009

As of 31 December 2008								
	Low risk	Mgmt attention	Sub-standard	Non-performing	Total loans	Risk provisions	NPL coverage	NPL ratio <sup>(1)</sup>
Retail & SME . . . . .	79,659	16,399	3,701	5,398	105,156	3,394	62.9%	5.1%
Austria . . . . .	47,402	8,211	1,228	3,682	60,523	1,963	53.3%	6.1%
EB Oesterreich . . .	22,341	2,520	278	1,161	26,300	618	53.2%	4.4%
Savings banks . . . .	25,062	5,691	949	2,521	34,223	1,345	53.4%	7.4%
CEE . . . . .	32,256	8,188	2,473	1,715	44,633	1,431	83.4%	3.8%
Czech Republic . . .	13,267	1,985	370	477	16,100	322	67.4%	3.0%
Romania . . . . .	6,210	2,805	1,405	499	10,920	531	106.4%	4.6%
Slovakia . . . . .	4,079	672	218	272	5,241	222	81.6%	5.2%
Hungary . . . . .	5,582	1,101	240	246	7,169	123	49.8%	3.4%
Croatia . . . . .	2,634	1,142	168	181	4,125	168	92.6%	4.4%
Serbia . . . . .	242	174	17	28	462	35	125.3%	6.1%
Ukraine . . . . .	242	308	55	12	616	31	264.9%	1.9%
GCIB . . . . .	15,626	3,436	586	463	20,111	243	52.5%	2.3%
Group Markets . . . . .	400	57	11	24	493	1	3.5%	4.9%
Corporate Center . . . . .	348	78	0	0	426	58	nm	0.0%
<b>Total group . . . . .</b>	<b>96,033</b>	<b>19,969</b>	<b>4,298</b>	<b>5,885</b>	<b>126,185</b>	<b>3,696</b>	<b>62.8%</b>	<b>4.7%</b>

Source: Internal information of Erste Group Bank

(1) NPL ratio in the loan to customer section is based on non-performing loans of the customer loan book divided by total loans and hence might deviate from the section credit exposure.

### **Detailed distribution of loans to customers by sub-segments**

The following table sets forth the customer loan book on a quarterly basis by customer segment. In addition, the table sets forth a segmental overview of asset quality, currencies and NPL. The currency split is only available for the last two quarters.

In the table set forth below, the line item "Retail—Private individual" refers to loans to private persons; "Retail—Micros" refers to SMEs up to a pre-determined credit exposure and/or turnover figure, "Corporate" refers to companies that exceed the credit exposure and/or turnover limits for inclusion in "Retail—Micros", and "Public sector" refers to local municipalities and governments.

Total customer loan book in EUR million	As of			
	31 December 2008	31 March 2009	30 June 2009	30 September 2009
<b>Customer segment split</b>				
Retail—Private Individual .....	46,382	46,197	46,972	47,840
Retail—Micros .....	13,065	13,402	13,654	13,814
Corporate .....	60,724	60,830	61,412	61,606
Public sector .....	6,014	5,908	6,072	6,694
Total .....	126,185	126,337	128,110	129,954
<b>Asset quality overview</b>				
Low risk .....	96,033	91,368	91,158	92,407
Management attention .....	19,969	22,424	23,745	22,945
Substandard .....	4,298	5,929	5,605	6,468
Non-performing .....	5,885	6,615	7,603	8,134
Total .....	126,185	126,337	128,110	129,954
<b>Currency overview</b>				
CEE-LCY .....	—	—	25,518	26,090
CHF .....	—	—	16,036	15,861
EUR .....	—	—	80,585	82,400
USD .....	—	—	3,931	3,542
Other .....	—	—	2,040	2,061
Total .....			128,110	129,954
<b>Segment asset quality</b>				
NPL ratio .....	4.7%	5.2%	5.9%	6.3%
NPL coverage .....	63%	59%	55%	57%

Source: Internal information of Erste Group Bank

The following tables set forth the Retail SME loan book for each subsegment on a quarterly basis by customer segment. In addition, the tables set forth a segmental overview of asset quality, currencies and NPL. The currency split is only available for the last two quarters.

In the tables set forth below, the line item "Retail—Private individual" refers to loans to private persons; "Retail—Micros" refers to SMEs up to a pre-determined credit exposure and/or turnover figure; "SME / Local corporate" refers to local/regional companies in the Retail and SME segment that exceed the credit exposure and/or turnover limits for inclusion in "Retail—Micros" but are not large enough to be classified as "GCIB Group Large Corporates"; and "Municipalities" refers to local municipalities.

Segment Retail & SME in EUR million	As of			
	31 December 2008	31 March 2009	30 June 2009	30 September 2009
<b>Customer segment split</b>				
Retail—Private Individual	46,328	46,140	46,904	47,746
Retail—Micros	12,585	12,896	12,964	12,982
SME / Local corporate	41,566	41,446	41,937	42,517
Municipalities	4,677	4,500	4,999	5,607
Total	105,156	104,983	106,803	108,851
<b>Asset quality overview</b>				
Low risk	79,659	76,135	76,156	78,036
Management attention	16,399	18,217	19,220	18,527
Substandard	3,701	4,602	4,629	5,038
Non-performing	5,398	6,029	6,798	7,251
Total	105,156	104,983	106,803	108,851
<b>Currency overview</b>				
EUR	—	—	64,708	66,228
CEE-LCY	—	—	24,012	24,713
CHF	—	—	15,703	15,544
Other	—	—	2,380	2,366
Total			106,803	108,851
<b>Segment asset quality</b>				
NPL ratio	5.1%	5.7%	6.4%	6.7%
NPL coverage	63%	59%	56%	55%

Source: Internal information of Erste Group Bank

Erste Bank Oesterreich retail and SME business in EUR million	As of			
	31 December 2008	31 March 2009	30 June 2009	30 September 2009
<b>Customer segment split</b>				
Retail—Private Individual .....	10,974	10,797	10,856	10,959
Retail—Micros .....	2,657	2,626	2,656	2,670
SME / Local corporate .....	11,175	11,015	10,821	10,982
Municipalities .....	1,494	1,352	1,344	1,394
Total .....	26,300	25,790	25,677	26,005
<b>Asset quality overview</b>				
Low risk .....	22,341	21,006	20,619	21,147
Management attention .....	2,520	3,150	3,328	3,155
Substandard .....	278	438	418	414
Non-performing .....	1,161	1,196	1,313	1,289
Total .....	26,300	25,790	25,677	26,005
<b>Currency overview</b>				
EUR .....	—	—	21,235	21,596
CHF .....	—	—	3,988	3,963
Other .....	—	—	455	446
Total .....	—	—	25,677	26,005
<b>Segment asset quality</b>				
NPL ratio .....	4.4%	4.6%	5.1%	5.0%
NPL coverage .....	53%	53%	50%	47%

Source: Internal information of Erste Group Bank

Savings banks retail and SME business in EUR million	As of			
	31 December 2008	31 March 2009	30 June 2009	30 September 2009
<b>Customer segment split</b>				
Retail—Private Individual .....	11,450	11,621	11,512	11,641
Retail—Micros .....	6,861	7,085	6,956	6,965
SME / Local corporate .....	14,491	14,855	14,863	15,207
Municipalities .....	1,420	1,422	1,490	1,533
Total .....	34,223	34,983	34,821	35,346
<b>Asset quality overview</b>				
Low risk .....	25,062	24,107	23,694	24,368
Management attention .....	5,691	6,875	7,091	7,023
Substandard .....	949	1,230	1,218	1,192
Non-performing .....	2,521	2,772	2,818	2,763
Total .....	34,223	34,983	34,821	35,346
<b>Currency overview</b>				
EUR .....	—	—	26,905	27,399
CHF .....	—	—	6,865	6,806
Other .....	—	—	1,051	1,141
Total .....	—	—	34,821	35,346
<b>Segment asset quality</b>				
NPL ratio .....	7.4%	7.9%	8.1%	7.8%
NPL coverage .....	53%	51%	51%	52%

Source: Internal information of Erste Group Bank

Czech Republic retail and SME business in EUR million	As of			
	31 December 2008	31 March 2009	30 June 2009	30 September 2009
<b>Customer segment split</b>				
Retail—Private Individual .....	8,841	8,820	9,436	9,820
Retail—Micros .....	1,448	1,445	1,556	1,636
SME / Local corporate .....	5,265	5,103	5,340	5,580
Municipalities .....	546	516	580	636
Total .....	16,100	15,884	16,911	17,672
<b>Asset quality overview</b>				
Low risk .....	13,267	12,892	13,482	13,753
Management attention .....	1,985	2,015	2,334	2,548
Substandard .....	370	467	494	618
Non-performing .....	477	510	602	752
Total .....	16,100	15,884	16,911	17,672
<b>Currency overview</b>				
CZK .....	—	—	16,234	17,050
EUR .....	—	—	643	604
Other .....	—	—	34	18
Total .....			16,911	17,672
<b>Segment asset quality</b>				
NPL ratio .....	3.0%	3.2%	3.6%	4.3%
NPL coverage .....	67%	69%	70%	64%

Source: Internal information of Erste Group Bank

Romania retail and SME business in EUR million	As of			
	31 December 2008	31 March 2009	30 June 2009	30 September 2009
<b>Customer segment split</b>				
Retail—Private Individual .....	5,233	5,042	4,981	4,942
Retail—Micros .....	772	759	729	714
SME / Local corporate .....	4,119	4,160	4,434	4,353
Municipalities .....	796	771	845	1,182
Total .....	10,920	10,731	10,989	11,191
<b>Asset quality overview</b>				
Low risk .....	6,210	5,671	5,704	5,739
Management attention .....	2,805	2,756	2,773	2,536
Substandard .....	1,405	1,625	1,588	1,730
Non-performing .....	499	679	924	1,186
Total .....	10,920	10,731	10,989	11,191
<b>Currency overview</b>				
RON .....			4,752	4,706
EUR .....			5,972	6,258
Other .....			265	227
Total .....			10,989	11,191
<b>Segment asset quality</b>				
NPL ratio .....	4.6%	6.3%	8.4%	10.6%
NPL coverage .....	106%	74%	57%	53%

Source: Internal information of Erste Group Bank

Slovakia retail and SME business in EUR million	As of			
	31 December 2008	31 March 2009	30 June 2009	30 September 2009
<b>Customer segment split</b>				
Retail—Private Individual	2,864	2,961	3,152	3,333
Retail—Micros	344	371	380	376
SME / Local corporate	1,972	1,977	1,935	1,915
Municipalities	60	59	63	62
Total	5,241	5,367	5,530	5,686
<b>Asset quality overview</b>				
Low risk	4,079	4,181	4,172	4,250
Management attention	672	661	778	728
Substandard	218	224	237	305
Non-performing	272	301	343	403
Total	5,241	5,367	5,530	5,686
<b>Currency overview</b>				
EUR (LCY) <sup>(1)</sup>	—	—	5,486	5,643
Other	—	—	44	43
Total			5,530	5,686
<b>Segment asset quality</b>				
NPL ratio	5.2%	5.6%	6.2%	7.1%
NPL coverage	82%	82%	77%	77%

Source: Internal information of Erste Group Bank

(1) Slovakia adopted the Euro on 1 January 2009.

Hungary retail and SME business in EUR million	As of			
	31 December 2008	31 March 2009	30 June 2009	30 September 2009
<b>Customer segment split</b>				
Retail—Private Individual	4,246	4,197	4,255	4,342
Retail—Micros	133	153	235	183
SME / Local corporate	2,507	2,341	2,445	2,380
Municipalities	284	295	315	330
Total	7,169	6,987	7,249	7,235
<b>Asset quality overview</b>				
Low risk	5,582	5,160	5,210	5,440
Management attention	1,101	1,202	1,258	929
Substandard	240	296	310	376
Non-performing	246	329	472	490
Total	7,169	6,987	7,249	7,235
<b>Currency overview</b>				
HUF	—	—	1,594	1,586
CHF	—	—	4,091	4,022
EUR	—	—	1,533	1,590
Other	—	—	31	37
Total	—	—	7,249	7,235
<b>Segment asset quality</b>				
NPL ratio	3.4%	4.7%	6.5%	6.8%
NPL coverage	50%	40%	38%	46%

Source: Internal information of Erste Group Bank

Croatia retail and SME business in EUR million	As of			
	31 December 2008	31 March 2009	30 June 2009	30 September 2009
<b>Customer segment split</b>				
Retail—Private Individual .....	2,173	2,169	2,206	2,235
Retail—Micros .....	238	323	324	322
SME / Local corporate .....	1,640	1,643	1,715	1,728
Municipalities .....	74	84	360	468
Total .....	4,125	4,218	4,605	4,753
<b>Asset quality overview</b>				
Low risk .....	2,634	2,676	2,948	3,017
Management attention .....	1,142	1,169	1,215	1,240
Substandard .....	168	181	218	240
Non-performing .....	181	192	225	256
Total .....	4,125	4,218	4,605	4,753
<b>Currency overview</b>				
HRK .....			1,341	1,264
EUR .....			2,528	2,757
CHF .....			730	726
Other .....			6	7
Total .....			4,605	4,753
<b>Segment asset quality</b>				
NPL ratio .....	4.4%	4.6%	4.9%	5.4%
NPL coverage .....	93%	96%	89%	83%

Source: Internal information of Erste Group Bank

Serbia retail and SME business in EUR million	As of			
	31 December 2008	31 March 2009	30 June 2009	30 September 2009
<b>Customer segment split</b>				
Retail—Private Individual .....	139	138	138	139
Retail—Micros .....	11	10	9	9
SME / Local corporate .....	309	275	315	309
Municipalities .....	3	2	2	2
Total .....	462	425	465	459
<b>Asset quality overview</b>				
Low risk .....	242	237	214	214
Management attention .....	174	141	203	200
Substandard .....	17	17	15	10
Non-performing .....	28	29	33	35
Total .....	462	425	465	459
<b>Currency overview</b>				
RSD .....			46	66
EUR .....			396	371
CHF .....			17	17
Other .....			6	5
Total .....			465	459
<b>Segment asset quality</b>				
NPL ratio .....	6.1%	6.9%	7.1%	7.7%
NPL coverage .....	125%	124%	115%	119%

Source: Internal information of Erste Group Bank

Ukraine retail and SME business in EUR million	As of			
	31 December 2008	31 March 2009	30 June 2009	30 September 2009
<b>Customer segment split</b>				
Retail—Private Individual .....	407	395	369	335
Retail—Micros .....	121	125	118	106
SME / Local corporate .....	88	78	69	63
Municipalities .....	0	0	0	—
Total .....	616	598	556	504
<b>Asset quality overview</b>				
Low risk .....	242	204	114	108
Management attention .....	308	249	240	168
Substandard .....	55	124	133	152
Non-performing .....	12	20	69	76
Total .....	616	598	556	504
<b>Currency overview</b>				
UAH .....			45	42
USD .....			501	452
Other .....			11	10
Total .....			556	504
<b>Segment asset quality</b>				
NPL ratio .....	1.9%	3.4%	12.4%	15.1%
NPL coverage .....	265%	225%	87%	82%

Source: Internal information of Erste Group Bank

### **Distribution of loans to customers by country of origin**

The following tables present the development of the customer loan book (IFRS position 103) excluding loans to financial institutions and commitments broken down by core markets and risk category, as of 30 September 2009 and 31 December 2008, respectively:

in EUR million	As of 30 September 2009							
	Low risk	Mgmt attention	Substandard	Non- performing	Total loans	Share of total	Risk provision	NPL coverage
Core market .....	85,276	20,990	5,956	7,427	119,649	92.1%	4,341	58.5%
Austria .....	46,840	9,361	1,609	3,689	61,499	47.3%	2,129	57.7%
Croatia .....	4,280	2,006	253	314	6,853	5.3%	221	70.3%
Romania .....	6,314	3,149	1,963	1,266	12,692	9.8%	715	56.5%
Serbia .....	240	298	10	66	615	0.5%	53	81.0%
Slovakia .....	4,906	886	351	434	6,578	5.1%	328	75.6%
Slovenia .....	1,286	192	161	154	1,794	1.4%	47	30.2%
Czech Republic .....	15,202	3,334	950	868	20,354	15.7%	539	62.1%
Hungary .....	6,094	1,242	496	537	8,369	6.4%	63	45.9%
Ukraine .....	113	521	162	100	897	0.7%	246	63.1%
Other EU .....	4,842	1,267	254	422	6,785	5.2%	171	40.6%
Other industrialised countries .....	1,473	328	180	175	2,156	1.7%	50	428.8%
Emerging markets .....	815	360	78	111	1,363	1.0%	51	45.9%
Southeastern Europe / CIS .....	591	196	66	93	946	0.7%	43	46.0%
Asia .....	82	32	5	7	126	0.1%	1	12.4%
Latin America .....	93	44	7	8	151	0.1%	5	66.3%
Middle East / Africa ...	48	87	1	4	140	0.1%	2	57.8%
<b>Total .....</b>	<b>92,407</b>	<b>22,945</b>	<b>6,468</b>	<b>8,134</b>	<b>129,954</b>	<b>100.0%</b>	<b>4,613</b>	<b>56.7%</b>
Share of total .....	71.1%	17.7%	5.0%	6.3%	100%			

Source: Unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009

As of 31 December 2008								
in EUR million	Mgmt			Non-performing	Total loans	Share of total	Risk Provision	NPL coverage
	Low risk	attention	Substandard					
Core market	88,428	18,493	3,923	5,443	116,287	92.2%	3,508	64.4%
Austria	48,746	7,724	1,166	3,480	61,116	48.4%	1,962	56.3%
Croatia	4,079	1,533	171	187	5,969	4.7%	175	94.0%
Romania	7,387	3,216	1,451	529	12,583	10.0%	541	102.2%
Serbia	383	250	17	40	689	0.5%	35	87.9%
Slovakia	4,756	882	235	278	6,151	4.9%	229	82.5%
Slovenia	1,461	229	92	80	1,862	1.5%	36	45.6%
Czech Republic	14,861	2,793	489	537	18,680	14.8%	356	66.3%
Hungary	6,359	1,422	247	300	8,327	6.6%	142	47.3%
Ukraine	397	445	55	12	909	0.7%	31	254.9%
Other EU	4,900	864	62	288	6,114	4.8%	119	41.2%
Other industrialised countries	1,678	338	308	128	2,452	1.9%	41	31.8%
Emerging markets	1,022	273	5	25	1,325	1.1%	28	113.7%
Southeastern Europe / CIS	728	79	1	8	816	0.6%	20	256.6%
Asia	84	53	3	0	141	0.1%	1	254.5%
Latin America	121	69	0	8	198	0.2%	5	68.1%
Middle East / Africa	89	72	0	9	171	0.1%	2	26.5%
<b>Total</b>	<b>96,033</b>	<b>19,969</b>	<b>4,298</b>	<b>5,885</b>	<b>126,185</b>	<b>100.0%</b>	<b>3,696</b>	<b>62.8%</b>
<b>Share of total</b>	<b>76.1%</b>	<b>15.8%</b>	<b>3.4%</b>	<b>4.7%</b>	<b>100.0%</b>			

Source: Unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009 and internal information of Erste Group Bank

### *Distribution of loans to customers by industry*

The following tables present the customer loan book (IFRS position 103), excluding loans to financial institutions and commitments broken down by industry and risk category, as of 30 September 2009 and 31 December 2008, respectively:

As of 30 September 2009							
in EUR million	Mgmt			Non-performing	Total loans	Share of total	
	Low risk	attention	Substandard				
Agriculture and forestry	1,059	583	142	144	1,929	1.5%	
Mining	523	88	13	84	708	0.5%	
Manufacturing	6,068	3,211	1,067	934	11,280	8.7%	
Energy and water supply	1,650	467	82	100	2,299	1.8%	
Construction	3,484	1,531	647	497	6,160	4.7%	
Trade	5,507	2,430	654	889	9,480	7.3%	
Transport and communication	2,515	1,032	306	380	4,232	3.3%	
Hotels and restaurants	1,831	1,526	319	536	4,212	3.2%	
Financial and insurance services	6,220	783	291	307	7,601	5.9%	
Real estate and housing	13,354	3,763	768	775	18,660	14.4%	
Services	3,400	1,195	227	496	5,318	4.1%	
Public administration	6,332	445	9	5	6,791	5.2%	
Education, health and art	1,953	518	138	136	2,745	2.1%	
Private households	38,484	5,358	1,798	2,851	48,491	37.3%	
Other	26	15	7	1	48	0.0%	
<b>Total</b>	<b>92,407</b>	<b>22,945</b>	<b>6,468</b>	<b>8,134</b>	<b>129,954</b>	<b>100.0%</b>	
<b>Share of total</b>	<b>71.1%</b>	<b>17.7%</b>	<b>5.0%</b>	<b>6.3%</b>	<b>100.0%</b>		

Source: Unaudited interim consolidated financial statements of Erste Group Bank for the nine months ended 30 September 2009

in EUR million	As of 31 December 2008					Total loans	Share of total
	Low risk	Mgmt attention	Substandard	Non-performing			
Agriculture and forestry . . . . .	993	532	134	128	1,787	1.4%	
Mining . . . . .	567	46	6	11	629	0.5%	
Manufacturing . . . . .	7,582	2,516	671	627	11,396	9.0%	
Energy and water supply . . . . .	1,715	337	85	71	2,208	1.7%	
Construction . . . . .	3,300	1,277	400	335	5,312	4.2%	
Trade . . . . .	5,926	2,655	383	660	9,624	7.6%	
Transport and communication . . . . .	2,878	1,062	304	237	4,482	3.6%	
Hotels and restaurants . . . . .	2,115	1,133	253	451	3,953	3.1%	
Financial and insurance services . . . . .	7,569	939	87	185	8,781	7.0%	
Real estate and housing . . . . .	13,210	3,484	378	559	17,631	14.0%	
Services . . . . .	3,487	1,003	165	416	5,071	4.0%	
Public administration . . . . .	5,216	396	11	9	5,632	4.5%	
Education, health and art . . . . .	1,913	455	159	122	2,649	2.1%	
Private households . . . . .	39,472	4,055	1,253	2,073	46,853	37.1%	
Other . . . . .	22	12	8	0	42	0.0%	
<b>Total . . . . .</b>	<b>96,033</b>	<b>19,969</b>	<b>4,298</b>	<b>5,885</b>	<b>126,185</b>	<b>100.0%</b>	
<b>Share of total . . . . .</b>	<b>76.1%</b>	<b>15.8%</b>	<b>3.4%</b>	<b>4.7%</b>	<b>100.0%</b>		

Source: Internal information of Erste Group Bank

## ABS and CDO portfolio

The following section describes Erste Group's ABS/CDO portfolio by accounting categories, regions, ratings and products.

The Erste Group's general screening criterion for purchasing securitised products or their derivatives is to avoid product categories that lack historical default and loss data over a full economic cycle. In addition, all ABS and CDO investments are centrally analysed and approved by Erste Group. As a rule, all securities are held until maturity; earlier disposal is the exception.

Before investments are made, Erste Group undertakes a fundamental analysis on a single-asset basis. Most investments are in the form of pooled securities and other products that have relatively long histories with regard to defaults and recoveries, such as prime European RMBS or CLOs.

### *ABS/CDO portfolio by accounting categories*

As of 30 September 2009, approximately 32% of the assets (by face value) were classified to the held-to-maturity ("HTM") portfolio, 52% to the available-for-sale ("AFS") portfolio and 16% to the fair value ("FV") portfolio. In the present market environment, all securities have a market price lower than cost. Erste Group has no current significant risk concerns with respect to the portfolio, other than in relation to the CMBS portfolio. Most securities in the ABS and CDO portfolios involve standard structures and frequently are benchmark securitisations.

The following table present the ABS/CDO portfolio of Erste Group by accounting categories as of 30 September 2009.

in EUR million	As of 30 September 2009			
	Face Value	Market Value	Changes	Changes in %
FV (m-to-m) . . . . .	420	220	(200)	(47.6%)
AfS (m-to-m) . . . . .	1,373	929	(444)	(32.3%)
HtM (at cost) . . . . .	840	550	(289)	(34.4%)
<b>Total . . . . .</b>	<b>2,633</b>	<b>1,699</b>	<b>(934)</b>	<b>(35.5%)</b>

Source: Internal information of Erste Group Bank

The total face value of Erste Group's securitised asset portfolio was approximately EUR 2.6 billion on 30 September 2009. The face value decreased by approximately EUR 295 million since 31 December 2008 due primarily to repayments and currency effects. Market values at 30 September 2009 were on average 35.5% below face value, a slight improvement compared to the 37.2% difference between market value and face value at 31 December 2008.

#### *ABS/CDO portfolio by region*

The following table presents the ABS/CDO portfolio of Erste Group by region as of 30 September 2009.

in EUR million	As of 30 September 2009			% of Total Market Value
	Face Value	Market Value	Changes in %	
USA .....	883	663	(24.9%)	39.0%
Continental Europe .....	1,009	622	(38.4%)	36.6%
UK & Ireland .....	493	210	(57.4%)	12.4%
Far East and Australia .....	144	132	(7.9%)	7.8%
Other (including CEE) .....	104	72	(31.0%)	4.2%
<b>Total .....</b>	<b>2,633</b>	<b>1,699</b>	<b>(35.5%)</b>	<b>—</b>

Source: Internal information of Erste Group Bank

As shown in the table above, the portfolio is invested primarily in Western Europe and the United States. Erste Group had no investments at 30 September 2009 in the US subprime sector.

#### *ABS/CDO portfolio by rating*

The following table presents the ABS/CDO portfolio of Erste Group by rating as of 30 September 2009.

in EUR million	As of 30 September 2009			% of Total Market Value
	Face Value	Market Value	Changes in %	
AAA .....	496	412	(16.8%)	24.2%
AA .....	738	553	(25.1%)	32.6%
A .....	656	429	(34.6%)	25.3%
BBB .....	445	192	(56.9%)	11.3%
BB .....	223	100	(55.2%)	5.9%
B .....	35	9	(74.9%)	0.5%
CCC CC & C .....	40	5	(88.3%)	0.3%
<b>Total .....</b>	<b>2,633</b>	<b>1,699</b>	<b>(35.5%)</b>	<b>—</b>

Source: Internal information of Erste Group Bank

In the first half of 2009, rating agencies changed their rating methodologies, which has resulted in a large number of downgrades in the securitised notes in general. Most of these downgrades resulted from rating methodology changes and were not necessarily related to the collateral performance. The ratings given in the table above are the second-best available ratings, which correspond to the Basel II requirements. While at the end of 2008 98% (by face value) of the portfolio was rated investment-grade, this percentage had decreased to 89% (by face value) by 30 September 2009.

### ABS/CDO portfolio by product

The following table presents the ABS/CDO portfolio of the Erste Group by product as of 30 September 2009.

in EUR million	As of 30 September 2009			% of Total Market Value
	Face Value	Market Value	Changes in %	
European prime RMBS .....	678	459	(32.3%)	27.0%
European CMBS .....	312	102	(67.3%)	6.0%
SME ABS .....	85	44	(47.9%)	2.6%
Leasing ABS .....	63	48	(23.9%)	2.8%
Other ABS .....	202	175	(13.6%)	10.3%
CLOs .....	1,155	777	(32.7%)	45.8%
Other CDOs .....	136	93	(31.3%)	5.5%
Total .....	2,633	1,699	(35.5%)	—

Source: Internal information of Erste Group Bank

Erste Group's securitised asset portfolio has been adversely affected by the changes in rating methodologies described above, as well as the difficult market environment and deteriorating fundamentals. Increasing default rates and deteriorating quality of loans have been recognised across all portfolios. However, because most of the asset portfolio consists of securities where Erste Group has a senior position relative to some other holders, Erste Group expects that the overwhelming majority of the notes will be repaid without loss under the current macro-economic assumptions.

A major part of the portfolio, approximately 70% (by face value), is invested in residential mortgage-backed securities (RMBS) and collateralised loan obligations (CLO).

*European prime residential mortgage-backed securities (RMBS):* In the UK, Erste Group has invested solely in prime RMBS. These are portfolios of residential mortgage loans, which as a rule have to have satisfactory ratings. UK residential property prices have decreased by approximately 20% from their peak in June 2007, but they have begun to stabilise in 2009, with prices remaining largely unchanged during the nine months ended 30 September 2009. A key affordability measure, which is the proportion of disposable earnings devoted to mortgage payments, has fallen from a peak of 48% in 2007 to 29% in August 2009, and is now below the long-term average of 35%. Mortgage arrears are still rising and the current 90+ days arrears are expected to reach 4.4%, and repossessions are expected to be around 0.7%, by the end of 2009.

*European and US collateralised loan obligations (CLO):* These products consist primarily of secured corporate loans with an average rating of single-B. The average levels of defaulted securities and CCC-rated securities in the CLO pool have risen significantly. According to Moody's, the US speculative-grade default rate is expected to climb above 15% by the end of 2009, while its European counterpart is expected to rise even more sharply to more than 18%. The 5-year cumulative default rate is expected to reach 27%, based on a static portfolio. While the levels of defaults are increasing, due to subordination, Erste Group does not expect any significant losses in its CLO portfolio.

As of 30 September 2009, the remaining 30% (by face value) of the securitised asset portfolio was invested in the following asset classes:

*UK commercial mortgage-backed securities (CMBS):* The portfolio comprises loans with commercial property collateral (mostly offices, but also retail, leisure and other). The majority of the portfolio is invested in the UK, where the commercial property market is extremely stressed, with prices down by 44% since the peak in June 2007. In August 2009, UK commercial property values showed their first increase (by 0.2%) since June 2007. As a result of the decline in the commercial property market, LTV ratios have increased considerably, increasing refinancing risk

at maturity. A high LTV ratio has no immediate effect on the notes, as long as there is no payment default on interest, but it is an important measure since the loans have to be refinanced at maturity. Because the Erste Group portfolio consists of medium-term securities, none of the portfolio holdings needs to be refinanced in the currently depressed market environment. A large part of this portfolio has already been downgraded, and more downgrades are expected in the near term as a consequence of weakness in the property market. Due to the problems described above, three CMBS notes with an aggregate amount of about EUR 22 million have been impaired.

*Investments in continental Europe (European prime RMBS and European CMBS):* The portfolio comprises (i) securitisations from the Netherlands and Germany, where the underlying assets are residential and commercial mortgages, loans to small and medium enterprises, and leases; (ii) Italian RMBS and lease ABS; (iii) Spanish securitisations mostly of SME loans, as well as a smaller amount of RMBS; and (iv) smaller positions in Irish, CEE and Australian assets.

Liquidity in the market recovered to a certain degree in the recent months. Recently, the most senior triple-A rated notes have been easily tradable, and mezzanine tranches of some benchmark securitisations have also been more liquid. Erste Group expects the portfolio to contract further in 2009 and 2010 as a result of repayments.

*US Collateralised Mortgage Obligations:* Erste Group has also invested in US collateralised mortgage obligations ("CMOs") issued by Ginnie Mae, Fannie Mae and Freddie Mac. These issuers are considered US government-sponsored or US government-guaranteed institutions and have stable AAA ratings. The notional amount of these investments was EUR 880 million at 30 September 2009. Erste Group also holds investments in student loan securitisations, all of which are triple-A tranche securities. These securitisations typically are 97% guaranteed by the US Department of Education, while the remaining 3% are covered by subordination. Credit risk is therefore considered very remote. The notional amount for these securitisations was EUR 279 million at 30 September 2009.

*Exposure to Iceland:* At 30 September 2009, Erste Group had a total exposure to Icelandic banks of EUR 176 million. This was almost entirely provided for by establishing provisions of EUR 160 million. Secondary market prices considerably improved in the third quarter of 2009 for the three biggest Icelandic banks, and Erste Group partially benefited from this improvement by selling loans and bonds of almost EUR 150 million face value, achieving a slight profit. Currently, there is no plan to reduce the existing provisions, which are regarded as sufficient to cover final losses.

## **Liquidity risk**

During 2008 and 2009, liquidity risk management was one of the most important priorities for Erste Group, not only as tactical short-term liquidity risk management, but the liquidity management in its entirety, for example, management of long-term structural liquidity risk, planning of funding needs across Erste Group, crisis scenario-based analysis, contingency plans, collateral mobilisation, and communication.

## **Organisation and reporting**

Liquidity risk is discussed at the Erste Group Bank Board level at Group ALCO meetings. In addition, there are daily and weekly reports prepared for the Board. Group ALCO is regularly informed on whether liquidity limits have been reached and is updated on the internal and external market liquidity situation. The Group OLC is responsible for the management of liquidity, and has been meeting more frequently in order to improve the coordination of the operational tasks related to liquidity management and to regularly report to Group ALCO members during the financial crisis. The National Banks and Board members have also been observing the liquidity situation and liquidity risk more carefully during 2008 and 2009. The National Banks imposed new reporting requirements and liquidity limits, which were applied and complied with within the EU member states.

## **Short-term Liquidity Risk**

The maturity profile of short-term funding in foreign currencies, in particular CHF and USD, has been monitored on a detailed basis to ensure that they have been within the short-term liquidity limits. The short-term liquidity position is monitored on a daily basis. The share of short-term funding is relatively low compared to the balance sheet. Erste Group is particularly focusing on the net cash outflow projection and its coverage by collateral. The Group OLC put a special focus on collateral mobilisation, which helped increase the available amount of Central Bank eligible collateral in Erste Group. The ratio between secured and unsecured funding clearly confirms the current market trend to move towards collateralised funding. The current volume of free collateral exceeds Erste Group's total short-term unsecured funding exposure.

## **Long-term Liquidity Risk**

Erste Group steers long-term (structural) liquidity risk through a scenario and time dependent analysis tool, both at the group and the individual subsidiary level. Dynamic aspects of the renewal of existing balance sheet items are incorporated through certain set of assumptions describing the given crisis environment. Similarly, the saleability, haircut (in case of securities) and early withdrawal (for deposit products) assumptions are adjusted based on the modelled scenario. The purpose of the analysis is to determine the ability of Erste Group to withstand distressed situations before they actually occur. Additionally, the traditional liquidity gaps (depicting the mismatches of the contractual maturities) of the subsidiaries and the whole group are reported and monitored regularly. Erste Group's fund transfer pricing system also proved to be an efficient steering tool for structural liquidity risk management. The primary, most stable funding source for Erste Group is the customer deposit base, which also proved its stability during the recent liquidity crisis. See "Selected Statistical Information—Customer Deposits". The total client deposit volume has in fact followed the growth in the client loans, as the current loan-to-deposit ratio of approximately 114.7% means no increase from the December, 2007 levels.

## **Group-wide Liquidity Risk Management**

General standards of liquidity management (standards, limits and analysis) have been defined by Erste Group Bank. Members of Erste Group implemented these principles. Results of the analysis are reported regularly and consolidated at group level. The important channel for steering the liquidity risk within Erste Group Bank and towards its subsidiaries is the above mentioned Fund Transfer Pricing ("FTP") system and prices of intra-group funding. As the process of planning of funding needs provides important data for liquidity management, a detailed overview of funding needs is prepared for the planning horizon across Erste Group on quarterly basis.

## **Contingency plan**

The Comprehensive Contingency Plan ensures the necessary coordination of all involved parties in the liquidity management process in case of crisis. The contingency plans of the subsidiaries are coordinated as part of the plan for the Erste Group.

## **Liquidity gap**

The long-term liquidity position is managed using liquidity gaps, on the basis of expected cash flows. This liquidity position is calculated for each currency with material volume and based on the assumption of ordinary business activity.

The following table shows liquidity gaps as of 30 September 2009 and 31 December 2008:

in EUR million	< 1 month		1-12 months		1-5 years		> 5 years	
	30 Sep 2009*	31 Dec 2008	30 Sep 2009*	31 Dec 2008	30 Sep 2009*	31 Dec 2008	30 Sep 2009*	31 Dec 2008
Liquidity gap	3,989	(12,007)	(28,122)	(25,193)	3,513	11,202	51,799	60,999

Source: Audited consolidated financial statements of Erste Group Bank for the financial year ended 31 December 2008; the information marked "\*" is internal information of Erste Group Bank.

## Interest rate risk

Interest rate risk is the risk of adverse change in the fair value of financial instruments caused by movement in market interest rates. This type of risk arises when mismatches exist between assets and liabilities (including off-balance-sheet items) in respect of their maturities or of the timing of interest rate adjustments.

In order to identify interest rate risk, all financial instruments, including transactions not recognised in the balance sheet, are grouped into maturity bands based on their remaining term to maturity or term to an interest rate adjustment.

The following tables list the open fixed-income positions held by Erste Group in the five currencies that carry significant interest rate risk: EUR, CZK, HUF and RON, as of 30 September 2009 and 31 December 2008, and SKK, as of 31 December 2008, respectively.

Only the open fixed-income positions that are not allocated to the trading book are presented. Positive values indicate fixed-income risks on the asset side, *i.e.*, a surplus of asset items; negative values represent a surplus on the liability side.

### Open Fixed-Income Positions Not Assigned to the Trading Book

in EUR million	As at 30 September 2009				
	1-3 years	3-5 years	5-7 years	7-10 years	over 10 years
Fixed-interest gap in EUR positions at 30 September 2009	(912.4)	682.2	460.8	1,313.4	365.7
Fixed-interest gap in CZK positions at 30 September 2009	(1,597.1)	217.2	495.7	340.3	1,491.1
Fixed-interest gap in HUF positions at 30 September 2009	72.8	88.2	71.5	50.9	0.0
Fixed-interest gap in RON positions at 30 September 2009	161.2	322.4	67.3	181.0	6.5

Source: Internal information of Erste Group Bank

### Open Fixed-Income Positions Not Assigned to the Trading Book

in EUR million	As at 31 December 2008				
	1-3 years	3-5 years	5-7 years	7-10 years	over 10 years
Fixed-interest gap in EUR positions at 31 December 2008	3,170.5	1,923.0	886.8	598.4	55.4
Fixed-interest gap in CZK positions at 31 December 2008	(1,964.1)	(13.5)	686.3	439.3	620.6
Fixed-interest gap in SKK positions at 31 December 2008	(392.1)	853.8	97.4	86.6	179.4
Fixed-interest gap in HUF positions at 31 December 2008	273.4	444.7	236.8	82.8	0.0
Fixed-interest gap in RON positions at 31 December 2008	(55.4)	(212.4)	42.5	170.7	5.3

Source: Audited consolidated financial statements of Erste Group Bank for the financial year ended 31 December 2008

## Exchange rate risk

The bank is exposed to the several types of exchange rate-related risks.

### Risk from open currency position

Risks from open currency position is the exchange rate-related risk that derives from the mismatch between assets and liabilities, or from currency-related financial derivatives. These risks might originate from customer-related operations or proprietary trading and are monitored and managed on daily basis. Foreign currency exposure is subject to regulatory and internal limits. The internal limits are set by the Market Risk Committee.

### Other exchange rate- related risks

Erste Group separately measures and manages other types of risks relating to the group's balance sheet and earnings structure. The translation risk related to the valuation of the balance sheet positions, earnings, dividends, participations/net investments in local currency or foreign exchange has an impact on consolidated earnings and consolidated capital. Erste Group is also reducing the negative impact relating to volatility of foreign exchange on asset's performance (for example as a result of foreign exchange lending in the CEE countries).

Due to the multi-currency earnings structure, Erste Group is regularly hedging the dividends and net profits. ALM uses as the usual source of information the current financial results and the financial budget prepared for the upcoming period to get as much information as possible on the future foreign cash flows. Proposal, which includes mainly the volume, the hedging level, the hedge ratio and the timeline of the hedging is submitted by the ALM to the Group ALCO. The impact of translation on consolidated capital is monitored and reported to the Group ALCO. Group ALCO decisions are then implemented by the ALM and reported on monthly basis to Group ALCO.

The following tables shows the exchange rate open positions of Erste Group as of the dates indicated, respectively.

### Exchange Rate Open Positions

in EUR	As of	
	30 September 2009	31 December 2008
US dollar (USD) .....	36,499,409	29,466,725
Japanese yen (JPY) .....	(4,768,931)	(20,897,811)
Swiss franc (CHF) .....	(3,147,612)	(7,933,141)
Czech koruna (CZK) .....	(89,175,066)	10,685,467
Polish Zloty (PLN) .....	(11,686,634)	19,752,530
Hungarian forint (HUF) .....	8,005,536	(15,301,771)

Source: Internal information of Erste Group Bank

## Hedging

Banking book market risk management consists of optimizing Erste Group's risk position by finding the proper trade-off between the economic value of the balance sheet and forecasted earnings. Decisions are based on the balance sheet development, the economic environment, competitive landscape, fair value of risk, effect on net interest income and appropriate liquidity position. The steering body responsible for interest rate risk management is the Group ALCO. The ALM submits proposals for actions to steer the interest rate risk to the Group ALCO and implements Group ALCO's decisions.

In order to achieve the goals of risk management, hedging activities focus on the two main control variables—net interest income and market value of equity risk. In a broader sense, hedging means an economic activity that mitigates risk, but does not necessarily qualify for IFRS hedge accounting. In a more narrow sense, hedging is the hedge accounting according to IFRS requirements. For economic fair value, hedging fair value option is used where it is applicable. For IFRS hedge accounting cash flow hedges, fair value hedges and hedges of a net investment are recognised. Most of the hedging within Erste Group concerns hedging of interest rate risk; the remaining is used to hedge foreign exchange rate risk. IFRS hedge accounting is one of the tools of steering the risk.

Fair value hedges are employed to reduce market risk. They are used to turn fixed-income or structured transactions into variable-income transactions. Erste Group's policy is to convert all substantial fixed single transactions bearing interest rate risk into variable transactions in order to separate the interest rate risk from such transactions. This policy is applied primarily to fixed or structured issued bonds, but also to the material fixed purchased bonds and generally, any material fixed transactions in the balance sheet. Group ALM is steering interest rate risk. Steering of interest rate risk is undertaken through issuance of bonds, loans or derivatives, whereas for derivatives IFRS hedge accounting is usually applied. Interest rate swaps are the main instruments used for fair value hedges. In connection with issuance, fair value is also hedged by means of cross-currency swaps, swaptions, caps, floors and other types of instruments.

Cash flow hedges are used to eliminate uncertainty in future cash flows in order to stabilise net interest income. Floors or caps are used to lock in levels of interest income in a changing interest rate environment. Interest rate swaps, caps and floors are used to hedge interest rate risk. Currency risk is hedged with spot transactions as well as currency swaps, FX forwards or balance sheet items denominated in a hedged currency.

## Selected statistical information

The statistical data presented below is derived from the Consolidated Financial Statements or accounting records. These data are regularly collected in connection with Erste Group's financial reporting and management information systems.

This information is, unless stated otherwise herein, unaudited and has been stated in accordance with IFRS.

### Average balances and net interest income

The following tables set forth Erste Group's average balances of assets and liabilities and net interest income for the nine-month period ended 30 September 2009 and the years ended 31 December 2008, 2007 and 2006. For purposes of the following tables, the average is calculated on the basis of monthly closing balances throughout the relevant period.

in EUR million	Nine-month period ended 30 September 2009			Year ended 31 December 2008		
	Interest Income/ Expense	Average Balance	Average Rates p.a. in %	Interest Income/ Expense	Average Balance	Average Rates p.a. in %
<b>Assets</b>						
Loans and advances to credit institutions (incl. derivatives) . . . . .	602	21,279	3.8	1,887	27,101	7.0
Loans and advances to customers <sup>1)</sup> . . . . .	5,353	123,389	5.8	8,120	118,008	6.9
Interest bearing securities (AfS, FV, HTM) . . . . .	1,069	34,768	4.1	1,793	41,087	4.3
Other interest-earning assets . . . . .	91	1,808	6.7	166	1,633	8.7
<b>Total interest-earning assets . . . . .</b>	<b>7,115</b>	<b>181,244</b>	<b>5.2</b>	<b>11,966</b>	<b>187,829</b>	<b>6.4</b>
Other non-interest bearing assets . . . . .		20,900			21,181	
<b>Total average assets . . . . .</b>	<b>7,115</b>	<b>202,144</b>	<b>4.7</b>	<b>11,966</b>	<b>209,010</b>	<b>5.7</b>
<b>Liabilities</b>						
Deposits by banks (incl. derivatives) . . . . .	251	31,557	1.1	2,112	37,537	5.6
Customer deposits . . . . .	1,967	111,187	2.4	3,259	107,513	3.0
Debt securities in issue . . . . .	766	30,756	3.3	1,293	30,728	4.2
Subordinated liabilities . . . . .	289	6,231	6.2	389	5,921	6.6
<b>Total interest-bearing liabilities . . . . .</b>	<b>3,273</b>	<b>179,731</b>	<b>2.4</b>	<b>7,053</b>	<b>181,699</b>	<b>3.9</b>
Other non-interest earning liabilities . . . . .		9,876			15,179	
Total equity . . . . .		12,537			12,132	
<b>Total average liabilities and equity . . . . .</b>	<b>3,273</b>	<b>202,144</b>	<b>2.2</b>	<b>7,053</b>	<b>209,010</b>	<b>3.4</b>
<b>Net interest income earned . . . . .</b>	<b>3,841</b>			<b>4,913</b>		
<b>Net-yield on interest earning assets less interest-bearing liabilities . . . . .</b>			<b>2.8</b>			<b>2.6</b>

1) after deduction of risk provisions

in EUR million	Year ended 31 December 2007			Year ended 31 December 2006		
	Interest Income/ Expense	Average Balance	Average Rates p.a. in %	Interest Income/ Expense	Average Balance	Average Rates p.a. in %
<b>Assets</b>						
Loans and advances to credit institutions (incl. derivatives) . . . . .	1,343	25,667	5.2	991	20,160	4.9
Loans and advances to customers <sup>1)</sup> . . .	6,334	100,720	6.3	4,274	84,305	5.1
Interest bearing securities (AfS, FV, HTM) . . . . .	1,835	45,046	4.1	1,679	34,763	4.8
Other interest-earning assets . . . . .	177	1,427	8.6	174	1,536	7.8
<b>Total interest-earning assets . . . . .</b>	<b>9,689</b>	<b>172,860</b>	<b>5.6</b>	<b>7,118</b>	<b>140,764</b>	<b>5.1</b>
Other non-interest earning assets . . . . .		21,004			23,591	
<b>Total average assets . . . . .</b>	<b>9,689</b>	<b>193,864</b>	<b>5.0</b>	<b>7,118</b>	<b>164,355</b>	<b>4.3</b>
<b>Liabilities</b>						
Deposits by banks (incl. derivatives) . .	1,852	39,226	4.7	1,296	36,657	3.5
Customer deposits . . . . .	2,404	95,073	2.6	1,563	79,956	2.0
Debt securities in issue . . . . .	1,136	26,857	4.2	788	19,977	3.9
Subordinated liabilities . . . . .	351	5,455	6.4	282	4,683	6.0
<b>Total interest-bearing liabilities . . . . .</b>	<b>5,743</b>	<b>166,611</b>	<b>3.4</b>	<b>3,929</b>	<b>141,273</b>	<b>2.8</b>
Other non-interest bearing liabilities . . . . .		15,973			13,849	
Total equity . . . . .		11,280			9,233	
<b>Total average liabilities and equity . .</b>	<b>5,743</b>	<b>193,864</b>	<b>3.0</b>	<b>3,929</b>	<b>164,355</b>	<b>2.4</b>
<b>Net interest income earned . . . . .</b>	<b>3,946</b>			<b>3,189</b>		
<b>Net-yield on interest-earning assets . . . . .</b>			<b>2.3</b>			<b>2.3</b>

1) after deduction of risk provisions

## Changes in interest income/expenses—Volume and rate analysis

The following table sets forth changes in net interest income attributable to changes in volumes and those attributable to changes in interest rates for the years ended 31 December 2008 (compared to 2007) and 31 December 2007 (compared to 2006). The changes in net interest income for each category are attributable to (a) changes in volume (change in volume times old rate) and (b) changes in rates (net change minus volume-related change).

in EUR million	Year ended 31 December 2008 compared to 2007			Year ended 31 December 2007 compared to 2006		
	Net change	Volume- related change	Rate-related change	Net change	Volume- related change	Rate-related change
<b>Interest and similar income</b>						
from loans and advances to credit institutions (incl. derivatives) . . .	544	100	444	352	287	65
from loans and advances to customers . . . . .	1,786	1,194	592	2,060	1,046	1,014
from income securities (AFS, FV, HTM) . . . . .	(42)	(172)	130	156	416	(260)
other interest earning assets . . . . .	(11)	(12)	1	3	(10)	13
<b>Total interest and similar income . . . . .</b>	<b>2,277</b>	<b>1,110</b>	<b>1,167</b>	<b>2,571</b>	<b>1,739</b>	<b>832</b>
<b>Interest and similar expenses</b>						
Deposits by banks . . . . .	260	(95)	355	556	120	436
Customer deposits . . . . .	855	378	477	841	386	455
Debt securities in issue . . . . .	157	163	(6)	348	291	57
Subordinated liabilities . . . . .	38	31	7	69	50	19
<b>Total interest and similar expense . . . . .</b>	<b>1,310</b>	<b>477</b>	<b>833</b>	<b>1,814</b>	<b>847</b>	<b>967</b>

## Debt instrument portfolio

Erste Group's debt instrument portfolio is reported in five categories: Loans and advances, trading assets, financial assets at fair value through profit or loss, financial assets available for sale and financial assets held to maturity. Debt instruments held in the portfolio of trading assets as well as in financial assets at fair value through profit or loss and in financial assets available for sale are measured at fair value whereas those held in loans and advances as well as in financial assets held to maturity are carried at amortised cost.

in EUR million	As of	As of 31 December		
	30 September 2009 (unaudited)	2008 (audited)	2007 (audited)	2006 (audited)
<b>Loans and advances (to credit institutions and customers)</b>				
Unlisted bonds and other interest-bearing securities .....	2,208	2,331	2,318	2,491
<b>Total loans and advances (to credit institutions and customers) .....</b>	<b>2,208</b>	<b>2,331</b>	<b>2,318</b>	<b>2,491</b>
<b>Trading assets</b>				
Bonds and other interest-bearing securities				
Listed .....	4,661	4,327	3,900	3,534
Unlisted .....	152	148	121	159
<b>Total trading assets .....</b>	<b>4,813</b>	<b>4,475</b>	<b>4,021</b>	<b>3,693</b>
<b>Financial assets at fair value through profit or loss</b>				
Bonds and other interest-bearing securities				
Listed .....	3,009	3,164	3,534	3,541
Unlisted .....	178	158	117	223
<b>Total financial assets at fair value through profit or loss .....</b>	<b>3,187</b>	<b>3,322</b>	<b>3,651</b>	<b>3,764</b>
<b>Financial assets available for sale</b>				
Bonds and other interest-bearing securities				
Listed .....	10,436	9,248	9,190	8,600
Unlisted .....	2,302	3,597	3,665	2,771
<b>Total financial assets available for sale .....</b>	<b>12,738</b>	<b>12,845</b>	<b>12,855</b>	<b>11,371</b>
<b>Financial assets held to maturity</b>				
Bonds and other fixed-interest securities				
Listed .....	13,166	12,859	15,209	14,600
Unlisted .....	997	1,286	1,634	2,100
<b>Total financial assets held to maturity .....</b>	<b>14,163</b>	<b>14,145</b>	<b>16,843</b>	<b>16,700</b>
<b>Total debt instruments .....</b>	<b>37,109</b>	<b>37,118</b>	<b>39,688</b>	<b>38,019</b>

## Loan portfolio by maturity

The following table sets forth Erste Group's loan portfolio as of 31 December 2008, 2007 and 2006, broken down by residual term to maturity.

in EUR millions	As of 31 December		
	2008 (audited)	2007 (audited)	2006 (audited)
<b>Loans and advances to credit institutions:</b>			
Without maturity . . . . .	1,785	2,568	1,164
Less than five years . . . . .	11,869	11,978	15,218
More than five years . . . . .	690	391	234
<b>Total loans and advances to credit institutions . . . . .</b>	<b>14,344</b>	<b>14,937</b>	<b>16,616</b>
<b>Loans and advances to customers:</b>			
Without maturity . . . . .	10,404	8,765	6,950
Less than five years . . . . .	59,011	54,950	49,745
More than five years . . . . .	56,770	50,241	40,412
<b>Total loans and advances to customers . . . . .</b>	<b>126,185</b>	<b>113,956</b>	<b>97,107</b>
<b>Total loans and advances . . . . .</b>	<b>140,529</b>	<b>128,893</b>	<b>113,723</b>

## Loan portfolio by sector, geographic region and risk classification

For a detailed discussion of the credit risk exposure of Erste Group as analysed in terms of industry sector, geographic region and risk classification, see "Risk management—Risk types—Credit risk".

## Customer deposits

Transaction accounts / sight deposits include all deposits against which the account holder is permitted to make withdrawals by negotiable or transferable instruments, payment orders of withdrawal, or telephone or preauthorised transfers for the purpose of making payments to third persons or others.

Savings accounts are accounts with the purpose of accumulating funds over a period of time. With savings accounts customers may make withdrawals, but do not have the flexibility of using checks to do so. Some savings accounts require funds to be kept on deposit for a minimum period of time, but most permit unlimited access to funds.

Other deposits consist mainly of bank drafts and currency accounts.

in EUR millions	As of 30 September 2009	As of 31 December 2008	As of 31 December 2007
<i>Total</i>			
<b>Interest paid to customer deposits/YTD</b>			
Transaction accounts/sight deposits .....	242	606	453
Savings accounts .....	801	1,317	965
Other deposits .....	924	1,336	986
<b>Total .....</b>	<b>1,967</b>	<b>3,259</b>	<b>2,404</b>
<b>Volumes/YTD average</b>			
Transaction accounts/sight deposits .....	34,871	32,486	25,904
Savings accounts .....	46,698	43,412	38,673
Other deposits .....	29,600	31,558	30,492
<b>Total .....</b>	<b>111,169</b>	<b>107,456</b>	<b>95,069</b>
<b>Interest rate/YTD, %</b>			
Transaction accounts/sight deposits .....	0.9%	1,9%	1,7%
Savings accounts .....	2.3%	3,0%	2,5%
<b>Total .....</b>	<b>1.7%</b>	<b>2,5%</b>	<b>2,2%</b>

As of 30 September 2009, the maturity of deposits was as follows:

In EUR million	Within 3 months	3 months-1yr	1-5yrs	Over 5yrs	Total
Domestic .....	18,320	5,899	4,640	5,911	34,770
Foreign .....	50,879	13,900	8,702	5,066	78,547
<b>Total .....</b>	<b>69,199</b>	<b>19,799</b>	<b>13,342</b>	<b>10,977</b>	<b>113,317</b>

## Short-term borrowings

### Deposits by banks

The following table sets out information regarding Erste Group Bank's short-term borrowings (maturities of less than one year) for the periods presented:

in EUR million	As of 30 September 2009				
	Period end			Average	
	balance	Average balance	Maximum month end balance	interest rate during the period %	Average interest rate at period end %
<b>Deposits by banks</b>					
Austrian central bank ...	184	274	394		
Austrian banks and other credit institutions .....	8,002	9,354	12,946		
Foreign central banks ...	614	699	1,300		
Foreign banks and other credit institutions .....	14,077	15,397	16,894		
<b>Total .....</b>	<b>22,877</b>	<b>25,724</b>	<b>31,534</b>	<b>0.7%</b>	<b>0.7%</b>

As of 31 December 2008					
in EUR million	Period end balance	Average balance	Maximum month end balance	Average interest rate during the period %	Average interest rate at period end %
<b>Deposits by banks</b>					
Austrian central bank . . .	394	143	432		
Austrian banks and other credit institutions . . . . .	12,946	9,352	12,946		
Foreign central banks . . .	386	81	574		
Foreign banks and other credit institutions . . . . .	14,999	20,989	23,873		
<b>Total . . . . .</b>	<b>28,725</b>	<b>30,565</b>	<b>37,825</b>	<b>4,9%</b>	<b>5,2%</b>

As of 31 December 2007					
In EUR million	Period end balance	Average balance	Maximum month end balance	Average interest rate during the period %	Average interest rate at period end %
<b>Deposits by banks</b>					
Austrian central bank. . . .	0	2	16		
Austrian banks and other credit institutions . . . . .	9.141	8.701	11.065		
Foreign central banks . . .	43	49	115		
Foreign banks and other credit institutions . . . . .	21.441	24.865	26.952		
<b>Total . . . . .</b>	<b>30.625</b>	<b>33.617</b>	<b>38.148</b>	<b>4,5%</b>	<b>4,9%</b>

#### Debt securities in issue

The following table sets out information regarding Erste Group's short-term debt securities in issue (maturity of less than one year) for the periods presented:

in EUR million	Period end balance	Average balance	Maximum month end balance	Average interest rate during the period %	Average interest rate at period end %
As of 30 September 2009 . . . . .	7,626	7,781	10,631	4.3%	4.2%
As of 31 December 2008 . . . . .	9,868	10,096	11,989	4.2%	4.2%
As of 31 December 2007 . . . . .	11,989	10,523	11,989	4.2%	3.7%

# The Austrian banking system

## Overview

Austria's banking system, like that of other continental European countries, comprises a diverse array of financial institutions. The Austrian banking industry is divided into seven "sectors" according to the legal status of a bank and classification in a sector association: (i) Sparkassen (savings banks), (ii) Raiffeisenbanken (agricultural credit co-operatives), (iii) Landes-Hypothekenbanken (provincial mortgage banks), (iv) Volksbanken (trade credit co-operative banks), (v) Aktienbanken und Bankiers (commercial banks), (vi) Sonderbanken (specialist banks) and (vii) Bausparkassen (building societies). Changes in banking practices generally, and in Austrian banking law specifically, have contributed to an erosion of the original distinctions between the sectors. Today, commercial banks, savings banks and co-operative banks all engage in substantially similar business; however, each has its separate deposit insurance system and may have different business policies. Erste Group Bank is a member of the Savings Banks Sector.

The structure of Austria's banking system is characterised by a large number of small banks, a smaller number of medium to large banks and the absence of any banks of international scale other than Erste Group Bank, Bank Austria, which is a subsidiary of Unicredito Italiano S.p.A., and the financial holding company Raiffeisen International Bank-Holding AG. In 2008, the Austrian banking system consisted of 867 independent banks with a total of 4,251 branches and estimated total assets of EUR 1,069.3 billion (Source: Website of the OeNB reviewed on 9 October 2009).

## Savings Banks

Of the seven banking sectors, the Savings Banks Sector is the third largest, accounting for approximately EUR 176.5 billion of total assets (excluding Bank Austria which is legally established as a savings bank) as of 31 December 2008 (Source: Website of the OeNB reviewed on 9 October 2009: [www.oenb.at](http://www.oenb.at)—"Statistics and Reporting"—"Statistical Data"—"Financial Institutions"—"Banks"—"Banks' Business Structure"—"Banks' Balance Sheets"—"Joint stock banks and private banks, savings banks, state mortgage banks"). The Savings Banks Sector then comprised the independent savings banks (excluding Bank Austria), with Erste Group Bank operating as the central financial institution of the Savings Banks Sector.

Austrian savings banks were historically subject to geographical restrictions on their operations, which contributed to the development of a Savings Banks Sector characterised by a large number of small, local savings banks. Savings banks were established either by a benevolent association (*Verein*), or by a community (*Gemeinde*). The historical role of both the Verein and the Gemeinde with respect to Vereinssparkassen (association savings bank) and Gemeindesparkassen (community savings bank) was to provide the foundation capital for the savings bank and to act in a supervisory capacity. The principal difference between a Gemeindesparkasse and a Vereinssparkasse is that creditors of a Gemeindesparkasse and of its operating savings bank stock corporation have the benefit of a municipal deficiency guarantee and that, to an extent, a Gemeindesparkasse and its operating savings bank stock corporation are influenced by their municipality, whereas a Vereinssparkasse has no such guarantee and is wholly independent of the municipalities.

These deficiency guarantees were abolished by law as follows: Liabilities existing as of 2 April 2003 will continue to be covered until their maturity. Liabilities entered into between 2 April 2003 and 1 April 2007 will be covered if the agreed maturity date is 30 September 2017 at the latest. As the savings banks traditionally did not expressly use this guarantee to reduce their costs of financing, no major impact is expected to result from the revocation of this guarantee. Only 10 smaller savings banks are affected by the revocation of the guarantee.

In 1986, an amendment to the Banking Act 1979 permitted a savings bank to reorganise as a joint-stock company in order to enable transfers of shares or to raise capital. Such reorganisation involved the creation of an Anteilsverwaltungssparkasse (special savings bank holding company) which holds the shares in the relevant operating savings bank stock corporation. In 1993, Erste Group Bank changed its structure accordingly.

An Anteilsverwaltungssparkasse may opt to transform into a privately organised foundation. For Gemeindeparkassen the deficiency guarantee then only covers liabilities assumed until the 31 December following the registration of the foundation.

On 19 December 2003, DIE ERSTE österreichische Spar-Casse Anteilsverwaltungssparkasse was transformed into a private law foundation named DIE ERSTE österreichische Spar-Casse Privatstiftung.

## **Regulation and supervision**

The structure of the regulation and supervision of the Austrian banking system is set forth in a number of statutes, including the Austrian Financial Market Supervision Act 2001 (*Finanzmarktaufsichtsbehördengesetz*), the Banking Act, the Austrian National Bank Act 1984 (*Nationalbankgesetz*), the Austrian Savings Bank Act 1979 (*Sparkassengesetz*), the Financial Conglomerates Act (*Finanzkonglomeratengesetz*), the Austrian Mortgage Bank Act 1899 (*Hypothekenbankgesetz*) and the Austrian Securities Supervision Act 2007 (*Wertpapieraufsichtsgesetz*) ("WAG 2007"), each as amended.

The Austrian Financial Market Supervision Act assigns the responsibility for the supervision of credit institutions, insurance companies, financial conglomerates, investment firms and exchanges, investment funds and pension funds to the FMA. Under the Banking Act, regulation and supervision of Austrian credit institutions and the branches of non-EU credit institutions in Austria are the responsibility of the FMA assisted by the OeNB, which has the competence to make on-site bank audits. The FMA may take a variety of actions under the Banking Act to supervise credit institutions on a comprehensive and consolidated basis. In order to enable the FMA and the OeNB to fulfil their obligations, credit institutions must, amongst other requirements, prepare monthly interim balance sheets and quarterly profit and loss statements and submit annual audit reports.

The FMA is subject to supervision by the Minister of Finance. The management board of the FMA consists of two members, who are nominated by the Minister of Finance and the OeNB, respectively, and are appointed by the Austrian federal president upon proposal by the federal government. A supervisory board consisting of eight members, two of whom have no voting rights, approves the FMA's budget, financial statements, top employees and other important matters. The expenses of the FMA are borne primarily by the supervised credit institutions, companies and funds, whilst the Austrian federal government bears a minor fixed portion thereof.

The FMA is afforded an array of powers to regulate and supervise the Austrian banking system. These powers include the power to require the delivery of certain reports, to inspect credit institutions, to require audits, and to appoint certain officers and advisers to assist in the discharge of regulatory and supervisory duties. The FMA may use the auditors of the OeNB to perform an audit of a credit institution, including its branches and representative offices outside Austria. Since 1 January 2008, the OeNB is responsible to undertake on-site audits of credit institutions upon instruction by the FMA. Any credit institution operating in Austria that is subject to regulation and supervision by the FMA may be subject to an order by the FMA if there is reason to doubt such credit institution's ability to fulfil its obligations to its customers. By such an order, which may be effective for up to 18 months, the FMA may (i) prohibit withdrawals of capital or profits from the credit institution (in whole or in part), (ii) appoint a government commissioner authorised to prohibit all business which could be prejudicial to the safety of the interests of customers of the credit institution, (iii) prohibit further management of the credit institutions by such credit institution's existing management board or (iv) prohibit (in whole or part) further business of the credit institution.

## **State commissioners**

The Banking Act requires the Minister of Finance to appoint a state commissioner and a deputy state commissioner to assist in the supervision and regulation of Austrian credit institutions that

have a total balance sheet of more than EUR 375 million in total assets (at balance sheet value), of all savings banks and, under certain circumstances, of credit institutions organised as limited liability companies (*GmbH*). The role of the state commissioner is to ensure that these credit institutions do not make decisions at shareholders' and supervisory board meetings which in their view violate federal laws, regulations, other provisions or decisions (*Bescheide*) by the Minister of Finance or the FMA. If a state commissioner objects to any resolution proposed at a shareholders' meeting or a meeting of the supervisory board, then the state commissioner has to notify the FMA immediately. The effectiveness of such resolution is suspended until the FMA makes a determination as to its validity (within one week after application by the credit institution).

Mortgage banks (*Hypothekenbanken*) are subject to inspection by trustees and deputy trustees appointed by the Minister of Finance in accordance with the Mortgage Bank Act 1899. The trustees and the deputy trustees are charged with the responsibility for determining compliance with legal requirements for the registration of certain assets covering obligations of Erste Group Bank under *Pfandbriefe* (Mortgage Bonds) and *Kommunalschuldverschreibungen (Öffentliche Pfandbriefe)* (Public-Sector Covered Bonds). Commissioners appointed by the Minister of Finance are also responsible for monitoring compliance by Erste Group Bank with the legal requirements for segregation of assets and security provided for covered bonds (*fundierte Bankschuldverschreibungen*) pursuant to the Act on Covered Bank Bonds 1905.

## The OeNB and the European System of Central Banks

The OeNB is the central bank of Austria and is mandated by law to assist the ECB. Whereas the ECB decides on the principal monetary issues of the European Monetary Union, the OeNB, as a member of the European System of Central Banks, executes the directives and regulations of the ECB. Moreover, it co-operates with the FMA in supervising Austrian credit institutions.

In addition to its functions as the central bank and as an institution within the European System of Central Banks, the OeNB reviews reports filed by credit institutions. Detailed foreign currency statistics concerning the foreign currency position of all Austrian credit institutions are compiled by the OeNB and provide it with an indication of the business volume of the large Austrian credit institutions.

## Minimum reserves

In accordance with EU Regulations, the ECB prescribes by decree minimum reserves to be maintained by Austrian credit institutions with the OeNB. These minimum reserve requirements apply to the following liabilities denominated in euro: (i) deposits, (ii) debt securities and (iii) money market certificates. Certain exemptions apply. The required reserve ratio ranges between 2.5% for short-term liabilities and liabilities due within 6 months and 20% for liabilities due within 36 months. Failure by a credit institution to meet the minimum reserve requirements exposes the credit institution to fines or interest penalties.

## Statutory deposit insurance scheme

Austrian law requires that any credit institution which receives deposits requiring a guarantee under applicable law must join the insurance scheme of its sector within the banking system. Failure of a credit institution to join the relevant insurance scheme results in the lapse of the credit institution's licence to conduct a business involving the acceptance of deposits requiring a guarantee under applicable law in Austria. Payments made by an insurance scheme to restore insured deposits are met by contributions from each member credit institution in the relevant sector. Each bank's contribution is determined in proportion to the aggregate amount of such credit institution's deposits, subject to a maximum contribution amount equal to 1.5% of the calculation basis pursuant to section 22 paragraph 2 of the Banking Act, plus 12.5 times the own funds requirement for certain positions of the trading book pursuant to section 22o paragraph 2 Nos 1, 3 and 6 of the Banking Act, each as per the most recent balance sheet date.

In the event that the aggregate maximum amount that a sector's members can be called upon to contribute is less than the payment liability under the insurance scheme, each deposit insurance scheme of the other banking sectors will contribute a pro rata portion of the amount then remaining unpaid. The participation of each insurance scheme is to be determined as per the previous paragraph. If the amount contributed by all insurance schemes is insufficient to make the required payment, then the insurance scheme that is primarily obligated to repay such protected deposits must issue bonds to cover any amount then remaining unpaid. The Republic of Austria may accept liability for such bonds.

The insurance scheme currently insures deposits of private individuals up to 100% (as of 1 January 2010: capped at EUR 100,000) and deposits of legal persons up to EUR 20,000 or equivalent, except that deposits of certain SMEs are insured at EUR 50,000 or equivalent. Deposits of legal entities are always capped at 90%, subject to such maximum amount and are to a certain extent excluded from the scope of the scheme. Deposits not exceeding EUR 2,000 will be repaid in chronological preference to deposits of a greater amount.

## **Haftungsverbund**

Effective 1 January 2002, the majority of the Austrian savings banks, excluding Bank Austria, formed a common risk management system, early warning system and customer deposit insurance scheme. The customer deposit insurance scheme materially expanded the credit institutions' obligations beyond the legally prescribed amount per depositor. This arrangement, called the Haftungsverbund (literally translated "cross-guarantee system"), ensures enforcement of payments by transferring control of the system to Haftungsverbund GmbH, an entity in which Erste Group Bank is required to hold at least 51% of the shares, and the other savings banks own the remainder. The right to determine risk policies and, in case of serious financial difficulties of a member, the right to intervene in management was also transferred to Haftungsverbund GmbH. See "Erste Group Bank—Business Overview—Haftungsverbund". For more details on the Haftungsverbund, see "Erste Group Bank—Business Overview—Haftungsverbund".

## **Financial statements and audits**

Austrian credit institutions, and credit institutions operating in Austria, are required to submit financial statements, including the audit reports thereon, to the FMA and the OeNB.

Austrian listed companies must prepare consolidated financial statements in accordance with IFRS as adopted by the EU. Austrian bank accounting standards differ from IFRS mainly in respect of a reduced use of fair values and less comprehensive tax deferrals.

All financial statements of credit institutions must be audited by a bank auditor, who is either a certified public accountant or the auditing office of one of the specialised auditing institutions of the relevant sector. The consolidated and separate financial statements of Erste Group Bank, as a savings bank stock corporation, have been audited by Sparkassen-Prüfungsverband Prüfungsstelle (the savings banks' auditing agency) as statutory bank auditor. The 2007 and 2008 audits were performed jointly with Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. which has been elected by the shareholders' meeting of Erste Group Bank in 2006 and 2007 to act as an additional auditor. The financial statements until 2006 were audited jointly by Sparkassen-Prüfungsverband Prüfungsstelle and a member firm of Deloitte Touche Tohmatsu. The audited financial statements, the contents of which are prescribed by law, must be published in the *Amtsblatt zur Wiener Zeitung* (the Austrian official gazette), the official publication medium in Austria.

Bank auditors are also required to examine the timely and complete compliance with all relevant banking regulations. The result of this audit is attached to the long form audit report as a separate bank supervision audit report.

## Capital adequacy requirements

In June 2004, the Basel Committee published the "International Convergence of Capital Measurement and Capital Standards, a Revised Framework" ("Basel II") that aims to align the risk of a bank's loan portfolio more closely with the capital reserves that it is required to set aside against unexpected losses. Basel II is built on three interlocking pillars (Pillar 1, Pillar 2 and Pillar 3), minimum capital requirements, supervisory review and market discipline. Taking this into account, the European Parliament and the Council have published Directive 2006/48/EC of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions which has been implemented in the Banking Act (entering into force on 1 January 2007) and the Solvability Regulation (*Solvabilitätsverordnung*) published by the FMA on the basis of the Banking Act.

Under such risk-based capital adequacy rules, credit institutions and groups of credit institutions must have at their disposal Qualifying Capital (as defined below) equal to the total capital requirement which is the sum of (i) 8% of the calculation base for credit risk (ii) the risk positions of the trading book, (iii) the commodity positions risk and foreign exchange risk for positions outside the trading book, (iv) operational risk, and (v) any participations exceeding a certain threshold and potential risks stemming from a violation of the Banking Act as imposed by the FMA.

The Banking Act defines "Qualifying Capital" as consisting principally of (i) paid-in capital, (ii) disclosed reserves, (iii) funds for general bank risks, (iv) supplementary capital, (v) hidden reserves, (vi) participation capital, (vii) subordinated capital (which includes subordinated capital and short-term subordinated capital), (viii) revaluation reserves, (ix) the commitments of members of co-operative banks to make additional contributions quantified in relation to their shareholdings, (x) short-term subordinated capital and (xi) only for the purpose of supervision on a consolidated basis, hybrid tier-1 capital. Certain losses, certain intangible assets and certain investments in other banks, insurance companies or financial institutions are required to be deducted in computing Qualifying Capital.

"Core Capital", as applied to Erste Group Bank, consists of (i) paid-in capital (which, *inter alia*, includes share capital and participation capital), (ii) disclosed reserves and (iii) funds for general bank risks, less losses and intangible assets. The Banking Act requires that the aggregate amount of the elements comprising Qualifying Capital, other than those elements which are part of Core Capital, must not exceed the Core Capital. In addition, the sum of subordinated capital may not exceed 50% of the Core Capital. Core Capital reflects the same concept as "tier-1 Capital" and Qualifying Capital other than Core Capital reflects a concept similar to "tier-2 Capital" (as such terms are used in the United Kingdom and the United States capital adequacy rules).

The calculation base for credit risk is the sum of risk-weighted exposure amounts and encompasses assets, certain off-balance sheet items and derivatives, excluding positions of the trading book. The calculation base has to be computed either by use of the standardised approach or the IRB approach (both such approaches as provided for in the Banking Act and the Solvability Regulation issued by the FMA).

Erste Group Bank has been examined by the FMA and the OeNB and is, following a positive assessment of the IRB approach concerning all portfolios, entitled to determine the calculation base for credit risk as of 1 January 2007 using the IRB approach. The approval by the FMA has no expiry date. The IRB approach may also be used on a consolidated basis for Česká spořitelna and the Austrian members of the credit institute group, save that the branches of Kärntner Sparkasse AG in Italy and several subsidiaries (ecetra Central European e-Finance AG, the capital investment entities and ancillary business entities) continue to use the standardised approach. For the other members of the credit institute group, Erste Group Bank has agreed with the FMA on a roll-out plan for implementing the use of the IRB approach.

Capital adequacy rules must be met not only by a credit institution on its own, but also by the credit institution's group, i.e., the credit institution together with all other subsidiary credit institutions, financial institutions, investment firms, ancillary financial services companies and

hybrid capital vehicles. Savings banks that are members of the Haftungsverbund are included in Erste Group for capital adequacy purposes.

According to the Financial Conglomerates Act (*Finanzkonglomeratengesetz*) of 2004 which is based on the EU Directive and which came into force on 1 January 2005, Erste Group was considered a financial conglomerate. Regarding the capital requirement according to the Financial Conglomerates Act, Erste Group had a surplus regulatory capital of EUR 1,935.5 million as of 31 December 2007. After the sale of the insurance business of Erste Group to VIG (see “Erste Group Bank—Sale of the Insurance Business” for details), Erste Group ceased to be a financial conglomerate effective 15 August 2008.

Through a recent amendment of the Banking Act, the FMA was given the power to require a credit institution or a credit institution group to take appropriate measures including to raise additional tier-1 capital if it has not adequately limited its banking and operational risks and no adequate assessment and mitigation of such risks in the short term by the credit institution or the credit institution group can be expected.

## **The Banking Act**

In addition to specifying the capital adequacy rules, the Banking Act, as amended, imposes other requirements and restrictions on Austrian credit institutions, including reporting requirements, liquidity requirements, open foreign currency positions, large exposures and restrictions on participations.

### **Periodical reports**

Austrian credit institutions are required to file a number of reports with the FMA, including periodical monthly and quarterly reports. In addition, reports must also be filed to report any hidden reserves or credit in excess of certain amounts. The form of all reports is established by an implementing ordinance. All reports are delivered to the OeNB, which reviews them and provides to the FMA an opinion as to whether the regulations on solvency, qualifying capital, liquidity, open foreign currency positions, large exposures and participations have been observed.

### **Liquidity**

The Banking Act requires each credit institution to establish company-specific finance and liquidity planning. The liquidity plan must generally set forth the programme that enables the credit institution to react to possible disparities between incoming and outgoing payments and to changes in market conditions. The terms of claims and obligations of each credit institution must be structured to provide for changing interest rates and maturity trends. In addition to these general regulations, the Banking Act requires credit institutions to retain minimum liquid resources of both first degree and second degree and to submit a detailed calculation plan for the foregoing.

### **Large exposures**

If the assets and off-balance sheet items with regard to a single client or group of connected clients exceed 10% of a credit institution's Qualifying Capital, then a large exposure exists within the meaning of the Banking Act. A large exposure may not exceed 25% of the accountable Qualifying Capital of a credit institution and of the respective credit institution group. Moreover, no large exposure may exceed 20% of the Qualifying Capital if it is made to the parent company or a subsidiary of the parent or the credit institution. A credit institution's aggregate large exposures may not exceed 800% of its accountable Qualifying Capital.

### **Qualified participations**

A qualified participation is a holding by a bank, whether direct or indirect, of at least 10% of the capital or voting rights of a company. The possibility of exercising a significant influence over the

management of a company may also cause the company to constitute a qualified participation of the bank. Qualified participations in non-banks (with certain exceptions, in particular insurance companies) may not be held by credit institutions or a group of credit institutions if the value of the qualified participation exceeds 15% of the accountable Qualifying Capital of such credit institutions or group. Moreover, the total carrying value of qualified participations may not exceed 60% of the Qualifying Capital of a credit institution or a group of credit institutions. In certain circumstances, these limitations may be exceeded.

### **Interbank Market Support Act 2008—Financial Market Stabilisation Act 2008**

Under the IBSA and the Financial Market Stabilisation Act 2008 (*Finanzmarktstabilitätsgesetz*) (“FinStaG”), the Austrian Federal Minister of Finance (“Minister of Finance”) has been granted certain powers in relation to Austrian credit institutions (such as Erste Group Bank) and insurance undertakings.

The powers under the IBSA last until 31 December 2009 and allow for the Minister of Finance to assume liability for the benefit of a clearing house. The aim is to increase the credit institutions’ confidence in the interbank market and hence, to prevent liquidity problems caused by credit institutions retaining surplus liquidity instead of on-lending it to other banks. Furthermore, the Minister of Finance may assume against consideration liabilities for the benefit of holders of securities with a term of a maximum of five (5) years to be issued by credit institutions in order to encourage the medium-term refinancing of Austrian credit institutions. The outstanding amounts connected with measures pursuant to the IBSA may not exceed EUR 75 billion. Erste Group Bank has consequently established a EUR 6 billion DIP in relation to issues of notes governed by the Republic of Austria (see above “Material Contracts—Framework Agreement for Guaranteed Bonds”).

The FinStaG entitles the Minister of Finance to take measures for the recapitalisation of credit institutions and insurance undertakings (“Relevant Entities”) (i) in order to remedy a considerable disruption within Austria’s economic life, (ii) to ensure the macroeconomic balance as well as (iii) for the protection of the national economy of Austria. The measures comprise the assumption of liabilities for the benefit of obligations of the Relevant Entities and for the benefit of obligations vis-à-vis the Relevant Entities, the provision of facilities and own funds for Relevant Entities and the acquisition of shares. Furthermore, if performance of a Relevant Entity’s obligations vis-à-vis its creditors is jeopardised, the Minister of Finance may as a last remedy acquire shares in such Relevant Entity for consideration. The shares acquired in accordance with the provisions of the FinStaG have to be privatised upon the achievement of the intended purpose, taking into consideration the prevailing market conditions. The outstanding amounts connected with measures pursuant to the FinStaG may not exceed EUR 15 billion.

The Minister of Finance is entitled to set forth conditions and requirements for the measures according to the FinStaG. In this context, provisions may be imposed in particular with regard to the following aspects: the business focus (in connection with credit institutions, in particular the supply of small and medium-sized enterprises with loans), the application of the funds received, the remuneration of managers, the tier-1 requirements, the dividend policy, measures for safeguarding jobs, the period within which the requirements must be met, measures for the prevention of distortion of competition, as well as the legal consequences of non-compliance with the aforementioned conditions and requirements.

## Selected information on certain CEE banking systems

### The Croatian banking system

**The Croatian National Bank.** The regulatory powers and supervisory activities in the banking sector are exercised by the Croatian National Bank ("CrNB"). The CrNB may impose penalties and take other remedial measures, including forced administration. Other sectors of the Croatian financial services industry, including its capital markets, are currently regulated and supervised by the Croatian Financial Services Supervisory Agency.

**Monetary Policies.** The CrNB is required to pursue a policy of low inflation and stable domestic currency. In August 2009, the annual consumer price inflation rate was 1.5% while the basic inflation rate was 2.3%.

**Capital Adequacy.** Currently, Croatian credit institutions are required to keep their capital adequacy ratio above 10%. However, the provisions of the recently adopted Credit Institutions Act, which the credit institutions will be required to comply with as of 31 March 2010, require credit institutions to keep their capital adequacy ratio above 12%.

The capital adequacy ratio is calculated as a quotient of (A) the credit institution's own funds and (B) total amount of (i) the credit risk weighted exposure plus (ii) the initial capital requirements for the sum of (a) market risks and (b) operative risk multiplied by 12.5 ("minimum own funds adequacy ratio"). A credit institution's own funds comprise the core capital and two categories of supplementary capital. The core capital consists principally of (a) paid-in capital (excluding cumulative preferential shares), (b) reserves and retained earnings, and (c) reserves for general banking risks. Supplementary capital I consists of (a) capital paid up by issuing cumulative preferential shares, (b) hybrid instruments, (c) subordinated instruments and (d) the positive amount of difference between revaluation and expected loss reserves. Supplementary capital II consists of certain subordinated financial instruments not included in supplementary capital I.

**Minimum Reserves.** Croatian credit institutions must deposit with the CrNB an amount sufficient to meet the CrNB's minimum reserve requirements, which are currently 14% of domestic and foreign deposits and loans, issued debt securities, subordinated instruments and financial liabilities. Under CrNB rules, a credit institution is required to cover a minimum of 20% of its foreign currency liabilities by foreign currency assets.

**Large Exposures.** The provisions of the Croatian Credit Institutions Act on large exposures, which credit institutions will be required to comply with as of 31 March 2010, define large exposure as a credit institution's exposure to a client or group of connected clients that is equal to or exceeds 10% of the credit institution's own funds. The approval of the credit institution's supervisory board is required to enter into each individual legal arrangement that results in a credit institution's overall exposure to a client or group of connected clients that is equal to or exceeds 15% or 20% of the credit institution's own funds, and the sum of all large exposures may not exceed 600% of its own funds. The sum of all exposures toward (a) shareholders holding 5% or more of shares granting voting rights in the credit institution's general assembly, (b) members of the credit institutions' management board or supervisory board or procuration holders, (c) persons with whom the credit institution has employment agreements with special rights and (d) undertakings in which the credit institution has a participation, may not exceed 50% of the credit institution's own funds.

**Participations.** The prior approval of the CrNB is required for the direct or indirect acquisition of a qualifying holding, i.e. (a) a direct or indirect ownership interest in 10% or more of the capital or of the voting rights in a credit institution or (b) less than 10% of the capital or of the voting rights which makes it possible to exercise a significant influence over the management of the credit institution. Once the 10% threshold has been exceeded, an increase in the shareholding to more than 20%, 30% or 50% requires a further approval by the CrNB. In case the acquired participations fall below the respective thresholds, a notification to the CrNB is required.

**Deposit Insurance.** Credit institutions are required to make quarterly contributions to the State Agency for Deposit and Bank Rehabilitation, currently in an amount equal to 0.10% of insured deposits. If a credit institution becomes insolvent, a single customer's deposits are insured up to HRK 400,000.

## The Czech banking system

**The Czech National Bank.** The regulatory powers and supervisory activities in the banking sector are exercised by the Czech National Bank ("CNB") as the central bank. The CNB may impose penalties and other remedial measures, including forced administration. The supervision of other sectors of the financial services industry, such as capital markets and insurance, is also performed by the CNB.

**Monetary Policies.** The CNB is required to pursue a policy of low inflation and support the government's policy of sustainable economic growth. An inflation target of 3% was originally announced for the period from January 2006 until the Czech Republic's accession to the Euro zone. In view of postponement of the adoption of the Euro beyond 2010, the CNB has announced a new inflation target of 2% (with a tolerance band of  $\pm 1\%$ ), valid from January 2010.

**Capital Adequacy.** In line with EU law and Basel II, the minimum capital adequacy ratio for Czech banks is 8%. A bank's own funds consist principally of tier-1 capital (original capital), tier-2 capital (supplementary capital) reduced by deductible items and tier-3 capital (market risk coverage capital). For the capital requirements calculation, a bank may either use basic methods or special methods (which must be approved in advance by the CNB). The CNB may impose remedies if the capital adequacy ratio of a bank falls below two-thirds of the statutory minimum.

**Minimum Reserves.** Banks (including branches of foreign banks) must deposit with the CNB an amount sufficient to meet the CNB's minimum reserve requirements, which are currently 2% of the following liabilities (with the exception of repo liabilities) with a maturity of up to two years vis-à-vis non-bank customers: (i) customer deposits, (ii) loans accepted from customers, (iii) non-marketable securities issued by the bank and held by non-banks and (iv) other debt securities issued by the bank and held by entities which are non-banks.

**Large Exposures.** Generally, a net exposure of a bank's investment portfolio in relation to a single entity or a group of related entities must not exceed 25% of the bank's adjusted capital (sum of tier-1 and tier-2 capital reduced by deductible items). If such entity or a member of a group of related entities is (i) a person controlling or controlled by the bank, (ii) a person controlled by or controlling a person controlling the bank, or (iii) another person with close connection to the bank, the bank's investment portfolio net exposure must not exceed 20% of the bank's adjusted capital. The sum of large net exposures of the investment portfolio must not exceed 800% of the bank's adjusted capital. In the event of exceeding the statutory limits on investment portfolio exposure, additional limits on exposure of a trading portfolio in relation to the respective single entity or a group of related entities apply.

**Participations.** The prior approval of the CNB is required for the acquisition of a participation in a bank which results in the acquiring person's exceeding an ownership threshold of 10%, 20%, 33% or 50% of the bank's share capital or voting rights. The decrease of a participation which, prior to the decrease, amounted to at least 50%, 33%, 20% or 10% of the bank's share capital or voting rights, below these thresholds, must be notified to the CNB.

**Deposit Insurance.** Banks are required to make annual contributions to the Deposit Insurance Fund in the amount of 0.1% of the average amount of their insured deposits. If a bank becomes insolvent, a single customer's deposits are insured up to the CZK equivalent of EUR 50,000. The amount of annual contributions to the Deposit Insurance Fund may be increased to 0.2%.

## The Hungarian banking system

**The National Bank of Hungary.** The National Bank of Hungary ("NBH") sets, and is responsible for, realising the monetary policy of Hungary. The NBH also acts as a lender of last resort for credit institutions, i.e., by providing an extraordinary loan to a credit institution whose operations would otherwise endanger the stability of the Hungarian financial system. The NBH's supervisory tasks in connection with the banking sector include reviewing credit institutions' compliance with certain licensing obligations and with the orders of the chairman of the NBH.

**The Hungarian Financial Supervisory Authority.** Generally, the regulatory powers and supervisory activities in the banking sector are exercised by the Hungarian Financial Supervisory Authority ("HFSA"). The HFSA may impose penalties, ordinary remedial measures and special remedial measures, including forced administration. Apart from the supervision of the banking sector, the HFSA also supervises other sectors of the financial services industry, such as capital markets and financial service providers.

**Monetary Policies.** The principal objective of the NBH is to achieve and maintain price stability and to support the government's economic policy. The target inflation rate according to the inflation report of the NBH for 2009 is 4.5%.

**Capital Adequacy.** In line with EU law, the minimum capital adequacy ratio for Hungarian banks is 8%. A bank's own funds consist principally of tier-1 Capital, tier-2 Capital and tier-3 Capital (subordinated third-party debt with a fixed maturity of not less than two years after the date of its transfer to the appropriate account) less certain capital investments in other banks or financial institutions. The HFSA may impose remedies if the capital adequacy ratio of a bank falls below the statutory minimum.

**Minimum Reserves.** Banks must deposit with the NBH an amount sufficient to meet the NBH's minimum reserve requirements which are currently 0% of the following liabilities: (i) deposits with a maturity exceeding 2 years, (ii) received loans with a maturity exceeding 2 years (with certain exceptions), (iii) debt securities with a maturity exceeding 2 years and (iv) sale/buy-back transactions. The minimum reserve requirement is currently 2% for any other resources which belong to the reserve funds and are not mentioned above.

**Large Exposures.** Generally, the net exposure of a credit institution in relation to a single customer or a group of connected customers must not exceed 25% of the bank's share capital. A credit institution's exposure to a single customer or group of related customers is regarded as a large exposure if its value is equal to or exceeds 10% of the own funds of the credit institution. The credit institutions must maintain solvency. Therefore, the amount of own funds may not drop below HUF 2 billion. The total net exposure of a credit institution's large exposures must not exceed 800% of its own funds.

**Participations.** The prior approval of the HFSA is required for the acquisition of a qualified participation in a bank or an acquisition of a participation which results in the acquiring person's exceeding an ownership threshold of 20%, 33% or 50% of the bank's voting rights. Termination or any decrease of a participation in a bank below those thresholds must be notified to the HFSA two days prior to and within thirty days from contracting.

**Deposit Insurance.** Credit institutions are required to make annual contributions to the Hungarian National Deposit Insurance Fund ("HNDIF"). The amount of an annual contribution is determined by taking into account the total deposits at the credit institution and other conditions provided for in the articles of HNDIF. The amount of the annual contribution is limited to 0.2% of the aggregate total interest holdings indicated under accrued and deferred liabilities on deposits insured by HNDIF and kept with the credit institution on 31 December of the preceding year and the deposits insured by HNDIF as stipulated by statutory provisions on credit institutions' obligations to prepare annual reports and to keep books. If a credit institution becomes insolvent, a single customer's deposits are insured up to EUR 50,000 per credit institution, which is paid in HUF at an exchange rate set by NBH.

## The Romanian banking system

**National Bank of Romania.** The regulatory powers and supervisory activities in the banking sector are exercised by the National Bank of Romania ("NBR") as the central bank. The NBR may impose penalties and other remedial measures, including forced administration. The supervision of other sectors of the financial services industry, such as capital markets and insurance, is currently performed by other authorities (the National Securities Commission and the Insurance Supervisory Commission, respectively).

**Monetary Policies.** The NBR pursues a policy of low inflation. The target inflation rate proposed by the NBR for 2009 is 4.5% or lower.

**Capital Adequacy.** A bank's own funds consist of: (i) the core capital, also called tier-1 capital, consisting mainly of paid-in capital and reserves, and (ii) base and supplementary funds, also called tier-2 capital, consisting mainly of revaluation reserves and certain types of subordinated long term debt meeting very strict reimbursement conditions, as laid down by the NBR. The calculation method of the amount of regulatory capital that must be held by a bank takes into consideration the requirements laid down by Basel II subject to different types of risks (e.g., credit risk, operational risk, foreign exchange rate risk, etc.). The minimum capital adequacy ratio for credit risk is 8% on the risk-weighted assets and for operational risk is 15% on the exposure. Banks are allowed to use internal credit ratings to determine the amount of regulatory capital that must be held, subject to prior approval of the NBR. Non-observance of the requirements in relation to own funds and/or minimum capital adequacy entitles NBR to revoke the banking license of the respective credit institution.

**Minimum Reserves.** Banks must deposit with the NBR an amount sufficient to meet the NBR's minimum reserve requirements, which are currently:

- 15% of RON liabilities with a maturity date shorter than two years or a residual maturity date longer than two years, where contract terms reference prepayments, withdrawals or in-advance transfers;
- 0% of RON and foreign currency liabilities with a residual maturity date longer than two years where contract terms do not reference prepayments, withdrawals or in-advance transfers;
- 30% of foreign currency liabilities with a maturity date shorter than two years or a residual maturity date longer than two years, where contract terms reference prepayments, withdrawals or in-advance transfers; and
- 0% of RON and foreign currency non-refundable loans.

**Large Exposures.** The net exposure of a bank in relation to a single debtor (or a group of affiliated debtors) may not exceed 25% of the bank's own funds. This provision does not apply to a single debtor (or group of affiliated debtors) with which the bank has a special relationship or to the bank's own personnel.

A bank's net exposure to a group of persons or entities with which the bank has a special relationship may not exceed 25% of the bank's own funds (20% in the case of the bank's own group). The net exposure to a person (or an affiliated group treated as a single debtor) with which the bank has a special relationship, but which does not belong to the bank's own group, is set by the internal regulations of the bank, which must be approved by the NBR.

The net exposure of a bank in relation to its own personnel must not exceed 25% of its own funds. The aggregate value of all large exposures (defined to include single exposures equal to 10% or more of the bank's own funds) may not exceed 800% of the bank's own funds. Measures enacted by the NBR cap the total amount of a bank's foreign currency loans at 300% of a bank's own funds.

**Participations.** A person, or group of persons, who intends to become a significant shareholder (acquiring at least 10% of the participations or voting rights or a significant influence over the management or business policy of the bank) must notify such intention to the NBR for prior

authorisation. Any significant shareholder contemplating the increase/decrease of its participation in a bank which results in the shareholder's participation exceeding or falling below a threshold of 20%, 33% or 50% of the bank's capital or voting rights must notify such intention to the NBR in advance. The bank must also notify the NBR of any increase or decrease of a participation that results in the person's participation crossing the abovementioned thresholds.

**Deposit Insurance.** Banks are required to make annual contributions to the Bank Deposit Guarantee Fund of a maximum 0.5% of RON and foreign currency deposits in the previous year. If a bank becomes insolvent, a single customer's deposits are guaranteed up to the RON equivalent of EUR 50,000.

## The Serbian banking system

**National Bank of Serbia.** The regulatory powers and supervisory activities in the banking sector are exercised by the National Bank of Serbia ("NBS"). The NBS may impose penalties and other remedial measures, including forced administration.

**Monetary Policies.** The NBS is required to pursue a policy of low inflation and to support sustainable economic growth. The target inflation rate for 2009 was announced to be between 8% and 10% and shall be measured by the consumer-price index.

**Capital Adequacy.** The minimum capital adequacy ratio is 12%.

A bank's own funds consist principally of core capital (including reserves, retained earnings and other items, less certain deductible items), Tier-Capital-1 and Tier-Capital-2, decreased by certain deductible items. A bank's own funds may never be less than EUR 10,000,000, in RSD counter-value.

Tier-Capital-1 represents the surplus of the following items (decreased by certain deductible items): (i) paid-in share capital arising out of cumulative preferential shares, (ii) issuance premium arising out of cumulative preferential shares, (iii) the portion of revaluated reserves related to fixed assets and participation in capital in a bank's portfolio, (iv) reserves from earnings against general banking risks, up to a specified amount, (v) certain hybrid instruments and (vi) subordinated liabilities. Tier-Capital-2 represents short-term subordinated liabilities with specific characteristics and an original maturity date of not less than two years, which may not be pre-paid.

A bank's core capital may not be less than 50% of its entire capital, whereas Tier-Capital-2 may not exceed 250% of the portion of the bank's core capital that is used to cover market risks.

Each bank must provide reports on its capital adequacy to the NBS on a quarterly basis.

If a bank is undercapitalised, it must immediately notify the NBS of the undercapitalization.

The NBS may revoke a bank's license if it becomes significantly undercapitalised (i.e. if its capital adequacy ratio is, by one-third or more, lower than the prescribed ratio, and/or its capital is, by one-third or more, lower than the prescribed amount). The NBS shall revoke a bank's license if it becomes critically undercapitalised (i.e. if its capital adequacy ratio is, by one-half or more, lower than the prescribed ratio, and/or its capital is, by one-half or more, lower than the prescribed amount).

**Minimum Reserves.** Banks must deposit with the NBS an amount sufficient to meet the NBS's minimum reserve requirements.

A bank has to calculate its required reserves on the 17<sup>th</sup> day of the month in the following manner:

- (i) by applying the rate of 10% on its RSD reserve base (i.e. the sum of the average daily bookkeeping balance of RSD assets in the previous calendar month) and
- (ii) by applying the rate of 45% on its foreign currency assets reserve base (i.e. the sum of average daily bookkeeping balances of foreign currency assets in the previous calendar month).

The following are exceptions to the above calculation rules:

**(a) RSD Reserves**

- (i) the rate of 5% applies to the portion of the RSD reserve base, composed of RSD obligations arising out of savings deposits with a term of over one month;
- (ii) the rate of 45% applies to the portion of the RSD reserve base, composed of RSD obligations indexed by reference to a foreign currency;
- (iii) the rate of 45% applies to the portion of the RSD reserve base, composed of RSD obligations arising out of foreign deposits and loans, up to the level of such base as of September 2008;
- (iv) the rate of 0% applies to the positive difference between the portion of the RSD reserve base, composed of RSD obligations arising out of foreign deposits and loans from the previous calendar month and the same portion of the RSD reserve base as of September 2008.

**(b) Foreign Currency Reserves**

- (i) the rate of 40% applies to the portion of foreign currency reserve base composed of obligations arising out of foreign currency savings deposited with banks;
- (ii) the rate of 20% applies to the portion of foreign currency reserve base, composed of subordinated obligations, up to the level of such base as of September 2008;
- (iii) the rate of 100% applies to the portion of foreign currency reserve base, composed of foreign currency assets kept by leasing companies on special accounts opened with banks;
- (iv) the rate of 0% applies to the positive difference between the portion of foreign currency reserve base composed of foreign currency obligations arising out of foreign deposits and loans from the previous calendar month and the same portion of the foreign currency base as of September 2008, while the rate of 45% shall be applied to the portion of the foreign currency reserve base composed of foreign currency obligations arising out of foreign deposits and loans up to the level of such portion of the foreign currency reserve base from September 2008;
- (v) the rate of 0% applies to the positive difference between the portion of the foreign currency reserve base composed of subordinated obligations from the previous calendar month and the same portion of the foreign currency reserve base as of September 2008.

Banks calculate required reserves by applying a 0% ratio on the increase in average daily book value of RSD and foreign currency obligations arising out of foreign deposits and loans and foreign currency subordinated obligations compared to their September 2008 average value—ending with the calculation of the required reserves, to be filed with the NBS on 17 July 2010, based on the average daily book value of assets as of June 2010.

**Large Exposures.** Under Serbian law, a large exposure of a bank to a single person and/or a group of related persons is the exposure equal to at least 10% of the bank's capital. A bank's exposure to a single person and/or a group of related persons may not exceed 25% of the bank's capital. The aggregate amount of a bank's large exposures (including those towards the bank's related persons) may not exceed 400% of the bank's capital. A bank's exposure to its own related person may not exceed 5% of the bank's capital: a member of a banking group which is included in the consolidated financial statements through a full consolidation method does not qualify as a related person. The aggregate exposure of a bank towards its own related persons may not exceed 20% of the bank's capital.

**Participations.** The prior approval of the NBS is required for a direct and/or indirect acquisition of a holding in a bank's capital resulting in acquisition of 5% to 20%, 20% to 33%, more than

33% to 50% and more than 50% of the voting rights in the bank. In addition, the NBS must be notified on completion of the acquisitions. If the acquisitions were executed without the necessary approval by the NBS, the NBS shall order the acquirers to dispose of such shares, and shall prohibit them from a direct or indirect exercise of voting rights in the bank, or influencing management or the business policy of the bank. If the unlawful acquirers of a bank's shares fail to dispose of such shares under the terms and conditions specified by the NBS, the acquisition shall be deemed null and void. A bank is obligated to notify the NBS, at least once a year, as well as upon the NBS's request, of all persons that hold a participation in a bank. Finally, a bank must notify the NBS of any increase and/or decrease in such participation.

**Deposit Insurance.** Banks are required to pay deposit insurance premiums to the Deposit Insurance Agency in accordance with terms and conditions stipulated by that agency. Banks must pay initial, quarterly and extraordinary premiums.

- Initial premiums are paid within 45 days of the bank's registration with the competent registry and are equal to 0.3% of the pecuniary portion of the minimum core capital of the bank.
- Quarterly premiums may not exceed 0.1% and are calculated and collected on the basis of the average total insured deposits in the previous quarter. If the funds in the Deposit Insurance Agency reach 5% of the total amount of insured deposits, the agency may stop calculation and collection of the quarterly premiums.
- Extraordinary premiums are paid when the funds in the Deposit Insurance Agency are insufficient for payouts of insured amounts. The aggregate amount of extraordinary premiums' rates per year may not exceed 0.4% The Deposit Insurance Agency calculates and collects the extraordinary premium based on the most recently determined average total insured deposits.

If a bank becomes insolvent, a single customer's deposits are insured up to EUR 50,000 in RSD counter-value.

## The Slovak banking system

**The National Bank of the Slovak Republic.** The regulatory powers and supervisory activities in the banking sector are exercised by the National Bank of the Slovak Republic ("NBS"). The NBS may impose penalties and other remedial measures, including forced administration. Moreover, the NBS supervises capital markets, the insurance industry and other parts of the financial system. As of 1 January 2009 (i.e. the date on which the Slovak Republic adopted the euro as its official currency), the NBS has been included in the Eurosystem, the monetary authority of the Eurozone.

**Monetary Policies.** The primary objective of NBS shall be to maintain price stability. To this end, it shall participate in the common monetary policy set by the ECB for the Eurozone and proceed in accordance with the rules governing the Eurosystem.

**Capital Adequacy.** In line with EU law and Basel II, the minimum capital adequacy ratio is 8%. A bank shall calculate and systematically monitor the amount of its own funds pursuant to criteria laid down in the applicable act on banks. If the NBS detects irregularities in a bank's activities, it may urge the bank to maintain its own funds in an amount that exceeds the minimum capital adequacy limits or to adopt recovery measures, including submitting a binding recovery program containing a plan for fulfilment of capital adequacy requirements. If the bank maintains its own funds at the level lower than 50% of the applicable capital adequacy requirements, the NBS is obliged to introduce forced administration, and if the bank maintains its own funds at a level below 25% of the capital adequacy requirements, the NBS is obliged to revoke its banking license.

**Minimum Reserves.** Banks must hold minimum reserves on accounts with the NBS pursuant to the Eurosystem's minimum reserves system. The reserve base comprises deposits and debt securities issued. Reserve ratios set forth by the ECB shall apply, i.e. a reserve ratio of 0% applies for the following liability categories: (i) deposits with agreed maturity over two years,

(ii) deposits redeemable at notice over two years, (iii) repos, and (iv) debt securities issued with an agreed maturity over two years. All other liabilities included in the reserve base bear a reserve ratio of 2.0%.

**Large Exposures.** The sum of large asset exposures of a Slovak bank may not exceed 800% of its own funds. A large asset exposure is legally defined as the asset exposure of the bank towards one person or a group of economically connected persons that is higher than 10% of its own funds.

**Participations.** Prior approval of the NBS is required to acquire or to exceed a share in the bank's registered share capital or voting rights of 20%, 30% or 50% in one or a series of operations, directly or through concerted action.

**Deposit Insurance.** Banks are required to make annual contributions to the Deposit Insurance Fund, currently in an amount equal to 0.2% of the amount of their insured deposits. If the NBS declares that a bank is unable to pay out deposits, the Deposit Insurance Fund shall compensate clients of the bank with the full value of their deposits. Protection is provided only with respect to the deposits made by individual persons and to a very limited extent to the deposits made by legal entities.

## The Ukrainian banking system

**The National Bank of Ukraine.** The National Bank of Ukraine ("NBU") as the central bank exercises regulatory powers and supervisory activities in the banking sector. Moreover, the NBU acts as a lender of last resort for credit institutions and organises the refinancing system. The NBU may impose penalties and take other remedial measures, including forced administration. Other sectors of the Ukrainian financial services industry, including its capital markets, are currently regulated and supervised by other authorities, including the State Securities and Stock Market Commission.

**Monetary Policies.** The principal function of the NBU is maintaining the stability of the national currency of Ukraine. Pursuant to its principal function the NBU also contributes to the stability of the banking sector in general and, within its powers, to the stabilisation of consumer prices.

**Capital Adequacy.** Generally, the ratio of a Ukrainian bank's own funds to risk weighted assets and off-balance-sheet liabilities must be at least 10%. The NBU may impose remedies if the capital adequacy ratio of a bank does not comply with the statutory minimum.

**Minimum Reserves.** Banks must deposit with the NBU an amount sufficient to meet the minimum reserve requirements of the NBU in relation to a number of financial operations. In particular, the following minimum reserve requirements are currently applied: (i) 4% of fixed-term funds and deposits of legal entities and individuals in foreign currency; (ii) 7% of deposits on demand of legal entities and individuals in foreign currency and funds on current accounts; and (iii) 2% of funds drawn by the bank from foreign banks and foreign financial organisations. The minimum reserve requirements are revised by the NBU several times per year.

**Large Exposures.** A bank's exposure to a single customer or group of related customers is regarded as a large exposure if its value is equal to or exceeds 10% of the bank's regulatory capital. A large exposure must be approved by the bank's board of directors or supervisory board. The total net exposure in relation to all customers and all groups of related customers, which net exposure individually exceeds 10% of a bank's regulatory capital, must not exceed 800% of the bank's regulatory capital. The approval of the bank's board of directors or supervisory board is also required if the bank's net exposure to a single customer which exceed 25% of the bank's regulatory capital.

**Participations.** The prior approval of the NBU is required for the direct or indirect acquisition of participation in a bank which results in the acquiring person's reaching or exceeding an ownership threshold of 10%, 25%, 50% or 75% of the bank's share capital or voting rights. The prior approval of the NBU is required for a foreign investor to acquire 10% or more of a bank's share capital.

***Deposit Insurance.*** Banks are required to make regular (twice a year) contributions to the Ukrainian Deposit Insurance Fund (“UDIF”) each time in the amount of 0.25% of the total deposits, plus accrued interest, kept with the bank as of 31 December of the preceding year and as of 30 June of the current year. Banks may also be required to pay special contributions to the UDIF. If a bank becomes insolvent, a single customer’s deposits and accrued interest are insured up to UAH 150,000, which may be increased by a decision of the administrative board of the UDIF.

# Description of the share capital and summary of the Articles of Association of Erste Group Bank

## Registered capital and shares

The existing share capital of Erste Group Bank amounts to EUR 635,850,172 as of 30 September 2009. It is divided into 317,925,086 no-par value voting bearer shares created under Austrian law. The existing share capital represents 317,012,763 Shares with a calculated notional value of EUR 2.00 each registered in the Companies Register and 912,323 Shares with a calculated notional value of EUR 2.00 issued under the ESOP 2009 but not yet registered in the Companies Register. Shares from future capital increases may be either bearer shares or registered shares. If the resolution on a capital increase does not contain a provision to the contrary, the shares are bearer shares.

The capital increase in connection with the Combined Offering, which will be effected through a partial exercise of the authorised capital, is expected to be registered with the Companies Register on or about 19 November 2009. If all New Shares are issued, Erste Group Bank's registered share capital will amount to EUR 755,850,172, comprised of 377,925,086 Shares, not including the 912,323 Shares with a calculated notional value of EUR 2.00 issued under the ESOP 2009 but not yet registered in the Companies Register.

## General information on capital measures

Austrian law permits increases of the share capital of Erste Group Bank in any of five ways:

- by a shareholder resolution on the issuance of new shares against contributions in cash or in kind (ordinary capital increase/*ordentliche Kapitalerhöhung*);
- by a shareholder resolution authorising the Management Board under the Articles of Association of Erste Group Bank ("Articles of Association") and subject to approval of the Supervisory Board to issue new shares up to a specified amount (not exceeding 50% of the share capital) within a specified period, which may not exceed five years (authorised capital/*genehmigtes Kapital*);
- by a shareholder resolution authorising the issue of new shares up to a specified amount for specific purposes, such as for employee stock options (not exceeding 10% of the share capital), conversion rights granted to holders of convertible bonds or as consideration in a merger (not exceeding 50% of the share capital) (conditional capital/*bedingtes Kapital*);
- by a shareholder resolution authorising the Management Board to effect a conditional capital increase with the approval of the Supervisory Board in order to grant stock options to employees, executives and members of the Management Board up to a certain nominal amount (not exceeding 10% of the share capital) (authorised conditional capital/*genehmigtes bedingtes Kapital*); and
- by a shareholder resolution authorising the conversion of free reserves or retained earnings into share capital with or without the issuance of new shares (*Kapitalberichtigung*).

Shareholder resolutions that increase the share capital of Erste Group Bank require a simple majority of the share capital present at the shareholders' meeting, unless the subscription rights of existing shareholders are to be excluded, in which case a 75% majority is required. Shareholder resolutions approving conditional, authorised or authorised conditional capital each require a 75% majority of the share capital present at the relevant shareholders' meeting.

In general, except for certain reductions of share capital by redemption of own shares, a resolution relating to the reduction of Erste Group Bank's share capital requires a majority of at least 75% of the share capital present at a shareholders' meeting.

## History of the share capital

Erste Group Bank (then: "DIE ERSTE oesterreichische Spar-Casse-Bank Aktiengesellschaft") was established in 1993 with a share capital of ATS 1,800,000,000 (EUR 130,811,101.50) by transforming the banking business of "DIE ERSTE österreichische Spar-Casse—Bank" into a stock corporation.

In 1997, the share capital of Erste Group Bank was increased after several minor share capital increases from ATS 2,432,016,300 (EUR 176,741,517.26) by ATS 1,708,325,000 (EUR 124,148,819.43) to ATS 4,140,341,000 (EUR 300,890,336.69) in connection with the merger with GiroCredit Bank Aktiengesellschaft der Sparkassen. In connection with the IPO in 1997, the share capital was further increased by ATS 295,738,600 (EUR 21,492,162.23).

After a major share capital increase in 2000 and some minor increases, in 2002, the share capital of Erste Group Bank was increased twice to a total amount of EUR 434,766,058.88, divided into 59,825,114 shares: First, in the course of the public offering of shares of Erste Group Bank in July 2002, by an amount of EUR 66,931,680.27, and second, due to the subscription of shares under the ESOP by an additional amount of EUR 1,832,510.92.

In 2003, the share capital was increased following the subscription of shares under the ESOP and MSOP to an amount of EUR 435,628,641.82, divided into 59,943,808 shares.

On 4 May 2004, the ordinary shareholders' meeting of Erste Group Bank resolved on a capital adjustment (an increase of the share capital out of free reserves without the issue of new shares), which raised the calculatory par value of the shares to EUR 8, and a subsequent four-for-one stock split. As a consequence of these measures, and the subscription of shares under the ESOP and MSOP, the share capital of Erste Group Bank increased to EUR 482,885,784, divided into 241,442,892 shares in 2004.

In 2005, the share capital was increased, following the subscription of 1,740,708 shares under the ESOP and MSOP to EUR 486,367,200, divided into 243,183,600 shares.

In 2006, the share capital of Erste Group Bank was increased to a total amount of EUR 630,592,370, divided into 315,296,185 shares following the public offering of shares in January 2006, the subscription of shares under the ESOP and MSOP, and the offering to BCR shareholders.

In 2007, the share capital was increased to EUR 632,577,890, divided into 316,288,945 shares following the subscription of shares under the ESOP and MSOP.

In 2008, the share capital was increased to EUR 634,025,526, divided into 317,012,763 shares following the subscription of shares under the ESOP and MSOP.

In 2009, the share capital was increased to EUR 635,850,172 as of 30 September 2009, divided into 317,925,086 shares following the subscription of shares under the ESOP.

For details of the numbers of options exercised under the ESOP and MSOP since 2006, see "Erste Group Bank management, employees and supervision".

### Shares outstanding in 2009

The total number of shares outstanding (i.e., the total number of shares less the number of shares held by or on account of Erste Group Bank or a subsidiary) as of 1 January 2009 amounted to 312,629,638, and as of 30 September 2009 to 312,723,184.

### Shares owned by or on behalf of Erste Group Bank or a subsidiary

As of 30 September 2009, a total of 1,228,215 shares (or 0.4% of the then Existing Shares) each with a calculatory par value of EUR 2.00 and a book value of EUR 37.53 million were held by or on behalf of Erste Group Bank and its subsidiaries (excluding the savings banks consolidated by Erste Group solely by virtue of the Haftungsverbund, in which Erste Group Bank owns no, or just a minority share).

As of 30 September 2009, a total of 23,761,815 shares (or 7.5% of the then Existing Shares) each with a calculatory par value of EUR 2.00 and a book value of EUR 725.69 million were held by the savings banks consolidated by Erste Group solely by virtue of the Haftungsverbund, in which Erste Group Bank owns no, or just a minority share.

## **Authorised capital**

Pursuant to item 5.1 of the Articles of Association, the Management Board is authorised to increase the registered share capital of Erste Group Bank with the consent of the Supervisory Board—in one or more tranches—until 5 July 2011 by up to EUR 167,425,528 by issuing up to 83,712,764 new shares against (i) cash contribution without excluding the subscription rights of the shareholders; however, in case the capital increase serves the issuing of shares to employees, senior employees or members of the management boards of Erste Group Bank or Erste Group, by excluding the subscription rights of the shareholders; and/or (ii) contributions in kind, by excluding the subscription rights of shareholders and to determine the issue price, the type of the shares and the issuing conditions.

Based on this authorisation, the Management Board adopted the following resolutions:

On 29 October 2009, the Management Board resolved to increase the share capital of EUR 635,850,172 by up to EUR 120,000,000 to up to EUR 755,850,172 by the issue of up to 60,000,000 new ordinary no-par value voting bearer shares to be offered in the Combined Offering (New Shares). The New Shares will carry dividend rights from 1 January 2009.

The Management Board determined the Maximum Subscription and Offer Price to be EUR 32.00. Additionally, the Management Board determined the Subscription Period to run from 2 November 2009 to 16 November 2009, and the Offer Period to run from 2 November 2009 to 17 November 2009, 12:00 noon Vienna time, as well as the subscription ratio to be 3 New Shares for every 16 Existing Shares.

The New Shares will—under formal exclusion of the statutory subscription rights of the holders of Existing Shares—initially be subscribed by Goldman Sachs International and J.P. Morgan Europe Ltd (on behalf of J.P. Morgan Securities Ltd.) at an issue price of EUR 2.00, with the obligation to deliver such shares to holders of Subscription Rights who have exercised their Subscription Rights against payment of the Subscription Price. Based on the terms of the Underwriting Agreement, Erste Group Bank will also receive the difference between the aggregate of the Subscription and Offer Price for the New Shares issued and the aggregate of the issue price for the New Shares issued, minus commissions, fees and costs payable by Erste Group Bank in connection with the Combined Offering.

The Management Board resolution of 29 October 2009 was approved by the Supervisory Board on 29 October 2009, and the Strategy Committee of the Supervisory Board was authorised to approve all further Management Board resolutions in connection with the Combined Offering.

In additional resolutions, the Management Board will, subject to the approval of the Strategy Committee of the Supervisory Board, determine the final number of New Shares and the final Subscription and Offer Price, which may not exceed the Maximum Subscription and Offer Price.

## **Conditional capital**

In the shareholders' meeting of 8 May 2001, the Management Board was authorised to resolve with the Supervisory Board's consent a conditional capital increase by a total nominal value of EUR 18,168,208.54 (item 6.1 of the Articles of Association). The conditional capital increase was made for the exclusive purpose of granting stock options to employees, key personnel and members of the management boards of Erste Group Bank and certain subsidiaries. On 21 January 2002, the Management Board resolved with the consent of the Supervisory Board (dated 30 January 2002) a conditional capital increase by a total nominal value of EUR 18,168,208.54 through the issue of 2,500,000 new ordinary bearer shares against cash contributions and by

excluding the subscription rights of the current shareholders. The conditional capital increase will be exercised to the extent that employees, key personnel and members of the management boards of Erste Group Bank and certain subsidiaries exercise their rights to subscribe for new shares according to the provisions of the ESOP and MSOP. Currently (taking into account the four-to-one stock split in 2004 and the shares already subscribed under the ESOP and the MSOP), the Management Board is authorised to effect a conditional capital increase of up to a nominal value of EUR 3,005,860 by issuing up to 1,502,930 ordinary bearer shares or ordinary registered shares with an issue price of at least EUR 2.00 per share against cash contributions and by excluding the subscription rights of the current shareholders.

In the shareholders' meeting of 12 May 2009 a conditional increase of the registered share capital was resolved in an amount of up to EUR 124,700,000 by issuing up to 62,350,000 ordinary no-par value voting bearer shares. This conditional capital serves to grant conversion or subscription rights to investors of convertible bonds. See "Supplementary capital and other financing instruments" below.

### **Authorised conditional capital**

In the shareholders' meeting of 19 May 2006, the Management Board was authorised to resolve with the Supervisory Board's consent a conditional capital increase until 5 July 2011 by up to EUR 20,000,000 through the issue of up to 10,000,000 new ordinary bearer shares at an issue price of at least EUR 2.00 per share against cash contributions and by excluding the subscription rights of the current shareholders. The conditional capital increase was made for the exclusive purpose of granting stock options to employees, key personnel and members of the management boards of Erste Group Bank and certain subsidiaries.

### **Participation capital**

Erste Group Bank is entitled to issue participation capital (*Partizipationskapital*) pursuant to section 23 paragraphs 4 and 5 of the Banking Act.

### **Participation Capital Securities**

In May 2009, Erste Group Bank issued Participation Capital Securities in a total nominal amount of EUR 763,744,000 following a public offer in Austria, the Czech Republic, Germany, Romania and the Slovak Republic (including Participation Capital Securities in a total nominal amount of EUR 224,000,000 purchased by the Republic of Austria). Previously, in March 2009, the Republic of Austria had subscribed for a tranche of Participation Capital Securities in an aggregate nominal amount of EUR 1,000,000,000 in accordance with the FinStaG. The Participation Capital Securities have an aggregate nominal amount of EUR 1,763,744,000 as of 30 September 2009 and represent participation capital (*Partizipationskapital*) of Erste Group Bank pursuant to the Banking Act.

The Republic of Austria recently requested Erste Group Bank to agree that (i) the step-up of dividends payable on the Participation Capital Securities commences as from 1 January 2014 (instead of 1 January 2015), and (ii) the repayment amount of the Participation Capital Securities increases to 150% of their nominal value as from 1 January 2019 (instead of 1 January 2020). As a reason for its request, the Republic of Austria cited that such changes were necessary in order to comply with the European Commission's approval of the Austrian bank support scheme. In October 2009, Erste Group Bank decided to agree to such request and has made a corresponding announcement to the holders of the Participation Capital Securities.

The summary below describes certain important provisions applicable to the Participation Capital Securities, including the changes pursuant to the aforementioned request by the Republic of Austria:

### **Legal Nature of Participation Capital**

Participation capital participates in losses of the issuing bank in the same manner as share capital, but the holders of participation capital do not have any voting rights. For the issuance of

participation capital, as for an ordinary share capital increase, the shareholders' meeting (*Hauptversammlung*) must approve the issuance by a majority of 75% of the share capital present at the shareholders' meeting. Once issued and, if all other conditions (as outlined below) are met, participation capital constitutes own funds (*Eigenmittel*) of the bank. If issued without obligation to pay cumulative dividends (*ohne Dividendennachzahlungsverpflichtung*), participation capital qualifies as Core Capital (*Kernkapital*) without any limitation as to amount or percentage as compared to other funds constituting Core Capital. The procedures for the issuance and repayment and the characteristics of participation capital are regulated in sections 23, 102 and 102a of the Banking Act.

The Participation Capital Securities do not confer a conversion right into ordinary shares of the Erste Group Bank.

### **Waiver of Extraordinary and Ordinary Redemption at the Option of the Holder**

Participation capital is at the disposal of the bank for the duration of its existence, due to a waiver of extraordinary and ordinary termination rights by its holders. The waiver of extraordinary and ordinary termination rights must be unconditional and may not be altered by means of a contractual agreement.

### **Loss Participation**

Participation capital fully participates in losses of the bank prior to winding up in the same manner as share capital.

### **Dividend payments on participation capital**

Any dividend payments on participation capital are dependent upon the bank's distributable profits for the preceding financial year—as stated in its single (non-consolidated, individual) financial statements according to UGB. A bank's profits distributable for such purpose are calculated by determining, in accordance with Austrian GAAP, the net income of the bank for the preceding financial year (determined on an after tax basis—*Jahresüberschuss*) plus any transfers made by the bank, at its sole discretion, from the bank's revenue reserves (*Gewinnrücklagen*), or, as applicable, minus allocations made by the bank, either required by law (e.g. liability reserve or reserve for treasury shares) or in its sole discretion, to its revenue reserves (*Gewinnrücklagen*), all in compliance with section 23 paragraphs 4 no 3 of the Banking Act and Austrian GAAP, the UGB and other applicable Austrian laws then in effect. Whereas any such transfers from and allocations to restricted (*gebundene*) reserves are subject to detailed provisions and may only be effected to cover any loss (or as the case may be, to provide for future losses), transfers and allocations in respect of disposable (*nicht gebundene*) reserves may, at the bank's discretion, be effected for other purposes, such as (in the case of transfers) an increase or (in the case of allocations) a decrease in the bank's profits distributable for such purpose. Any dividend may only be paid to the holders of participation capital to the extent that it is covered by the bank's profits distributable for such purpose ("Annual Profits").

The Annual Profits stated in Erste Group Bank's unconsolidated (individual) financial statements differ from those stated in the consolidated financial statements—apart from the application of different accounting standards—in particular because the profits of Erste Group Bank will—in addition to its own result—depend primarily on (i) the receipt of dividend payments from its subsidiaries and associated companies, and (ii) impairments of goodwill of subsidiaries and associated companies.

In addition, the bank has to comply with capital adequacy requirements both on an individual and consolidated basis which might limit the distribution of dividends on participation capital and share capital. Most subsidiaries and associated companies must also meet capital adequacy requirements in their home countries both on an individual and a consolidated basis.

The Annual Profits of the bank will be determined as follows: With respect to any financial year of the bank, the Management Board prepares financial statements, which include a proposal for the appropriation of the bank's profits by increasing or dissolving reserves in order to establish distributable earnings. Such financial statements have to be audited and then are submitted to the Supervisory Board for approval. If the Supervisory Board approves the financial statements, these become final. If the Supervisory Board does not approve the financial statements, such financial statements have to be confirmed by the bank's shareholders' meeting.

Subject to the above described limitations, dividends on the Participation Capital Securities accrue on their nominal value annually per business year as follows: (i) for the business years from 1 January 2009 to 31 December 2013 at a dividend rate of 8.0% per annum, (ii) for the business year from 1 January 2014 to 31 December 2014 at a dividend rate of 8.5% per annum, (iii) for the business year from 1 January 2015 to 31 December 2015 at a dividend rate of 9.0% per annum, (iv) for the business year from 1 January 2016 to 31 December 2016 at a dividend rate of 9.75% per annum, and (v) for the business years from 1 January 2017, the dividend rates increase by 1% per annum each year, provided that the annual dividend must never exceed 12-Month-EURIBOR plus 10% p.a. Dividend payments to holders of Participation Capital Securities are made prior to distributions of dividends to shareholders of the Erste Group Bank. Unless dividend payments are made on the ordinary shares of the Erste Group Bank, the Erste Group Bank has no obligation to pay dividends on the Participation Capital Securities (irrespective of the availability of distributable profits) if it does not elect to do so, and any such failure to pay such dividends will not constitute a default of Erste Group Bank or any other breach of the obligations under the Participation Capital Securities or for any other purpose. The Erste Group Bank shall not be obliged to pay unpaid dividends, unless distributable Annual Profits were retained without either a statutory obligation or instructions from a supervisory body, in which case the repayment amount in a repayment of the Participation Capital Securities shall be increased by the number of percentage points by which the agreed dividend has fallen short.

### **Rights upon Liquidation**

Participation capital is connected with a right to participate in the liquidation proceeds, and may only be repaid after satisfaction of or providing security to all creditors. The rights of the holders of participation capital to participate in the liquidation proceeds rank junior to all other creditors, and, in the case of the Participation Capital Securities, *pari passu* with ordinary shareholders. If, upon liquidation of the bank, the amount remaining after satisfaction of all creditors falls short of the combined principal amounts of share capital, participation capital and all other capital ranking *pari passu* (including Shares) in liquidation with participation capital, the holders of participation capital will suffer a proportionate loss of their investment.

### **Repayment of participation capital**

The Banking Act provides that participation capital may be redeemed pursuant to section 102a of the Banking Act, according to which the entire participation capital outstanding at the relevant time may be redeemed by the bank upon a motion by the shareholders' meeting of the bank approving such redemption (provided that participation capital which provides for cumulative dividend payments, and participation capital which does not so provide, may be redeemed separately). If the redemption is resolved by the shareholders' meeting of the bank, holders of participation capital are entitled to receive adequate cash compensation (*Barabfindung*) as determined in the redemption plan (*Einziehungsplan*). Furthermore, the shareholders' meeting must also resolve on the appointment of a trustee, which shall administer any payments with respect to participation capital, which may not be allocated to holders of participation capital by the bank.

Upon publication of the resolution of the shareholders' meeting of the bank, participation capital is deemed to be redeemed and holders of participation capital are granted an obligatory

claim vis-à-vis the bank. Within one month after the publication of the resolution to redeem participation capital, holders of participation capital are entitled to request a review of the cash compensation offered by the bank. The amount offered may, if so decided by the competent court, be determined anew upon such request.

Upon any redemption of participation capital under section 102a of the Banking Act, an allocation corresponding to the amount of the redeemed participation capital must be made to the bank's restricted reserves (using retained earnings or free reserves). Erste Group Bank's retained earnings and free reserves as of 31 December 2008 amounted to EUR 2,862 million. As only retained earnings and free reserves may be used for allocation to restricted reserves, the proceeds of the Combined Offering cannot be used to redeem the Participation Capital Securities.

Pursuant to the Banking Act, participation capital may also be repaid by analogous application of the rules for reduction of capital set forth in the Stock Corporation Act. A reduction in the participation capital may only be passed by a majority of 75% of the share capital represented at the adoption of the resolution. Due to the provisions on creditor protection pursuant to section 178 of the Stock Corporation Act, according to which creditors can demand to be paid or provided security within six months after an announcement of a capital reduction, a reduction of participation capital by analogous application of the provisions of the Stock Corporation Act relating to capital reductions is commonly regarded as a relatively complicated and, potentially, time-consuming procedure.

In case of the Participation Capital Securities, Erste Group Bank is entitled to repay the Participation Capital Securities only if the repayment amount would not be below 100% of the nominal amount. Until (and including) 31 December 2018, the repayment amount is 100% of the nominal value of the Participation Capital Securities, thereafter 150% of the nominal value, provided that the enterprise value has increased correspondingly. If the Erste Group Bank has retained Annual Profits without either a statutory obligation or instructions from a supervisory body, the repayment amount will be increased by the number of percentage points by which the agreed dividend has fallen short.

### **Restrictions on the repurchase of participation capital**

Up to a maximum amount of 10% of the total value of participation capital issued by a credit institution may be repurchased by such credit institution and its subsidiaries. In addition, the restrictions stipulated in sections 65 to 66a of the Stock Corporation Act on the repurchase of own shares by a company apply to participation capital *mutatis mutandis*.

Pursuant to section 65 of the Stock Corporation Act, any repurchases of shares may only be effected for a permitted purpose set out in section 65 paragraph 1 of the Stock Corporation Act. Such purposes are, amongst others, (a) if the acquisition is made on purchase commission for the account of a third party by a credit institution (no 2); (b) the repurchase of shares of a credit institution for the purpose of trading Participation Capital Securities if a prior approval by the general assembly (*Hauptversammlung*) has been obtained (capped at a maximum of 5% of the nominal amount at the end of each trading day) (no 7); and (c) the repurchase of shares listed on a regulated market subject to the prior approval by the general assembly (*Hauptversammlung*) (no 8), for a purpose other than trading in own shares.

Section 66 paragraph 1 no 2 of the Stock Corporation Act, which also applies to participation capital, additionally extends this prohibition to third parties, who act in their own name, but on behalf of the shareholding or a subsidiary. Further, section 66a of the Stock Corporation Act prohibits the financing (whether by way of a provision of a loan or posting of security collateral) of the purchase by a third party of a company's own shares, except where such financing occurs in the ordinary course of a credit institution's business (provided however that, in the latter case, certain reserves prescribed by law are made).

## **Dilution protection of participation capital**

The Banking Act provides that if the existing ratio between the property rights of the holders of participation capital and those connected with other own funds of the bank is changed by any measure taken, appropriate compensation should be provided for the holders of the participation capital. The same applies to the issuance of shares or bonds or profit participation rights (*Genussrechte*) pursuant to section 174 of the Stock Corporation Act. Thus, if the rights of the holders were to be proportionally reduced (as may happen in the case of a capital increase, the issuance of new participation capital or the issuance of other profit participation rights), appropriate dilution protection should be put in place.

In order to enable the holders of the Participation Capital Securities to avoid being diluted by the Combined Offering, Erste Group Bank intends to grant each existing holder of the Participation Capital Securities the right ("Participation Capital Subscription Rights") to purchase a certain number of Participation Capital Securities for the Participation Capital Securities such investor holds as of 30 October 2009, 24:00 Vienna time. The Participation Capital Securities subscribed pursuant to the Participation Capital Subscription Rights will, at the discretion of Erste Group Bank, either be existing Participation Capital Securities held by Erste Group Bank and/or existing Participation Capital Securities acquired by Erste Group Bank under a purchase commission agreement with third parties which have agreed to sell such Participation Capital Securities to satisfy the Participation Capital Subscription Rights. The subscription ratio, the subscription price, and the period as well as the procedure for the exercise of the Participation Capital Subscription Rights will be announced by Erste Group Bank in the *Amtsblatt zur Wiener Zeitung* and on its website ([www.erstegroup.com](http://www.erstegroup.com)) on or about 31 October 2009 ("Subscription Notice"). An offer to subscribe for Participation Capital Securities pursuant to the Participation Capital Subscription Rights will be made solely in jurisdictions where such offer would not require the publication of a prospectus, a filing, registration or similar measure. Participation Capital Securities will be sold only to holders of existing Participation Capital Securities and only to the extent the holders exercise their Participation Capital Subscription Rights. The Participation Capital Subscription Rights are not traded. This paragraph (and any other paragraph relating to the Participation Capital Securities in this Prospectus) shall not constitute an offer, or a solicitation to make an offer, to subscribe for Participation Capital Securities or an invitation to exercise the Participation Capital Subscription Rights. The Participation Capital Subscription Rights can be exercised only in accordance with the Subscription Notice, and no subscriptions for Participation Capital Securities will be accepted by Erste Group Bank prior to the publication of such Subscription Notice.

## **Information rights of holders of participation capital**

Holders of participation capital do not have any voting rights. However, pursuant to the Banking Act, they have the right to take part in the shareholders' meeting and request information, subject to the provisions of the Stock Corporation Act. The disclosure of such information may only be declined to the extent that such disclosure would be significantly damaging to the company or an affiliate. Leading Austrian legal scholars have held that holders of participation capital may be offered the right to attend a special meeting instead of the shareholders' meeting.

## **Supplementary capital and other financing instruments**

Erste Group Bank is entitled to issue supplementary capital (*Ergänzungskapital*) pursuant to section 23 paragraph 7 of the Banking Act, subordinate capital (*nachrangiges Kapital*) pursuant to section 23 paragraph 8 and paragraph 8a of the Banking Act as well as hybrid capital (*Hybridkapital*) pursuant to section 24 (2) 5 and 6 of the Banking Act. Pursuant to section 8.1 of the Articles of Association of Erste Group Bank, Erste Group Bank may also issue capital shares (*Kapitalanteilsscheine*) (profit participation rights pursuant to section 174 paragraph 3 of the Stock Corporation Act) and instruments that are economically comparable, within the scope of the law as amended from time to time.

The Management Board is authorised to issue convertible bonds and option bonds granting subscription rights or conversion options for the acquisition of shares. The Management Board is further authorised to issue participating bonds (*Gewinnschuldverschreibungen*).

Pursuant to item 8.4 of the Articles of Association, the Management Board is authorised until 9 July 2014 to issue, with the consent of the Supervisory Board, convertible bonds, which have the conversion or subscription right for shares of the Erste Group Bank, observing the subscription rights of the shareholders. The issuance of convertible bonds is limited to the extent that all conversion and subscription rights are covered by conditional capital. The issue amount and the terms and conditions of the issue of the convertible bonds will be determined by the Management Board with the consent of the Supervisory Board.

## **Summary of the Articles of Association of Erste Group Bank**

The current version of the Articles of Association of Erste Group Bank has been in effect since the ordinary shareholders' meeting held on 12 May 2009.

### **Object and purpose of business**

The objectives of Erste Group Bank as stated in section 2 of the Articles of Association adequately cover its current business activities and all activities ancillary thereto, including leasing, issuing of securitised notes, mortgage-backed loans and loans backed by loans to communities (*Hypothekar- und Kommunalschuldverschreibungen*) and acting as the central financial institution of the Savings Banks Sector. Erste Group Bank is entitled to open branches and own shares in subsidiary companies in Austria and abroad.

The financial year of Erste Group Bank is the calendar year. Pursuant to the Articles of Association, notices generally are made by publication in the *Amtsblatt zur Wiener Zeitung* (the Austrian official gazette), and where legally permissible, on the website, in a general available gazette or via an electronic data dissemination system or in Erste Group Banks' branches.

### **Management Board**

The management board of an Austrian stock corporation is appointed by the supervisory board for a maximum period of five years, however, members of the management board may be re-elected. The members of the management board may be dismissed by the supervisory board for substantial reasons, such as gross negligence or deliberate breach of duties. The shareholders themselves are, in principle, not entitled to appoint or dismiss the members of the management board.

The management board has, in principle, no obligation to obey orders or directives, originating either from the shareholders' meeting or from the supervisory board. Certain transactions mentioned in the Stock Corporation Act and the articles of association require the prior consent of the supervisory board. If such transactions are executed without the consent of the supervisory board, the management board is liable towards the company for any resulting damage. The transactions, however, are effective with respect to third parties. The management board is required to report to the supervisory board at least annually regarding fundamental questions of future business policy. The management board is also required to report to the supervisory board regularly, at least quarterly, on the progress of business operations and on the results of the business against forecast.

The Stock Corporation Act provides for no minimum or maximum number of members of the management board. According to the Articles of Association of Erste Group Bank, the Management Board shall have from three to nine members who are appointed by the Supervisory Board for a maximum term of office of five years. Once the term of office of a member of the Management Board has ended, appointments for further terms of office are permissible. The Articles of Association lay down certain personal qualification requirements,

which are a precondition to the appointment as a member of the Management Board. Only persons of age and unrestricted capacity may be members of the Management Board. Additionally, persons who (i) have reached the age of 65 years, (ii) hold more than 5% of the voting capital of other credit institutions, (iii) are members of corporate bodies and employees of other banks if such banks are direct competitors of Erste Group Bank (unless they fulfil this function with the consent of the Supervisory Board or on Erste Group Bank's instructions), (iv) are excluded from carrying out a trade according to section 13 paragraphs 1 to 3, 5 and 6 of the Austrian Trade Code (*Gewerbeordnung*), (v) have a continuous agency relationship with Erste Group Bank, (vi) are related to a member of the Management Board or the Supervisory Board in direct line and first degree of relationship or who are married to or cohabit with a member of the Management Board or the Supervisory Board or (vii) are members of "VEREIN—DIE ERSTE österreichische Spar-Casse Privatstiftung", may not be appointed as members of the Management Board or re-appointed for further terms.

The Supervisory Board must appoint one Management Board member as chairman, whose vote is decisive in the case of parity of votes, and may also appoint a deputy chairman. The rules of procedure for the Management Board (*Geschäftsordnung*) are established by the Management Board and have to be approved by the Supervisory Board. Erste Group Bank is represented jointly by two members of the Management Board or one member of the Management Board together with a holder of a special statutory power of attorney (*Prokurist*), or—subject to certain statutory restrictions—by two Prokuristen.

In general, the Stock Corporation Act does not provide a shareholder with any direct recourse against the members of the Management Board or the Supervisory Board in the event that they are believed to have breached their duties. Apart from insolvency or tort claims, only Erste Group Bank itself has the right to claim damages from the members of either the Management Board or the Supervisory Board. Erste Group Bank may waive this right or settle these claims only if five or more years have passed since the alleged breach and if the shareholders approve the waiver or settlement at a shareholders' meeting by a simple majority of the votes cast, and provided that opposing shareholders do not hold, in the aggregate, 20% or more of Erste Group Bank's share capital (under certain circumstances, this threshold is reduced to 10% or 5%) and do not have their opposition formally recorded in the minutes maintained by an Austrian notary public.

### **Supervisory Board**

In general, the supervisory board of an Austrian stock corporation may have from three to 20 members. Members of the supervisory board are either elected by the shareholders' meeting or appointed by one or more shareholders if they have been granted the right to do so in the articles of association. In addition, employees' representatives (group employees' representatives) are entitled (but not obligated) to appoint to the supervisory board one employees' representative for every two shareholders' representatives.

The supervisory board supervises the management board, but it may not actively engage in the management of a company. Supervision is exercised by the examination of regular reports which must be provided by the management board to the supervisory board. The supervisory board must also approve certain transactions prior to their implementation, e.g., the acquisition or disposal of participations, investments above a certain threshold (determined in the articles of association or the rules for the supervisory board), and the granting of stock options to members of the management board.

Pursuant to the Articles of Association, the Supervisory Board consists of at least three and a maximum of 12 members who have either been elected by the shareholders' meeting or appointed by shareholders entitled to do so. The Erste Stiftung has the right to appoint up to one-third of the members of the Supervisory Board as long as it is liable with all its assets for all present and future liabilities of Erste Group Bank in the case of Erste Group Bank's insolvency pursuant to section 92 paragraph 9 Banking Act. In addition to the members elected by the shareholders' meeting or appointed by the Erste Stiftung, Austrian labour law grants the employee council the right to delegate members to the Supervisory Board.

No member of the Supervisory Board may be elected for a term of office exceeding five years; however, re-election is permissible. No person may be elected as a member of the Supervisory Board who already holds eight seats in supervisory boards of (other) listed companies the function as chairman counts twice. The Articles of Association lay down certain personal qualification requirements, which are a precondition to the appointment as a member of the Supervisory Board. Only persons of age and unrestricted capacity may be members of the Supervisory Board. Additionally, persons who (i) have reached the age of 70 years, (ii) hold more than 5% of the voting capital of other credit institutions, or (iii) are members of corporate bodies and employees of other banks if such banks are direct competitors of Erste Group Bank (unless they fulfil this function with the consent of the Supervisory Board or on Erste Group Bank's instructions) may not be appointed as members of the Supervisory Board or re-appointed for further terms.

The Supervisory Board elects a chairman and two deputy chairmen from among its members. Currently, the Supervisory Board consists of 12 members elected or appointed by the shareholders and 6 employee representatives. See also "Erste Group Bank management, employees and supervision—Management—Supervisory Board".

The appointment of a Supervisory Board member can be revoked before the end of the member's respective term by a resolution of the shareholders' meeting, which requires a majority of 75% of the votes cast and (other than as provided by law) a majority of 75% of the share capital present at such meeting pursuant to the Articles of Association.

The Supervisory Board is required to establish certain committees, namely a committee for management board matters (which also deals with remuneration issues), a risk management committee, a Strategy Committee and an audit committee. The decision-making powers of the respective committees are regulated in the by-laws adopted by the Supervisory Board. Each committee must regularly report to the Supervisory Board. At least one Supervisory Board member delegated by the employee council must be included in each committee, except for the management board committee.

#### *Audit committee*

The audit committee is responsible for the supervision of the accounting process; the supervision of the effectiveness of the internal controlling system, the internal audit system and the risk management system; the supervision of the annual audit and the annual group audit; reviewing and supervising the qualification and the independence of the auditor (group auditor); reviewing and preparing the approval of annual financial statements, the proposal for the distribution of profits, the status report and the corporate governance report and submitting a report on the results of the review to the Supervisory Board; reviewing the consolidated financial statements of Erste Group and the group status report; the preparation of the Supervisory Board's proposal for the selection and revocation of the auditor; the conclusion of the contract with the appointed auditor on the execution of the annual audit and the agreement on the auditor's remuneration; acknowledging prompt information on the focal points of the audit and the right to submit proposals for additional focal points of the audit; acknowledging the inspection plan of the Company's internal audit; acknowledging information on current matters relevant for the internal audit of the Erste Group and on the efficiency and effectiveness of the internal audit; acknowledging the internal auditors' report on the areas of inspection and important findings on the basis of inspections made and the activity report; acknowledging immediate information on important findings of the auditor, the internal audit or an inspection by a regulatory authority; acknowledging immediate information on damages, which could exceed 5% of the consolidated equity or 10% of the budgeted net result; acknowledging reports of the Management Board on current developments in the fields of corporate governance and anti-money laundering, and the status of compliance; acknowledging the compliance activities report.

It is composed of the chairman and five members elected by the Supervisory Board (other than the members delegated by the employee council) among its members. In addition, three

Supervisory Board members delegated by the employee council have a seat on the audit committee. The audit committee usually meets three or four times a year and has a quorum if at least five of its members and at least three shareholders' representatives are present. Resolutions of the committee are passed with a simple majority, and the chairman of the Supervisory Board has the decisive vote in case of ties. In case a resolution is not passed unanimously, each member of the committee can demand to refer the matter to the Supervisory Board.

The current members of the audit committee are:

<b>Name</b>	<b>Position</b>
Heinz Kessler .....	Chairman of the committee
Jan Homan .....	Member
Theresa Jordis .....	Member
Wilhelm Rasinger .....	Member
Friedrich Rödler .....	Member
Georg Winckler .....	Member
Bettina Breiteneder .....	Substitute Member
Friedrich Lackner .....	Member (delegated by Employee Council)
Christian Havelka .....	Member (delegated by Employee Council)
Barbara Smrcka .....	Member (delegated by Employee Council)
Andreas Lachs .....	Substitute Member (delegated by Employee Council)

Source: Minutes of the meeting of the Supervisory Board dated 12 May 2009

#### *Committee for management board matters*

According to rule 43 of the CGC the compensation committee in Erste Group Bank is identical with the nomination committee and has been named "committee for management board matters".

The committee for management board matters shall deal with and decide about relationships between Erste Group Bank and members of the Management Board with the exception of resolutions on appointment or revocation of appointment of Management Board members as well as the granting of stock options of the Erste Group Bank.

It is composed of the chairman and two members elected by the Supervisory Board (other than the members delegated by the employee council) among themselves. The committee meets as circumstances warrant and has a quorum if at least two-thirds of its members are present. Resolutions of the committee are passed with a simple majority, and the chairman of the Supervisory Board has the decisive vote in case of ties. In case a resolution is not passed unanimously, each member of the committee can demand to refer the matter to the Supervisory Board.

The current members of the committee for management board matters are:

<b>Name</b>	<b>Position</b>
Heinz Kessler .....	Chairman of the committee
Theresa Jordis .....	Member
Georg Winckler .....	Member

Source: Minutes of the meeting of the Supervisory Board dated 12 May 2009

### *Risk management committee*

The risk management committee is responsible for granting approval in all those cases where loans and investments or major investments reach an amount exceeding the approval authority of the Management Board according to the approval authority regulation. It is charged with granting approval to large exposures pursuant to section 27 of the Banking Act, if such an investment to credit institutions exceeds 10% of the own funds of Erste Group Bank or if the investment amounts to at least 10% of the consolidated own funds of the banking group. Within the competence assigned to it, the committee may grant advance approvals to the extent permitted by law. In addition it is responsible for the supervision of the risk management of Erste Group Bank.

The risk management committee is composed of the chairman and five members elected by the Supervisory Board (other than the members delegated by the employee council) among themselves. In addition, three Supervisory Board members delegated by the employee council have a seat on the committee. The committee usually meets every 3 weeks and has a quorum if at least five of its members and at least three shareholders' representatives are present. Unless the committee resolves otherwise, at least one member of the Management Board attends every meeting. Resolutions of the committee are passed with a simple majority, and the chairman of the Supervisory Board has the decisive vote in case of ties. In case a resolution is not passed unanimously, each member of the committee can demand to refer the matter to the Supervisory Board.

The current members of the risk management committee are:

<b>Name</b>	<b>Position</b>
Friedrich Rödler . . . . .	Chairman of the committee
Bettina Breiteneder . . . . .	Member
Elisabeth Gürtler . . . . .	Member
Theresa Jordis . . . . .	Member
Heinz Kessler . . . . .	Member
Georg Winckler . . . . .	Member
Jan Homan . . . . .	Substitute Member
Wilhelm Rasinger . . . . .	Substitute Member
Andreas Lachs . . . . .	Member (delegated by employee council)
Bertram Mach . . . . .	Member (delegated by employee council)
Karin Zeisel . . . . .	Member (delegated by employee council)
Christian Havelka . . . . .	Substitute Member (delegated by employee council)

Source: Minutes of the meeting of the Supervisory Board dated 12 May 2009

### *Strategy committee*

In connection with the strategic positioning of Erste Group Bank, the Strategy Committee is responsible for the preparation of and comments to all matters which are brought to the attention of the Supervisory Board, unless they are assigned to other committees. Furthermore, it is in charge of scrutinising the budget, acknowledging the reports of the individual business units and the reports on business performance, determining investment policy, and setting key strategic goals for the company. The Supervisory Board delegated to the Committee the right of approval of the establishment and closing of branches; of the granting of special statutory power of attorney (*Prokura*) or commercial power for the entire operation of the business; of the entering into agreements between employers and works councils and of the determination of guidelines for staff policy and salary policy. The committee is also responsible for overseeing the company's capital participations portfolio.

It is composed of the chairman and five members elected by the Supervisory Board (other than the members delegated by the employee council) among themselves. In addition, three Supervisory Board members delegated by the employee council have a seat on the audit

committee. The Strategy Committee usually meets four times a year and has a quorum if at least five members and at least three shareholders' representatives are present. Resolutions of the committee are passed with a simple majority, and the chairman of the Supervisory Board has the decisive vote in case of ties. In case a resolution is not passed unanimously, each member of the committee can demand to defer the matter to the Supervisory Board.

The current members of the Strategy Committee are:

Name	Position
Heinz Kessler	Chairman of the committee
Jan Homan	Member
Theresa Jordis	Member
Friedrich Rödler	Member
Juan Maria Nin Genova	Member
Georg Winckler	Member
Wilhelm Rasinger	Substitute Member
Christian Havelka	Member (delegated by employee council)
Friedrich Lackner	Member (delegated by employee council)
Bertram Mach	Member (delegated by employee council)
Andreas Lachs	Substitute Member (delegated by employee council)

Source: Minutes of the meeting of the Supervisory Board dated 12 May 2009

## Shareholders' rights

### *Voting rights*

Each Share entitles its holder to one vote at the shareholders' meeting. In general, shareholders may pass resolutions at a shareholders' meeting by a simple majority of the votes cast or, in the event that the majority of the share capital present is required to approve a measure, by a simple majority of the share capital present, unless Austrian law or the Articles of Association require a qualified majority vote.

By law the following measures require a majority of at least 75% (which may not be reduced by the Articles of Association) of the share capital present at a shareholders' meeting:

- change of the business purpose;
- increase of the share capital with a simultaneous exclusion of subscription rights;
- approval of authorised or conditional capital;
- decrease of the share capital;
- exclusion of subscription rights for convertible bonds, participating bonds, and participation rights;
- dissolution of the company, or continuation if the company has already been dissolved;
- transformation of the company into a company with limited liability (*Gesellschaft mit beschränkter Haftung*);
- approval of a merger or a demerger;
- transfer of all of the assets of the company; and
- approval of profit pools or agreements on the operation of the business.

The Articles of Association differ from the statutory majority requirements in three cases. First, the appointment of Supervisory Board members can be revoked before the end of their respective term by a resolution of the shareholders' meeting, which requires a majority of 75% of the votes cast and (other than as provided by law) a majority of 75% of the share capital present

at such meeting. Second, the Articles of Association may be amended, provided that such amendment does not concern the business purpose, by a resolution of the shareholders' meeting, which requires a simple majority of the votes cast and a simple majority of the share capital present at such meeting. Third, each provision regulating increased majority requirements can only be amended with the same increased majority.

A shareholder or a group of shareholders with an aggregate shareholding of at least 20% of the share capital is entitled to object to settlements or waivers of liability claims of Erste Group Bank against members of the Management Board, the Supervisory Board or third parties.

A shareholder or a group of shareholders with an aggregate shareholding of more than 10% of the share capital can block a resolution on an upstream merger pursuant to the Austrian Transformation Act (*Umwandlungsgesetz*) or for a demerger disproportionate to shareholdings pursuant to the Austrian Demerger Act (*Spaltungsgesetz*). See "Summary of the Articles of Association—Squeeze-out/Sell-out rules".

A shareholder or a group of shareholders with an aggregate shareholding of at least 10% of the share capital is in particular entitled to:

- demand special audits of the activities with respect to the establishment of the company and its management, if these activities took place within the last two years, and make an application with respect to the appointment of a special auditor by a court, if such request has been rejected by a resolution of the shareholders' meeting;
- request that the court shall revoke the appointment of members of the Supervisory Board for cause
- veto the appointment of a special auditor and request a court to appoint another special auditor;
- request the adjournment of the shareholders' meeting if line items of the annual financial statements are found to be incorrect by the shareholders requesting the adjournment; and
- request the assertion of damage claims on behalf of the company against members of the Management Board, members of the Supervisory Board or certain third parties, if the claim is not obviously unfounded.

A shareholder or a group of shareholders with an aggregate shareholding of at least 5% of the share capital is in particular entitled to:

- request the convocation of a shareholders' meeting or to convoke a shareholders' meeting upon judicial authorisation, if the management board or the supervisory board does not comply with the request for a shareholders' meeting;
- request the inclusion of items on the agenda of the next shareholders' meeting;
- request the assertion of damage claims of the company against members of the management board, the supervisory board or third parties, if a special audit report reveals facts which may lead to damage claims against the aforementioned persons;
- request the appointment of another auditor of the company's financial statements by the court for cause;
- apply for the appointment or removal of liquidators for cause;
- apply for an audit of the annual financial statements during liquidation; and
- contest the validity of a resolution of the shareholders' meeting, if such resolution provides for amortisation, accumulated depreciation, reserves and accruals exceeding the limits set by law or the Articles of Association.

A shareholder or a group of shareholders with an aggregate shareholding of at least 1% of the share capital is entitled to submit proposals on the resolutions to be adopted to each item of the agenda of an already announced shareholders' meeting and request that the proposals, including the reasoning therefor, are made available at Erste Group Bank's web-page.

#### *Dividend rights*

Each shareholder is entitled to receive dividends, if and to the extent the distributions of dividends is resolved by the annual shareholders' meeting. See "Dividend Policy of Erste Group Bank".

#### *Liquidation proceeds*

In case of dissolution of Erste Group Bank, the assets remaining after the discharge of liabilities and supplementary capital will be distributed pro-rata to the shareholders and the holders of Participation Capital Securities. The dissolution of Erste Group Bank requires a majority of at least 75% of the share capital present at a shareholders' meeting.

#### *Subscription rights*

In principle, holders of shares have subscription rights (*Bezugsrechte*) allowing them to subscribe any newly issued shares (including securities convertible into shares, securities with warrants to purchase shares, securities with profit participation or participation certificates) to maintain their existing share in the share capital of Erste Group Bank. Such subscription rights are in proportion to the number of shares held by such shareholder prior to the issue of the new shares.

The aforementioned subscription rights will not apply if (i) the respective shareholder does not exercise his subscription rights, or (ii) the subscription rights are excluded by a resolution of the shareholders' meeting (in case of an ordinary capital increase) or a resolution of the Management Board and the Supervisory Board (in case of the exercise of authorised or conditional capital, where the underlying resolution of the shareholders' meeting so provides).

Subscription rights may also be excluded and replaced by intermediate subscription rights (*mittelbares Bezugsrecht*), if the new shares are subscribed by a credit institution (an underwriter) who undertakes to offer the new shares to the shareholders. The rights of the shareholders against such credit institutions are fully substituted for and are treated as subscription rights.

According to the Stock Corporation Act, the period for the exercise of the subscription rights may not be shorter than two weeks. The Management Board must publish the subscription price as well as the start and the duration of the subscription period in the Official Gazette. Subscription rights of shareholders can be freely transferred and may be traded within the subscription period.

#### **Change of shareholder rights**

The Stock Corporation Act contains provisions that protect the rights of individual shareholders. In particular, all shareholders must, under equal circumstances, be treated equally, unless the affected shareholders have consented to unequal treatment. Furthermore, measures affecting shareholders' rights, such as capital increases and the exclusion of subscription rights, generally require a shareholders' resolution.

The Articles of Association do not contain any provisions regarding a change of the share capital or the rights associated with the Shares or the exercise of the shareholders' rights that differ from statutory requirements. Generally, the Articles of Association do not allow for an impairment of the shareholder rights under conditions less stringent than as required by law.

## Shareholders' meetings

Shareholders' meetings (whether ordinary or extraordinary) must be held either in Vienna, where Erste Group Bank has its corporate seat, in one of the domestic branches, or in the capital of any of the Austrian provinces. At least 28 days' prior notice, and in case of an extraordinary shareholders' meeting 21 days' prior notice, must be given for the meeting to be validly held.

According to the Articles of Association, the holders of Shares or interim certificates are required to deposit their Shares with Erste Group Bank, with an Austrian notary public or at the head office of an Austrian credit institution or a foreign bank specified in the invitation to the shareholders' meeting. In addition, Shares are deemed to be deposited if they are held on behalf of a depository agent appointed by Erste Group Bank at a securities account that is blocked until the conclusion of the shareholders' meeting. However, according to an amendment of the Stock Corporation Act (*Aktienrechtsänderungsgesetz 2009*), which implemented EU directive 2007/36/EC and supersedes the respective provisions of the Articles of Association, shareholders are no longer required to follow this procedure.

Instead, evidence that the shares were held on the record date (i.e., the tenth day preceding the date of the shareholders' meeting) is sufficient. Evidence to this effect has to be forwarded to Erste Group Bank in the manner specified in the invitation to the shareholders' meeting no later than three working days prior to the day of the shareholders' meeting by the shareholders' account holding bank, which has to be a credit institution having its registered seat either in a member state of the EEA or in a full member of the Organisation for Economic Co-operation and Development (OECD).

The chairman of the Supervisory Board presides at shareholders' meetings. If the chairman is not present, then one of the deputy chairmen presides. All resolutions of the shareholders' meeting may be passed by a simple majority of the votes cast or, in the event that the majority of the share capital present is required, by simple majority of the share capital present, unless Austrian law or the Articles of Association require a qualified majority vote. A shareholders' meeting has no quorum requirements.

Erste Group Bank must hold at least one shareholders' meeting per year (ordinary shareholders' meeting), which must be held within the first eight months of any business year and must cover the following issues:

- distribution of the annual profit;
- approval of the actions of the Management Board and the Supervisory Board for the preceding business year; and
- election of the additional auditors.

Under certain conditions, such as when a resolution violates the Articles of Association or the Stock Corporation Act, shareholders may petition the Commercial Court (*Handelsgericht*) in Vienna to challenge or petition for a decree of nullity of resolutions adopted by the shareholders' meeting.

Shareholders may appoint proxies to represent them at shareholders' meetings.

## Provisions with relevance for takeovers

Section 10 of the Articles of Association provides that the threshold for the presumption of a controlling interest leading to a mandatory offer under the Austrian Takeover Act, as amended (*Übernahmegesetz*) ("Takeover Act") is 20% of the voting rights. See also "Regulation of the Austrian Securities Market—The Takeover Act".

## Squeeze-out/sell-out rules

A shareholder or a group of shareholders with an aggregate shareholding of at least 90% (such limit may be altered by the articles of association, but has not been altered in the Articles of

Association) of the share capital can squeeze-out the remaining shareholders pursuant to the Austrian Act on the Exclusion of Shareholders (*Gesellschafterausschlussgesetz*) against adequate cash compensation.

The squeeze-out right is general and is not limited to a preceding offer pursuant to the Takeover Act. The minority shareholders are, in principle, not entitled to block the squeeze-out, but have the right of separate judicial review of the fairness of the cash compensation paid. Where a squeeze-out follows an offer pursuant to the Takeover Act, the consideration offered in the takeover bid is presumed to be fair where, through the acceptance of the offer, the bidder has acquired shares representing no less than 90% of the share capital conferring voting rights in the target company.

### **Redemption/Conversion of Shares**

Redemption of Shares is possible in the course of a decrease of the stated capital of Erste Group Bank resolved by the shareholders' meeting, or by a purchase by Erste Group Bank of its own shares.

A capital decrease requires a shareholders' resolution with a majority of at least 75% of the share capital present at the shareholders' meeting.

Pursuant to the Stock Corporation Act, Erste Group Bank may acquire its own shares only in the following limited circumstances:

- upon approval of the shareholders' meeting, for a period not exceeding 30 months and limited to a total of 10% of the share capital, as long as the shares are listed on a regulated market (such as the Official Market of the Vienna Stock Exchange), or if the shares are intended to be offered to Erste Group Bank employees or employees of certain affiliated companies, or for the purpose of trading in Erste Group Bank's own shares (the trading portfolio must not exceed 5% of Erste Group Bank's share capital at the close of any business day; the resolution must determine a minimum and a maximum consideration);
- in case where the shares are acquired without payment of consideration or when acting as agent on a commission basis;
- to prevent substantial, immediately impending damage to Erste Group Bank (subject to the limitation of a total of 10% of the share capital);
- by way of universal succession (i.e., succession by merger);
- for the purpose of indemnifying retail shareholders; and
- as part of a redemption of shares in accordance with the rules for capital decreases approved by the shareholders' meeting.

The shares can be converted into a different class of shares (e.g., non-voting preferred shares), but only with the consent of the respective holder and, in case the conversion negatively affects other shareholders whose shares are not converted, the consent of such shareholders.

### **Share certificates/transferability**

The Articles of Association exclude the statutory right of shareholders to request individual share certificates. If share certificates or renewal coupons or interim certificates are nevertheless issued, their form and contents shall be determined by the Management Board with the consent of the Supervisory Board. To the extent permitted by law, the shares may also be represented by global certificates.

The shares are freely transferable without the prior approval of the Management Board and/or the Supervisory Board. All of the Existing Shares are represented by global certificates deposited with the clearing system of OeKB. Title to all Existing Shares certified by global certificates will therefore be transferred in accordance with the rules of that clearing system.

**Disclosure obligations**

There are no provisions in the Articles of Association governing the threshold above which shareholder ownership must be disclosed. For a description of statutory disclosure obligations in Austria, see “Regulation of the Austrian Securities Markets—Changes in major shareholdings”.

**Effective control**

There are no provisions in the Articles of Association that would have the effect of delaying, deferring or preventing a change of control over Erste Group Bank.

# Taxation

The statements herein regarding certain tax issues in Austria, the Czech Republic, Romania and the United States are based on the laws in force in those jurisdictions as of the date of this Prospectus and are subject to any changes in such laws. The following summaries do not purport to be comprehensive descriptions of all the tax considerations which may be relevant to a decision to purchase, own or dispose of New Shares and further disclosure may be included in the Final Terms or a supplement to this Prospectus. Prospective holders of New Shares should consult their tax advisers as to the relevant tax consequences of the ownership and disposition of New Shares.

## Austria

### Income tax and corporate income tax

#### *Taxation of dividends*

Dividends distributed by an Austrian corporation to its shareholders are subject to a withholding tax (*Kapitalertragsteuer*), levied at a rate of 25%. Thus, Erste Group Bank will in general have to deduct 25% from any dividend payments made to its shareholders, unless an exemption or a reduction in the tax rate, as discussed below, applies.

For individuals resident in Austria (*unbeschränkt steuerpflichtige natürliche Personen*) this 25% withholding tax is a final tax (*Endbesteuerung*), i.e., no income tax is levied over and above the amount withheld. Furthermore, the dividends do not have to be included in the shareholder's income tax return. However, if the dividends are included in the shareholder's income tax return, they are taxed at a rate equal to one-half of the shareholder's average income tax rate, the tax withheld being credited against the income tax assessed. Expenses incurred by the shareholder in connection with the shares (including interest expenses) may not be deducted for tax purposes.

For corporations resident in Austria (*unbeschränkt steuerpflichtige Körperschaften*) dividends derived from a participation in an Austrian corporation are exempt. The tax withheld is credited against the corporate income tax assessed. No withholding obligation exists in the case of a direct participation of at least 25% of the share capital. Apart from interest expenses, no expenses incurred by the shareholder in connection with the shares may be deducted for tax purposes.

For individuals and corporations not resident in Austria (*beschränkt steuerpflichtige natürliche Personen und Körperschaften*) the 25% withholding tax is a final tax, subject, however, to applicable double taxation treaties. Austria has concluded such treaties with more than 80 countries. Many of these treaties, including the treaty with the United States, provide, so long as the shares are not attributable to an Austrian permanent establishment (*Betriebsstätte*), for maximum taxation in Austria generally at a rate of 15%, in which case any balance will be refunded by the Austrian tax authorities upon request. In order to obtain a reduced rate under an applicable tax treaty (including the treaty with the United States), a shareholder not resident in Austria will generally have to provide a certificate of residence issued by the tax authorities of the shareholder's country of residence. Claims for refund of the Austrian withholding tax can be made by using the form ZS RD 1 (German) or ZS RE 1 (English). The application form may be obtained from the Austrian Ministry of Finance ([www.bmf.gv.at/service/formulare/steuern/detail.htm?FTYP=zws](http://www.bmf.gv.at/service/formulare/steuern/detail.htm?FTYP=zws)). Finally, under the Austrian provisions implementing the EC Parent/Subsidiary-Directive (90/435/EEC, as amended), there is a complete exemption from withholding for dividends paid to qualifying EC corporations which have held an ownership interest in an Austrian corporation of at least 10% for one year or more. In addition, a provision has recently been introduced into Austrian tax law enabling corporations resident in the EC as well as in the EEA (with the latter only if there exists an agreement on the mutual comprehensive administrative and enforcement assistance) to claim a refund of Austrian withholding tax levied on dividend distributions made by Austrian corporations to the extent such Austrian withholding tax cannot be credited on the basis of applicable double taxation treaties in the state of residence of the recipient of the dividends.

## ***Taxation of Subscription Rights***

A resident or non-resident holder of the Subscription Rights should not have any positive taxable income under Austrian tax law as a result of the receipt, exercise or expiration of the Subscription Rights.

### *Taxation of capital gains*

For individuals resident in Austria holding shares in an Austrian corporation as non-business assets (*Privatvermögen*), capital gains realised upon the sale of those shares are treated as follows: If the shares are sold within 12 months after purchase, capital gains are taxable at the applicable progressive income tax rate. If the shares are sold more than 12 months after purchase, capital gains are not subject to tax, unless the shareholder has, at any point in time during the last five years prior to the sale, held a participation of at least 1% in the corporation; in this case, the capital gains are taxed at one-half of the average income tax rate of the shareholder.

For individuals resident in Austria holding shares in an Austrian corporation as business assets (*Betriebsvermögen*), capital gains realised upon the sale of those shares within 12 months after purchase are taxable under the progressive income tax rate; all other capital gains are taxed at one-half of the average income tax rate of the shareholder.

For corporations resident in Austria, capital gains realised upon the sale of shares in an Austrian corporation are taxed at the normal corporate income tax rate of 25%.

For individuals and corporations not resident in Austria, capital gains realised upon the sale of shares in an Austrian corporation are only taxable if the shareholder has, at any point in time during the five years prior to the sale, held a participation of at least 1% in the corporation. However, in the event that the shares are not attributable to an Austrian permanent establishment, most Austrian tax treaties, including the treaty with the United States, provide for exemption of these capital gains.

## **Inheritance and gift tax**

According to the Austrian Gift Notification Act 2008 (*Schenkungsmitteilungsgesetz 2008*), the Austrian inheritance tax as well as the Austrian gift tax expired as of 1 August 2008. This means that *inter alia* transfers of assets both *inter vivos* and *inter mortuos* after 31 July 2008 will neither be subject to inheritance tax nor to gift tax (except in case of transfers to certain foundations). Instead of the inheritance and gift tax, a notification obligation has been introduced for certain gifts *inter vivos*.

## **Capital contribution tax**

The issuance of new shares by an Austrian corporation as defined in the Austrian Capital Transactions Tax Act (*Kapitalverkehrsteuergesetz*) is subject to capital contribution tax (*Gesellschaftsteuer*) amounting to 1% of the consideration. Such tax is levied from the company issuing the new shares.

## **Czech Republic**

### **General**

The following is a general discussion of certain Czech income tax considerations that may be relevant with respect to the acquisition, holding and disposal of the New Shares. It does not purport to be a complete description of all tax considerations that may be relevant to a decision to purchase, hold or dispose of the New Shares. Neither the individual circumstances, financial situation nor particular investment objectives of any prospective investor as purchaser or owner of the New Shares are taken into account for the purposes of this discussion. In particular, this

summary does not address tax considerations applicable to investors that may be subject to special tax or accounting rules including, without limitation, (i) certain financial institutions; (ii) insurance companies; (iii) dealers or traders in securities; (iv) regulated investment companies; (v) tax-exempt entities; (vi) persons that will hold the New Shares as part of a “hedging” or “conversion” transaction; and (vii) persons who will hold the New Shares through partnerships or other pass-through/tax transparent entities.

Except as otherwise expressly stated, the scope of this summary is restricted only to certain Czech income tax considerations of a beneficial owner of the New Shares that (i) is considered to be a Czech resident for tax purposes; (ii) is fully eligible for the benefits under the Tax Convention (as defined below); (iii) does not hold the New Shares as part of the business property of a permanent establishment located outside the Czech Republic; (iv) does not own (directly, indirectly, or by attribution) 10% or more (by voting power) of the New Shares of Erste Group Bank and is not deemed to have a substantial or significant influence over Erste Group Bank for other reasons (a “Czech Shareholder”); and (v) does not have a permanent establishment in Austria. The Czech Shareholder can either be an individual who is generally subject to Czech personal income tax (a “Czech Individual Shareholder”) or a person other than an individual that is generally subject to Czech corporate income tax (a “Czech Corporate Shareholder”).

This summary is based on the tax laws of the Czech Republic and their prevailing interpretations, the practice of the Czech tax authorities, and the Tax Convention on Income and Capital concluded between the Czech Republic and the Republic of Austria (“Tax Convention”), in each case as in effect and/or available on the date of this Prospectus. All of the foregoing is subject to change, which could apply retroactively and could affect the validity of the tax consequences described below.

The following is intended only as a general guide and is not intended to be, nor should it be considered to be, legal or tax advice to any particular Czech Shareholder or to any other prospective investor in the New Shares. Accordingly, potential investors should satisfy themselves as to the overall tax consequences, including, specifically, the tax consequences under Czech law and practice of the Czech authorities, of subscribing for, purchasing, holding, selling or otherwise disposing of the New Shares in their own particular circumstances, by consulting their own tax advisers. Moreover, while this summary is considered to be a correct interpretation of existing Czech laws in force on the date of this Prospectus, no assurance can be given that courts or tax authorities responsible for the administration of such laws will agree with the interpretations or that retroactive or prospective changes in such laws will not occur.

### **Subscription Rights**

Receipt of the Subscription Rights by the existing Czech Shareholders will have no Czech tax consequences for the existing Czech Shareholders. Exercise or expiry of the Subscription Rights by the existing Czech Shareholders will also have no Czech tax consequences for the existing Czech Shareholders.

Provided that the Subscription Rights accorded to the existing Czech Shareholders under Austrian law will not be exercised by the existing Czech Shareholders for the purpose of subscribing for the New Shares, but will rather be transferred to prospective investors in the New Shares, any consideration received by the Czech Shareholders in respect of such transfer of the Subscription Rights will generally constitute taxable income for Czech income tax purposes. The specific tax treatment may vary subject to whether the Subscription Rights are transferred by a Czech Individual Shareholder or by a Czech Corporate Shareholder.

### **Holding of the New Shares**

#### *Dividends paid on the New Shares*

The dividends paid on the New Shares will be treated as income from an Austrian source, i.e., as income from sources outside the Czech Republic.

The gross amount of dividends paid on the New Shares (before any amounts withheld in respect of Austrian taxes) received by a Czech Individual Shareholder will be taxed as ordinary income subject to personal income tax at a rate of 15%. Subject to applicable restrictions and limitations that may vary depending on the circumstances of the Czech Individual Shareholder, Austrian taxes withheld at a rate not exceeding the rate provided for in the Tax Convention (10% of the gross amount of dividends) will be creditable against the Czech personal income tax liability of the Czech Individual Shareholder.

The gross amount of dividends paid on the New Shares (before any amounts withheld in respect of Austrian taxes) received by a Czech Corporate Shareholder will be included into a separate tax base of the Czech Corporate Shareholder and will be taxed at a flat tax rate of 15%. Subject to applicable restrictions and limitations that may vary depending on the circumstances of the Czech Corporate Shareholder, Austrian taxes withheld at a rate not exceeding the rate provided for in the Tax Convention (10% of the gross amount of dividends) will be creditable against the Czech corporate income tax liability of the Czech Corporate Shareholder.

Dividends paid on the New Shares to a Czech tax non-resident beneficial owner of the New Shares (a Non-Czech Shareholder) will not be subject to Czech income tax unless the Non-Czech Shareholder carries on business in the Czech Republic through a permanent establishment and the New Shares are effectively connected with such permanent establishment.

#### *Revaluation of the New Shares*

Most Czech Shareholders who are treated as accounting units within the meaning of the Czech accounting laws (an "Accounting Unit") and subject to Czech accounting standards for entrepreneurs (e.g., most companies other than financial institutions; certain individuals engaged in active business) or to Czech accounting standards for financial institutions (e.g., banks, insurance companies, etc.) who hold the New Shares for the purpose of trading will be required to revalue the New Shares to fair value for accounting purposes. Resulting revaluation differences would mostly be accounted for as income or cost in the profit and loss account. In such a case income is generally fully taxable and the cost is generally tax deductible for Czech corporate/personal income tax purposes provided that the general conditions for tax deductibility are met.

#### **Sale of the New Shares**

##### *Capital gains and losses*

Unless an exemption from tax will apply, a capital gain realised by a Czech Individual Shareholder upon the sale of the New Shares will be taxed as ordinary income of the Czech Individual Shareholder subject to personal income tax at a rate of 15%. However, a capital gain derived by the Czech Individual Shareholder from the sale of the New Shares will be exempt from Czech personal income tax if (i) the New Shares are either held by the Czech Individual Shareholder for a period exceeding six consecutive months and the Czech Individual Shareholder's total direct share in the registered capital or voting rights of the Erste Group Bank has not exceeded 5% for more than 24 months prior to the sale of the New Shares, or the New Shares are held by the Czech Individual Shareholder for a period exceeding five years; and (ii) the New Shares will not form part of the business property of the Czech Individual Shareholder upon the sale and at any point of time prior to their sale. If the latter condition is not fulfilled, an exemption from tax may still apply under certain circumstances provided that the business activities of the Czech Individual Shareholder will be terminated.

In the case of a Czech Individual Shareholder who is an Accounting Unit subject to the Czech accounting standards for entrepreneurs and holds the New Shares in connection with his business activities, any loss upon the sale of the New Shares is generally considered tax deductible (in a similar way to a Czech Corporate Shareholder). In the case of a Czech Individual Shareholder who holds the New Shares with no relation to his business activities, the loss incurred upon the sale of the New

Shares is generally treated as non-tax-deductible except when such loss is deducted against other taxable capital gains derived by the Czech Individual Shareholder from the sale of securities in a given taxable period (provided that such securities do not form part of the business property of the Czech Individual Shareholder on the date of their sale or an exemption from tax applies).

Capital gains realised by a Czech Corporate Shareholder upon the sale of the New Shares will be taxed as ordinary income of the Czech Corporate Shareholder subject to Czech corporate income tax at the rate of 20% in 2009. Any losses incurred by the Czech Corporate Shareholder upon the sale of the New Shares should generally be treated as tax deductible for corporate income tax purposes, provided that the general conditions for tax deductibility are met.

Any capital gain realised by a Non-Czech Shareholder upon the sale of the New Shares may be taxable in the Czech Republic only if the New Shares held by the Non-Czech Shareholder are sold to a Czech tax resident or to a permanent establishment of a Czech tax non-resident located in the Czech Republic. The consideration paid to the Non-Czech Shareholder in respect of such sale of the New Shares may be subject to securing tax in the Czech Republic as further outlined below. However, the majority of double tax treaties concluded by the Czech Republic generally eliminate the taxation of the capital gains derived from the sale of the New Shares in the Czech Republic provided that the New Shares will not form part of the business property of the Non-Czech Shareholder's permanent establishment in the Czech Republic.

#### *Securing tax*

In general, pursuant to Czech tax law, Czech tax residents and Czech tax non-residents having a permanent establishment in the Czech Republic to which the investment instruments are attributable are required, under their own responsibility, to withhold and to remit to the Czech tax authorities a 1% securing tax from the purchase price when purchasing investment instruments, such as the New Shares, from a Czech tax non-resident, such as a Non-Czech Shareholder, who is resident for tax purposes outside the EU or the EEA. This obligation can be eliminated under the double taxation treaty concluded between the Czech Republic and the country in which the Non-Czech Shareholder selling the New Shares is tax resident provided that all conditions for application of such treaty are satisfied.

## **Romania**

### **General remarks**

Romanian tax law and procedures are at times unclear and not well developed on matters of taxation of securities-related income, being subject to frequent changes and interpretations. The local tax inspectors have considerable autonomy and may interpret tax rules inconsistently. Both the substantive provisions of Romanian tax law and the interpretation and application of those provisions by the Romanian tax and financial authorities may be subject to more rapid and unpredictable change than in jurisdictions with more developed capital markets.

The comments below are based on the Romanian tax legislation (Law 571/2003 as amended and the related norms for application approved by Government Decision 44/2004 as amended, referred to as "domestic law" or the "Fiscal Code") in force as of the date hereof and they may be amended by changes envisaged to be made in Romanian law. They do not cover the Romanian withholding or procedural requirements applicable to taxes due from Romanian investors in the New Shares, nor the Romanian tax implications arising for any non-Romanian tax resident investors trading in the New Shares.

From a tax perspective, dividends are defined as being any distribution in cash or in kind made by a legal entity to a participant in the respective legal entity as a consequence of the ownership of shares/participation titles in such legal entity. According to the Romanian Company Law, dividends represent the share of profits distributed to each shareholder in proportion to their participation in the share capital of the company. Capital gains are not defined, as such, by the tax law.

Corporate income tax payers (other than microenterprises) are liable to pay corporate income tax in Romania on their worldwide profits. The tax rate is currently 16%. Fiscal losses can be carried forward for five consecutive fiscal years (seven years starting with fiscal losses incurred in 2009).

Romanian tax resident individuals (i.e., Romanian citizens with their domicile in Romania and non-residents fulfilling certain residency criteria for three consecutive years, starting with the fourth year, based on the Fiscal Code) are subject to 16% income tax on their worldwide income, including dividends and capital gains. Note that the domestic tax law provides for certain non-taxable income for resident individuals, for instance with regard to interest on current accounts or on-sight deposits, on term deposits and/or saving instruments, capital gains derived by individuals during 2009 from trading in listed securities, interest on treasury bills or municipal bonds, etc. Romanian individual tax residents are not entitled to carry forward their Romanian-sourced capital losses incurred in fiscal year 2009 in relation to trading listed securities. Foreign tax losses incurred by Romanian resident individuals may be used to offset income in the next five consecutive years. Such losses can be offset only against income having the same nature and source, and received from the same sourced-country.

### **Receipt, exercise and lapse of Subscription Rights**

In principle, the receipt and lapse of Subscription Rights by the existing shareholders or holders of Subscription Rights would not have any Romanian tax implications if their recipients are not related parties with the issuer. Also, no Romanian tax implications would arise if the recipients and the issuer are related parties, but the Subscription Rights are not given subject to conditions different than those applicable in the case of non-related party recipients.

At the moment the Subscription Rights are exercised and New Shares are acquired by investors, no Romanian tax implications would normally arise for the investors. Presented below are the Romanian tax implications arising further to holding or disposing of such New Shares or any other shares.

### **Holding of the Shares**

#### *Dividends paid on the New Shares*

Dividend income received by a Romanian corporate shareholder from holding the Shares (i.e., dividends) is subject to Romanian corporate income tax at 16%.

If any withholding tax is retained in Austria on such payments qualifying as dividends under Romanian law, a tax credit may be available to the Romanian legal entity, within the limit of the Romanian corporate income tax rate (i.e., 16%) applied on the taxable income received from Austria.

Dividends received by Romanian individual shareholders would be subject to 16% Romanian income tax. If any withholding tax is retained in Austria on such dividend payments, a tax credit may be available to the Romanian individual shareholder, within the limit established by applying the domestic income tax rate (i.e., 16%) to the taxable income received from Austria.

Under the current Austrian-Romanian Double Tax Treaty, gross dividends received by a Romanian tax resident with respect to participation titles in an Austrian tax resident legal entity may be taxed in Austria at a maximum rate of 5% of the gross amount of dividends.

For the purpose of the Combined Offering it was assumed that the European Parent Subsidiary Directive does not apply to any dividends on the Shares.

#### *Revaluation of the New Shares*

The Romanian accounting legislation provides that long-term securities (e.g. New Shares held for the long term) shall be valued at their historical cost less possible adjustments for losses in their

value. The potential adjustments for losses in value shall be recorded as expenses in the accounting books and shall be treated as non-deductible for the purpose of computing the Romanian legal entity's corporate income tax.

In respect of short-term securities (e.g., New Shares held for the short term) allowed to be traded on a regulated market shall be valued at their listing value valid on the last transaction day, while those which are not traded shall be held at historical cost, less possible adjustments for value losses. The potential increase in the value of such New Shares is to be included in the taxable income of the Romanian corporate shareholder and thus included in the corporate income tax computation, while the decrease in their value could be a non-deductible expense.

## **Sale of the New Shares**

### *Capital gains and losses*

Any capital gains derived by Romanian corporate shareholders upon transfer of the Shares are subject to Romanian corporate income tax at a rate of 16%. However, capital gains obtained in 2009 from trading in participation titles on a regulated market authorised and supervised by the Romanian National Securities Commission are deemed as non-taxable income. Capital gains are determined as the difference between the sale price and the initial purchase price, plus any attributable expenses.

Any losses incurred by Romanian corporate shareholders upon transfer of the New Shares should be, in principle, tax deductible for corporate income tax purposes. However, in 2009 no tax deduction is allowed for losses on certain listed shares.

Under current Romanian legislation, capital gains realised by Romanian individuals from the sale of any securities are deemed to be taxable investment income. Under the definition of "securities" (Rom. "*titluri de valoare*") as per article 65 of the current Romanian Fiscal Code, which includes securities (Rom. "*valori mobiliare*") and other financial instruments qualified as such by the Romanian National Securities Commission, corroborated with the Romanian capital markets legislation (namely Law 297/2004 as amended and currently in force and Regulation 31/2006 of the Romanian National Securities Commission), any derivative contracts in relation to securities (Rom. "*valori mobiliare*"), currency, interest or profitability rates or other derivatives, financial indices or rates, which can be settled physically or in cash, are included in the category of "securities" (Rom. "*valori mobiliare*") and thus taxable as per the rules applicable to securities. Capital gains are computed as the difference between the sale price and the acquisition price of the securities, including any other commissions, taxes or other amounts paid upon the acquisition of the respective securities.

Capital gains realised by Romanian resident individuals from the transfer of unlisted New Shares are subject to 16% income tax in Romania. Should the New Shares be transferred to a Romanian legal entity, the respective entity will be liable to compute, withhold and pay the 16% capital gains tax to the Romanian State Budget. If the New Shares are transferred to a non-resident legal entity, the fiscal (e.g. computation, withholding and payment of the capital gains tax) and declarative obligations deriving from the transaction lie with the acquirer. In order to fulfil such obligations, the non-resident buyer shall appoint a fiscal representative or an empowered person, according to the law.

Capital gains derived by Romanian individuals may be subject to a 1% capital gains tax if the New Shares are listed and they are transferred after a minimum 365-day holding period. Capital gains received in 2009 from trading listed securities represent non-taxable income.

### *Inheritance and Gift Tax*

No Romanian inheritance or gift tax generally applies. Under the Fiscal Code, a 1% inheritance tax is due only for immovable properties under specific conditions. If the New Shares are granted free of charge to a Romanian tax resident individual by an employer, the value of the gift may be subject to Romanian income tax (at 16%) and related social security contributions as benefits in-kind.

## Certain United States federal income tax consequences

### Circular 230 Disclosure

TO COMPLY WITH INTERNAL REVENUE SERVICE CIRCULAR 230, PROSPECTIVE INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF US FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS PROSPECTUS IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY PROSPECTIVE INVESTORS, FOR THE PURPOSES OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE US INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS BEING USED IN CONNECTION WITH THE MARKETING BY ERSTE GROUP BANK OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) PROSPECTIVE INVESTORS SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following discussion is a summary of certain US federal income tax consequences relevant to the receipt, exercise, disposition or expiration of the Subscription Rights in connection with the Rights Offering and the ownership and disposition of New Shares. This discussion is not a complete analysis of all the potential US federal income tax consequences relating to the ownership and disposition of Subscription Rights or New Shares, nor does it address any tax consequences arising under any state, local or non-US tax laws or any other US federal tax laws. This discussion is based on the Internal Revenue Code of 1986, as amended ("Code"), Treasury Regulations promulgated or proposed thereunder, judicial decisions and published rulings and administrative pronouncements of the Internal Revenue Service ("IRS"), all as of the date of this Prospectus. These authorities are subject to differing interpretations and may change, possibly retroactively, resulting in US federal income tax consequences different from those discussed below. No ruling has been or will be sought from the IRS with respect to the matters discussed below, and there can be no assurance that the IRS will not take a contrary position regarding the tax consequences discussed below, or that any such contrary position would not be sustained by a court.

The discussion applies only if an investor will hold Subscription Rights or New Shares as capital assets within the meaning of section 1221 of the Code (generally, property held for investment) and that investor uses the US dollar as its functional currency. This discussion does not address all US federal income tax considerations that may be relevant to a particular investor in light of that investor's particular circumstances. This discussion also does not consider any specific facts or circumstances that may be relevant to investors subject to special rules under the US federal income tax laws, including, without limitation, grantor trusts, real estate investment trusts, regulated investment companies, brokers or dealers in securities, traders in securities or currencies that elect to use a mark-to-market method of recording for their securities holdings, financial institutions, insurance companies, tax-exempt entities, investors liable for alternative minimum tax, holders (either actually or constructively) of 10% or more of Erste Group Bank's ordinary shares, or persons holding New Shares as part of a hedging, straddle, conversion or constructive sale transaction. In addition, investors holding Subscription Rights or New Shares indirectly through partnerships are subject to special rules not discussed below.

Investors should consult their tax advisors about the US federal, state and local and foreign tax consequences to them of the receipt, exercise, expiration or disposition of Subscription Rights and the ownership and disposition of New Shares.

The discussion below applies to an investor only if the investor is a beneficial owner of Subscription Rights or New Shares and is, for US federal income tax purposes, (1) an individual who is a citizen or resident of the United States, (2) a corporation or any other entity treated as a corporation that is organised in or under the laws of the United States, any state thereof or the District of Columbia, (3) a trust if all of the trust's substantial decisions are subject to the control of one or more US persons and the primary supervision of the trust is subject to a US court or if a valid election is in effect with respect to the trust to be taxed as a US person or (4) an estate the income of which is subject to US federal income taxation regardless of its source (in each case, a "US holder").

### *Subscription Rights*

This discussion assumes, and Erste Group intends to take the position that, the Subscription Rights do not have any value. Accordingly, a US holder will not recognise any income, gain or loss as a result of the receipt, exercise, disposition or expiration of the Subscription Rights and will have a tax basis in any New Shares received upon the exercise of Subscription Rights equal to the Offer Price paid therefor. If this assumption is not correct, the US federal income tax consequences to US holders of the Rights Offering could be materially different than those discussed below.

### *Distributions*

Subject to the passive foreign investment company rules discussed below under the caption "Taxation of New Shares—Passive Foreign Investment Company Status", the amount of distributions paid with respect to the New Shares generally will be included in a US holder's gross income as ordinary dividend income from foreign sources to the extent paid out of Erste Group Bank's current or accumulated earnings and profits (as determined for US federal income tax purposes). Distributions in excess of such earnings and profits will be treated as a non-taxable return of capital to the extent of the US holder's adjusted tax basis in the New Shares and thereafter as capital gain. However, Erste Group Bank does not intend to calculate its earnings and profits under US federal income tax principles. Therefore, a US holder should expect that any distribution made by Erste Group Bank to such US holder will be reported as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above. The dividends will not be eligible for the dividends received deduction available to corporations in respect of dividends received from other US corporations. The amount of any dividend paid in other than US dollars will be the US dollar value of the dividend payment based on the exchange rate in effect on the date of distribution, whether or not the payment is converted into US dollars at that time. A US holder's tax basis in the non-US currency received will equal such US dollar amount. Gain or loss, if any, recognised on a subsequent sale or conversion of the non-US currency will be US source ordinary income or loss.

With respect to certain non-corporate US holders, including individual US holders, for taxable years beginning before 1 January 2011, dividends will be taxed at the lower capital gains rate applicable to qualified dividend income, provided that (1) Erste Group Bank is eligible for benefits of a qualifying income tax treaty with the United States, (2) Erste Group Bank is not a passive foreign investment company (as discussed below) for either the taxable year in which the dividend is paid or the preceding taxable year and (3) certain holding period requirements are met.

Subject to certain limitations, Austrian taxes withheld from a distribution generally will be eligible for credit against the US holder's US federal income tax liability. If a refund of the tax withheld is available to a US holder under the laws of Austria or under the income tax treaty between the United States and Austria, the amount of tax withheld that is refundable will not be eligible for such credit against the US holder's US federal income tax liability. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends distributed with respect to New Shares will be "passive category income" or, in the case of certain US holders, "general category income".

The rules relating to the determination of the US foreign tax credit are complex and US holders should consult their tax advisors to determine whether and to what extent a credit would be available in their particular circumstances. If a US holder does not elect to claim a foreign tax credit with respect to any foreign taxes for a given taxable year, such US holder generally may instead claim an itemised deduction for all foreign taxes paid in that taxable year.

### *Sale or other taxable disposition of New Shares*

Subject to the passive foreign investment company rules discussed below under the caption "Taxation of New Shares—Passive Foreign Investment Company Status", a US holder generally

will recognise capital gain or loss on the sale or other taxable disposition of the New Shares equal to the difference between the US dollars value of the amount realised and the US holder's adjusted tax basis (determined in US dollars) in the New Shares. Such gain or loss will generally be treated as arising from US sources for foreign tax credit limitation purposes.

The amount realised on a sale or other taxable disposition of New Shares generally will be the amount of cash the US holder receives in exchange for such New Shares. If the consideration the US holder receives for the New Shares is not paid in US dollars, the amount realised will be the US dollar value of the payment received. In general, the US dollar value of such a payment will be determined on the date of receipt of payment if the US holder is a cash basis taxpayer and the date of disposition if the US holder is an accrual basis taxpayer. However, if the New Shares are treated as traded on an "established securities market" and the US holder is a cash basis taxpayer, or an accrual basis taxpayer who has made a special election, the US holder will determine the US dollar value of the amount realised in a foreign currency by translating the amount received at the spot rate of exchange on the settlement date of the sale or other taxable disposition.

A US holder's tax basis in any foreign currency the US holder receives on the sale or other taxable disposition of New Shares will be equal to the US dollar amount that the US holder realised on the sale or taxable disposition. Any gain or loss the US holder realises on a subsequent conversion of any such foreign currency generally will be US source ordinary income or loss.

#### *Passive foreign investment company status*

A non-US corporation is a passive foreign investment company (a "PFIC") in any taxable year in which, after taking into account the income and assets of certain subsidiaries, either (i) at least 75% of its gross income is passive income or (ii) at least 50% of the quarterly average value of its assets is attributable to assets that produce or are held to produce passive income. In the PFIC determination, Erste Group Bank will be treated as owning its proportionate share of the assets and earning its proportionate share of the income of any other corporation in which it owns, directly or indirectly, 25% or more (by value) of the stock. Based on its asset composition, income and operations and on proposed US Treasury regulations, Erste Group Bank believes it was not a PFIC for the taxable year ended 31 December 2008 and it does not expect that it will be considered a PFIC for its current taxable year ending on 31 December 2009 or in the foreseeable future. However, since PFIC status is determined based on the asset value and the income earned throughout the year, and since the value of Erste Group Bank's assets may be determined in large part by its market capitalisation, which may fluctuate significantly, there can be no assurances that Erste Group Bank will not be a PFIC for the current year. Furthermore, even if Erste Group Bank is not a PFIC for the current year, because whether or not Erste Group Bank will be considered a PFIC will depend on the nature and source of its income and the value of its assets, as determined from time to time, there is no assurance that it will not become a PFIC in the future. If Erste Group Bank were to be treated as a PFIC, it does not intend to provide information necessary for a US holder to make a "qualified electing fund" election as such term is defined in the relevant provisions of the Code. A US holder should consult its tax advisors about the consequences of Erste Group Bank's classification as a PFIC.

If Erste Group Bank were a PFIC, for any taxable year in which a US holder held New Shares, the US holder generally would be subject to special rules with respect to:

- any gain realised on the sale or other disposition (including a pledge) of New Shares; and
- any "excess distribution" made to the US holder (generally, any distributions to the US holder in respect of New Shares during a single taxable year that are greater than 125% of the average annual distributions received by the US holder in respect of New Shares during the three preceding taxable years or, if shorter, the US holder's holding period for New Shares).

Under these rules:

- the gain or excess distribution would be allocated ratably over the US holder's holding period for New Shares;
- the amount allocated to the taxable year in which the gain or excess distribution was realised and any year before Erste Group Bank became a PFIC would be taxable as ordinary income;
- the amount allocated to each other year, would be subject to tax at the highest applicable marginal tax rate in effect for each such year; and
- an interest charge would be imposed as compensation for the deemed benefit for the deferred payment of the tax attributable to each year during the US holder's holding period in which Erste Group Bank was a PFIC prior to the taxable year in which the gain or excess distribution was realised.

If Erste Group Bank were to be a PFIC and if any of its subsidiaries were also PFICs, a US holder would be subject to the PFIC rules with respect to such holder's indirect interest in such subsidiary PFICs. However, the mark-to-market election (discussed below) generally would not be available with respect to such subsidiaries. US holders should consult their tax advisors concerning the application of the PFIC rules to any entities in which Erste Group Bank invests.

As an alternative to the special rules described above, holders of "marketable stock" in a PFIC may elect mark-to-market treatment with respect to their Shares. New Shares will not be considered marketable stock unless the New Shares are regularly traded on a qualified exchange or other market. If the mark-to-market election is available and a US holder elects mark-to-market treatment the US holder will, in general, include as ordinary income each year an amount equal to the increase in value of its New Shares for that year (measured at the close of the US holder's taxable year) and will generally be allowed a deduction for any decrease in the value of its New Shares for the year, but only to the extent of previously included mark-to-market income. The US holder's basis in the New Shares will be adjusted to reflect any such income or loss amounts. In addition, any gain realised on the actual sale or other disposition of the New Shares will be treated as ordinary income, and any loss realised on the actual sale or other disposition of the New Shares will be treated as an ordinary loss, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included with respect to such New Shares.

If a US holder owns New Shares during any year in which Erste Group Bank is a PFIC, the US holder is required to make an annual return on IRS Form 8621 regarding distributions received with respect to New Shares and any gain realised on the disposition of the US holder's New Shares.

#### *Information reporting and backup withholding*

In general, information reporting requirements may apply to dividends paid in respect of New Shares or the proceeds received on the sale or exchange of the New Shares within the United States or by a broker with certain US connections. Backup withholding may apply to payments to a US holder of dividends or the proceeds of a sale or other disposition of New Shares if the US holder fails to provide an accurate taxpayer identification number (certified on IRS Form W-9) or, upon request, to certify that the US holder is not subject to backup withholding, or otherwise to comply with the applicable requirements of backup withholding. The amount of any backup withholding from a payment to a US holder will be allowed as a credit against the US holder's US federal income tax liability and a refund of any excess amount withheld under the backup withholding rules may be obtained by filing the appropriate claim for refund with the IRS and furnishing any required information.

# Regulation of Austrian securities markets

The summary of Austrian securities markets regulation set forth below is for general information only and contains certain significant issues of Austrian securities markets regulation. The summary does not purport to be a comprehensive description of all the topics discussed below.

## General

The Austrian securities markets are regulated by a number of acts, laws and regulations. The most important are the Stock Exchange Act and the Capital Markets Act as well as a number of regulations, such as Issuers' Compliance Regulation (*Emittenten-Compliance-Verordnung*) and the Publication Directive (*Veröffentlichungs-Verordnung*), regulating the publication of, *inter alia*, reports on the granting of stock options. In addition, the Takeover Act and applies to the takeover of shares of listed companies.

## Ad Hoc publicity

Under the Stock Exchange Act, Erste Group Bank is required to publish, without delay (*unverzüglich*), any detailed information not known to the public which concerns it or the shares directly or indirectly, and which would, if such information were publicly known, substantially influence the price of the Shares. Erste Group Bank is required to communicate any such information to its investors through an EU-wide electronic information dissemination system and to post such information on the company website. Erste Group Bank may delay publication of relevant information in order to prevent harm to it if it has a legitimate interest in not disclosing the information and if the confidentiality of such information is assured, but only if investors would not be misled or suffer any damages as a result of not disclosing the information. Erste Group Bank must inform the FMA if it decides to delay relevant information. Prior to publishing relevant information, Erste Group Bank is required to communicate the information to the FMA and the Vienna Stock Exchange.

## Changes in major shareholdings

If natural persons or legal entities, directly or indirectly, acquire or sell shares in a stock corporation whose registered office is in Austria and whose shares are listed on the Official Market or Second Regulated Market (*geregelter Freiverkehr*) of the Vienna Stock Exchange, then these persons or entities are obliged to notify the FMA and the Vienna Stock Exchange as well as the company within two trading days after the acquisition or disposal of a major shareholding. Such an event is deemed to exist if, as a consequence of the acquisition or disposal, the proportion of the voting rights held reaches, exceeds or falls below 5%, 10%, 15%, 20%, 25%, 30%, 35%, 40%, 45%, 50%, 75% or 90%. The two trading days begin to run when the shareholder of a major shareholding gains, or should have gained, knowledge of the acquisition or sale.

A listed company is obliged to publish any such event in the Official Gazette within two trading days of being notified thereof. Any relevant information on changes in the shareholding structure must be published without delay.

## Management trading in Shares

Persons discharging managerial responsibilities (in particular members of the management or supervisory board) to an issuer of financial instruments, as well as persons related to them must publish and notify the FMA within five business days of the existence of any transactions conducted on their own account relating to such issuer's shares, or to derivatives or other financial instruments linked to such shares. Such obligation is applicable only if the aggregate value (i.e., including related persons) of such transactions exceeds EUR 5,000 per calendar year.

## Insider rules

Austrian law prohibits the abuse of insider information committed on Austrian territory or by Austrian citizens abroad with regard to financial instruments admitted to trading on a regulated market or traded on a multilateral trading facility in Austria. The provisions on insider information have been subject to a major amendment, implementing the provisions of the European Directive 2003/6/EC of the European Parliament and the Council of 28 January 2003 on insider dealing and market manipulation (market abuse) which became effective 1 January 2005 (Federal Law Gazette No 127/2004).

Market abuse consists of insider dealing and market manipulation.

Insider information is defined as detailed information not known to the public which concerns directly or indirectly one or more issuers of financial instruments, or one or more financial instruments, and which would, if it were publicly known, substantially influence the quoted value of such financial instruments or of derivatives linked to them. In other words, a reasonable investor would likely use such information as the basis for his investment decision.

An insider is any person who has access to inside information either due to his position as a member of the administrative, managing or supervisory body of an issuer or due to his profession, occupation, responsibilities or shareholding. Any person who gains access to inside information by way of a criminal offence is also an insider.

Any insider who uses inside information with the intent to gain a pecuniary advantage for himself or a third party by buying or selling financial instruments or by offering or recommending such instruments to third parties, or who provides access to such information to third parties without being required to do so, is subject to a criminal penalty of up to three years' imprisonment. If the financial advantage achieved exceeds EUR 50,000, the penalty is between six months' and five years' imprisonment. If this criminal offence is performed by a person who is not an insider, but has information which has been made available to him, he is subject to a criminal penalty of up to one year's imprisonment. If the financial advantage achieved exceeds EUR 50,000, the penalty is up to three years' imprisonment.

Market manipulation refers to transactions or trade orders which give, or are likely to give, false or misleading signals as to the supply of, demand for, or price of, financial instruments, or which secure, by a person, or persons acting in collaboration, the price of one or several financial instruments at an abnormal or artificial level, unless the person who entered into the transactions or issued the trade orders has legitimate reasons for doing so and these transactions or trade orders conform to accepted market practices on the regulated market concerned. Market manipulation also means transactions or trade orders which employ fictitious devices or any other form of deception or contrivance. Finally, market manipulation includes dissemination of information through the media, including the internet, or by any other means, which gives, or is likely to give, false or misleading signals as to financial instruments, including the dissemination of rumours and false or misleading news, where the person who made the dissemination knew, or ought to have known, that the information was false or misleading.

Market manipulation is subject to an administrative fine of up to EUR 75,000, which may be imposed by the FMA.

Pursuant to the Stock Exchange Act, every issuer is obliged to inform its employees and other persons providing services to the issuer about the prohibition on the misuse of inside information, to issue internal directives for the communication of information within the company and to monitor compliance. Furthermore, issuers are obliged to take organisational measures to prevent the abuse of inside information or its disclosure to third parties. Erste Group Banks' Compliance Regulation regulates the measures to be taken by issuers in further detail (e.g., black-out periods). It requires any issuer whose securities are admitted to listing on the Official Market or the Semi-Official Market to issue a compliance directive (*Compliance-Richtlinie*). These compliance directives must be submitted to the FMA.

Issuers are required to establish a register of those persons working for them and who have access to inside information, whether on a regular or occasional basis. Issuers are also required to regularly update this register and transmit it to the FMA whenever requested.

## The Takeover Act

The Takeover Act regulates public offers for the acquisition of shares of Austrian stock companies which shares are admitted to trading on a regulated market of an Austrian stock exchange.

Any public offer for the shares of a target company must be prepared in accordance with the formal requirements of the Takeover Act and be submitted to the Takeover Commission prior to its publication. Generally, an offeror must not disclose its intention to launch a public offer until it has notified the Takeover Commission. If, however, rumors of the offeror's intention lead to significant changes in the price of the target company's shares prior to notification of the Takeover Commission, an offeror is required to publish its intention to bid for the shares of the target company immediately and must submit the offering documents to the Takeover Commission within ten trading days following publication.

The Takeover Act differentiates between voluntary offers, mandatory offers and voluntary offers to gain control. Any person who acquires a controlling interest in a target company must notify this to the Takeover Commission and must prepare an offer ("mandatory offer") to purchase the remaining securities in the target company and must submit the offer document to the Takeover Commission within 20 trading days of acquiring the controlling interest. Furthermore, every voluntary offer aiming at acquiring a controlling influence is statutorily under the condition precedent that the bidder acquires more than 50% of the outstanding shares with permanent voting power ("voluntary offer to gain control").

Important portions of the Takeover Act are based on a formal concept of control. Within the meaning of the Takeover Act, an interest is deemed to be "controlling", if it confers more than 30% of the voting rights in the target company. Acquisitions of less than 30% of the voting rights do not in any case trigger a mandatory offer ("safe harbour"). If the threshold of 30% is not exceeded, but a secured blocking minority (26%) is indeed exceeded, only 26% of the voting rights can be exercised unless the Takeover Commission—upon request—revokes the suspension of the voting rights. The Articles of Association have lowered this threshold to 20%. See "Description of the Share Capital and Summary of the Articles of Association of Erste Group Bank—Provisions with relevance for takeovers".

What is referred to as "passive" acquisition of control (that is, where a shareholder acquires a controlling interest without recent actions of its own e.g., as a result of the break-up of a controlling shareholder consortium) similarly does not trigger a mandatory offer provided the person acquiring control would not necessarily have been expecting to achieve control when the shares were acquired. However, such shareholder may only exercise 26% of his voting rights unless the Takeover Commission—upon request—revokes the suspension of the voting rights.

In addition, under certain circumstances, the extension of an existing controlling interest also triggers a mandatory offer ("creeping-in"): that is, a person with a controlling interest who does not have a majority of the voting rights of a listed company and acquires an additional 2% or more of the voting rights within a period of 12 months must make a mandatory offer.

The Articles of Association of a stock corporation can, *inter alia*, stipulate that during the takeover process certain restrictions on transfer and voting rights with respect to shares of the target company are not applicable ("break through"). The acquirer of an interest of at least 75% of the share capital of a stock corporation can call a shareholders' meeting within six months after a takeover process. If, in such a shareholders' meeting, a vote is taken on changes to the Articles of Association (in particular the abolition of transfer restrictions, voting right restrictions and delegation rights) or the recall or election of members of the supervisory board, restrictions on voting rights do not apply.

As a rule, the price for a voluntary public offer can be freely determined. The price for a mandatory offer and the voluntary offer to gain control (i) must be at least equal to the average stock exchange price weighted according to the respective trading volume during the preceding six months before the day, on which the intent to bid was pronounced and (ii) must be at least equal to the highest share price that the bidder or a legal entity acting jointly with the bidder has paid or agreed to pay during the last 12 months before publication of the offer. Under certain circumstances, an appropriate price is to be set for a mandatory offer.

A mandatory offer may include an alternative offer which provides exclusively for paying cash for the securities which are to be acquired. In addition, the bidder may also offer the person to whom the offer is directed an alternative choice of receiving other securities in exchange for the shares.

The offer document for voluntary offers and mandatory offers is to be examined by a qualified independent expert before the offer document is submitted to the Takeover Commission and delivered to the target company. The management board and the supervisory board of the target company must issue a statement on the offer immediately after the publication of the offer document.

As a rule, subsequent improvement of public offerings and the submission of competitive offers are permissible. Generally, the same rules that apply to the original offer also apply to improved or competitive offers.

After the bidder's intention of making an offer becomes known to the management board and the supervisory board of the target company, they require the consent of the shareholders' meeting for all measures which could hinder the offer or its success. This applies particularly to the issuance of securities through which the bidder could be prevented from acquiring control of the target company.

The bidder and all parties acting jointly with the bidder must refrain from acquiring securities of the target company at better terms than those provided for in the offer.

The acceptance period for an offering may not be less than two weeks and not more than ten weeks, calculated in each case from the date of the publication of the offering document. In certain instances, such as in the case of a mandatory offer, there is a follow-up period three months after the publication of the results of the offering within which the offer can be accepted.

The Takeover Commission monitors compliance with the Takeover Act and is authorised to penalise violations of takeover regulations. In addition to other civil and administrative sanctions, violations of provisions of the Takeover Act can result in the suspension of the voting rights of the violator's shares and—in the case of serious violations—suspension of the other rights of the shareholder. The Takeover Commission can also *ex officio* introduce proceedings and is not subject to supervision by any other authority.

Erste Group Bank believes that the issue of the New Shares will not lead to a mandatory offer. No takeover bids were made in respect of the Shares in the last three years prior to the date of the Prospectus.

# Regulation of the Czech securities market

The summary of Czech securities markets regulation set forth below is for general information only and covers only certain significant issues of Czech securities markets regulation. The summary does not purport to be a comprehensive description of all the topics discussed below.

## General

The Czech securities market is regulated by a number of acts and implementing decrees. The most important are the Act No. 256/2004 Coll., the Czech Capital Markets Act (*zákon o podnikání na kapitálovém trhu*) and the Act No. 15/1998 Coll., on Supervision of the Capital Market (*zákon o dohledu v oblasti kapitálového trhu*). The Czech National Bank is the capital market supervisory authority.

## Ad Hoc publicity

Under the Czech Capital Markets Act, Erste Group Bank is required to publish without delay any accurate information not known to the public which concerns it directly or indirectly, and which would, if it were publicly known, substantially influence the price of the Shares. Erste Group Bank is required to post such information on the company website and notify the CNB. Erste Group Bank may delay the publication of relevant information for serious reasons, but only if investors would not be misled as a result of not disclosing the information and Erste Group Bank is able to secure the confidentiality of such information. If Erste Group Bank decides to delay the publication of inside information, it must inform the CNB, stating the reasons for delay.

## Changes in major shareholdings

Czech law imposes notification requirements in respect of certain shareholdings in companies listed on the Prague Stock Exchange and having their registered office in the Czech Republic. These requirements therefore do not apply to Erste Group Bank or any holders of Shares.

## Management trading in Shares

Persons involved in the decision making of Erste Group Bank and persons related to them must notify the CNB of the existence of any transactions conducted on their own account relating to Erste Group Bank's shares or interim share certificates or derivatives linked to such shares and interim share certificates. Such obligation is applicable only if the aggregate value (i.e., including related persons) of such transactions exceeds EUR 5,000 per calendar year. The CNB will publish such information without delay on its website.

## Insider trading

Insider information is defined as accurate information not known to the public which concerns directly or indirectly a financial instrument, or the issuer of a financial instrument, and which would, if it were publicly known, substantially influence the quoted price of such financial instrument. A reasonable investor would likely use such information as the basis for an investment decision.

An insider is any person who obtains inside information either due to his employment, profession, position or shareholding in the issuer or in relation to fulfilment of his obligations. Any person who gains access to inside information by way of a criminal offence is also an insider. A person who obtains inside information in another manner and is or should be aware that such information constitutes inside information is also an insider.

Czech criminal law prohibits the abuse of insider information on the Czech territory or by Czech citizens abroad. Any insider who uses inside information that is not yet public with the intention of gaining advantage for himself or a third party is subject to a criminal penalty of up to three

years' imprisonment. If the financial advantage achieved exceeds CZK 500,000, the penalty is two to eight years' imprisonment. If the financial advantage achieved exceeds CZK 5.0 million, the penalty is five to twelve years' imprisonment.

### **Market manipulation**

Under the Czech Capital Markets Act, market manipulation means an act that may distort the view of participants of the capital market with respect to the value of, supply of or demand for, a financial instrument or its derivative. Market manipulation also means any other act that may distort the quoted price of a financial instrument or its derivative. Such act is not regarded as market manipulation if the person who entered into the transaction or issued the trade order has a legitimate reason for doing so and the transaction or trade order conforms to accepted market practices on the regulated market concerned. Market manipulation is prohibited and is subject to an administrative fine of up CZK 20.0 million. The fine may be imposed by the CNB.

### **Takeovers under the Czech Commercial Code**

The provisions of the Czech Commercial Act on takeovers apply only to target companies formed under Czech law, and consequently do not apply to Erste Group Bank.

# Regulation of the Romanian securities market

The summary of Romanian securities markets regulation set forth below is for general information only and covers only certain significant issues of Romanian securities markets regulation. The summary does not purport to be a comprehensive description of all the topics discussed below.

## General

The Romanian securities market is regulated by Law no. 297/2004 on capital markets (“Capital Markets Law”), as amended and supplemented from time to time and the implementing regulations. The supervisory authority in Romania is the National Securities Commission (“NSC”) organised and regulated in accordance with the Capital Markets Law and the Government Emergency Ordinance no. 25/2002 on the statute of the NSC, as amended and supplemented from time to time.

## Ad Hoc publicity

Under the Capital Markets Law, Erste Group Bank is required to publish without delay any information of a precise nature which has not been made public, relating, directly or indirectly, to it or to the Shares which, if it was made public, would be likely to have a significant effect on the prices of the Shares. Erste Group Bank is required to post such information on the company website and notify the NSC. Erste Group Bank may delay the publication of relevant information for grounded reasons, but only if investors would not be misled as a result of not disclosing the information and Erste Group Bank is able to secure confidentiality of such information. If Erste Group Bank decides to delay the publication of inside information, it must inform the NSC, stating the reasons for delay. The NSC may require Erste Group Bank to disclose the relevant information in order to ensure the transparency and integrity of the market.

## Changes in major shareholdings

The Capital Markets Law imposes notification requirements in respect of certain shareholdings in listed companies which have their registered office in Romania. These requirements therefore do not apply to Erste Group Bank or any holders of Shares.

## Management trading in Shares

Persons involved in the decision making of Erste Group Bank and, as the case may be, persons related to them must notify the NSC of the existence of any transactions conducted on their own account relating to Erste Group Bank’s shares or interim share certificates or derivatives linked to such shares and interim share certificates.

## Insider trading

Insider information is defined as accurate information not known to the public which concerns directly or indirectly a financial instrument, or the issuer of a financial instrument, and which would, if it were publicly known, substantially influence the quoted price of such financial instrument. A reasonable investor would likely use such information as the basis for an investment decision.

An insider is any person who obtains inside information either due to his employment, profession, position or shareholding in the issuer or in relation to fulfilment of his obligations. Any person who gains access to inside information by way of a criminal offence is also an insider. A person who obtains inside information in another manner and is or should be aware that such information constitutes inside information is also an insider.

Romanian criminal law prohibits the abuse of insider information on the Romanian territory or by Romanian citizens abroad. Any insider who uses inside information that is not yet public with

the intention of trading, on his own account or on the account of a third party, a financial instrument is subject to a criminal penalty of up to five years imprisonment or a fine up to the value of the transaction.

### **Market manipulation**

Under the Capital Markets Law, market manipulation means an act that may distort the view of participants of the capital market with respect to the value of, supply of or demand for, a financial instrument or its derivative. Market manipulation also means any other act that may distort the quoted price of a financial instrument or its derivative or the dissemination of information through the media, including the Internet, or by any other means, which gives, or is likely to give, false or misleading signals as to financial instruments, including the dissemination of rumours and false or misleading news, where the person who made the dissemination knew, or ought to have known, that the information was false or misleading. Such act is not regarded as market manipulation if the person who entered into the transaction or issued the trade order has a legitimate reason for doing so and the transaction or trade order conforms to accepted market practices on the regulated market concerned. Market manipulation is prohibited and is a criminal offence and is subject to a criminal penalty of up to five years imprisonment or a fine up to the value of the transaction.

### **Takeovers**

The provisions of the Capital Markets Law in relation to takeovers apply only to companies formed under Romanian law or listed only on the Romanian market and consequently do not apply to Erste Group Bank.

# Corporate governance

## Corporate governance at Erste Group Bank

Good corporate governance enables effective management control, safeguards shareholder interests and serves as an important tool to build corporate culture. Therefore, the Management Board has taken measures to create an efficient corporate governance system and, in 2003, decided to apply the rules of the Austrian Code of Corporate Governance (as revised subsequently, the “CGC”).

The Supervisory Board believes that an efficient way to avoid conflicts between Erste Group Bank’s management and the shareholders is to align their interests. Thus, Erste Group Bank first introduced MSOPs in 1997 and, since 2002, annually runs an ESOP, which allows employees and managers to subscribe for a limited amount of Shares at a discount. See “Erste Group Bank management, employees and supervision—Employee Stock Ownership Programme (ESOP) and Management Stock Option Plan (MSOP)”.

## Management and supervision structure

Erste Group Bank has a two-tiered board comprising the *Aufsichtsrat* (Supervisory Board) and the *Vorstand* (Management Board). The rights and responsibilities of the members of the Supervisory Board and the Management Board are set forth in the Stock Corporation Act, the Articles of Association and in detail in the by-laws of Erste Group Bank. See also “Erste Group Bank management, employees and supervision” and “Description of the share capital and summary of the Articles of Association of Erste Group Bank”.

## Internal auditing and monitoring

As required by the Banking Act, the internal audit at Erste Group Bank has the purpose of ensuring the legality, adequacy and appropriateness of business activities and functions exercised by Erste Group Bank’s central operating units, domestic and foreign branches, subsidiaries, affiliates and associated enterprises. Internal auditing, in particular, monitors risk management at Erste Group level in order to safeguard the application of the latest standards in the systems of Erste Group Bank. See “Risk Management”.

Other key tasks of Erste Group Bank’s internal monitoring are to provide for security, economic efficiency and compliance with current laws in respect of general banking business, of capital markets and other commercial practices within Erste Group.

As required by the Stock Exchange Act, Erste Group Bank has created an insider compliance office for Erste Group. It advises Erste Group and its employees on avoiding conflicts of interest between Erste Group, its employees and customers. The insider compliance office is also responsible for implementing rules concerning these issues and personal transactions by employees, as well as for monitoring compliance with these rules and refining them further.

## The Austrian Corporate Governance Code

The CGC was published by the Austrian Working Group on Corporate Governance, a group of private organisations and individuals, in October 2002. This voluntary self-regulatory initiative is designed to reinforce the confidence of investors by improving reporting transparency, and the quality of cooperation between supervisory board, management board and shareholders, to provide for accountability and promote sustainable, long-term value.

The CGC primarily applies to Austrian stock market-listed companies that undertake to adhere to its principles. The CGC is based on statutory provisions of Austrian corporate law, securities law and capital markets law (“Legal Requirements”). In addition, the CGC contains rules considered to be a part of common international practice, such as the principles set out in the OECD Principles of Corporate Governance. Non-compliance with some of these rules must be explained

to the shareholders' meeting ("Comply or Explain"). However, the CGC also contains rules that are voluntary and do not require explanation in the case of deviations (recommendations). Overall, successful implementation of the CGC depends on self-regulation by companies. The CGC was last amended in January 2009 to reflect changes in applicable Austrian and European regulations.

The principal rules and recommendations of the CGC include:

- Equal treatment of shareholders under the same conditions;
- the management board's information and reporting duties should be determined by the supervisory board;
- remuneration for the members of the management board should comprise fixed and business performance related components (based on long-term indicators); the individual remuneration for each member of the management board should be reported in the annual financial statements;
- stock option schemes should be approved by the shareholders' meeting and be based on objective parameters to be defined in advance; subsequent changes of the parameters should be avoided; the number and distribution of the options granted, the exercise prices and the respective estimated values at the time they are issued and upon exercise shall be reported in the annual report;
- conflicts of interests of members of the management board and the supervisory board should be disclosed in the annual financial statements;
- supervisory board committees should be established, in particular an audit committee (for accounting and auditing issues), a nomination committee (for successor planning in the management board) and a remuneration committee (for remuneration issues and the employment contracts with management board members). The remuneration committee and the nomination committee may be identical;
- supervisory board members may not assume any functions on the boards of other enterprises that are competitors of the company;
- the number of members of the supervisory board (excluding employees' representatives) should be ten or less; a sufficient number of members should be independent of the company and its management; supervisory board members should not sit on the supervisory boards of more than eight other listed companies (chairperson functions count double);
- annual and quarterly financial statements (drawn up according to internationally recognised accounting standards) should be published in a timely manner (within four and two months, respectively);
- communication structures should be established to meet information needs of shareholders in a timely and adequate manner, in particular by using the internet; dates essential for shareholders should be communicated sufficiently in advance; consolidated financial statements and interim reports should be published on the company's website in German and English;
- any director's dealings should be disclosed on the company's website directly or by referring to the website of the FMA;
- before the proposal for the appointment of an auditor is made and before the auditor's election by the shareholders, the auditor shall present to the audit committee a written report on the following items:
  - License to audit stock corporations and a confirmation that no reasons for an exclusion from the audit exist;
  - A list grouped by category of services of total fee income received in the past business year from the company;

- Participation in a statutory quality assurance system;
- Explanation of all circumstances that could give rise to a cause for concerns regarding bias;
- Measures taken to ensure an independent audit.
- the independent auditors should make regular assessments of the company's risk management; and
- an annual report regarding compliance with the CGC should be included in the annual financial statements posted on the company's website.

Currently, Erste Group Bank complies with all "L Rules" (Legal Requirement) and "C Rules" (Comply or Explain) of the CGC, except for the following C Rule:

- Rule 52: Qualifications of Members and Composition, and Independence of the Supervisory Board:

When appointing the supervisory board, the shareholders' meeting shall take due care to ensure a balanced composition of expert know-how on the supervisory board with respect to the structure and the business of the company as well as the adequate personal qualification of the supervisory board members. The number of members on the supervisory board (without employees' representatives) shall be ten at most.

Due to the size of the company, the Supervisory Board (without employee representatives) consists of 12 members. Two members of the Supervisory Board were elected at the proposal of the individual shareholders.

In 2006, Erste Group Bank for the first time voluntarily underwent an independent review of its compliance with the CGC in the 2005 financial year. This evaluation confirmed that Erste Group Bank complies with all rules of the CGC. Another voluntary external review relating to the 2008 financial year has been finalised in April 2009.

# The Vienna Stock Exchange

The information relating to the Vienna Stock Exchange set out below is derived from information obtained from the Vienna Stock Exchange, in particular from the website of the Vienna Stock Exchange ([www.wienerborse.at](http://www.wienerborse.at)), the annual report of 2008 and monthly statistics from 30 September 2009, and the annual report of the FMA. The website of the Vienna Stock Exchange ([www.wienerborse.at](http://www.wienerborse.at)) contains further information about the Vienna Stock Exchange as well as a range of special services, such as quotations and ad hoc information about the companies listed on the Vienna Stock Exchange. The information contained in the Vienna Stock Exchange website is not part of or incorporated by reference into this Prospectus.

## Overview

The Vienna Stock Exchange is operated by an independent, privately owned stock corporation, the Wiener Börse AG, based on a license under the Stock Exchange Act. In addition to a securities exchange, Wiener Börse AG also operates a multilateral trading facility (MTF) and a commodities exchange.

The Vienna Stock Exchange is supervised by the FMA. As the market and stock exchange supervisory authority, the FMA is responsible, in particular, for supervision of the reporting requirements for reportable instruments in accordance with the WAG 2007, the supervision of market participants and the clarification and investigation of infringements against the ban on insider trading and the ban on market manipulation, the monitoring of securities analyses concerning the issue and dissemination of recommendations in Austria, the regularity and fairness of securities trading, the clarification and investigation of price manipulation, stock exchange supervision in compliance with the Stock Exchange Act and the monitoring of issuers and shareholders with respect to their duties of publication.

The FMA is responsible for the supervision of the lawfulness of resolutions of the executive bodies of the stock exchange operator. For that purpose, it uses the stock exchange commissioner (*Börsekommissär*). The stock exchange commissioner and his deputy are appointed by the Federal Minister of Finance, but act on behalf of the FMA and are bound by the instructions of the FMA, as the competent supervisory authority. The stock exchange commissioner (at present one stock exchange commissioner and two deputies) is to be invited to all important meetings of the stock exchange operator. He monitors Wiener Börse AG as well as the Vienna Stock Exchange, reviews the resolutions of the executive bodies of Wiener Börse AG with respect to their lawfulness and has the duty to veto unlawful resolutions.

## The Markets of the Vienna Stock Exchange

The Stock Exchange Act provides for two types of admission: the Official Market (*Amtlicher Handel*) and the Second Regulated Market (*Geregelter Freiverkehr*). Classification according to the type of admission is used as the criterion for admission and classification in the individual market or trading segments: Prime Market, Standard Market Continuous, Mid Market and Standard Market Auction.

The Unregulated Third Market that existed prior to the entry into force of WAG 2007 has been operated by the Wiener Börse AG since 1 November 2007, in the form of a multilateral trading facility within the meaning of WAG 2007. A multilateral trading facility is not a regulated market under the Stock Exchange Act. It is a trading facility operated on the basis of a license from the FMA according to the provisions of WAG 2007. However, on the basis of a special FMA approval, the operator of a regulated market is entitled to operate a multilateral trading facility. Participation takes place on the basis of the operator's own general terms and conditions of business, the "Terms and conditions for operation of the Third Market" which the Wiener Börse AG has drawn up with the approval of the FMA.

Both the Official Market and the Second Regulated Market of the Vienna Stock Exchange have been recognised as regulated markets pursuant to the Directive 2004/39/EC on markets in financial instruments (MiFID). The criminal offence of “misuse of insider information” and the administrative offence of “market manipulation” are also applicable to multilateral trading facilities. In December 2004, the US Securities and Exchange Commission granted the Vienna Stock Exchange the status of a “Designated Offshore Securities Market” in accordance with the Securities Act.

Certain listing criteria set out by the Stock Exchange Act and—in the Prime Market trading segment—certain non-statutory criteria set out by the Vienna Stock Exchange must be met for the shares of a company to be listed and traded on the Vienna Stock Exchange. Securities that meet the relevant criteria are admitted to trading on the Vienna Stock Exchange and included in the appropriate trading segment.

The Prime Market segment represents the highest-ranking stock market segment of the Vienna Stock Exchange. To be admitted to the Prime Market a company must fulfill the criteria set out by the Stock Exchange Act and, in addition, must contractually commit to fulfilling the more stringent transparency, quality and publication requirements of the “Prime Market Rules”.

The Standard Market Continuous and Standard Market Auction stock market segments contain all stocks admitted to listing on the Official Market or Second Regulated Market that do not meet the criteria for admission to the Prime Market, except those included in the Mid-Market. Shares listed on the Standard Market Continuous are traded continuously, whereas shares listed on the Standard Market Auction are traded only once a day in the intraday auction.

To provide sufficient liquidity, shares traded on the Prime Market and the Standard Market Continuous segments must be serviced by a specialist trader who has agreed to place firm quotes on a permanent basis. In both segments, additional liquidity providers other than the designated specialists are permitted to act as market makers, who also place firm quotes on a permanent basis.

The Shares are presently admitted to listing on the Official Market and traded in the Prime Market segment of the Vienna Stock Exchange.

## **Trading and settlement**

Shares and other equity securities listed on the Vienna Stock Exchange are quoted in Euro per share. Officially listed shares are traded on the Vienna Stock Exchange and OTC (over-the-counter).

The electronic trading system used by the Vienna Stock Exchange is XETRA (Exchange Electronic Trading). XETRA is the electronic trading system of Deutsche Börse AG. By this electronic system, all market participants have the same access to the trading on the Vienna Stock Exchange regardless of their location.

The settlement of the transactions concluded on the stock exchange takes place outside the stock exchange through CCP Austria Abwicklungsstelle für Börsegeschäfte GmbH. These transactions are carried out T+3 on a DvP (delivery vs. payment) basis, with OeKB acting on behalf of CCP Austria Abwicklungsstelle für Börsegeschäfte GmbH as the central custodian and settlement bank. In case of non-delivery, the transaction will be performed T+8 by a settlement in cash, with the defaulting counter-party having to pay a penalty to the purchaser(s). Settlement terms of OTC transactions depend on the agreement reached between the trading counterparties.

Trading can be suspended by the Vienna Stock Exchange if orderly stock exchange trading is temporarily endangered or if its suspension is necessary in order to protect the public interest. To avoid unwanted strong price fluctuation the electronic system provides for automatic volatility interruptions and market order interruptions during auctions, and for automatic volatility interruptions during continuous trading.

## **The Austrian Traded Index and the ATX Prime**

The Austrian Traded Index ("ATX") is an index that is weighted according to the market capitalisation of the companies contained therein. The ATX is designed as the underlying reference for Austrian stock trading, close to the market and transparent, and serves as a reference index for futures and options. The ATX consists of the most liquid and the highest capitalised stocks, based on free float, traded on the Prime Market. As of 30 September 2009, out of the 48 securities that were traded on the Prime Market, 20 were included in the ATX. Erste Group Bank expects that its Shares will continue to be included in the ATX in 2010.

## **Trading volume**

In 2008, the aggregate trading volume of the domestic and foreign shares listed on the Official Market and the Second Regulated Market of the Vienna Stock Exchange amounted to about EUR 142.94 billion. During the first 9 months of 2009, the aggregate trading volume for both markets amounted to about EUR 51.24 billion. As of 30 September 2009, a total of 89 companies were listed on the Prime Market, Standard Market Continuous and Standard Market Auction segments. Austrian companies comprised the large majority of these companies. As of 30 September 2009, the total market capitalisation of all Austrian companies listed in the equity market on the Vienna Stock Exchange amounted to about EUR 78.61 billion (equity market including regulated mid market; excluding regulated mid market EUR 78.37 billion) (31 December 2008: EUR 52.06 billion). (Source: Vienna Stock Exchange).

## **Notification requirements**

Stock corporations listed on the Vienna Stock Exchange are subject to the notification provisions of the Stock Exchange Act. These notification provisions are described in detail in the chapter "Regulation of Austrian Securities Markets".

# The Prague Stock Exchange

## Overview

The Prague Stock Exchange (*Burza cenných papírů Praha, a.s.*, "PSE") is the principal securities market organiser in the Czech Republic, coordinating the supply of and demand for listed securities and other capital market instruments. Generally, only Prague Stock Exchange members (licensed securities traders) may execute transactions through its trading system. The Prague Stock Exchange was established in November 1992. It holds a special license from the former Czech Securities Commission, the administrative agency that regulated the issuance, sale and trading of securities in the Czech Republic and oversaw all activities of the PSE and its members (the authority of the Czech Securities Commission was transferred to the Czech National Bank as of 1 April 2006). The legal obligations and rights of the Prague Stock Exchange are governed primarily by Act No. 256/2004 Coll., the Czech Capital Markets Act, as amended. The internal operating rules of the Prague Stock Exchange ("PSE Rules") were designed to be fully harmonised with relevant EU legislation.

The Prague Stock Exchange consists of (i) the regulated official Main Market, on which the Shares are listed, (ii) the regulated Free Market, and (iii) the non-regulated Multilateral Trading Facility. The Main Market and the Free Market have been registered as "regulated markets" pursuant to the Directive on markets in financial instruments (Directive 2004/39/EC of the European Parliament and of the Council). Securities may be listed on the Main Market or the Free Market if they meet certain statutory criteria. In order to qualify for trading in the Main Market, securities must meet certain non-statutory criteria set by the PSE in addition to the statutory listing criteria. For the Multilateral Trading Facility, all conditions regarding acceptance, access and trading are defined exclusively by the PSE. Stock corporations officially listed on the Prague Stock Exchange are subject to the notification provisions of the Czech Capital Markets Acts and the PSE Rules.

## Trading and settlement

The following types of trades with shares are available on the Prague Stock Exchange: (i) the Shares and Bonds Market Supporting System (SPAD) trading system, used by large and intermediate investors, (ii) automatic trades (auction regime and continual regime) for small investors, and (iii) block trades. SPAD trading is carried out by Prague Stock Exchange members that have entered into an official contract with the Prague Stock Exchange concerning certain selected securities (market makers).

SPAD trading is divided into an open phase and a closed phase. During the open phase, all market makers are obligated to publish their quotations (buying and selling prices) for issues for which they act as market makers. Quotations may be changed anytime, but may not be unreasonably cancelled. Based on these quotations, the best quotation (the highest purchase price and lowest selling price) is set for each issue. Trades may only be made within the allowable spread, which is defined as the best quotation, plus or minus 0.5%. During the closed phase, market makers are not obliged to quote. Trades may be contracted within the allowable spread defined by the best quotation at the moment when the open phase is closed, expanded by 10.0% in both directions.

The auction trading regime is based on the processing of buy and sell orders for investment instruments concentrated at a fixed point in time. This regime is divided into orders collection, opening auction and closing auction. During the auction regime, orders are taken (including modification, cancellation) but no continuous information is published. Under the continual regime, trades are made on the basis of continuous input of orders for the purchase and sale of securities. Orders are matched based on price and, when there is more than one order with a matching price, priority is given to the order that was entered first.

Block trading means trading where at least one party to the trade is a PSE member, concluding a trade on its own account or for its client. For block trades, the trade has an agreed price per unit

or total value, number of units, settlement type and settlement date. Shares of issues included into trading in SPAD may not be traded in block trades, except for trades exceeding the limit of CZK 150 million (approximately EUR 6 million) and trades with a non-member of the PSE. The price for a concluded trade is neither limited at all nor tied to the official price of the security. A block trade has to meet the minimum value requirement, presently set at CZK 1.00 for shares and units and CZK 10,000.00 for bonds. Block trades must be registered in the Prague Stock Exchange's trading system by a set deadline.

The results of Prague Stock Exchange trading are available over the Internet. During the Prague Stock Exchange trading day, real-time trading data is published with a 15-minute delay. The official Price List showing the day's trades is available after the close of business.

Settlement of trades on the Prague Stock Exchange is made in CZK and is executed by CDCP, a subsidiary of the PSE.

In May 2004, the Prague Stock Exchange was admitted into the Federation of the European Securities Exchanges in connection with the accession of the Czech Republic to the EU, and it was granted the status of a "designated offshore securities market" by the US Securities and Exchange Commission.

## **Trading volume**

The aggregate annual volume of shares traded on the Prague Stock Exchange (Main and Free Markets) in 2008 was approximately CZK 852.04 billion (EUR 34.16 billion) (Source: Prague Stock Exchange). As of 29 September 2009, a total of thirteen companies were listed on the Main Market of the Prague Stock Exchange (Source: Prague Stock Exchange). Further information about the Prague Stock Exchange is available on its website, [www.pse.cz](http://www.pse.cz).

The PX is the leading index of the Prague Stock Exchange and has a variable number of issues. As of 29 September 2009, the PX included the 13 most actively traded stocks of highly capitalised companies listed on the Prague Stock Exchange—Erste Group Bank had the highest relative weight among all stocks, amounting to 25.44%.

# The Bucharest Stock Exchange

## Overview

After a five-decade interruption, the Bucharest Stock Exchange ("BSE") was re-established on 21 April 1995 as a public interest institution, based on a National Securities Commission ("NSC") decision. The structure of this new stock exchange was based on a modern electronic system with a set of consistent and comprehensive regulations and procedures, incorporating the functions of trading, clearing and settlement and registry. The first trading session was carried out on 20 November 1995. In December 2005, Bucharest's electronic over-the-counter stock market, Rasdaq, was merged with the BSE. Currently, the BSE is organised as a joint stock company and functions according to its by laws, and the provisions of the Romanian Companies Law no. 31/1990, as amended and supplemented, and the Capital Markets Law, and is authorised and supervised by the NSC.

The BSE consists of two segments: (i) the regulated market, divided into two sections, namely the Spot Market and the Derivatives Market, and (ii) Rasdaq, where only domestic equities are traded. In the Spot Market section, equities and debt instruments are traded, as well as shares and units in collective investment undertakings. Securities may be listed on the BSE if they meet certain statutory criteria provided in the Capital Markets Law and secondary enactments thereto, as well as the requirements imposed by the BSE Rulebook. Stock corporations officially listed on the BSE are bound by the notification/reporting requirements set forth in the Capital Markets Law and the BSE Rulebook.

## Trading and settlement

Trading of shares on the BSE takes place under different market modules, such as the regular, the odd-lot and the deal market modules depending on the type of trading. By establishing a number of general parameters applicable to trading orders and stock exchange transactions regarding these modules, the BSE pursues the goal of maintaining an ordered and transparent regulated market and avoiding trading errors.

The regular market module is the main "order-driven" market in which shares are traded in trading blocks only and on which the reference price is determined. Trading on the regular market is divided into five phases: pre-opening, opening, open, pre-closing and closed. During the pre-opening phase, orders may be introduced, modified, withdrawn or suspended. No actual trading takes place, and the potential opening price is calculated and shown. The opening phase marks the calculation of the opening price and volumes; potential transactions are identified and executed. During the open phase, trading takes place in the market continuously. The pre-closing phase is used for the determination of the potential closing price, whereas during the closed phase no more trading orders may be introduced, modified or withdrawn. The orders are matched according to the following priority algorithm: price, account type and time.

The minimum trading volume (the trading block) on the regular market consists of 100 units (shares) and the maximum allowed variation for prices is 15% of the reference price during the current trading session.

The odd-lot market module is an "order-driven", ancillary market module to the regular market module. Its main characteristic arises from its purpose, which is to match orders for volumes smaller than a regular market trading block (100 units). The orders are matched according to the following priority algorithm: price, account type and time.

The deal market module, also an ancillary module to the regular market module, is destined for the trading of large volumes of shares, which were previously negotiated by stock exchange agents by way of placing deal orders directly among them. The minimum allowed volume of an order on the deal market module is 100 units and the minimum value order is RON 700,000 (approximately EUR 163,000).

The results of Bucharest Stock Exchange trading are available over the Internet. During the Bucharest Stock Exchange trading day, real-time trading data is published with a 15-minute delay. The official price list showing the day's trades is available after the close of business.

Settlement of trades on the Bucharest Stock Exchange is made in RON and is executed by the Central Depository (Romanian: *Depozitarul Central S.A.*), a member of the BSE group.

In 2006, the Bucharest Stock Exchange was admitted into the Federation of European Securities Exchanges in connection with Romania's accession to the EU.

## **Trading volume**

The aggregate annual volume of shares traded on the Bucharest Stock Exchange in 2008 was RON 6,950,399,787.38 (approximately EUR 1.6 billion) (Source: Bucharest Stock Exchange). Further information about the Bucharest Stock Exchange is available on its website, [www.bvb.ro](http://www.bvb.ro).

The BET is the leading index of the Bucharest Stock Exchange, a free-float weighted capitalisation index of the 10 most liquid companies listed on the BSE regulated market.

Another important index, the ROTX, is a free-float weighted capitalisation index, reflecting in real time the price movement of "blue chip" companies traded on the BSE market. Calculated in RON, EUR and USD, and disseminated in real-time by the Wiener Börse, ROTX also includes Erste Group Bank, which, as of 29 September 2009, has a weighting of 18.26%.

# Plan of distribution

## Underwriting

Subject to the terms and conditions of the Underwriting Agreement concluded between Erste Group Bank and the Joint Global Coordinators and Joint Bookrunners (except for Erste Group Bank) on behalf of the Managers (except for Erste Group Bank), and subject to the terms of the pricing agreement to be concluded by these parties on the date of the pricing of the Combined Offering, the Company will agree to offer for subscription or sell (as the case may be) to the Managers, and the Managers will severally agree to procure subscribers or purchasers for up to the number of New Shares set out below next to their respective names at the Subscription and Offer Price:

Name	Number of New Shares
Goldman Sachs International	18,000,000
J.P. Morgan Securities Ltd.	18,000,000
Citigroup Global Markets Limited	2,000,000
Credit Suisse Securities (Europe) Limited	2,000,000
UBS Limited	2,000,000
Total	42,000,000
<u>Non-Underwriting Manager</u>	
Erste Group Bank AG	18,000,000

The Underwriting Agreement provides that the obligations of the Managers are subject to certain conditions precedent, including the absence of any material adverse change in Erste Group's business, certain force majeure provisions and the receipt of certain certificates, opinions and letters from Erste Group Bank, its counsel and independent auditors.

The Managers have severally agreed to procure subscribers or purchasers for the New Shares initially at the Subscription and Offer Price by way of (i) a public offering in Austria, the Czech Republic and Romania (ii) an offering in the United States to QIBs in reliance on Rule 144A under the Securities Act and (iii) a private placement outside of Austria, the Czech Republic, Romania and The United States to selected institutional investors in compliance with Regulation S under the Securities Act. See also "Selling Restrictions" and "Transfer Restrictions". The offering of the New Shares in the United States will be made by Goldman, Sachs & Co., J.P. Morgan Securities Inc. and Auerbach Grayson, affiliates of the Managers who are broker-dealers registered under the Exchange Act, as amended.

Over-allotments will be implemented in connection with the Offering to the extent permitted by applicable law.

## Estimated costs of the Combined Offering

Erste Group Bank estimates that the total expenses of this Combined Offering, including underwriting fees and commissions, legal, accounting and other costs will be approximately EUR 58.6 million, assuming that all New Shares are sold at a per share price equal to the market price of EUR 27.50 on 29 October 2009, and assuming the payment of an additional incentive fee to the Managers.

## Indemnification

As more fully set out in the Underwriting Agreement, Erste Group Bank will agree to indemnify the Managers against certain liabilities in connection with the Combined Offering, including liabilities under applicable securities laws. Erste Group Bank will provide the Managers with customary representations and warranties.

## Termination of the Underwriting Agreement

The Underwriting Agreement will provide that the obligations of the Managers are subject to certain conditions precedent, including the absence of any material adverse change in Erste Group's financial condition or business affairs. The Managers will be entitled to terminate the Underwriting Agreement in certain circumstances on or prior to the closing of the Combined Offering (*force majeure* clause). Since the closing of the Combined Offering will take place after the commencement of trading in the New Shares on the Vienna Stock Exchange, the Prague Stock Exchange and the Bucharest Stock Exchange a termination of the Underwriting Agreement may result in the cancellation of any trades in the New Shares effected prior to such termination.

In case the Underwriting Agreement is terminated after the registration of the increase of Erste Group Bank's share capital in connection with the Combined Offering or at a time the registration of the capital increase cannot be prevented, delivery of the New Shares is reserved.

In case an investor has sold New Shares to a third party prior to delivery and is – due to the termination of the Underwriting Agreement—unable to meet its obligations to deliver New Shares, all resulting claims will be resolved exclusively according to the terms of the contractual relationship between the investor and such third party.

**Investors should note that the FMA has issued a regulation banning the naked short selling of shares in Erste Group Bank which was extended on 21 September 2009.**

## Lock-up

Neither Erste Group Bank nor any of its majority owned subsidiaries will, prior to 180 days after the date of the Underwriting Agreement, without the prior consent of Goldman Sachs International and J.P. Morgan Securities Ltd., (i) offer, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase any option, or grant any option, right or warrant to purchase or otherwise transfer or dispose of, directly or indirectly, any Shares or any securities convertible into or exercisable or exchangeable for Shares or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Shares, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise, other than the New Shares to be issued in the Combined Offering; provided that Erste Group Bank is entitled to (i) grant options to employees and management and to issue Shares upon the exercise of options granted under the existing ESOP and MSOPs as such are described in this Prospectus, (ii) buy and sell Shares and to issue and trade options for Shares on the Vienna Stock Exchange, the Prague Stock Exchange and the Bucharest Stock Exchange in the ordinary course of its brokerage and banking business, (iii) issue Shares solely in order to acquire or increase participations in other savings banks, and (iv) issue preference shares via a foreign subsidiary for the purpose of raising tier-1 capital or hybrid capital as defined in the Banking Act.

Erste Group Bank will also agree, during the period beginning from the date of this Prospectus to and including the date six months after the date of the Underwriting Agreement, not to, and not to publicly announce an intention to, effect any capital increase from authorised capital or issue any shares without the prior written consent of Goldman Sachs International and J.P. Morgan Securities Ltd.

Erste Stiftung will not, prior to 180 days after the date of the Underwriting Agreement, without the prior consent of Goldman Sachs International and J.P. Morgan Securities Ltd., (i) offer, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase any option, or grant any option, right or warrant to purchase or otherwise transfer or dispose of, directly or indirectly, any Shares or any securities convertible into or exercisable or exchangeable for Shares or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Shares, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise.

## Other relations with the Managers

Certain of the Managers have provided and may continue to provide investment banking and other services to Erste Group Bank and its affiliates in the ordinary course of their respective businesses.

## Stabilisation

In connection with the Combined Offering, Erste Group Bank or an agent or affiliate of Erste Group Bank will act as Stabilisation Manager and, with the consent of Goldman Sachs International and J.P. Morgan Securities Ltd., may over-allot or effect transactions aimed at supporting the market price of the Shares. Stabilisation measures will be implemented in connection with the Offering to the extent permitted by applicable law. The Stabilisation Manager is under no obligation to engage in any stabilisation and, accordingly, there is no assurance that stabilisation will be undertaken. If stabilisation is undertaken, it may be discontinued at any time without prior notice. Stabilisation may be carried out as from the date of commencement of trading in the New Shares on the Vienna Stock Exchange. The stabilisation period will start on the day of public disclosure of the final Offer Price and end no later than 30 days after the date of allotment of the New Shares.

As a result of such stabilisation, the market price of the Shares may be higher than it would otherwise prevail in the market. Stabilisation may also result in a market price at a level that is not sustainable in the long term.

Within one week after the end of the stabilisation period, the following information will be published in the *Amtsblatt zur Wiener Zeitung* (the Austrian official gazette) whether or not stabilisation was undertaken, the date at which stabilisation started, the date at which stabilisation last occurred and the price range within which stabilisation was carried out, for each of the dates during which stabilisation transactions were carried out.

# Selling restrictions

## General

No action has been taken by Erste Group Bank that would permit, other than under the Combined Offering, an offer of New Shares or possession or distribution of this Prospectus or any other offering material in any jurisdiction where action for that purpose is required other than Austria, the Czech Republic or Romania. The distribution of this Prospectus and the offer of New Shares in certain jurisdictions may be restricted by law, and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions, including those in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdictions.

## Notice to investors in the United States

The New Shares and the Subscription Rights have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Manager represents that it has not offered or sold, and agrees that it will not offer or sell, any New Shares or Subscription Rights constituting part of its allotment within the United States except in accordance with Rule 144A under the Securities Act.

Each Manager represents and agrees that neither it nor any of its affiliates (as defined in Rule 501(b) of Regulation D), nor any person acting on its or their behalf has engaged or will engage in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with any offer and sale of the New Shares and the Subscription Rights in the United States, and neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the New Shares and the Subscription Rights. Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act.

Each Manager represents that it has not entered and agrees that it will not enter into any contractual arrangement with any distributor (as that term is defined in Regulation S) with respect to the distribution or delivery of the New Shares and the Subscription Rights, except with its affiliates or with the prior written consent of Erste Group Bank.

## Notice to investors in the EEA

In relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a "Relevant Member State"), Erste Group Bank has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State ("Relevant Implementation Date") it has not made and will not make an offer of New Shares which are the subject of the offering contemplated by this Prospectus to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of New Shares to the public in that Relevant Member State:

- (i) if an offer of New Shares may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "Non-Exempt Offer"), following the date of publication of a prospectus in relation to such New Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in this Prospectus
- (ii) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest securities

- (iii) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than EUR 43,000,000 and (3) an annual net turnover of more than EUR 50,000,000, as shown in its last annual or consolidated accounts;
- (iv) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of Goldman Sachs International and J.P. Morgan Securities Ltd. for any such offer; at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of New Shares referred to in (ii) to (v) above shall require Erste Group Bank to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of securities to the public” in relation to any securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe the securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

## **United Kingdom**

Each Manager will represent, warrant and agree that (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (“FSMA”)) received by it in connection with the issue or sale of any New Shares in circumstances in which section 21(1) of the FSMA does not apply to Erste Group Bank and (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the New Shares in, from or otherwise involving the United Kingdom.

## **Notice to investors in Canada**

This Prospectus is not, and under no circumstances is to be construed as, a prospectus, an advertisement or a public offering of the Subscription Rights or New Shares described herein in any province or territory of Canada. No securities commission or similar authority in Canada has reviewed or in any way passed upon this document or the merits of the Subscription Rights or New Shares described herein, and any representation to the contrary is an offence.

## **Notice to investors in Australia**

This Prospectus does not constitute a disclosure document under Chapter 6D of the Corporations Law of Australia (“Corporations Law”) and will not be lodged with the Australian Securities and Investments Commission. The New Shares will be offered to persons who receive offers in Australia only to the extent that such offers of New Shares for issue do not need disclosure to investors under Chapter 6D of the Corporations Law. Any offer of New Shares received in Australia is void to the extent that it needs disclosure to investors under the Corporations Law. In particular, offers of New Shares will only be made in Australia in reliance on various exemptions from such disclosure to investors provided by section 708 of the Corporations Law. Any person to whom New Shares are issued pursuant to an exemption provided by section 708 of the Corporations Law must not within 12 months after the issue, offer those New Shares for sale in Australia unless that offer is itself made in reliance on an exemption from disclosure provided by that section.

## **Notice to investors in Japan**

The New Shares have not been and will not be registered under the Financial Instruments and Exchange law of Japan (Law No. 25 of 1948, as amended). No person may offer or sell, directly or indirectly, any securities in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity S-3 organised under the laws of Japan) or to other re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Securities and Exchange law of Japan and (ii) in compliance with any other applicable requirements of Japanese law.

## Transfer restrictions

Because of the following restrictions, purchasers of the New Shares in the United States are advised to consult legal counsel prior to making any offer for, resale, pledge or other transfer of, the New Shares and Subscription Rights.

The New Shares and Subscription Rights have not and will not be registered under the Securities Act or with any securities authority of any state of the United States. The New Shares and Subscription Rights in the Combined Offering may not be offered, sold or delivered within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state laws. Accordingly, the New Shares and Subscription Rights in the Combined Offering are being offered and sold in the United States to QIBs, and outside the United States, pursuant to Regulation S under the Securities Act.

Any shareholder resident in the United States (a "US holder") may only transfer its rights outside the United States in accordance with Regulation S under the Securities Act.

### Investors' representations and restrictions on resale

#### Outside the United States

Each purchaser of New Shares and Subscription Rights in the Combined Offering outside the United States pursuant to Regulation S by accepting delivery of this document and the New Shares and Subscription Rights in the Combined Offering will be deemed to have represented, agreed and acknowledged that:

- (i) it is, and the person, if any, for whose account or benefit the purchaser is acquiring the New Shares or Subscription Rights is, outside the United States (within the meaning of Regulations S) at the time the buy order for the New Shares or Subscription Rights is originated and will continue to be located outside the United States, and the person, if any, for whose account or benefit the purchaser is acquiring the New Shares and Subscription Rights reasonably believes that the purchaser is outside the United States, and neither the purchaser nor any person acting on its behalf knows that the transaction has been pre-arranged with a buyer in the United States;
- (ii) it understands that New Shares and the Subscription Rights in the Combined Offering have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and are subject to significant restrictions on exercise and transfer; and
- (iii) Erste Group Bank, the Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and will not recognise any offer, exercise, sale, pledge or other transfer of the New Shares and Subscription Rights made other than in compliance with the above-stated restrictions.

#### Within the United States

Each person exercising Subscription Rights in the Rights Offering in the United States will be required to deliver an investment letter for the benefit of Erste Group Bank and each Manager in which such person (among other things) represents and agrees that, and each purchaser of New Shares in the Global Offering within the United States, by accepting delivery of this document, will be deemed to have represented, agreed and acknowledged that:

- (i) such person is, and at the time of any purchase by it of New Shares or Subscription Rights such purchaser will be, a QIB;
- (ii) such person understands and acknowledges that neither the New Shares nor the Subscription Rights have been, or will be, registered under the Securities Act, and that they may not be offered, sold or exercised, directly or indirectly, in the United States, other than in accordance with paragraph (iv) below;

- (iii) such person is exercising Subscription Rights, and subscribing for or purchasing New Shares, as the case may be, (a) for its own account, or (b) for the account of one or more other QIBs for which it is acting as a duly authorised fiduciary or agent with sole investment discretion with respect to each such account and with full authority to make the acknowledgements, representations and agreements in an investment letter with respect to each such account (in which case it makes such acknowledgements, representations and agreements on behalf of such QIBs as well), in each case for investment and not with a view to any resale or distribution of any New Shares or of any Subscription Rights;
- (iv) such person understands and agrees that in the United States, the Subscription Rights may be exercised only by QIBs, and that offers and sales of the New Shares are being made in the United States only to QIBs, in each case pursuant to an exemption from the registration requirements of the Securities Act, and that if in the future it or any such other QIB for which it is acting, as described in paragraph (iii) above, or any other fiduciary or agent representing such investor decides to offer, sell, deliver, hypothecate or otherwise transfer any New Shares, it, and any such other QIB or fiduciary or agent will do so only
  - (a) (i) pursuant to an effective registration statement under the Securities Act, (ii) to a person whom the holder and any person acting on its behalf reasonably believes is a QIB purchasing for its account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (iii) outside the United States in an “offshore transaction” in accordance with Rule 903 or Rule 904 of Regulation S (and not in a pre-arranged transaction resulting in the resale of such New Shares into the United States) or (iv) in case of New Shares, pursuant to an exemption from registration under the Securities Act pursuant to Rule 144 thereunder, if available, and (b) in accordance with any applicable securities laws of any state or territory of the United States and of any other jurisdiction. Such person understands that no representation can be made as to the availability of the exemption provided by Rule 144 under the Securities Act for the resale of the New Shares;
- (v) such person understands that for so long as New Shares are “restricted securities” within the meaning of Rule 144 under the Securities Act, no such New Shares may be deposited into any ADR facility established or maintained by a depository bank, other than a restricted depository receipt facility, and that such New Shares will not settle or trade through the facilities of DTC or any other US clearing system;
- (vi) such person understands that these representations, warranties, undertakings and acknowledgements are required in connection with US securities laws and that Erste Group Bank, its affiliates and the Managers will be relying thereon and it irrevocably authorises the Managers and Erste Group Bank on its own behalf and on behalf of each beneficial owner of the New Shares being purchased by it, to rely on these representations and to produce the investment letter to any interested party in any administrative or legal proceedings or official enquiry with respect to the matters covered therein or in connection with any other requirements of law; and
- (vii) such person undertakes promptly to notify Erste Group Bank and the Managers if, at any time prior to the delivery to it of any New Shares, any of the foregoing ceases to be true.

Any offer, exercise, sale, pledge or other transfer of the New Shares and Subscription Rights made other than in compliance with the above-stated restrictions will not be recognised by Erste Group Bank or the Managers.

Each investor in the United States will also be deemed to have agreed to give any subsequent purchaser of New Shares notice of any restrictions on the transfer thereof.

In addition, until 40 days after the commencement of the Combined Offering, any offer or sale of New Shares within the United States by any dealer (whether or not participating in the Global Offering) may violate the registration requirements of the Securities Act if such offer or sale is made other than in accordance with Rule 144A or another exemption from registration under the Securities Act.

## **Within the EEA**

Each person in a member state of the EEA which has implemented the Prospectus Directive (each, a "Relevant Member State") other than, in the case of paragraph (i), persons receiving offers contemplated in this Prospectus in Austria, the Czech Republic and Romania who acquires any New Shares under the offers contemplated in this Prospectus will be deemed to have represented and agreed that:

- (i) it is a qualified investor within the meaning of the law implementing Article 2(1)(e) of the Prospectus Directive; and
- (ii) In the case of any New Shares acquired by a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will be deemed to have represented and agreed that the New Shares acquired by it in the offer have not been acquired other than on a discretionary basis, where that fact means that the offer to the financial intermediary is deemed to be an offer to a qualified investor on behalf of, nor have they been acquired with a view to their offer or resale to persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of Goldman Sachs International and J.P. Morgan Securities Ltd. has been given to the offer or resale.

For the purposes of this representation, the expression an "offer of New Shares to the public" in relation to any New Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any New Shares to be offered so as to enable an investor to decide to purchase or subscribe for the New Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

## **Additional information**

### **Auditors**

Sparkassen-Prüfungsverband Prüfungsstelle (statutory auditor, two current directors of which are members of the Austrian Institute of Auditors) with its business address at Grimmelshausengasse 1, A-1030 Vienna, and Deloitte Wirtschaftsprüfungs GmbH (name change in 2009 to "Deloitte Audit Wirtschaftsprüfungs GmbH", a member of "Kammer der Wirtschaftstrehänder Österreich", with its business address at Schönbrunnerstraße 222-228, 1120 Vienna, Austria) of Renngasse 1/Freyung, A-1013 Vienna, have audited and rendered unqualified audit reports on the consolidated financial statements of Erste Group Bank for the year ended 31 December 2006 (dated 6 March 2007) and Sparkassen-Prüfungsverband Prüfungsstelle and Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. (a member of "Kammer der Wirtschaftstrehänder Österreich") with its business address at Wagramer Straße 19, 1220 Vienna, have audited and rendered unqualified audit reports on the consolidated financial statements of Erste Group Bank for the year ended 31 December 2007 (dated 12 March 2008) and the year ended 31 December 2008 (dated 10 March 2009).

### **Documents on display**

Copies of the Articles of Association of Erste Group Bank, the Unaudited Interim Consolidated Financial Statements for the nine months ended 30 September 2009, the Audited Consolidated Financial Statements of Erste Group Bank for the years ended 31 December 2008, 31 December 2007 and 31 December 2006, including the auditor's reports may be obtained, and copies of the Prospectus (including any Supplemental Prospectus) are available for inspection at the registered office of Erste Group Bank during normal business hours.

### **Paying agents and custodians**

#### **Austria**

The paying agent is Erste Group Bank. The custodians are Erste Group Bank, any Austrian notary public, any Austrian bank, as well as any other agent designated in the invitation to the shareholders' meeting.

#### **Czech Republic**

The paying agent is Erste Group Bank. The custodian is CDCP.

#### **Romania**

The paying agent is Depozitarul Central S.A. The custodian is Depozitarul Central S.A. with the business address 25 Fagaras Street, Bucharest 1, Romania.

## Exchange rates

The exchange rates stated below are provided solely for the convenience of the reader and are not necessarily the exchange rates used by Erste Group in the preparation of its Consolidated Financial Statements incorporated by reference in this Prospectus. No representation is made that currencies stated below could have been, or could be, converted into EUR at these rates or at any other rates at all. For Ukrainian Hryvnya and Serbian Dinar exchange rates are not published by ECB and Erste Group Bank fixings were used instead. Unless otherwise indicated below, the figures presented for these two currencies are calculated based on end of month closing rates due to unavailability of daily data.

### Czech Koruna (CZK)

Calendar year	Period-end rate	Average rate	High	Low
2006 .....	27.4850	28.3417	29.0300	27.4180
2007 .....	26.6280	27.7656	28.7770	25.9980
2008 .....	26.8750	24.9463	26.8750	22.9680
1 January to 30 September 2009 .....	25.1640	26.6093	29.4900	25.0890

Source: ECB

### Slovak Koruna (SKK)

Calendar year	Period-end rate	Average rate	High	Low
2006 .....	34.4350	37.2341	38.7150	34.3490
2007 .....	33.5830	33.7745	35.2780	32.8660
2008 .....	30.1260	31.2617	33.9480	30.1260

Source: ECB

### Hungarian Forint (HUF)

Calendar year	Period-end rate	Average rate	High	Low
2006 .....	251.7700	264.2633	283.3500	248.7500
2007 .....	253.7300	251.3520	260.3900	245.1300
2008 .....	266.7000	251.5121	284.0000	228.1600
1 January to 30 September 2009 .....	269.7000	283.5434	316.5000	265.4800

Source: ECB

### Croatian Kuna (HRK)

Calendar year	Period-end rate	Average rate	High	Low
2006 .....	7.3504	7.3247	7.4350	7.2371
2007 .....	7.3308	7.3376	7.4195	7.2773
2008 .....	7.3555	7.2239	7.3555	7.1047
1 January to 30 September 2009 .....	7.2580	7.3620	7.5050	7.2350

Source: ECB

### Romanian Leu (RON)

Calendar year	Period-end rate	Average rate	High	Low
2006 .....	3.3835	3.5258	3.6843	3.3510
2007 .....	3.6077	3.3353	3.6405	3.1130
2008 .....	4.0225	3.6826	4.0649	3.4780
1 January to 30 September 2009 .....	4.2180	4.2304	4.3470	4.0350

Source: ECB

## Serbian Dinar (RSD)

Calendar year	Period-end rate	Average rate	High	Low
2006 .....	79.0500	84.2042	88.2300	79.0500
2007 .....	80.0450	79.8703	82.6060	77.3580
2008 .....	89.7290	82.0359	89.7290	76.2942
1 January to 30 September 2009 .....	93.0000	93.6652	95.5500	91.5117

Source: Erste Group fixing, Reuters last price

## Ukrainian Hryvnya (UAH)

Calendar year	Period-end rate	Average rate	High	Low
2006 .....	6.6505	6.3519	6.6630	6.0170
2007 .....	7.4240	6.9275	7.4790	6.5150
2008 .....	10.8486	7.8921	10.8486	6.8858
1 January to 30 September 2009 .....	12.0200	10.9620	12.6900	9.7000

Source: Erste Group fixing, Reuters last price

The following table sets out, for the periods indicated, the high, low, average and period end noon buying rates in the City of New York for wire transfers between the euro and US dollar as certified for customs purposes by the Federal Reserve Bank of New York expressed as US dollars per EUR 1.00. On 16 October 2009 the noon buying rate in the City of New York for wire transfers between the euro and US dollars as certified for customs purposes by the Federal Reserve Bank of New York was USD 1.4889 to EUR 1.00.

## US Dollars per Euro

Calendar year	Period-end rate	Average rate <sup>(1)</sup>	High	Low
2004 .....	1.3538	1.2438	1.3625	1.1801
2005 .....	1.1842	1.2449	1.3476	1.1667
2006 .....	1.3197	1.2563	1.3327	1.1860
2007 .....	1.4603	1.3711	1.4862	1.2904
2008 .....	1.3919	1.4726	1.6010	1.2446
2009 (through 16 October) .....	1.4889	1.3725	1.4945	1.2547
<b>Month</b>				
April .....	1.3244	1.3199	1.3458	1.2903
May .....	1.4126	1.3646	1.4126	1.3267
June .....	1.4020	1.4014	1.4270	1.3784
July .....	1.4279	1.4092	1.4279	1.3852
August .....	1.4354	1.4266	1.4416	1.4075
September .....	1.4630	1.4575	1.4795	1.4235

Source: Federal Reserve Bank of New York

(1) *With respect to each year, the average represents the average of the noon buying rates on the last business day of each month during such year. With respect to each month, the average represents the average of the daily noon buying rates for each business day during the relevant month. With respect to the period from 1 January through 16 October 2009, the average represents the average of the daily noon buying rates on each business day during the period.*

## General information

Erste Group Bank has obtained all necessary consents, approvals and authorisations in Austria in connection with the issue of the New Shares.

The New Shares will be issued by exercising the authorisation granted by the shareholders' meeting of 19 May 2006 in accordance with

- the resolution of the Management Board passed on 29 October 2009;
- the resolution of the Supervisory Board passed on 29 October 2009; and

- further resolutions to be passed by the Management Board and the Strategy Committee of the Supervisory Board after the date of the Prospectus relating to the issue of the New Shares.

The Existing Shares are evidenced by several global share certificates, that are deposited with OeKB, Am Hof 4, A-1010 Vienna, Austria.

Except as disclosed in this Prospectus, there has been no significant change in the financial or trading position of Erste Group since and no material adverse change in the prospects of Erste Group Bank since 30 September 2009.

No governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Erste Group Bank is aware), during the twelve months preceding the date of this Prospectus, may have, or have had in the recent past, significant effects on Erste Group Bank and/or Erste Group's financial position or profitability, save as disclosed in "Erste Group Bank—Legal Proceedings".

## Statement pursuant to Commission Regulation (EC) NO 809/2004

Erste Group Bank AG, with its corporate seat in Vienna, Austria, is responsible for this Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Vienna, 29 October 2009

Erste Group Bank AG as Issuer

By: Andreas Treichl m.p.

As Management Board (*Vorstand*) member  
with collective signing authority

By: Franz Hochstrasser m.p.

As Management Board member (*Vorstand*)  
with collective signing authority

## Glossary and list of abbreviations and definitions

For ease of reference, the glossary below sets out certain abbreviations and meanings of certain terms used in the Prospectus. Readers of the Prospectus should always have regard to the full description of a term contained in the Prospectus.

<b>AB</b>	Advisory Board
<b>ABS</b>	Asset backed securities
<b>ADR</b>	American Depositary Receipt
<b>AFS or AfS</b>	Available for sale
<b>ALCO</b>	Asset liability committee
<b>ALM</b>	Asset and liability management unit
<b>AMA</b>	Advanced measurement approach, which is a method of measuring operational risk as a regulatory capital requirement.
<b>Annual Profits</b>	As defined in "Description of the Share Capital and Summary of the Articles of Association of Erste Group Bank—Participation Capital—Dividend Payments on Participation Capital
<b>Articles of Association</b>	The articles of association of Erste Group Bank dated as of 12 May 2009
<b>ATM</b>	Automated teller machine
<b>ATS</b>	Austrian Schilling
<b>ATX</b>	Austrian Traded Index
<b>Audited Consolidated Financial Statements</b>	The audited consolidated financial statements of Erste Group Bank for the financial years ended 31 December 2006, 2007 and 2008, together in each case with the audit report thereon
<b>Austrian GAAP</b>	Generally Accepted Accounting Principles in Austria
<b>Bank Austria</b>	UniCredit Bank Austria AG
<b>Banking Act</b>	The Austrian Banking Act 1993 as amended ( <i>Bankwesengesetz</i> )
<b>Basel II</b>	The "International Convergence of Capital Measurement and Capital Standards, a Revised Framework" as published in June 2004
<b>BCR</b>	Banca Comercială Română S.A.
<b>BIA</b>	Basic indicator approach
<b>BIS</b>	Bank for International Settlement
<b>BSE</b>	The Bucharest Stock Exchange
<b>Capital Markets Act</b>	Austrian Capital Markets Act 1991, as amended ( <i>Kapitalmarktgesetz</i> )
<b>Capital Markets Law</b>	The law no. 297/2004 on capital markets under which the Romanian securities market is regulated
<b>C/A deficit</b>	Current account deficit
<b>CCF</b>	Credit conversion factor
<b>CDCP</b>	Centrální depozitář cenných papírů, a.s.

<b>CDO</b>	Collateralised debt obligations
<b>CEBS</b>	The Committee of European Banking Supervisors
<b>CEE</b>	The following countries in Central and Eastern Europe: Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Hungary, the Republic of Macedonia, Moldova, Montenegro, Poland, Romania, Serbia, the Slovak Republic, Slovenia, and Ukraine
<b>Česká spořitelna</b>	Česká spořitelna, a.s.
<b>CGC</b>	The Austrian Corporate Governance Code, as amended
<b>CGU</b>	Cash-generating unit
<b>CHF</b>	Swiss Francs
<b>Clearstream</b>	Clearstream Banking S.A.
<b>CLO</b>	Collateralised loan obligations
<b>CMBS</b>	Collateralised mortgage-backed securities
<b>CMO</b>	Collateralised mortgage obligations
<b>CNB</b>	Czech National Bank
<b>Code</b>	The United States Internal Revenue Code of 1986, as amended
<b>COGNOS</b>	The group-wide reporting tool utilised by Erste Group
<b>Combined Offering</b>	The Rights Offering and the Global Offering
<b>Companies Register</b>	The Austrian companies register ( <i>Firmenbuch</i> ) at the Vienna Commercial Court ( <i>Handelsgericht Wien</i> )
<b>Consolidated Financial Statements</b>	The Audited Consolidated Financial Statements and the Interim Financial Statements
<b>Core Capital</b>	As defined in “Austrian Banking System—Capital Adequacy Requirements”
<b>Core tier-1 capital (after regulatory deductions)</b>	Core tier-1 capital is the tier-1 capital (excluding hybrid capital pursuant to section 24 (2) 5 and 6 Banking Act) after regulatory deductions
<b>Core tier-1 ratio—total risk</b>	The ratio of tier-1 capital (excluding hybrid capital pursuant to section 24 (2) 5 and 6 Banking Act) after regulatory deductions to the calculation base for the capital requirement pursuant to section 22 (1) Banking Act
<b>Corporations Law</b>	As defined in “Selling Restrictions—Notice to Investors in Australia”
<b>Criteria</b>	Criteria CaixaCorp, S.A.
<b>CrNB</b>	Croatian National Bank
<b>CZK</b>	Czech Koruna
<b>Die Erste</b>	DIE ERSTE österreichische Spar-Casse Bank Aktiengesellschaft
<b>DIP</b>	Debt issuance programme
<b>EBRD</b>	The European Bank for Reconstruction and Development

<b>ECB</b>	The European Central Bank
<b>ECC</b>	Erste Card Club (formerly Diners Club Adriatic d.d.)
<b>EEA</b>	European Economic Area
<b>EIB</b>	The European Investment Bank
<b>ERP</b>	Emergency Response Plan made by Erste Group to address capital-related matters in case of unforeseeable events, such as a crisis.
<b>Erste Bank Croatia</b>	Erste & Steiermärkische banka d.d., Rijeka
<b>Erste Bank Hungary</b>	Erste Bank Hungary Nyrt.
<b>Erste Bank Oesterreich</b>	After the de-merger of the Austrian banking business on 9 August 2008, Erste Bank der oesterreichischen Sparkassen AG, registered in the Companies Register under FN 286283f
<b>Erste Bank Serbia</b>	Erste Bank a.d. (formerly Novosadska Banka a.d.), Novi Sad
<b>Erste Bank Ukraine</b>	JSC Erste Bank
<b>Erste Group</b>	Erste Group Bank, together with its subsidiaries and associated companies, including Erste Bank Oesterreich, Česká spořitelna, Slovenská sporiteľňa, Erste Bank Hungary, BCR, Erste Bank Croatia, Erste Bank Serbia, Erste Bank Ukraine, Salzburger Sparkasse, Tiroler Sparkasse, other savings banks of the Haftungsverbund, Immorent and others
<b>Erste Group Bank</b>	Erste Group Bank AG (under its former name “Erste Bank der oesterreichischen Sparkassen AG” prior to 9 August 2008), the ultimate parent company of Erste Group, registered in the Companies Register under FN 33209m
<b>Erste Stiftung</b>	DIE ERSTE österreichische Spar-Casse Privatstiftung
<b>ESOP</b>	Employee Stock Ownership Programme
<b>EU</b>	European Union
<b>EU 15</b>	The 15 countries that were EU members prior to the EU’s expansion in May 2004
<b>EUR</b>	Euro
<b>EURIBOR</b>	The Euro Inter-bank Offered Rate
<b>Euroclear</b>	Euroclear Bank S.A./N.V.
<b>Euro-Zone</b>	The region comprising those member states of the EU that have adopted the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25 March 1957), as amended by the Treaty on the EU (signed in Maastricht on 7 February 1992) and the Amsterdam Treaty of 2 October 1997, as further amended from time to time
<b>Exchange Act</b>	The United States Securities Exchange Act of 1934, as amended
<b>Existing Shares</b>	The ordinary bearer shares of Erste Group Bank issued and outstanding as of 30 October 2009, 24:00 Vienna time prior to the increase of Erste Group Bank’s share capital in connection with the Combined Offering becoming effective

<b>FinStaG</b>	Financial Market Stabilisation Act 2008 ( <i>Finanzmarktstabilitätsgesetz</i> )
<b>FitchRatings</b>	Fitch Ratings Ltd.
<b>FKG</b>	Financial Conglomerates Act, as amended ( <i>Finanzkonglomeratengesetz</i> )
<b>FMA</b>	The Austrian Financial Markets Authority (Finanzmarktaufsichtsbehörde)
<b>FTP</b>	Fund transfer pricing
<b>FV</b>	Fair value
<b>FX</b>	Foreign exchange
<b>G20</b>	The Group of Twenty Finance Ministers and Central Bank Governors
<b>GCIB</b>	Group Corporate and Investment Banking
<b>GDP</b>	Gross domestic product
<b>GiroCredit</b>	GiroCredit Bank Aktiengesellschaft der Sparkassen
<b>Global Offering</b>	An offering by Erste Group Bank of New Shares consisting of (i) a public offering to retail and institutional investors in Austria, the Czech Republic and Romania, (ii) a private placement in the United States to QIBs in reliance on Rule 144A under the Securities Act and (iii) a private placement to selected qualified institutional investors outside Austria, the Czech Republic, Romania and the United States in compliance with on Regulation S under the Securities Act
<b>Group ALCO</b>	Asset Liability Committee for Erste Group
<b>Group CRO</b>	Chief Risk Officer of Erste Group
<b>Group Data Pool</b>	The central data pool for internal loss experience data collected across Erste Group
<b>Group OLC</b>	Group Operational Liquidity Committee Erste Group
<b>Grundsatzvereinbarung</b>	The agreement in principle between Erste Group Bank, Erste Bank Oesterreich and the Republic of Austria
<b>Haftungsverbund</b>	The guarantee system that was formed on the basis of a set of agreements with the majority of the Austrian savings banks
<b>HFSA</b>	Hungarian Financial Supervisory Authority
<b>HNDIF</b>	Hungarian National Deposit Insurance Fund
<b>HRK</b>	Croatian Kuna
<b>HTM</b>	Held-to maturity
<b>HUF</b>	Hungarian Forint
<b>IBSA</b>	Interbank Market Support Act 2008 ( <i>Interbankmarktstärkungsgesetz</i> )
<b>ICAAP</b>	The internal capital adequacy assessment process
<b>IFRS</b>	International Financial Reporting Standards as adopted by the EU

<b>IMF</b>	The International Monetary Fund
<b>IMMORENT</b>	IMMORENT AG
<b>Interest-bearing assets</b>	Comprise balance sheet line item loans and advances to credit institutions, loans and advances to customers, risk provisions for loans and advances, financial assets at fair value through profit or loss, financial assets available for sale, financial assets held to maturity and equity holdings in associates accounted for at equity
<b>Internal Rating</b>	The internal rating assigned by Erste Group for each credit exposure and lending decision to measure counterparty default risk
<b>IRB</b>	Internal Ratings Based
<b>IT</b>	Information Technology
<b>Joint Global Coordinators and Joint Bookrunners</b>	Goldman Sachs International, J.P. Morgan Securities Ltd. and, unless the context requires otherwise, Erste Group Bank
<b>La Caixa</b>	Caja de Ahorros y Pensiones de Barcelona
<b>LGD</b>	Loss given default
<b>Liquidity Reserve</b>	A specified amount of savings deposits and other Euro deposits required under the Banking Act to be maintained with Erste Group Bank by the savings bank group
<b>LLP</b>	Loan loss provisioning
<b>LTV</b>	Loan-to-value
<b>m-t-m</b>	mark to market
<b>Management Board</b>	The management board ( <i>Vorstand</i> ) of Erste Group Bank
<b>Managers</b>	The Joint Global Coordinators and Joint Bookrunners, and Citigroup Global Markets Ltd., Credit Suisse Securities (Europe) Limited and UBS Limited
<b>Maximum Subscription and Offer Price</b>	The maximum subscription and offer price for the New Shares as determined by the Management Board in consultation with the Managers and as approved by of the Supervisory Board
<b>MB</b>	Management board ( <i>Vorstand</i> )
<b>Minister of Finance</b>	The Austrian Federal Minister of Finance
<b>Moody's</b>	Moody's Corporation
<b>MRC</b>	Market Risk Committee
<b>MREL</b>	Maximum Risk Exposure Limit set by Erste Group to assess capital adequacy requirements where short-term subordinated debt is excluded
<b>MSOP</b>	Management Stock Option Plan
<b>NBH</b>	National Bank of Hungary
<b>NBR</b>	National Bank of Romania

<b>NBS</b>	National Bank of the Slovak Republic
<b>NBSe</b>	National Bank of Serbia
<b>NBU</b>	National Bank of Ukraine
<b>New Shares</b>	Up to 60 million Shares to be newly issued by Erste Group Bank in connection with the Combined Offering
<b>nm</b>	non-meaningful
<b>NPL</b>	Non-performing loans
<b>NPL ratio</b>	NPL as a share of total exposure
<b>NSC</b>	The Romanian National Securities Commission
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>OeKB</b>	Oesterreichische Kontrollbank Aktiengesellschaft
<b>OeNB</b>	The Austrian National Bank ( <i>Österreichische Nationalbank</i> )
<b>Offer Period</b>	The period of time during which Erste Group Bank offers the New Shares in the Global Offering
<b>Offer Price</b>	The price of one New Share in the Global Offering
<b>Operating expenses</b>	Used as a synonym for general administrative expenses
<b>Operating income</b>	Includes net interest income, net fee and commissions income, net trading result and income from insurance business in 2006 and 2007 when no discontinued operations are presented.
<b>Operating profit</b>	Used as a synonym for operating result
<b>Operating result</b>	Equals operating income minus general administrative expenses.
<b>Participation Capital Securities</b>	As defined in "Description of the Share Capital and Summary of the Articles of Association of Erste Group Bank—Participation Capital"
<b>Participation Capital Subscription Rights</b>	As defined in "Description of the Share Capital and Summary of the Articles of Association of Erste Group Bank—Participation Capital"
<b>PD</b>	Probability of default
<b>PLL</b>	Portfolio loan loss provisioning
<b>PLN</b>	Polish Zloty
<b>PPA</b>	Preferred Partnership Agreement between Erste Stiftung and Criteria
<b>Postabank</b>	Postabank és Takarékpénztár Rt.
<b>Prospectus</b>	This document
<b>Prospectus Directive</b>	The Directive 2003/71/EC of the European Parliament and the Council of 4 November 2003
<b>PSE</b>	The Prague Stock Exchange
<b>PSE Rules</b>	The internal operating rules of the PSE
<b>P&amp;L</b>	Profit and loss statements

<b>QIB</b>	A qualified institutional buyer, as defined in Rule 144A of the Securities Act
<b>Qualifying Capital</b>	As defined in “The Austrian Banking System—Capital Adequacy Requirements”
<b>Relevant Entities</b>	As defined in “The Austrian Banking System—Interbank Market Support Act—Financial Market Stability Act”
<b>Relevant Implementation Date</b>	As defined in “Selling Restrictions—Notice to Investors in the EEA”
<b>Rights Offering</b>	An offering by Erste Group Bank to its existing shareholders (as of 30 October 2009, 24:00 Vienna time) and to holders of Subscription Rights of up to 60 million New Shares at the Subscription Price in the ratio of 3 New Shares for every 16 Existing Shares or Subscription Rights held
<b>RMBS</b>	Residential mortgage-backed securities
<b>ROE</b>	Return on Equity is the ratio of the annualised profit for the period after taxes and minority interests to average (on a monthly basis) shareholders’ equity including participation capital
<b>RON</b>	Romanian Leu
<b>RSD</b>	Serbian Dinar
<b>RWA</b>	Risk-weighted assets and certain off-balance sheet items
<b>s-Bausparkasse</b>	Bausparkasse der österreichischen Sparkassen Aktiengesellschaft
<b>s-Versicherung</b>	Sparkassen Versicherung AG
<b>s-Wohnbaubank</b>	s-Wohnbaubank AG
<b>Salzburger Sparkasse</b>	Salzburger Sparkasse Bank AG
<b>Savings Banks Sector</b>	All Austrian savings banks excluding Bank Austria
<b>SB</b>	Supervisory board ( <i>Aufsichtsrat</i> )
<b>SCC</b>	The Standard Compliance Code for the banks operating in Austria
<b>Securities Act</b>	The United States Securities Act of 1933, as amended
<b>Shares</b>	Ordinary non-par value voting bearer shares of Erste Group Bank
<b>SKK</b>	Slovak Koruna
<b>SLLP</b>	Specific loan loss provisioning
<b>Slovenská sporiteľňa</b>	Slovenská sporiteľňa, a.s.
<b>SME</b>	Small and medium enterprises
<b>Solvency ratio</b>	The ratio of the sum of tier-1, tier-2 and tier-3 capital, after regulatory deductions, to the calculation base for the capital requirement pursuant to section 22(1) Banking Act
<b>Stabilisation Manager</b>	Erste Group Bank

<b>Standard &amp; Poor's or S&amp;P</b>	Standard & Poor's Rating Services, a division of The McGraw-Hill Companies Inc.
<b>Steering Company</b>	Haftungsverbund GmbH
<b>Stock Corporation Act</b>	Austrian Stock Corporation Act 1965 as amended ( <i>Aktiengesetz</i> )
<b>Stock Exchange Act</b>	Austrian Stock Exchange Act 1989 as amended ( <i>Börsegesetz</i> )
<b>Strategy Committee</b>	The strategy committee of the Supervisory Board
<b>Subscription Notice</b>	As defined in "Description of the Share Capital and Summary of the Articles of Association of Erste Group Bank—Participation Capital"
<b>Subscription Period</b>	The period of time during which Subscription Rights can be exercised
<b>Subscription Price</b>	The price of one New Share to be paid upon the exercise of a Subscription Right
<b>Subscription Right</b>	The rights to acquire new Shares pursuant to section 153 (1) Stock Corporation Act
<b>Supervisory Board</b>	The supervisory board ( <i>Aufsichtsrat</i> ) of Erste Group Bank
<b>Takeover Act</b>	Austrian Takeover Act, as amended ( <i>Übernahmegesetz</i> )
<b>Tax Convention</b>	Tax Convention on Income and Capital concluded between the Czech Republic and the Republic of Austria
<b>Tier-1 capital (after regulatory deductions)</b>	Tier-1 capital (after regulatory deductions) is the tier-1 capital (including hybrid capital pursuant to section 24 (2) 5 and 6 Banking Act) after regulatory deductions
<b>Tier-1 capital (before regulatory deductions)</b>	Tier-1 capital (before regulatory deductions) is the tier-1 capital (including hybrid capital pursuant to section 24 (2) 5 and 6 Banking Act) before regulatory deductions
<b>Tier-1 ratio—credit risk</b>	The ratio of tier-1 capital (including hybrid capital pursuant to section 24 (2) 5 and 6 Banking Act) after regulatory deductions, to risk weighted assets (pursuant to section 22 (2) Banking Act)
<b>Tier-1 ratio—total risk</b>	The ratio of tier-1 capital (including hybrid capital pursuant to section 24 (2) 5 and 6 Banking Act) after regulatory deductions, to the calculation base for the capital requirement pursuant to section 22 (1) Banking Act
<b>Tiroler Sparkasse</b>	Tiroler Sparkasse Bankaktiengesellschaft Innsbruck
<b>UAH</b>	Ukrainian Hryvnya
<b>UDIF</b>	Ukrainian Deposit Insurance Fund
<b>UGB</b>	Austrian Commercial Code as amended ( <i>Unternehmensgesetzbuch</i> )
<b>Unaudited Interim Consolidated Financial Statements</b>	The unaudited consolidated financial statements of Erste Group Bank at and for the period ended 30 September 2009

<b>Underwriting Agreement</b>	The underwriting agreement to be concluded between Erste Group Bank and Goldman Sachs International and J.P. Morgan Securities Ltd. on behalf of the Managers
<b>US or United States</b>	United States of America
<b>USD, US dollars and US\$</b>	The currency of the United States
<b>VaR</b>	Value at Risk
<b>VIG</b>	WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group
<b>VKI</b>	Verein für Konsumenteninformation
<b>WAG 2007</b>	The Austrian Securities Supervision Act 2007, as amended ( <i>Wertpapieraufsichtsgesetz</i> )
<b>XETRA</b>	The electronic trading system of Deutsche Börse AG used by the Vienna Stock Exchange

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# Annexes

## **Annex 1—German translation of the summary**

The following translation of the original summary is a separate document attached to the Prospectus. It does not form part of the Prospectus itself and has not been approved by the FMA. Further, the FMA did not review its consistency with the original summary.

Die nachfolgende Übersetzung der ursprünglichen Zusammenfassung ist ein eigenständiges Dokument, das zu dem Prospekt hinzugefügt wurde. Es stellt keinen Teil des Prospekts dar und wurde nicht von der FMA gebilligt. Weiters hat die FMA nicht die Übereinstimmung mit der ursprünglichen Zusammenfassung geprüft.

## Zusammenfassung des Prospekts

*Die folgende Zusammenfassung sollte als Einleitung dieses Prospekts gelesen werden und jede Entscheidung zur Investition in die Neuen Aktien sollte sich auf eine Prüfung des gesamten Prospekts einschließlich der durch Verweis einbezogenen Dokumente und der mit einer Anlage in die Neuen Aktien verbundenen Risiken, wie im Kapitel "Risk Factors" dargestellt, stützen. Diese Zusammenfassung ist nicht vollständig und enthält nicht alle Informationen, die Anleger bei einer Entscheidung im Zusammenhang mit den Neuen Aktien abwägen sollten.*

*Die Erste Group Bank übernimmt keine Haftung für diese Zusammenfassung, einschließlich der Zusammenfassung des kombinierten Angebots, der Zusammenfassung der Risikofaktoren und der Zusammenfassung der Finanz- und anderen Informationen, außer für den Fall, dass die Zusammenfassung irreführend, unrichtig oder widersprüchlich ist, wenn sie zusammen mit den anderen Teilen des Prospekts gelesen wird. Für den Fall, dass vor einem Gericht in einem EWR-Vertragsstaat Ansprüche auf Grund der in diesem Prospekt enthaltenen Informationen geltend gemacht werden, könnte der als Kläger auftretende Anleger in Anwendung der einzelstaatlichen Rechtsvorschriften des Staats, in dem die Anspruch geltend gemacht wird, die Kosten für die Übersetzung des Prospekts vor Prozeßbeginn zu tragen haben. Für den Fall, dass ein solches Verfahren vor einem österreichischen Gericht eingeleitet wird, ist möglicherweise eine deutsche Übersetzung erforderlich und die Kosten dafür sind anfänglich vom klagenden Anleger zu tragen, der eine Rückerstattung dieser Beträge oder Teile davon von den anderen Parteien des Verfahrens nur dann erhält, wenn der klagende Investor in einem solchen Prozess erfolgreich ist.*

### Erste Group

Das Mutterunternehmen der Erste Group, die Erste Group Bank AG ("Erste Group Bank"), ist Österreichs älteste Sparkasse. Die Erste Gruppe (die "Erste Group") ist eine führende Retail-Bankengruppe in ihrem erweiterten Heimatmarkt, der Österreich und das angrenzende Zentral- und Osteuropa umfasst—somit hauptsächlich die Tschechische Republik, Rumänien, die Slowakische Republik, Ungarn, Kroatien, Serbien und die Ukraine (Quelle: Erste Group interne Daten). Zum 30. September 2009 hatte die Erste Group etwa 17,5 Millionen Kunden. Die Erste Group beinhaltet derzeit auch die österreichischen Sparkassen, die aufgrund ihrer Mitgliedschaft im Haftungsverbund gemäß IFRS mit der Erste Group konsolidiert werden müssen und an denen die Erste Group entweder Minderheitenanteile oder keine Anteile hält.

Die Erste Group ist mit einer Bilanzsumme von EUR 201,4 Milliarden und EUR 203,6 Milliarden jeweils zum 31. Dezember 2008 und zum 30. September 2009 eine der größten Bankengruppen in Österreich (gemessen an der Bilanzsumme); diese Zahlen beinhalten die gemäß Haftungsverbund konsolidierten Sparkassen. Die Erste Group bietet das gesamte Spektrum an Bank- und Finanzdienstleistungen an, einschließlich Einlagengeschäft, Kreditgeschäft, Hypothekarkreditgeschäft, Investmentbanking, Wertpapierhandel (auf eigene Rechnung und für ihre Kunden), Portfolioverwaltung, Versicherungsvermittlung, Projektfinanzierung, Außenhandelsfinanzierung, Unternehmensfinanzierung, Kapital- und Geldmarktdienstleistungen, Devisenverkehr, Leasing, und Factoring.

Zum 30. September 2009 betrieb die Erste Group 3.185 Filialen und beschäftigte weltweit 51.012 Mitarbeiter. Die Erste Group legt einen besonderen Schwerpunkt auf ihren erweiterten Heimatmarkt in Zentral- und Osteuropa und ist an den bedeutenden Finanzplätzen der Welt, wie in New York, London und Hong Kong tätig.

## Gründe für das Kombinierte Angebot

Die Erste Group hat aus langer Tradition eine über die von den Regulierungsbehörden festgelegten Mindestanforderungen hinausgehenden Kapitalausstattung. Der Vorstand ist überzeugt, dass eine proaktive Stärkung der Kapitalposition der Erste Group Bank vernünftig und im besten Interesse aller Personen ist, die ein wirtschaftliches Interesse an der Erste Group Bank haben.

Mit dem kombinierten Angebot beabsichtigt die Erste Group, folgende Ziele zu erreichen:

- *Die Kapitalkennzahlen zu erhöhen und die Kapitalstruktur zu verbessern.* Das kombinierte Angebot ermöglicht der Erste Group, ihre Kapitalstruktur durch die Aufnahme höherwertigen Core Tier-1 Kapitals zu verbessern. Die Erste Group Bank hat bereits in der ersten Hälfte des Jahres 2009 EUR 1,764 Mrd an Core Tier-1 Kapital durch Partizipationskapital aufgebracht, wovon EUR 1,224 Mrd an die Republik Österreich emittiert wurden und EUR 540 Mio von Privatinvestoren zu den gleichen Bedingungen gezeichnet wurden. Anstatt mit staatlicher Unterstützung zusätzliches hybrides Kapital zu emittieren, plant die Erste Group Bank durch das kombinierte Angebot, Eigenkapital auf den Kapitalmärkten aufzunehmen, was sowohl das Core Tier-1 als auch das Tier-1 Kapital stärkt.
- *Flexibilität im Hinblick auf allfällige neue oder geänderte regulatorische Kapitalerfordernisse und Erfüllung der Markterwartungen an höhere Kapitalausstattungen im Bankensektor.* Die erhöhte Wahrnehmung von Risiken im Bankensektor führte zu einem Wandel der Erwartungen der Investoren, hin zu höheren Kapitalausstattungen und einem geringeren Fremdfinanzierungsgrad. Dies spiegelt sich in den kürzlich erfolgten Kapitalaufnahmen durch europäische und U.S.-amerikanische Finanzinstitutionen wider. Die Aufnahme von Core Tier-1 Kapital durch das kombinierte Angebot stärkt die Fähigkeit der Erste Group Bank, etwaige in Zukunft von Regulatoren verlangte oder von den Finanzmärkten erwartete höhere Kapitalerfordernisse zu erfüllen.
- *Aufrechterhaltung der Möglichkeit, von zukünftigen Wachstumschancen in CEE zu profitieren.* Die derzeitigen BIP-Vorhersagen gehen von einer schnelleren Erholung in den zentral- und osteuropäischen Ländern aus, mit stärkeren BIP-Wachstumsraten im Jahr 2010 und danach, verglichen mit den EU-15. Die Entwicklung des Bankensektors in Zentral- und Osteuropa sollte weiterhin von einem geringeren Grad an Finanzintermediären als in weiter entwickelten Märkten, wie den EU-15, profitieren. Das kombinierte Angebot wird die finanziellen Mittel liefern, um das weitere Wachstum der Erste Group in den zentral- und osteuropäischen Märkten zu finanzieren.

## Wettbewerbsstärken

Die Erste Group ist der Ansicht, dass ihre besonderen Wettbewerbsstärken im Speziellen die folgenden sind:

- führende Marktpositionen bei Bankleistungen für Privatkunden und KMU (kleine und mittlere Unternehmen)
- bewährtes und belastbares Geschäftsmodell
- bekannte Marke
- Tätigkeit in zentral- und osteuropäischen Märkten mit niedrigem BIP und geringer Durchdringung des Bankensektors

## Strategie der Erste Gruppe

Ziel der Erste Gruppe ist es, in Österreich und Zentral- und Osteuropa der führende Finanzdienstleister mit einem starken Fokus auf dem Privatkundengeschäft und bei KMUs zu sein. Die strategische Ausrichtung der Erste Gruppe wurde durch ihre Kernstrategien geformt, denen die Erste Group Bank seit ihrem Börsengang 1997 folgt.

### *Geschäftsschwerpunkt—Privatkunden- und KMU-Geschäft*

Ein klar definierter geschäftlicher Fokus — Privatkunden- und KMU-Geschäft — stellt den Kern der Geschäftstätigkeit der Erste Group dar. Das Privatkunden- und KMU-Geschäft ist für die Erste Gruppe aus einer Reihe von Gründen attraktiv: Es bietet ein überzeugendes Geschäftsmodell, das auf führende Positionen in diesem Marktsegment in Österreich und bestimmten zentral- und osteuropäischen Ländern aufbaut, ein vorteilhaftes Risikoentlohnungsprofil und das Prinzip der Eigenfinanzierung; eine umfangreiche Palette angebotener Produkte, die einfach und verständlich sind und erhebliche Möglichkeiten zum Cross-Selling bieten und die Möglichkeit, in unterschiedlichen Märkten (sowohl geographisch als auch gemessen am Entwicklungsstand) tätig zu sein. Kurz gefasst erlaubt das Privatkunden- und KMU-Geschäftsmodell der Erste Group ein nachhaltiges, eigenfinanziertes und profitables Wachstum auch in wirtschaftlich anspruchsvolleren Zeiten.

### *Geographischer Fokus—Zentral- und Osteuropa (CEE)*

Ursprünglich definierte die Erste Group ihren erweiterten Heimatmarkt als Österreichs Nachbarländer in Zentraleuropa. In der nächsten Phase ihrer strategischen Entwicklung hat die Erste Gruppe ihren Heimatmarkt auf die angrenzenden Regionen erweitert (einschließlich der potentiellen EU-Kandidaten in Ost- und Südosteuropa). Die Erste Group hat derzeit wesentliche operative Tochterunternehmen in der Tschechischen Republik, Rumänien, der Slowakischen Republik, Ungarn und Kroatien. Die Erste Group ist der Ansicht, dass das zentrale Erfordernis für den Erfolg im Privatkunden- und KMU-Bereich in dieser Region der Aufbau einer starken Marktpräsenz ist und dementsprechend hat die Erste Group nicht vor, ihre langfristigen strategischen Ziele aufgrund der derzeitigen Wirtschaftskrise zu ändern, da sie der Meinung ist, dass diese Strategie substantielles und nachhaltiges langfristiges Wachstumspotential bietet.

### *Fokus auf Effizienz*

Das Bestreben der Erste Group, innerhalb der Gruppe effizienter zu arbeiten, ist ein direktes Ergebnis ihrer raschen Expansion. Es reflektiert auch die Erkenntnis, dass eine Vielzahl an Aufgaben auf einer konzernweit standardisierten Basis effizienter zu bewältigen sind, während sich der Vertrieb am besten lokal umsetzen lässt.

Basierend auf der Einführung des Group Governance-Modells der Erste Group (siehe "Description of Erste Group's Business—Group Governance Structure") zielt diese Kernstrategie auf die Entwicklung konzernweiter Initiativen zur Hebung von Synergien ab.

## Zusammenfassung des kombinierten Angebots

<b>Das kombinierte Angebot</b>	Das kombinierte Angebot, bestehend aus dem Bezugsrechtsangebot und dem Globalangebot, umfasst rund 18,87% des derzeitigen Grundkapitals der Erste Group Bank (vor der Eintragung der Kapitalerhöhung im Firmenbuch). Das kombinierte Angebot kann jederzeit unter bestimmten Umständen vorzeitig beendet werden, einschließlich der bereits ausgeübten Bezugsrechte.
<b>Das Bezugsrechtsangebot</b>	Die Erste Group Bank bietet ihren bestehenden Aktionären (zum 30. Oktober 2009, 24:00 Uhr Wiener Zeit) und Inhabern von Bezugsrechten den Bezug von bis zu 60 Millionen Neuen Aktien zum Bezugspreis im Verhältnis von 3 Neuen Aktien zu je 16 bestehenden Aktien oder Bezugsrechten an. Beim Bezugsrechtsangebot können Neue Aktien nur in einem Vielfachen von 3 gezeichnet werden.
<b>Das Globalangebot</b>	Neue Aktien, hinsichtlich derer Bezugsrechte im Bezugsrechtsangebot nicht ausgeübt werden, werden im Globalangebot angeboten. Das Globalangebot besteht aus (i) einem öffentlichen Angebot an Privatinvestoren und an institutionelle Investoren in der Republik Österreich, der Tschechischen Republik und Rumänien, (ii) einer Privatplatzierung in den Vereinigten Staaten von Amerika (USA) an QIBs gemäß der Regel 144A des US Securities Act, sowie (iii) einer Privatplatzierung an ausgewählte qualifizierte institutionelle Investoren außerhalb der Republik Österreich, der Tschechischen Republik, Rumänien und den Vereinigten Staaten von Amerika in Übereinstimmung mit Regulation S des US Securities Act.
<b>Bevorzugte Zuteilung an Privatinvestoren</b>	Als Teil des öffentlichen Angebots in Österreich, der Tschechischen Republik und Rumänien haben Privatinvestoren in Österreich, der Tschechischen Republik und Rumänien das Recht auf eine bevorzugte Zuteilung aus dem Globalangebot. Investoren, die ihre Kauforder für den Erwerb von Neuen Aktien bei der Erste Bank der oesterreichischen Sparkassen AG, bei Sparkassen, bei der ecetra Central European e-Finance AG (brokerjet.at), der Česká spořitelna, bei brokerjet České spořitelny (brokerjet.cz) oder der BCR abgeben, erhalten eine bevorzugte Zuteilung von bis zu 700 Neuen Aktien, vorbehaltlich der Anzahl an Neuen Aktien, die nach Ausübung der Bezugsrechte zur Verfügung steht.
<b>Die Neuen Aktien</b>	Bis zu 60 Millionen neue, auf Inhaber lautende, stimmberechtigte, nennwertlose Stückaktien der Erste Group Bank, mit einem derzeitigen rechnerischen Anteil am Grundkapital von je EUR 2.00, versehen mit Kupon Nr. 24.
<b>Bezugs- und Angebotsfrist</b>	Der Zeitraum, während dessen die Aktionäre der Erste Group Bank und Inhaber von Bezugsrechten Neue Aktien zeichnen können (die "Bezugsfrist") beginnt am 2. November 2009 und endet am oder um den 16. November 2009. Der Zeitraum, während dessen Investoren Neue Aktien im Globalangebot zeichnen können ("Angebotsperiode") beginnt am 2. November 2009 und endet am oder um den 17. November 2009, um 12:00 Uhr Wiener Zeit.

<b>Maximaler Bezugs- und Angebotspreis</b>	Der Maximale Bezugs- und Angebotspreis wurde mit EUR 32,00 je Aktie festgesetzt.
<b>Bezugs- und Angebotspreis</b>	Der Bezugspreis entspricht dem Angebotspreis. Der Bezugs- und Angebotspreis wird von der Erste Group Bank in Abstimmung mit den Joint Global Coordinators und den Joint Bookrunners am oder um den 17. November 2009 zu oder unter dem Maximalen Bezugs- und Angebotspreis festgesetzt. Der Bezugs- und Angebotspreis wird voraussichtlich am 17. November 2009 über ein elektronisches Nachrichtensystem bekanntgegeben und im Wege einer Ad-hoc-Mitteilung veröffentlicht, am oder um den 18.11.2009 bei der Finanzmarktaufsichtsbehörde gemäß § 7 Abs 5 des Kapitalmarktgesetzes hinterlegt, und voraussichtlich am oder um den 18. November 2009 durch eine kurze Einschaltung im Amtsblatt zur Wiener Zeitung (das Amtsblatt in Österreich) veröffentlicht.
<b>Bezugsrechte</b>	Die Rechte zum Bezug von Neuen Aktien der Erste Group Bank haben die ISIN AT0000A0FNR6. 16 Bezugsrechte berechtigen zum Bezug von 3 Neuen Aktien.
<b>Bezugsrechtshandel</b>	Die Erste Group Bank wird den Handel von Bezugsrechten an keiner Börse beantragen.
<b>Ausübung von Bezugsrechten</b>	Bezugsrechte können während der Bezugsfrist durch Vorlage des Kupon Nr. 23 ausgeübt werden. Die Neuen Aktien werden zum Bezugspreis ausgegeben, welcher gleich oder unter dem Maximalen Bezugs- und Angebotspreis sein wird. Aktionäre und Inhaber von Bezugsrechten, die ihre Bezugsrechte nicht zum Maximalen Bezugs- und Angebotspreis ausüben möchten, jedoch im Rahmen des Globalangebots eine Order mit einem Limit unter dem Maximalen Bezugs- und Angebotspreis platzieren, werden eine Zuteilung von Neuen Aktien erhalten, die der in der Order angegebenen Zahl von Bezugsrechten entspricht, sofern das Preislimit nicht unter dem endgültigen Bezugspreis liegt. Wenn das gewählte Preislimit unter dem endgültigen Bezugspreis liegt, verfallen die Bezugsrechte wertlos. Der Verfall von Bezugsrechten kann durch die Abgabe einer Order ohne Preislimit oder mit einem Preislimit, das dem Maximalen Bezugs- und Angebotspreis entspricht, vermieden werden. Die Bezugsrechte verfallen am oder um den 16. November 2009. Inhaber von Bezugsrechten, die durch eine Depotstelle, die Teilnehmer der Oesterreichischen Kontrollbank Aktiengesellschaft ("OeKB") oder durch eine Finanzinstitution, die Mitglied der Euroclear Bank S.A./N.V. ("Euroclear") oder der Clearstream Banking S.A. ("Clearstream") oder von Centrální depozitář cenných papírů, a.s. ("CDCP") ist, gehalten werden, müssen ihre Bezugsrechte durch Anweisung der jeweiligen Depotstelle oder Finanzinstitution, die Neuen Aktien für sie zu zeichnen, ausüben. Anleger, die Bezugsrechte durch Depozitarul Central SA halten, können ihre Bezugsrechte durch Anweisung ihrer Finanzintermediäre (Depotbank / Makler), die als Verwahrstellen für die Aktien agieren, die die Bezugsrechte vermitteln, ausüben.

Die Criteria hat angekündigt, dass sie ihre eigenen Bezugsrechte ebenso ausüben will, wie die Bezugsrechte der Erste Stiftung, welche die Criteria von der Erste Stiftung erworben hat. Dies entspricht insgesamt ungefähr 36,2% aller Bezugsrechte im Bezugsrechtsangebot.

#### **Ausübung der Bezugsrechte durch U.S. Aktionäre**

Die Neuen Aktien und die Bezugsrechte wurden und werden nicht gemäß dem U.S. Securities Act registriert. Demzufolge können die Bezugsrechte nicht durch oder im Namen von Personen in den Vereinigten Staaten von Amerika, mit Ausnahme von qualifizierten institutionellen Erwerbern (definiert in Regel 144A) ausgeübt werden. Im Bezugsrechtsangebot können die Bezugsrechte nicht von oder im Namen von Personen in den Vereinigten Staaten von Amerika, mit Ausnahme von QIBs, die einen QIB Investoren Brief in der in Anlage 4 beschriebenen Form übermitteln und der die in diesem Prospekt beschriebenen weiteren Voraussetzungen erfüllt, ausgeübt werden. Siehe "The Combined Offering—Rights Offering".

Inhaber von ADRs unter dem Erste Group Bank ADR Programm sind zur Zeichnung von Neuen Aktien hinsichtlich der Aktien, welche durch die ADRs vertreten werden, nicht zugelassen.

#### **Börsennotierung**

Die bestehenden Aktien sind an der Wiener Börse, an der Prager Börse und an der Bukarester Börse notiert und werden in den Handelssystemen Xetra (Wien), SPAD (Prag) und ARENA Gateway (Bukarest) gehandelt. Aktuelle Kurse sind mittels Reuters Symbole ERST.VI (Wien), ERSTsp.PR (Prag) und ERST.BX (Bukarest) sowie als Bloomberg Ticker Symbole EBS:AV (Wien), RBAG:CP (Prag) und EBS:RO (Bukarest) erhältlich. Die Erste Group Bank hat einen Antrag auf Zulassung der Neuen Aktien zum Amtlichen Handel an der Wiener Börse gestellt. Die Zulassung zur Notierung und Handelsaufnahme der Neuen Aktien im Prime Market Segment der Wiener Börse wird am oder um den 19. November 2009 erwartet. Die Erste Group Bank hat einen Antrag auf Zulassung der Neuen Aktien zum amtlichen Handel der Prager Börse und der Bukarester Börse gestellt. Die Zulassung zur Notierung und die Handelsaufnahme an der Prager Börse und an der Bukarester Börse werden am oder um den 19. November 2009 erwartet.

#### **Lock Up Vereinbarung**

Weder die Erste Group Bank noch eine ihrer Tochtergesellschaften im Mehrheitsbesitz wird innerhalb von 180 Tagen nach der Unterzeichnung des Zeichnungsvertrages (*Underwriting Agreement*) ohne vorherige Zustimmung von Goldman Sachs International und J.P. Morgan Securities Ltd., weder (i) direkt oder indirekt Aktien (oder andere Wertpapiere, die in Aktien gewandelt oder umgetauscht werden können oder zum Bezug von Aktien berechtigen) anbieten, verpfänden, als zum Verkauf beabsichtigt angeben, verkaufen, sich vertraglich zum Verkauf verpflichten, Optionen oder Verträge auf die Aktien verkaufen, oder Optionen oder Rechte zum Kauf von Aktien einräumen oder in anderer Form Aktien übertragen oder veräußern, noch (ii) irgendeine Form von Swap oder ähnlicher Transaktion abschließen, denen zufolge einem Dritten das wirtschaftliche Eigentum an Aktien ganz oder teilweise, direkt

oder indirekt übertragen werden, unabhängig davon, ob die in (i) und (ii) beschriebenen Transaktionen durch Lieferung von Aktien oder anderen Wertpapieren, durch Barzahlung oder in anderer Form erfolgt, ausgenommen die Emission der Neuen Aktien im Rahmen des kombinierten Angebotes, wobei die Erste Group Bank berechtigt ist (i) Mitarbeitern und Führungskräften Optionen einzuräumen und Aktien nach Ausübung von Optionen unter bestehenden Mitarbeiter- und Managementbeteiligungsplänen zu begeben, wie dies in diesem Prospekt beschrieben ist, (ii) im Rahmen ihres ordentlichen Wertpapier- und Bankgeschäftes an der Wiener Börse, an der Prager Börse sowie an der Bukarester Börse Aktien zu kaufen und zu verkaufen und Optionen auf die Aktien zu emittieren und zu handeln, (iii) Aktien ausschließlich zu dem Zwecke zu emittieren, um Beteiligungen an anderen Sparkassen zu erwerben oder zu erhöhen, sowie (iv) Vorzugsaktien mittels ausländischer Tochtergesellschaften zum Zwecke der Aufnahme von Tier-1 Kapital oder Hybridkapital, wie im Bankwesengesetz definiert, zu begeben.

Die Erste Stiftung wird innerhalb von 180 Tagen nach der Unterzeichnung des Zeichnungsvertrages (*Underwriting Agreement*) ohne vorherige Zustimmung von Goldman Sachs International und J.P. Morgan Securities Ltd., weder (i) direkt oder indirekt Aktien (oder andere Wertpapiere, die in Aktien gewandelt oder umgetauscht werden können oder zum Bezug von Aktien berechtigen) anbieten, verpfänden, als zum Verkauf beabsichtigt angeben, verkaufen, sich vertraglich zum Verkauf verpflichten, Optionen oder Verträge auf die Aktien verkaufen, oder Optionen oder Rechte zum Kauf von Aktien einräumen oder in anderer Form Aktien übertragen oder veräußern, noch (ii) irgendeine Form von Swap oder ähnlicher Transaktion abschließen, denen zufolge einem Dritten das wirtschaftliche Eigentum an Aktien ganz oder teilweise, direkt oder indirekt übertragen werden, unabhängig davon, ob die in (i) und (ii) beschriebenen Transaktionen durch Lieferung von Aktien oder anderen Wertpapieren, durch Barzahlung oder in anderer Form erfolgt.

#### **Verwendung des Erlöses**

Auf Basis eines angenommenen Angebotspreises von EUR 27,50 je Aktie, welcher dem Schlusskurs der Aktien an der Wiener Börse am 29. Oktober 2009 entspricht, rechnet die Erste Group Bank aus dem kombinierten Angebot mit einem Nettoemissionserlös von höchstens EUR 1.650 Millionen, unter der Annahme, dass alle Neuen Aktien ausgegeben werden, und zwar nach Abzug der Gesellschaftsteuer, der geschätzten Übernahmeabschläge und –kommissionen, sowie den von der Erste Group Bank zu zahlenden angebotsbezogenen Aufwendungen.

Die Erste Group Bank beabsichtigt den Nettoemissionserlös des kombinierten Angebots zur Stärkung der Kapitalbasis der Erste Group Bank sowie zur Erhöhung der finanziellen Flexibilität der Erste Group Bank zu verwenden. Siehe "Background of the Combined Offering and use of proceeds".

#### **Dividenden**

Die Neuen Aktien sind mit Dividendenberechtigung ab dem 1. Januar 2009 ausgestattet.

<b>Stimmrecht</b>	Aktioninhaber können eine Stimme pro Aktie ausüben.		
<b>Kapitalertragssteuer</b>	Dividenden, die von der Erste Group Bank zu zahlen sind, unterliegen einer österreichischen Quellensteuer (derzeit in Höhe von 25 %). Reduzierte Steuersätze für Quellensteuer sind anwendbar, sofern der zur Auszahlung solcher Erträge Berechtigte nicht in Österreich ansässig ist und hierzu gemäß einem Doppelbesteuerungsabkommen berechtigt ist. Siehe "Taxation".		
<b>Zahlung für die Neuen Aktien</b>	Die Lieferung der Neuen Aktien wird gegen Zahlung unmittelbar verfügbarer Mittel am oder um den 20. November 2009 erwartet. Es wird angenommen, dass die Neuen Aktien zur Lieferung per Bucheintrag durch die Einrichtungen der OeKB und zur Hinterlegung bei den Verwahrstellen für Clearstream, Euroclear oder CDCP am oder um den 20. November 2009 verfügbar sein werden. Zeichner und Erwerber Neuer Aktien sind nicht zum Bezug effektiver Stücke berechtigt.		
<b>ISIN Code</b>		<b>Bestehende und Neue Aktien</b>	<b>Bezugsrechte</b>
	ISIN . . . .	AT 0000652011	AT 0000A0FNR6
<b>Reuters Symbol</b>	ERST.VI (Wiener Börse) ERSTsp.PR (Prager Börse) ERST.BX (Bukarester Börse)		
<b>Bloomberg Symbol</b>	EBS:AV (Wiener Börse) RBAG:CP (Prager Börse) EBS:RO (Bukarester Börse)		

## Zusammenfassung der Risikofaktoren

*Zukünftige Anleger sollten vor einer Anlageentscheidung in Bezug auf die Neuen Aktien jedes der nachstehend angeführten Risiken, zusammen mit der übrigen im Prospekt enthaltenen Informationen, vorsichtig abwägen. Jedes der nachstehend angeführten Risiken könnte eine wesentliche nachteilige Auswirkung auf die Erste Group Bank, ihre Geschäfte, ihre Aktivitäten, ihre finanzielle Lage, ihre Betriebsergebnisse, ihre Liquidität und/oder auf ihre Aussichten haben. Darüber hinaus könnte jedes der nachstehend angeführten Risiken eine wesentliche nachteilige Auswirkung auf den Marktpreis der Neuen Aktien haben und als Folge könnten Anleger ihr Investment teilweise oder zur Gänze verlieren.*

*Zukünftige Anleger sollten bedenken, dass die nachstehend beschriebenen Risiken nicht die einzigen Risiken in Zusammenhang mit der Erste Group sind. Die Erste Group Bank hat nur jene Risiken beschrieben, die nach ihrer Ansicht wesentliche nachteilige Auswirkungen auf ihre Geschäfte, ihre Aktivitäten, ihre finanzielle Lage oder ihre Aussichten haben und von denen sie derzeit Kenntnis hat. Es gibt vielleicht zusätzliche Risiken, die die Erste Group Bank derzeit nicht als wesentlich erachtet oder von denen sie derzeit keine Kenntnis hat, und jedes dieser Risiken könnte die oben beschriebene Auswirkung haben.*

*Faktoren, die die Geschäfte der Erste Group beeinträchtigen können*

- Die weltweite Finanz- und Wirtschaftskrise hat die Erste Group und die Märkte, in denen sie tätig ist, wesentlich nachteilig beeinflusst und wird, so lange diese herausfordernden Bedingungen anhalten, wahrscheinlich weiterhin Auswirkungen haben.
- Infolge der Finanzkrise und des derzeitigen wirtschaftlichen Rückgangs, kommt es in der Erste Gruppe zu einer Verschlechterung der Kreditqualität.
- Zahlungsausfälle von Geschäftspartnern können zu Verlusten führen, die die dafür gebildeten Rückstellungen der Erste Gruppe und die vom Risikomanagement der Erste Group vorgesehenen maximalen wahrscheinlichen Verluste übersteigen können.
- Die Erste Group ist dem Risiko ausgesetzt, dass sich die Werte von Sicherheiten für Geschäfts- und Immobilienkredite verringern.
- Die Fluktuation und Preisschwankungen auf den Märkten können eine wesentliche nachteilige Auswirkung auf den Wert der Bilanzpositionen der Erste Group haben, können die Profitabilität mindern und es schwieriger machen, ihre Vermögenswerte angemessen zu bewerten.
- Im Jahr 2009 hat die Erste Group über eine deutliche Erhöhung des Gewinns aufgrund ihrer Handelsaktivitäten berichtet, was in zukünftigen Perioden möglicherweise nicht aufrechterhalten werden kann.
- Die Erste Group ist dem Risiko ausgesetzt, dass Liquidität nicht jederzeit verfügbar ist, und dieses Risiko ist durch die gegenwärtigen Bedingungen der globalen Finanzmärkte erhöht.
- Es besteht das Risiko, dass eine Ratingagentur ein Rating der Erste Group Bank oder eines Staates, in dem die Erste Group Bank tätig ist, aussetzt, zurückstuft oder zurückzieht, und dass dieser Vorgang die Refinanzierungsbedingungen der Erste Group Bank und insbesondere ihren Zugang zu Refinanzierungsmärkten negativ beeinflusst.
- Neue Auflagen von Regierungen oder Regulatoren und Änderungen in den von Investoren als angemessen aufgefassten Kapitalausstattungen können für die Erste Group erhöhte Kapitalanforderungen oder -standards nach sich ziehen und sie veranlassen, in Zukunft zusätzliches Kapital aufnehmen zu müssen.
- Die Risikomanagementstrategien und -verfahren der Erste Group können sie unidentifizierten oder unerwarteten Risiken ausgesetzt lassen.
- Die Erste Group steht bedeutenden operationellen, dem Bankgeschäft inhärenten Risiken gegenüber.

- Eine Änderung ihrer Rechnungslegungsgrundsätze oder -standards kann die Art und Weise, wie die Erste Group ihre Finanzlage und ihre Betriebsergebnisse berichtet, wesentlich beeinträchtigen.
- Der Rücktritt oder Verlust von Schlüsselpersonal kann die Fähigkeit der Erste Group, ihre Strategie umzusetzen, negativ beeinträchtigen.
- Die Erste Group kann Schwierigkeiten bei der Rekrutierung oder dem Halten von qualifiziertem Personal haben.
- Die Erste Group ist in zunehmendem Maße von aufwändigen IT - Systemen abhängig.
- Die Erste Group kann gezwungen sein, finanzielle Unterstützung für angeschlagene Banken im Haftungsverbund zu gewähren, was zu bedeutenden Kosten und einer Ablenkung von Ressourcen von anderen Aktivitäten führen kann.
- Die Erste Group kann gezwungen sein, sich an Staatsbeihilfen für andere Kreditinstitute zu beteiligen oder diese zu finanzieren.
- Die Erste Group ist dem Zinssatzrisiko und dem Zinsspannenrisiko ausgesetzt.
- Da ein großer Teil der Aktivitäten, der Vermögenswerte und der Kunden der Erste Group in CEE-Ländern außerhalb der Euro-Zone belegen sind, sind die Erste Group Bank und ihre Kunden Fremdwährungsrisiken ausgesetzt.
- Die Erste Group kann gezwungen sein, weitere Abschreibungen auf den Buchwert des Firmenwertes aus früheren Akquisitionen und damit in Verbindung stehende immaterielle Aktiva in ihrer Bilanz vorzunehmen.
- Eine Änderung der Standards der Europäischen Zentralbank in Zusammenhang mit Sicherheiten kann die Refinanzierung der Erste Group Bank und den Zugang zu Liquidität negativ beeinträchtigen.
- Die Erste Group ist in sehr wettbewerbsintensiven Märkten tätig und steht sowohl mit großen internationalen Finanzinstitutionen als auch mit gut eingeführten lokalen Wettbewerbern im Wettbewerb.
- Der Hauptaktionär der Erste Group Bank kann in der Lage sein, das Aktionärsverhalten zu bestimmen.
- Vertragliche Vereinbarungen mit der Republik Österreich können die Geschäfte der Erste Group Bank und der Erste Bank der oesterreichischen Sparkassen AG beeinträchtigen.
- Änderungen von Gesetzen oder Verordnungen in Ländern, in denen die Erste Group tätig ist, können wesentliche Auswirkungen auf ihre Geschäfte, ihre finanzielle Lage und ihre Betriebsergebnisse haben.

*Faktoren, die die Märkte, in denen die Erste Group tätig ist, beeinträchtigen können*

- Wirtschaftliche oder politische Entwicklungen in CEE oder ein Abschwung der österreichischen Wirtschaft können eine wesentliche nachteilige Auswirkung auf die Geschäfte der Erste Group haben.
- Ausländische Banken können die Finanzierung ihrer CEE-Tochterunternehmen reduzieren.
- Es besteht das Risiko, dass zugesagte EU-Mittel nicht freigegeben und/oder weitere Hilfsprogramme nicht beschlossen werden.
- Zusammenbrüche von Banken.
- Negative Effekte von möglicherweise schwerwiegenden Liquiditätsproblemen bestimmter CEE-Staaten oder der gesamten CEE-Region.

- Es besteht das Risiko, dass Regierungen in Ländern, in denen die Erste Group tätig ist, auf die derzeitige Finanz- und Wirtschaftskrise mit verstärktem Protektionismus und/oder Verstaatlichungen oder ähnlichen Maßnahmen reagieren.
- Die Fähigkeit der Erste Group zu wachsen, kann durch langsames Wachstum oder eine Rezession in den Bankmärkten, in denen sie tätig ist, und/oder eine langsamere Vergrößerung der Euro-Zone und der EU beschränkt sein.
- Die Rechtssysteme und die Verfahrensgarantien in vielen CEE-Staaten und besonders in den osteuropäischen Staaten sind noch nicht gänzlich entwickelt.
- Die in den verschiedenen CEE-Staaten anwendbaren Insolvenzgesetze und andere Gesetze und Verordnungen, die Gläubigerrechte regeln, können die Fähigkeit der Erste Group, Zahlungen auf notleidende Kredite zu erhalten, beschränken.
- Die Einhaltung von Anti-Geldwäsche-, Anti-Korruptions- und Anti-Terrorismusfinanzierungsgesetzen verursacht erhebliche Kosten und Aufwand und die Nicht-Einhaltung kann bedeutende rechtliche Konsequenzen und Auswirkungen auf die Reputation haben.
- Änderungen in Verbraucherschutzgesetzen können die Gebühren, die die Erste Group für bestimmte Banktransaktionen einnimmt, beschränken.

*Faktoren, die das Kombinierte Angebot und die Neuen Aktien beeinträchtigen können*

- Der Preis der Aktien kann volatil sein.
- Aktionäre, die nicht an dem kombinierten Angebot teilnehmen, erleiden eine Verwässerung ihrer Anteile an der Erste Group Bank.
- Der künftige Verkauf oder der Vertrieb von Anteilen der Erste Group Bank durch Hauptaktionäre kann den Marktpreis der Neuen Aktien drücken.
- Die Fähigkeit der Erste Group Bank, Dividenden auf die Aktien auszuzahlen, hängt vom Vorhandensein ausschüttbarer Gewinne ab.
- Die Aktionärsrechte an einer österreichischen Aktiengesellschaft können sich von den Aktionärsrechten an einer Kapitalgesellschaft, welche einer anderen Jurisdiktion unterliegt, unterscheiden.
- Die Aussetzung des Handels der Aktien kann negative Auswirkungen auf den Aktienpreis haben.
- Bestimmte Aktionäre können außer Stande sein, an Aktienemissionen mit Bezugsrechten teilzunehmen.
- Der Zeichnungsvertrag zwischen der Erste Group Bank und den zeichnenden Banken (Managers) unterliegt den handelsüblichen Bedingungen.
- Die Erste Group Bank unterliegt einer stufenweisen Erhöhung der Dividende auf das Partizipationskapital.
- Die Partizipationsscheine sind unbefristet und können von der Erste Group Bank nur unter bestimmten Umständen zurückgezahlt werden.
- Der Liquidationserlös wird unter den Inhabern der Partizipationsscheine und den Aktionären aufgeteilt.

Für weitere Details über Risikofaktoren, siehe "Risk Factors".

## Zusammenfassung der Finanzinformationen

Die nachfolgend bereitgestellten Finanzzahlen stammen aus den konsolidierten Jahresabschlüssen der Erste Group Bank, die durch Verweis in diesen Prospekt einbezogen sind und die gemäß IFRS erstellt wurden. Siehe "General Information—Presentation of Financial Information" und "Management's Discussion and Analysis of Financial Condition and Results of Operations". Die Minderheitenbeteiligungen schließen unter anderem bestimmte Sparkassen, an denen die Erste Group Bank eine Minderheitsbeteiligung oder überhaupt keine Anteile hält, aber über die sie auf Grundlage des Haftungsverbunds Kontrolle ausübt, ein. 2008 hat die Erste Group aufgegebenen Geschäftsbereiche berichtet, was zu einer Anpassung der Gewinn- und Verlustrechnung für 2007 geführt hat.

### Bilanz

in EUR Millionen	zum 30. September	zum 31. Dezember		
	2009 ungeprüft	2008 geprüft	2007 geprüft	2006 geprüft
<b>Aktiva</b>				
Forderungen an Kreditinstitute .....	13.938	14.344	14.937	16.616
Forderungen an Kunden .....	129.954	126.185	113.956	97.107
Risikovorsorgen .....	(4.713)	(3.783)	(3.296)	(3.133)
Handelsaktiva und andere finanzielle Vermögenswerte <sup>(1)</sup> .....	42.491*	41.770*	44.214*	42.497*
Sonstige Aktiva <sup>(2)</sup> .....	21.883*	22.925*	30.708*	28.616*
<b>Summe der Aktiva .....</b>	<b>203.553</b>	<b>201.441</b>	<b>200.519</b>	<b>181.703</b>
<b>Passiva</b>				
Verbindlichkeiten gegenüber Kreditinstituten .....	26.920	34.672	35.165	37.688
Verbindlichkeiten gegenüber Kunden .....	113.317	109.305	100.116	90.849
Verbriefte Verbindlichkeiten und nachrangige Verbindlichkeiten .....	36.615*	36.530*	36.667*	27.024*
Sonstige Passiva <sup>(3)</sup> .....	12.618*	9.839*	17.168*	15.238*
Eigenanteil .....	10.667	8.079	8.452	7.979
davon Partizipationskapital <sup>(4)</sup> .....	1.760	—	—	—
Minderheitenanteil .....	3.416	3.016	2.951	2.925
<b>Summe der Passiva .....</b>	<b>203.553</b>	<b>201.441</b>	<b>200.519</b>	<b>181.703</b>

Quelle: Geprüfte Konzernabschlüsse der Erste Group Bank für die Geschäftsjahre zum 31. Dezember 2008, 31. Dezember 2007 und 31. Dezember 2006, sowie ungeprüfter konsolidierter Zwischenabschluss der Erste Group Bank für die neun Monate zum 30. September 2009, ausgenommen dass die mit \* markierten Zahlen auf internen Berechnungen und Informationen der Erste Group Bank basieren.

- (1) Handelsaktiva und andere finanzielle Vermögenswerte bezeichnet die Zwischensumme aus den Bilanzpositionen Handelsaktiva, Finanzielle Vermögenswerte—at fair value through profit or loss, Finanzielle Vermögenswerte—available for sale, und Finanzielle Vermögenswerte—held to maturity.
- (2) Sonstige Aktiva bezeichnet die Zwischensumme aus den Bilanzpositionen Kassenbestand und Guthaben bei Zentralbanken, Kapitalanlagen der Versicherungsgesellschaften, Anteile an at-equity-bewerteten Unternehmen, Immaterielles Anlagevermögen, Sachanlagen, Steueransprüche, Zur Veräußerung gehaltene Vermögenswerte und andere Ansprüche.
- (3) Sonstige Passiva bezeichnet die Zwischensumme aus den Bilanzpositionen Handelspassiva, Versicherungstechnischen Rückstellungen, sonstige Rückstellungen, Steuerschulden, Verbindlichkeiten im Zusammenhang mit zur Veräußerung gehaltenen Vermögenswerten und sonstige Verbindlichkeiten.
- (4) Partizipationskapital gemäß § 23 Abs 4 BWG nach Abzug der mit der Kapitalaufnahme verbundenen Kosten von EUR 4 Millionen.

## Gewinn- und Verlustrechnung

in EUR Millionen	Für die neun Monate vor 30. September		Für das am 31. Dezember beendete Geschäftsjahr			
	2009	2008	2007			
	ungeprüft	ungeprüft	2008 geprüft	re-presented geprüft	2007 geprüft	2006 geprüft
Zinsüberschuss . . . . .	3.840,9	3.573,3	4.913,1	3.945,8	3.945,8	3.189,3
Operativer Überschuss <sup>(1)</sup> . . . . .	5.657,2	5.247,2	6.998,9	6.154,8	6.189,8	4.948,9
Verwaltungsaufwand . . . . .	(2.880,3)	(3.053,7)	(4.001,9)	(3.642,1)	(3.642,1)	(2.945,3)
Operatives Ergebnis <sup>(2)</sup> . . . . .	2.776,9	2.193,5	2.997,0	2.512,7	2.547,7	2.003,6
Jahresüberschuss vor Steuern des fortzuführenden Geschäftsbereichs <sup>(3)</sup> . . . . .	1.077,9	1.321,8	576,2	1.892,6	1.927,6	1.522,2
Nettoergebnis aus aufgegebenem Geschäftsbereich . . . . .	0	610,2	639,7	28,4	n.a.	n.a.
Jahresüberschuss <sup>(4)</sup> . . . . .	808,3	1.667,6	1.038,6	1.550,0	1.550,0	1.182,4
Den Anteilseignern des Mutterunternehmens zurechenbarer Jahresüberschuss (Konzernjahresüberschuss) . . .	<b>720,1</b>	<b>1.463,0</b>	<b>859,6</b>	<b>1.174,7</b>	<b>1.174,7</b>	<b>932,2</b>

Quelle: Geprüfte Konzernabschlüsse der Erste Group Bank für die Geschäftsjahre zum 31. Dezember 2008, 31. Dezember 2007 und 31. Dezember 2006, sowie ungeprüfter konsolidierter Zwischenabschluss der Erste Group Bank für die neun Monate zum 30. September 2009.

## Kennzahlen

	Für die am 30. September beendeten neun Monate		Für das am 31. Dezember beendete Geschäftsjahr			
	2009	2008	2007			
	ungeprüft	ungeprüft	2008 geprüft	re-presented geprüft	2007 geprüft	2006 geprüft
Return on equity (ROE) <sup>(5)</sup> . . .	10,3%	21,7%	9,6%	14,1%	14,1%	13,7%
Cost-income ratio <sup>(6)</sup> . . . . .	50,9%	58,2%	57,2%	59,2%	58,8%	59,5%
Risikokosten <sup>(7)</sup> . . . . .	1,51%	0,67%	0,88%	0,44%	0,44%	0,50%
Tier-1 Kapital (nach regulatorischen Abzügen) <sup>(8)</sup> . . . . .	9.173	6.931	7.448	6.674	6.674	6.185
Core Tier-1 Kapital (nach regulatorischen Abzügen) <sup>(9)</sup> . . . . .	7.996	5.690	6.192	5.427	5.427	4.935
Tier-1 Quote— Kreditrisiko <sup>(10)</sup> . . . . .	8,6%	6,6%	7,2%	7,0%	7,0%	6,6%
Core Tier-1 Quote— Gesamtrisiko <sup>(11)</sup> . . . . .	6,5%	4,7%	5,2%	5,0%	5,0%	5,0%
Tier-1 Quote <sup>(12)</sup> . . . . .	7,4%	5,8%	6,2%	6,1%	6,1%	6,2%
Solvabilitätskoeffizient <sup>(13)</sup> . .	10,9%	9,2%	9,8%	10,1%	10,1%	10,2%

Quelle: Geprüfte Konzernabschlüsse der Erste Group Bank für die Geschäftsjahre zum 31. Dezember 2008, 31. Dezember 2007 und 31. Dezember 2006, sowie ungeprüfter konsolidierter Zwischenabschluss der Erste Group Bank für die neun Monate zum 30. September 2009, ausgenommen die unter "Core Tier-1 Kapital (nach regulatorischen Abzügen)", "Core Tier-1 Quote—Gesamtrisiko" und "Tier-1 Quote—Gesamtrisiko" angeführten Zahlen, die auf internen Berechnungen und Informationen der Erste Group Bank basieren.

(1) Operativer Überschuss beinhaltet Zinsüberschuss, Provisionserträge, Handelsergebnis und Überschuss aus Versicherungsgeschäft im Jahre 2006 und 2007, als keine aufgegebenen Geschäftsbereiche ausgewiesen wurden.

- (2) Operatives Ergebnis entspricht dem operativen Überschuss abzüglich dem Verwaltungsaufwand.
- (3) Im Geschäftsjahr 2008, als aufgegebene Geschäftsbereiche ausgewiesen wurden, ist dies das Nettoergebnis aus aufgegebenem Geschäftsbereich.
- (4) Im Geschäftsjahr 2008, als aufgegebene Geschäftsbereiche ausgewiesen wurden, schließt dies Gewinn aus aufgegebenen und nicht aufgegebenen Geschäftsbereichen ein.
- (5) Return on Equity ist das Verhältnis des annualisierten Gewinnes für die Berichtsperiode nach Steuern und Minderheiten zum durchschnittlichen Eigenkapital (auf Monatsbasis) einschließlich Partizipationskapital.
- (6) Die cost income ratio ist das Verhältnis des operativen Aufwandes (Verwaltungsaufwand) zu Betriebsergebnis (der Summe aus Zinsüberschuss, Provisionserträgen, Handelsergebnis und Überschuss aus Versicherungsgeschäft im Jahre 2006 und 2007, als keine aufgegebene Geschäftsbereiche ausgewiesen wurden).
- (7) Risikokosten sind die annualisierten Netto-Rückstellungen im Verhältnis zu durchschnittlichen Kundendarlehen.
- (8) Tier-1 Kapital ist das Kernkapital (einschließlich hybrides Kapital gemäß § 24 Abs 2 Z 5 und 6 Bankwesengesetz) nach regulatorischen Abzügen, in EUR Millionen.
- (9) Core Tier-1 Kapital ist das Kernkapital (ausschließlich hybrides Kapital gemäß § 24 Abs 2 Z 5 und 6 Bankwesengesetz) nach regulatorischen Abzügen, in EUR Millionen.
- (10) Die Tier-1 Quote—Kreditrisiko ist das Verhältnis von Tier-1 Kapital (einschließlich hybrides Kapital gemäß § 24 Abs 2 Z 5 und 6 Bankwesengesetz) nach aufsichtsrechtlichen Abzügen, zu den risikogewichteten Aktiva gemäß § 22 Abs 2 Bankwesengesetz.
- (11) Die Core Tier-1 Quote—Gesamtrisiko ist das Verhältnis von Kernkapital (ausschließlich hybrides Kapital gemäß § 24 Abs 2 Z 5 und 6 Bankwesengesetz) nach aufsichtsrechtlichen Abzügen, zur Berechnungsgrundlage gemäß § 22 Abs 1 Bankwesengesetz.
- (12) Die Tier-1 Quote—Gesamtrisiko ist das Verhältnis von Kernkapital (einschließlich hybrides Kapital gemäß § 24 Abs 2 Z 5 und 6 Bankwesengesetz) nach aufsichtsrechtlichen Abzügen, zur Berechnungsgrundlage gemäß § 22 Abs 1 Bankwesengesetz.

## **Annex 2–Czech translation of the summary**

The following translation of the original summary is a separate document attached to the Prospectus. It does not form part of the Prospectus itself and has not been approved by the FMA. Further, the FMA did not review its consistency with the original summary.

Následující překlad originálního shrnutí je samostatný dokument přiložený k Prospektu. Netvoří část samotného Prospektu a nebyl schválen ze strany FMA. FMA dále nepřezkoumávala jeho soulad s originálním shrnutím.

## Shrnutí prospektu

*Následující shrnutí by mělo být čteno jako přehled tohoto Prospektu a jakékoli rozhodnutí investovat do Nových akcií by mělo být založeno na posouzení Prospektu jako celku, včetně dokumentů zahrnutých odkazem a rizik investice do Nových akcií popsanych v části „Risk Factors“. Toto shrnutí není úplné a neobsahuje všechny informace, které by investoři měli posoudit v souvislosti s jakýmkoli rozhodnutím týkajícím se Nových akcií.*

*Erste Group Bank nenese žádnou občanskoprávní odpovědnost ve vztahu k tomuto Shrnutí prospektu, včetně Shrnutí kombinované nabídky, Shrnutí rizikových faktorů a Souhrnných finančních a jiných údajů, ledaže by bylo zavádějící, nepřesné či nekonzistentní při společném výkladu s dalšími částmi tohoto Prospektu. Pokud bude v souvislosti s informacemi obsaženými v tomto Prospektu podána žaloba u soudu ve státu Evropského hospodářského prostoru, může být žalobce povinen dle národního právního řádu státu, ve kterém je žaloba podána, nést náklady překladu tohoto Prospektu před zahájením soudního řízení. V případě, že takové řízení bude zahájeno před soudem v Rakousku, může být vyžadován německý překlad tohoto Prospektu; náklady na jeho pořízení ponese nejprve žalující investor, přičemž ostatní účastníci řízení mu tyto náklady částečně či zcela uhradí, pouze pokud bude mít žalující investor v řízení úspěch.*

### Erste group

Nejvyšší mateřská společnost skupiny Erste Group, Erste Group Bank, je nejstarší rakouskou spořitelnou. Erste Group je přední bankovní skupina zaměřující se na drobné bankovníctví na svém rozšířeném domácím trhu, jenž zahrnuje Rakousko a přilehlou střední a východní Evropu („CEE“) — zejména v České republice, Rumunsku, ve Slovenské republice, v Maďarsku, Chorvatsku, Srbsku a na Ukrajině (Zdroj: interní údaje Erste Group). K 30. září 2009 měla skupina Erste Group přibližně 17,5 milionu klientů. Erste Group v současné době rovněž zahrnuje rakouské spořitelny, jež musí být dle předpisů IFRS konsolidovány do výsledků Erste Group v důsledku jejich členství ve spolku Haftungsverbund a v nichž Erste Group Bank drží buď menšinovou účast nebo v nich nemá vůbec žádnou majetkovou účast.

Erste Group je jednou z největších bankovních skupin v Rakousku (podle celkových aktiv) s celkovými konsolidovanými aktivy ve výši 201,4 miliard EUR k 31. prosinci 2008 a 203,6 miliard EUR k 30. září 2009, kdy tyto částky zahrnují konsolidaci spořitelen jako důsledek členství ve spolku Haftungsverbund. Erste Group nabízí plný rozsah bankovních a finančních služeb, včetně přijímání vkladů, úvěrování, hypotečního úvěrování, investičního bankovníctví, obchodování s cennými papíry a podnikání v oblasti derivátů (na svůj účet a na účet svých klientů), správy portfolia, pojišťovacího makléřství, projektového financování, financování mezinárodního obchodu, finančních služeb pro korporátní klienty, služeb na kapitálovém a peněžním trhu, služeb na devizovém trhu, leasingu a faktoringu.

K 30. září 2009 provozovala Erste Group 3 185 poboček a zaměstnávala 51 012 osob na celém světě. Erste Group se zvláště zaměřuje na svůj rozšířený domácí trh v CEE a působí v hlavních světových finančních centrech jako New York, Londýn a Hong Kong.

### Důvody pro kombinovanou nabídku

Erste Group má dlouhou historii zachování kapitálové přiměřenosti na úrovni značně převyšující minimální úroveň stanovenou regulačními orgány. Představenstvo se domnívá, že je obezřetné a v nejlepším zájmu všech akcionářů Erste Group Bank proaktivně posílit kapitálovou pozici Erste Group Bank.

Kombinovanou nabídkou usiluje Erste Group o dosažení těchto cílů:

- *Dále zvýšit poměrové kapitálové ukazatele a zlepšit kapitálovou strukturu.* Kombinovaná nabídka umožní Erste Group zlepšit její kapitálovou strukturu zvýšením podílu kapitálu představovaného kvalitativně vyšším kmenovým kapitálem tier-1. Erste Group Bank již v první polovině roku 2009 získala 1,764 miliard EUR podílového kapitálu zařaditelného jako kmenový tier-1 kapitál, z čehož 1,224 miliardy EUR bylo upsáno Rakouskou republikou a dodatečných 540 milionů EUR bylo upsáno soukromými investory za stejných podmínek. Namísto vydání dalšího vládou podporovaného hybridního kapitálu zamýšlí Erste Group Bank získat prostřednictvím Kombinované nabídky přímý vlastní kapitál na veřejných trzích, což zvýší její kmenový tier-1 kapitál, jakož i tier-1 kapitál.
- *Poskytnout prostor pro potenciální nové nebo změněné regulační požadavky na poměrové kapitálové ukazatele a reagovat na vyšší očekávání trhu ohledně úrovně kapitálu v bankovním sektoru.* Došlo k posunu v očekávání regulátorů a investorů směrem k vyšší úrovni kapitálu a nižšího poměru zadlužení v bankovním sektoru, z důvodu zvýšeného vnímání rizika. To se odráží v současných aktivitách finančních institucí v Evropě a ve Spojených státech směřujících ke zvyšování kapitálu. Doplnění kmenového tier-1 kapitálu z Kombinované nabídky rozšíří schopnost Erste Bank Group splnit možné budoucí požadavky regulátorů nebo finančních trhů na zvýšení poměrových kapitálových ukazatelů.
- *Poskytnout finanční zdroje pro financování dalšího růstu na trzích v CEE.* Současné předpovědi reálného růstu HDP naznačují rychlejší oživení v zemích CEE se silnějšími mírami reálného růstu HDP v roce 2010 a v následujících letech ve srovnání s EU-15. Rozvoj bankovních trhů v CEE by měl nadále těžit z nižších úrovní finančního zprostředkování, než které jsou v současné době zaznamenávány na rozvinutějších trzích, jako je EU-15. Kombinovaná nabídka poskytne Erste Group finanční zdroje k financování dalšího růstu na trzích v CEE.

## Konkurenční výhody

Erste Group věří, že jejími konkurenčními výhodami jsou zejména:

- Vedoucí pozice na trhu v drobném bankovníctví a v bankovníctví pro malé a střední podniky („SME“)
- Osvědčený a odolný model podnikání
- Dobře známá značka
- Působení na trzích v CEE s nízkými úrovněmi HDP a penetrace bankovníctví

## Strategie erste group

Cílem Erste Group je být vedoucím poskytovatelem finančních služeb s jasným zaměřením na drobné a SME bankovníctví v Rakousku a v CEE. Strategické postavení Erste Group bylo formováno jejími klíčovými strategiemi, jež prosazovala od své primární veřejné nabídky (IPO) v roce 1997.

### Obchodní zaměření—drobné a sme bankovníctví

Jasně definované obchodní zaměření—drobné a SME bankovníctví—je jádrem aktivit Erste Group. Drobné a SME bankovníctví je atraktivní pro Erste Group z řady důvodů: nabízí přesvědčivou obchodní příležitost postavenou na vedoucích pozicích v tomto tržním segmentu v Rakousku a v určitých zemích v CEE, příznivém rizikovém profilu a principu samofinancování; značný rozsah nabízených produktů, obsahující jednoduché a pochopitelné produkty se značným potenciálem křížového prodeje; a příležitosti působit na dobře diverzifikovaných trzích z geografického hlediska a z hlediska splatnosti. V souhrnu umožňuje obchodní model drobného a SME bankovníctví Erste Group udržitelný, samofinancovaný a ziskový růst i v hospodářsky obtížnějších obdobích.

## **Geografické zaměření—CEE**

Erste Group nejprve definovala svůj rozšířený domácí trh jako středoevropské sousední země Rakouska. V další fázi svého strategického rozvoje rozšířila Erste Group svůj domácí trh do přilehlých regionů (včetně jakýchkoli dalších možných kandidátů členství v EU ve východní a jihovýchodní Evropě). Nyní má významné dceřiné společnosti působící v České republice, Rumunsku, ve Slovenské republice, v Maďarsku a Chorvatsku. Erste Group se domnívá, že hlavním předpokladem úspěchu v drobném a SME bankovníctví v tomto regionu je dosažení významného postavení na trhu a v souladu s tím nezamýšlí měnit tento strategický dlouhodobý cíl v reakci na současnou mezinárodní finanční a hospodářskou krizi, protože věří, že tato strategie nabízí významný a udržitelný dlouhodobý růstový potenciál.

## **Zaměření na efektivnost**

Cíl Erste Group pracovat efektivněji napříč skupinou je přímým výsledkem její rychlé expanze. Odráží také zjištění, že řadu úkolů je možné provádět efektivněji standardizovaným způsobem v rámci celé skupiny, přičemž prodejní aktivity jsou nejlépe prováděny na místní úrovni.

Na základě zavedení nové struktury řízení skupiny Erste Group (New Group Governance Structure) (viz část "Description of Erste Group's Business—Group Governance Structure") se tato klíčová strategie zaměřuje na rozvoj celoskupinových iniciativ za účelem využití synergií.

## Shrnutí kombinované nabídky

<b>Kombinovaná nabídka</b>	Kombinovaná nabídka, zahrnující Nabídku stávajícím akcionářům a držitelům Upisovacích práv a Globální nabídku, představuje přibližně 18,87% současného vydaného základního kapitálu Erste Group Bank (před zápisem zvýšení základního kapitálu do Obchodního rejstříku). Kombinovaná nabídka může být ukončena za určitých okolností v kterémkoli okamžiku, a to i ve vztahu k již uplatněným Upisovacím právům.
<b>Nabídka stávajícím akcionářům a držitelům Upisovacích práv</b>	Erste Group Bank nabízí svým stávajícím akcionářům (k 30. říjnu 2009, 24:00 vídeňského času) a držitelům Upisovacích práv až 60 milionů Nových akcií za Emisní kurs v poměru 3 Nové akcie za každých 16 držených Stávajících akcií či Upisovacích práv. V Nabídce stávajícím akcionářům a držitelům Upisovacích práv mohou být Nové akcie upisovány pouze v násobcích 3.
<b>Globální nabídka</b>	Nové akcie, k nimž nebudou uplatněna Upisovací práva v Nabídce stávajícím akcionářům a držitelům Upisovacích práv, budou nabídnuty v Globální nabídce. Globální nabídka se skládá z (i) veřejné nabídky drobným a institucionálním investorům v Rakousku, České republice a Rumunsku, (ii) soukromého umístění ve Spojených státech kvalifikovaným institucionálním investorům (QIB) s ohledem na Pravidlo 144A podle Zákona o cenných papírech [Securities Act] a (iii) soukromého umístění vybraným kvalifikovaným institucionálním investorům mimo území Rakouska, České republiky, Rumunska a Spojených států v souladu s Nařízením S podle Zákona o cenných papírech [Securities Act].
<b>Preferenční přidělení akcií drobným investorům</b>	Jako součást veřejné nabídky v Rakousku, České republice a Rumunsku budou mít soukromí individuální investoři v Rakousku, České republice a Rumunsku právo na preferenční přidělení akcií v Globální nabídce. Investorům, kteří podají příkazy k úpisu Nových akcií u Erste Bank Oesterreich, Spořitelna, společnosti ecetra Central European e-Finance AG (brokerjet.at), Česká spořitelna, brokerjet České spořitelny (brokerjet.cz) nebo BCR, bude poskytnuta záruka preferenčního přidělení až 700 Nových akcií, přičemž však toto preferenční přidělení závisí na počtu Nových akcií zbylých po uplatnění Upisovacích práv.
<b>Nové akcie</b>	Až 60 milionů nových kmenových akcií společnosti Erste Group Bank na majitele, s hlasovacím právem, bez jmenovité hodnoty, s vypočtenou jmenovitou hodnotou 2,00 EUR na každou akcii, s připojeným kuponem č. 24.
<b>Upisovací a nabídkové období</b>	Období, během něhož akcionáři Erste Group Bank a držitelé Upisovacích práv mohou upisovat Nové akcie („Upisovací období“), začne 2. listopadu 2009 a skončí 16. listopadu 2009 nebo v období kolem tohoto data. Období, v němž mohou investoři kupovat Nové akcie v Globální nabídce („Nabídkové období“), začne 2. listopadu 2009 a skončí 17. listopadu 2009 nebo kolem tohoto data, v poledne 12:00 hodin vídeňského času.

**Maximální emisní kurs a Nabídková cena**

Maximální emisní kurs a Nabídková cena činí 32,00 EUR za Novou akcií.

**Emisní kurs a Nabídková cena**

Emisní kurs se bude rovnat Nabídkové ceně. Emisní kurs a Nabídkovou cenu určí společnost Erste Group Bank po poradě se společnými globálními koordinátory (Joint Global Coordinators) a společnými správci úpisu (Joint Bookrunners) dne 17. listopadu 2009 nebo v období kolem tohoto data, a to ve výši, která nepřekročí Maximální emisní kurs a Nabídkovou cenu. Emisní kurs a Nabídková cena budou oznámeny a zveřejněny, také prostřednictvím ad-hoc oznámení, elektronicky dne 17. listopadu 2009 nebo v období kolem tohoto data, uloženy u FMA podle článku 7 odstavce 5 Zákona o kapitálovém trhu [Capital Markets Act] dne 18. listopadu 2009 nebo v období kolem tohoto data a zveřejněny krátkým oznámením v *Amtsblatt zur Wiener Zeitung* (rakouského úředního věstníku) dne 18. listopadu 2009 nebo v období kolem tohoto data.

**Upisovací práva**

Upisovací práva k Novým akciím společnosti Erste Group Bank mají ISIN AT0000A0FNR6. 16 Upisovacích práv představuje právo upsat 3 Nové akcie.

**Obchodování s Upisovacími právy**

Erste Group Bank nepožádá o přijetí Upisovacích práv k obchodování na žádné burze cenných papírů.

**Uplatnění Upisovacích Práv**

Upisovací práva mohou být uplatněna během Upisovacího období na základě předložení kuponu č. 23. Nové akcie budou nabídnuty k úpisu za Emisní kurs, který nebude vyšší než Maximální emisní kurs a Nabídková cena. Akcionáři a držitelé Upisovacích práv, kteří si nepřejí uplatnit svá Upisovací práva za Maximální emisní kurs a Nabídkovou cenu, kteří však podají příkaz k úpisu za cenu nižší, než je Maximální emisní kurs a Nabídková cena, obdrží od Manažerů přiděl Nových akcií odpovídající počtu Upisovacích práv uvedených v příkazu k úpisu, pouze pokud cenový limit není nižší než konečný Emisní kurs. Pokud je cenový limit stanovený držitelem nižší než Emisní kurs, zaniknou Upisovací práva jako bezcenná. Zániku Upisovacích práv lze předejít podáním příkazu k úpisu bez uvedení cenového limitu nebo s cenovým limitem rovnajícím se Maximálnímu emisnímu kursu a Nabídkové ceně. Upisovací práva zaniknou dne 16. listopadu 2009 nebo v období kolem tohoto data. Držitelé Upisovacích práv držených prostřednictvím depozitářské banky, která je členem OeKB nebo prostřednictvím finanční instituce, která je účastníkem systému Euroclear, Clearstream nebo CDCP, musí uplatnit svá Upisovací práva podáním příkazu této bance nebo finanční instituci k úpisu Nových akcií jejich jménem. Investoři, kteří drží Upisovací práva prostřednictvím Depozitarul Central SA, mohou uplatnit svá Upisovací práva na základě příkazu svým finančním zprostředkovatelům (správcovské bance / makléři), kteří jednají jako depozitáři pro akcie, k nimž se vztahují Upisovací práva.

Společnost Criteria oznámila, že uplatní všechna svá Upisovací práva, jakož i všechna Upisovací práva Erste Stiftung, jež Criteria nabyła od Erste Stiftung. Toto představuje celkem přibližně

36,2% všech Upisovacích práv v Nabídce stávajícím akcionářům a držitelům Upisovacích práv.

#### **Uplatnění Upisovacích práv akcionáři ze Spojených států**

Nové akcie a Upisovací práva nebyly a nebudou registrovány podle Zákona o cenných papírech [Securities Act]. Proto Upisovací práva nemohou být uplatněna ve Spojených státech jakoukoliv osobou či jejím jménem, s výjimkou kvalifikovaných institucionálních investorů (jak jsou definováni v Pravidle 144A). V Nabídce stávajícím akcionářům a držitelům Upisovacích práv nemohou být Upisovací práva uplatněna ve Spojených státech jakoukoliv osobou či jejím jménem, s výjimkou kvalifikovaných institucionálních investorů (QIB), kteří doručili dopis kvalifikovaného institucionálního investora ve znění stanoveném v Příloze 4 tohoto dokumentu a v souladu s ostatními náležitostmi popsány v tomto Prospektu. Viz „The Combined Offering – Rights Offering“.

Držitelé amerických depozitních certifikátů (ADR) v rámci programu ADR společnosti Erste Group Bank nesmějí upisovat Nové akcie na základě kmenových akcií, které jsou zastoupeny těmito certifikáty ADR.

#### **Kotace**

Stávající akcie jsou kótovány na Vídeňské burze, Pražské burze a Bukurešťské burze a jsou obchodovány v obchodních systémech XETRA (Vídeň), SPAD (Praha) a ARENA Gateway (Bukurešť). Ceny v reálném čase mohou být zjištěny přes Reuters symboly ERST.VI (Vídeň), ERSTsp.PR (Praha) a ERST.BX (Bukurešť) a dále přes Bloomberg ticker symboly EBS:AV (Vídeň), RBAG:CP (Praha) a EBS:RO (Bukurešť). Erste Group Bank požádala o kotaci Nových akcií na Oficiálním trhu (*Amtlicher Handel*) Vídeňské burzy a očekává, že kotace nových akcií bude schválena a obchodování s nimi začne na Hlavním trhu Vídeňské burzy dne 19. listopadu 2009 nebo v období kolem tohoto data. Erste Group Bank dále požádala o kotaci Nových akcií na Pražské burze a Bukurešťské burze a očekává, že kotace Nových akcií bude schválena a obchodování s nimi na Pražské burze a Bukurešťské burze začne dne 19. listopadu 2009 nebo v období kolem tohoto data.

#### **Omezení pro emitenta (lock-up)**

Před uplynutím 180 dní od data uzavření Smlouvy o úpisu Erste Group Bank ani jakákoli z jejích většinově vlastněných dceřiných společností bez předchozího souhlasu společností Goldman Sachs International a J.P.Morgan Securities Ltd. (i) nenabídne, nezastaví, neoznámí záměr prodat, neprodá, neuzavře smlouvu o prodeji, neprodá jakoukoli opci ani neuzavře smlouvu o koupi jakékoli opce, neposkytne jakoukoli opci, právo nebo záruku koupě nebo jiného převodu, ani nebude nakládat přímo nebo nepřímo s jakýmikoli Akciemi či jakýmikoliv cennými papíry, které lze převést na Akcie, uplatnit je jako Akcie nebo je za Akcie vyměnit, ani (ii) neuzavře žádný swap ani jiné ujednání, kterým by byly převedeny na jinou osobu zcela nebo zčásti jakékoli hospodářské důsledky vlastnictví Akcií, at' již by jakákoli taková transakce popsána výše v ustanoveních (i) nebo (ii) měla být vypořádána dodáním Akcií nebo jiných takových cenných papírů, v hotovosti nebo jiným způsobem, s výjimkou Nových

akcií, které mají být vydány v Kombinované nabídce; a to za předpokladu, že Erste Group Bank je oprávněna (i) poskytnout opce zaměstnancům a managementu a vydat Akcie na základě uplatnění poskytnutých opcí v souladu se stávajícími opčními plány na akcie pro zaměstnance a management, jak jsou popsány v Prospektu, (ii) kupovat a prodávat Akcie a vydávat a obchodovat opce na Akcie na Vídeňské burze, Pražské burze nebo Bukurešťské burze v rámci jejích obvyklých makléřských a bankovních činností, (iii) vydávat Akcie pouze za účelem nabytí nebo zvýšení účasti v jiných spořitelnách a (iv) vydávat preferenční akcie prostřednictvím zahraniční dceřiné společnosti za účelem zvýšení kapitálu tier 1 nebo hybridního kapitálu, jak je definován v Zákoně o bankách [Banking Act].

Před uplynutím 180 dní od data uzavření Smlouvy o úpisu Erste Stiftung bez předchozího souhlasu společností Goldman Sachs International a J.P. Morgan Securities Ltd. (i) nenabídne, nezastaví, neoznámí záměr prodat, neprodá, neuzavře smlouvu o prodeji, neprodá jakoukoli opci ani neuzavře smlouvu o koupi jakékoli opce, neposkytne jakoukoli opci, právo nebo záruku koupě nebo jiného převodu, ani nebude nakládat přímo nebo nepřímo s jakýmkoli Akciemi či jakýmkoliv cennými papíry, které lze převést na Akcie, uplatnit je jako Akcie nebo je za Akcie vyměnit, ani (ii) neuzavře žádný swap ani jiné ujednání, kterým převádí na jinou osobu zcela nebo zčásti jakékoli hospodářské důsledky vlastnictví Akcií, ať již by jakákoli taková transakce popsaná výše v ustanoveních v ustanoveních (i) nebo (ii) měla být vypořádána dodáním Akcií nebo jiných takových cenných papírů, v hotovosti nebo jiným způsobem.

#### **Použití výnosů**

Na základě přepokládané Nabídkové ceny ve výši 27,50 EUR, představující uzavírací kurs Akcií na Vídeňské burze dne 29. října 2009, Erste Group Bank očekává, že za předpokladu vydání všech Nových akcií dosáhnou maximální čisté výnosy z Kombinované nabídky 1 650 milionů EUR po odečtení daně z kapitálových vkladů, odhadovaných upisovacích slev a provizí a nákladů nabídky splatných ze strany Erste Group Bank.

Erste Group Bank plánuje použít čisté výnosy z Kombinované nabídky k posílení kapitálové základny Erste Group Bank a ke zvýšení finanční flexibility Erste Group Bank. Viz „Background of the Combined Offering and use of proceeds“.

#### **Dividendy**

Nové akcie nesou plná práva na výplatu dividendy od finančního roku začínajícího 1. lednem 2009, včetně tohoto roku.

#### **Hlasovací práva**

Držitelé akcií jsou oprávněni uplatnit jeden hlas na jednu Akcii.

#### **Srážková daň**

Dividendy placené ze strany Erste Group Bank podléhají rakouské srážkové dani (současná sazba činí 25 %). Snížená sazba srážkové daně se vztahuje na určité osoby, které nejsou rakouskými rezidenty a mají právo na toto snížení na základě smlouvy o zamezení dvojího zdanění. Viz „Taxation“.

#### **Platba za Nové akcie**

Dodání Nových akcií se očekává oproti platbě v okamžitě použitelných peněžních prostředcích dne 20. listopadu 2009 nebo v období kolem tohoto data. Předpokládá se, že Nové akcie budou připraveny k dodání v zaknihované podobě

prostřednictvím OeKB a k úschově u depository Clearstream, Euroclear nebo CDCP dne 20. listopadu 2009 nebo v období kolem tohoto data. Upisovatelé a nabyvatelé Nových akcií nebudou oprávněni obdržet jednotlivé akcie v listinné podobě.

**Identifikační čísla cenných papírů**

	<b>Stávající akcie a Nové akcie</b>	<b>Upisovací práva</b>
	ISIN . . . .	AT 0000652011
		AT 0000A0FNR6
<b>Reuters Symbol</b>	ERST.VI (Viedeňská burza)	
	ERSTsp.PR (Pražská burza)	
	ERST.BX (Bukurešťská burza)	
<b>Bloomberg Symbol</b>	EBS:AV (Viedeňská burza)	
	RBAG:CP (Pražská burza)	
	EBS:RO (Bukurešťská burza)	

## Shrnutí rizikových faktorů

*Před učiněním jakéhokoli investičního rozhodnutí ohledně Nových akcií by měli potenciální investoři nejprve pečlivě zvážit níže uvedená rizika a věnovat pozornost i ostatním informacím obsaženým v tomto Prospektu. Každé z rizik uvedených níže může mít podstatný nepříznivý vliv na obchodní činnost Erste Group Bank, na její provoz, finanční situaci, provozní výsledky, likviditu a/nebo budoucí vývoj. Navíc každé z rizik uvedených níže může nepříznivě ovlivnit cenu, za kterou jsou Nové akcie obchodovány, důsledkem čehož mohou investoři ztratit část své investice nebo celou svoji investici.*

*Potenciální investoři by měli vzít na vědomí, že níže uvedená rizika nejsou jedinými riziky, jimž musí Erste Group čelit. Erste Group Bank popsala pouze rizika vztahující se k její obchodní činnosti, transakcím, finanční situaci, provozním výsledkům, likviditě nebo budoucímu vývoji, která považuje za podstatná a kterých si je aktuálně vědoma. Mohou existovat dodatečná rizika, která Erste Group Bank v současné době nepovažuje za podstatná nebo kterých si v současné době není vědoma a kterékoli z těchto rizik může mít výše popsané důsledky.*

### Faktory, které mohou ovlivnit obchodní činnost erste group

- Globální finanční a ekonomická krize podstatně nepříznivě ovlivnila Erste Group a trhy, na nichž působí a pravděpodobně bude mít negativní dopady tak dlouho, dokud přetrvávají náročné tržní podmínky.
- Důsledkem finanční krize a současného ekonomického poklesu pro Erste Bank je zhoršení kvality poskytnutých úvěrů.
- Platební neschopnost protistran může vést ke ztrátám, které převyšují opravné položky Erste Group a maximální pravděpodobné ztráty předvídané postupy řízení rizik Erste Group.
- Erste Group je vystavena klesající hodnotě zástav zajišťujících komerční úvěry a hypotéky.
- Tržní fluktuace a volatilita mohou negativně ovlivnit hodnotu pozic Erste Group, snížit její ziskovost a ztížit reálné ocenění některých jejích aktiv.
- V průběhu roku 2009 zaznamenala Erste Group významný vzrůst zisků z obchodování na finančních trzích, které nemusí být v budoucích obdobích udržitelné.
- Erste Group je vystavena riziku, že likvidita nebude snadno dostupná a toto riziko je zvýšeno současnými podmínkami na globálních finančních trzích.
- Existuje riziko, že ratingová agentura může přerušit, snížit či ukončit hodnocení společnosti Erste Group Bank nebo země, kde Erste Group Bank působí a že takový postup může negativně ovlivnit podmínky refinancování pro Erste Group Bank, zejména pokud jde o její přístup k trhu dluhopisů.
- Nové vládní nebo regulatorní požadavky a změny v předpokládaných úrovních kapitálové přiměřenosti a poměru zadlužení mohou znamenat, že Erste Group bude podléhat vyšším kapitálovým požadavkům nebo standardům a bude nucena zajistit si v budoucnosti dodatečný kapitál.
- Strategie a procesy řízení rizik Erste Group jí mohou ponechat vystavenou neidentifikovaným nebo neočekávaným rizikům.
- Erste Group Bank čelí významným provozním rizikům, která jsou bankovnímu podnikání vlastní.
- Změny v účetních metodách nebo standardech Erste Group mohou podstatně ovlivnit způsob vykazování její finanční situace a provozních výsledků.
- Odstoupení nebo ztráta klíčových zaměstnanců mohou nepříznivě ovlivnit schopnost Erste Group provádět její strategii.

- Erste Group může mít potíže s náborem či udržením kvalifikovaných zaměstnanců.
- Erste Group je čím dál více závislá na sofistikovaných systémech informačních technologií.
- Erste Group Bank může být nucena poskytnout finanční podporu ohroženým bankám ze spolku Haftungsverbund, což může vést k významným nákladům a přesměrování zdrojů z jiných činností.
- Erste Group může být nucena účastnit se vládních podpůrných programů pro úvěrové instituce nebo je financovat.
- Erste Group je vystavena rizikům úrokových sazeb a úrokového rozpětí.
- Protože velká část provozu, aktiv a klientů Erste Group Bank a Erste Group je situována v zemích CEE, které nejsou součástí Eurozóny, jsou Erste Group Bank a její klienti vystaveni kurzovým rizikům.
- Erste Group by mohla být nucena dále odepisovat hodnotu goodwillu a souvisejícího nehmotného investičního majetku vykazovanou v rozvaze, která vzešla z předchozích akvizic.
- Změna zajišťovacích standardů Evropské centrální banky může negativně ovlivnit financování Erste Group Bank a její přístup k likviditě.
- Erste Group působí na vysoce konkurenčních trzích a konkuruje velkým mezinárodním finančním institucím, jakož i zavedeným místním konkurentům.
- Hlavní akcionář Erste Group Bank může být schopen ovládat jednání akcionářů.
- Smluvní ujednání s Rakouskou republikou mohou ovlivnit obchodní činnost Erste Group Bank a Erste Bank Oesterreich.
- Změny legislativy nebo regulací v zemích, v nichž Erste Group působí, mohou mít podstatný dopad na její obchodní činnost, finanční situaci a provozní výsledky.

#### **Faktory, které mohou ovlivnit trhy, na kterých erste group působí**

- Hospodářský nebo politický vývoj v CEE nebo pokles rakouského hospodářství mohou mít podstatný nepříznivý vliv na podnikání Erste Group.
- Zahraniční banky by mohly omezit financování svých dceřiných společností v CEE.
- Existuje riziko, že přislíbené prostředky od EU nebudou uvolněny a/nebo nebudou přijaty žádné další pomocné programy.
- Úpadky bank.
- Negativní efekty vážných likviditních problémů některých zemí v CEE na celý region CEE.
- Existuje riziko, že vlády v zemích, kde působí Erste Group, budou reagovat na současnou finanční a hospodářskou krizi zvýšeným protekcionismem, znárodňováním nebo podobnými opatřeními.
- Erste Group může být nepříznivě zasažena pomalejším růstem nebo recesí na bankovních trzích, kde působí a/nebo pomalejším rozšiřováním Eurozóny a EU.
- Právní systémy a procesní záruky v mnoha zemích CEE a zejména ve východoevropských zemích nejsou zatím plně rozvinuty.
- Platné insolvenční zákony a jiné zákony a předpisy upravující práva věřitelů v různých zemích CEE mohou omezovat schopnost Erste Group získat platby z nesplácených úvěrů.

- Dodržování pravidel boje proti praní špinavých peněz, korupci a proti financování terorismu znamená vynaložení značných prostředků a úsilí a jejich nedodržování může mít závažné právní a reputační následky.
- Změny v zákonech na ochranu spotřebitele mohou omezit poplatky, které Erste Group může účtovat za určité bankovní transakce.

#### **Faktory, které mohou ovlivnit kombinovanou nabídku a nové akcie**

- Cena Akcií může kolísat.
- Akcionáři, kteří se rozhodnou neúčastnit se Kombinované nabídky, utrpí zředění jejich podílu v Erste Group Bank.
- Budoucí prodeje nebo převody akcií Erste Group Bank hlavními akcionáři by mohly snížit tržní cenu Nových akcií.
- Schopnost Erste Group Bank platit dividendy z Akcií bude záviset na dostupnosti rozdělitelných zisků.
- Práva akcionářů rakouské společnosti mohou být odlišná od práv akcionářů ve společnosti založené podle jiného právního řádu.
- Přerušování obchodování s Akciemi by mohlo nepříznivě ovlivnit cenu akcií.
- Určití akcionáři nemusí být schopni účastnit se nabídek úpisů akcií na základě Upisovacích práv.
- Smlouva o úpisu uzavřená mezi Erste Group Bank a Manažery se řídí obvyklými podmínkami.
- Erste Group Bank podléhá postupně se zvyšujícím sazbám dividendových plateb z Účastnických cenných papírů.
- Účastnické cenné papíry jsou bez splatnosti a mohou být ze strany Erste Group Bank splaceny pouze za určitých okolností.
- Likvidační výnosy budou rozděleny mezi držitele Účastnických cenných papírů a akcionáře.

Pro další podrobnosti o rizikových faktorech viz část „Risk Factors“.

## Souhrnné finanční a jiné údaje

Souhrnné finanční a jiné údaje uvedené níže jsou odvozeny z konsolidovaných finančních výkazů Erste Group zahrnutých do tohoto Prospektu odkazem a sestavených v souladu s IFRS. Viz části „General Information—Presentation of Financial Information“ a „Management’s Discussion and Analysis of Financial Condition and Results of Operations“. Menšinové účasti zahrnují, mimo jiné, určité spořitelny, v nichž Erste Group Bank drží menšinovou účast či žádnou účast, ale nad nimiž vykonává kontrolu prostřednictvím spolku Haftungsverbund. V roce 2008 Erste Group vykázala ukončení některých činností, což vedlo k úpravě výkazu zisku a ztráty za rok 2007.

### Rozvaha

v milionech EUR	K 30. září	K 31. prosinci		
	2009	2008	2007	2006
	neauditováno	auditováno	auditováno	auditováno
<b>Aktiva</b>				
Úvěry a půjčky úvěrovým institucím . . . . .	13 938	14 344	14 937	16 616
Úvěry a půjčky klientům . . . . .	129 954	126 185	113 956	97 107
Opravné položky k úvěrům a půjčkám . . . . .	(4 713)	(3 783)	(3 296)	(3 133)
Obchodní a jiná finanční aktiva <sup>(1)</sup> . . . . .	42 491*	41 770*	44 214*	42 497*
Jiná aktiva <sup>(2)</sup> . . . . .	21 883*	22 925*	30 708*	28 616*
<b>Celková aktiva . . . . .</b>	<b>203 553</b>	<b>201 441</b>	<b>200 519</b>	<b>181 703</b>
<b>Pasiva a vlastní kapitál</b>				
Vklady bank . . . . .	26 920	34 672	35 165	37 688
Vklady klientů . . . . .	113 317	109 305	100 116	90 849
Vydávané dluhové cenné papíry a podřízené závazky . . . . .	36 615*	36 530*	36 667*	27 024*
Jiné závazky <sup>(3)</sup> . . . . .	12 618*	9 839*	17 168*	15 238*
Vlastní kapitál . . . . .	10 667	8 079	8 452	7 979
z toho podílový kapitál <sup>(4)</sup> . . . . .	1 760	—	—	—
Menšinové účasti . . . . .	3 416	3 016	2 951	2 925
<b>Celková pasiva a vlastní kapitál . . . . .</b>	<b>203 553</b>	<b>201 441</b>	<b>200 519</b>	<b>181 703</b>

Zdroj: Auditované konsolidované účetní závěrky Erste Group Bank pro finanční roky končící 31. prosince 2008, 31. prosince 2007 a 31. prosince 2006 a neauditované mezitímní konsolidované účetní závěrky Erste Group Bank za devět měsíců končících 30. zářím 2009, s výjimkou údajů označených \*, založených na interních výpočtech nebo informacích Erste Group Bank.

- (1) Obchodní a jiná finanční aktiva jsou mezisoučtem řádkových položek obchodní aktiva, finanční aktiva oceněná reálnou hodnotou (fair value) prostřednictvím zisku nebo ztráty, realizovatelná finanční aktiva, a finanční aktiva držená do splatnosti.
- (2) Jiná aktiva jsou mezisoučtem řádkových položek hotovost a zůstatky u centrálních bank, investic pojišťoven, držby majetkových účastí v přidružených společnostech konsolidovaných metodou ekvivalence, nehmotná aktiva, hmotný majetek a vybavení, daňová aktiva, aktiva držená za účelem prodeje a ostatní aktiva.
- (3) Jiné závazky jsou mezisoučtem řádkových položek obchodní závazky, pojistně technické rezervy, jiné rezervy, daňové závazky, závazky související s aktivy drženými za účelem prodeje a ostatní závazky.
- (4) Podílový kapitál podle § 23 odstavce 4 bankovního zákona [Banking Act] očištěný o výdaje spojené se získáváním kapitálu ve výši 4 miliony EUR.

## Výkaz zisku a ztráty

v milionech EUR	Za devět měsíců končících 30. zářím		Za rok končící 31. prosincem			
	2009	2008	2008	2007	2007	2006
	neaudito- váno	neaudito- váno	audito- váno	překlasifi- kováno auditováno	audito- váno	audito- váno
Čisté úrokové výnosy .....	3 840,9	3 573,3	4 913,1	3 945,8	3 945,8	3 189,3
Provozní výnosy <sup>(1)</sup> .....	5 657,2	5 247,2	6 998,9	6 154,8	6 189,8	4 948,9
Všeobecné provozní náklady ....	(2 880,3)	(3 053,7)	(4 001,9)	(3 642,1)	(3 642,1)	(2 945,3)
Provozní výsledek <sup>(2)</sup> .....	2 776,9	2 193,5	2 997,0	2 512,7	2 547,7	2 003,6
Zisk před zdaněním za období <sup>(3)</sup> .....	1 077,9	1 321,8	576,2	1 892,6	1 927,6	1 522,2
Zisk po zdanění z ukončených činností .....	0	610,2	639,7	28,4	n.a.	n.a.
Čistý zisk před menšinovými účastmi <sup>(4)</sup> .....	808,3	1 667,6	1 038,6	1 550,0	1 550,0	1 182,4
<b>Čistý zisk po menšinových účastech .....</b>	<b>720,1</b>	<b>1 463,0</b>	<b>859,6</b>	<b>1 174,7</b>	<b>1 174,7</b>	<b>932,2</b>

Zdroj: Auditované konsolidované účetní závěrky Erste Group Bank pro finanční roky končící 31. prosince 2008, 31. prosince 2007 a 31. prosince 2006 a neauditované mezitímní konsolidované účetní závěrky Erste Group Bank za devět měsíců končících 30. zářím 2009.

## Klíčové poměrové ukazatele

	Za devět měsíců končících 30. zářím		Za rok končící 31. prosincem			
	2009	2008	2008	2007	2007	2006
	neaudito- váno	neaudito- váno	audito- váno	překlasifi- kováno auditováno	audito- váno	audito- váno
Výnos z vlastního kapitálu (ROE) <sup>(5)</sup> .....	10,3%	21,7%	9,6%	14,1%	14,1%	13,7%
Poměr nákladů a výnosů <sup>(6)</sup> .....	50,9%	58,2%	57,2%	59,2%	58,8%	59,5%
Náklady na rizika <sup>(7)</sup> .....	1,51%	0,67%	0,88%	0,44%	0,44%	0,50%
Kapitál Tier-1 (po regulatorních odpočtech) <sup>(8)</sup> .....	9 173	6 932	7 448	6 674	6 674	6 185
Kmenový kapitál tier-1 (po regulatorních odpočtech) <sup>(9)</sup> ...	7 996	5 690	6 192	5 427	5 427	4 935
Poměr Tier-1–úvěrové riziko <sup>(10)</sup> .....	8,6%	6,6%	7,2%	7,0%	7,0%	6,6%
Poměr kmenového kapitálu tier-1–celkové riziko <sup>(11)</sup> .....	6,5%	4,7%	5,2%	5,0%	5,0%	5,0%
Poměr Tier-1–celkové riziko <sup>(12)</sup> ..	7,4%	5,8%	6,2%	6,1%	6,1%	6,2%
Poměr solventnosti <sup>(13)</sup> .....	10,9%	9,2%	9,8%	10,1%	10,1%	10,2%

Zdroj: Auditované konsolidované účetní závěrky Erste Group Bank pro finanční roky končící 31. prosince 2008, 31. prosince 2007 a 31. prosince 2006 a neauditované mezitímní konsolidované účetní závěrky Erste Group Bank za devět měsíců končících 30. zářím 2009, s výjimkou údajů vykázaných u položek „Kmenový kapitál Tier-1 (po regulatorních odpočtech)“, „Poměr kmenového tier-1–celkové riziko“ a „Poměr Tier-1–celkové riziko“, které jsou založené na interních výpočtech nebo informacích Erste Group Bank.

- (1) Provozní výnosy zahrnují čistý úrokový výnos, čistý výnos z provizí a poplatků, čistý výsledek obchodování a výnos z pojišťovacího podnikání v roce 2006 a 2007, kde nejsou uvedeny ukončené činnosti.
- (2) Provozní výsledek odpovídá provozním výnosům po odečtení obecných správních nákladů.
- (3) V roce 2008, kdy jsou uvedeny ukončené činnosti, je toto zisk před zdaněním z pokračujících činností.
- (4) V roce 2008, kdy jsou uvedeny ukončené činnosti, zahrnuje zisk jak z pokračujících, tak z ukončených činností.
- (5) Výnos z vlastního kapitálu je poměr anualizovaného zisku za příslušné účetní období po zdanění a menšinových účastech k průměrnému vlastnímu kapitálu (na měsíčním základě), včetně podílového kapitálu.
- (6) Poměr nákladů a výnosů je poměr provozních nákladů (všeobecných administrativních nákladů) k provozním výnosům (součtu čistého úrokového výnosu, čistého výnosu z provizí a poplatků, čistého výsledku obchodování a výnosu z pojišťovacího podnikání v roce 2006 a 2007, kde nejsou uvedeny ukončené činnosti).

- (7) Náklady na rizika jsou anualizovaná čistá přidělení do opravných položek ve vztahu k průměrné výši klientských úvěrů (na čtvrtletním základě).
- (8) Tier-1 kapitál je tier-1 kapitál (včetně hybridního kapitálu podle § 24 odstavce 2 bodů 5 a 6 bankovního zákona [Banking Act]) po odpočtech v milionech EUR.
- (9) Kmenový tier-1 kapitál je tier-1 kapitál (bez hybridního kapitálu podle § 24 odstavce 2 bodů 5 a 6 bankovního zákona [Banking Act]) po regulatorních odpočtech v milionech EUR.
- (10) Poměr Tier-1 -úvěrové riziko je poměr kapitálu tier-1 (včetně hybridního kapitálu podle § 24 odstavce 2 bodů 5 a 6 bankovního zákona [Banking Act]), po regulatorních odpočtech, k rizikově váženým aktivům podle § 22 odstavce 2 bankovního zákona [Banking Act]
- (11) Poměr kmenového kapitálu (tier-1) -celkové riziko je poměr kmenového kapitálu tier 1 (bez hybridního kapitálu dle § 24 odstavce 2 bodů 5 a 6 bankovního zákona [Banking Act]) po regulatorních odpočtech, k výpočtovému základu pro kapitálový požadavek podle § 22 odstavce 1 bankovního zákona [Banking Act].
- (12) Poměr Tier-1 -celkové riziko je poměr kmenového kapitálu tier 1 (včetně hybridního kapitálu dle § 24 odstavce 2 bodů 5 a 6 bankovního zákona [Banking Act]) po regulatorních odpočtech, k výpočtovému základu pro kapitálový požadavek podle § 22 odstavce 1 bankovního zákona [Banking Act].
- (13) Poměr solventnosti je poměr součtu kapitálu tier-1, tier-2 a tier-3, po regulatorních odpočtech, k výpočtovému základu pro kapitálový požadavek podle § 22 odstavce 1 bankovního zákona [Banking Act].

## **Annex 3—Romanian translation of the summary**

The following translation of the original summary is a separate document attached to the Prospectus. It does not form part of the Prospectus itself and has not been approved by the FMA. Further, the FMA did not review its consistency with the original summary.

Traducerea de mai jos a sumarului original este un document separat atașat Prospectului. Aceasta nu face parte din Prospect și nu a fost aprobată de către FMA. De asemenea, FMA nu a verificat corespondența dintre aceasta traducere și sumarul original.

## Sumarul Prospectului

*Acest sumar trebuie citit ca o sinteză la prezentul Prospect. Orice decizie de a investi în Noi Acțiuni trebuie să se fundamenteze pe analiza Prospectului în integralitatea sa, inclusiv a documentelor la care Prospectul face trimitere, fiind astfel încorporate în Prospect, precum și pe analiza riscurilor aferente unei investiții în Noi Acțiuni, după cum sunt acestea prezentate în secțiunea „Factori de Risc”. Prezentul sumar nu are caracter exhaustiv și nu cuprinde toate informațiile de care investitorii trebuie să țină cont în luarea unei decizii de investiție în Noi Acțiuni.*

*Răspunderea civilă a Erste Group Bank nu va putea fi angajată în baza prezentului Sumar al Prospectului, inclusiv în baza Sumarului Ofertei Combinate, a Sumarului Factorilor de Risc și a Sumarului Informațiilor Financiare și al Altor Informații, decât în condițiile în care acest sumar induce în eroare, este incorect sau conține prevederi contradictorii atunci când este citit împreună cu alte secțiuni ale acestui Prospect. În cazul în care sunt introduse cereri în fața unei instanțe dintr-un stat din Spațiul Economic European, cu privire la informații cuprinse în acest Prospect, aplicarea legislației naționale a statului în care este introdusă cererea respectivă poate impune ca reclamantul să suporte costurile traducerii prezentului Prospect înainte de începerea procedurilor în justiție. În cazul în care o astfel de cerere este introdusă în fața unei instanțe din Austria, traducerea în limba germană a prezentului Prospect ar putea fi necesară, iar costurile aferente vor trebui să fie suportate inițial de către investitorul acționând în calitate de reclamant, acestea fiind ulterior rambursate, integral sau parțial, de către cealaltă parte sau celelalte părți din cadrul procedurilor respective, doar dacă investitorul reclamant obține câștig de cauză în procedurile respective.*

### Grupul Erste

Societatea mamă a Grupului Erste, Erste Group Bank este cea mai veche bancă de economii din Austria. Grupul Erste este unul dintre principalele grupuri bancare orientate spre servicii bancare de tip retail de pe piața sa internă extinsă, care include Austria și țările din Europa Centrală și de Est—în special Republica Cehă, România, Slovacia, Ungaria, Croația, Serbia și Ucraina (Sursa: informații interne ale Grupului Erste). La 30 septembrie 2009, Grupul Erste avea aproximativ 17,5 milioane de clienți. De asemenea, Grupul Erste include în prezent băncile de economii austriece care, conform Standardelor Internaționale de Raportare Financiară (IFRS), trebuie să fie incluse în bilanțul consolidat al Grupului Erste în virtutea statutului lor de membri ai Haftungsverbund și la care Erste Group Bank fie deține o participație minoritară, fie nu deține niciun fel de participație de capital.

Grupul Erste este unul dintre cele mai mari grupuri bancare din Austria (luând în considerare valoarea totală a activelor), deținând active totale la nivel consolidat în valoare de 201,4 miliarde EUR la data de 31 decembrie 2008 și respectiv de 203,6 miliarde EUR la data de 30 septembrie 2009, aceste valori reflectă consolidarea băncilor de economii, conform acordului Haftungsverbund. Grupul Erste oferă o gamă completă de servicii bancare și financiare, incluzând constituirea de depozite, acordarea de credite, inclusiv credite ipotecare, servicii de investment banking, tranzacționarea de valori mobiliare și instrumente financiare derivate (în nume propriu și pentru clienții săi), gestiune de portofolii, intermediere în asigurări, finanțare de proiecte, finanțare comercială internațională, corporate finance, servicii aferente pieței de capital și pieței monetare, schimb valutar, leasing și factoring.

La 30 septembrie 2009, Grupul Erste avea în jur de 3.185 de sucursale și 51.012 de angajați în întreaga lume. Grupul Erste își concentrează activitatea pe piața sa internă extinsă din Europa Centrală și de Est, însă este de asemenea activă și în marile centre financiare ale lumii, precum New York, Londra și Hong Kong.

## Motivarea Ofertei Combinate

Grupul Erste are o experiență îndelungată în menținerea adecvării capitalului la un nivel mult mai mare decât nivelurile minime stabilite de autoritățile de reglementare. Consiliul Director consideră consolidarea proactivă a poziției capitalului Erste Group Bank drept o măsură prudentă și în interesul tuturor acționarilor Erste Group Bank.

Prin Oferta Combinată, Grupul Erste intenționează să realizeze următoarele:

- *Creșterea în continuare a indicilor de capital și îmbunătățirea structurii capitalului.* Oferta Combinată va permite Grupului Erste să își îmbunătățească structura capitalului prin creșterea porțiunii reprezentată de capitalul de bază de rang 1 (*core tier-1 capital*) de calitate superioară. Erste Group Bank a strâns deja în prima jumătate a anului 2009 1,764 miliarde EUR de capital de participare eligibil ca și capital de baza de rang-1, din care 1,224 miliarde EUR au fost emise către Republica Austria și o sumă adițională de 540 milioane EUR a fost subscrisă de către investitori privați în aceleași condiții. În loc să mai emită capital hibrid suplimentar sponsorizat de guvern, Erste Group Bank intenționează să strângă capital direct de pe piețele publice prin intermediul Ofertei Combinate, ceea ce va duce la creșterea capitalului de bază de rang-1 și a capitalului de rang-1.
- *Flexibilitatea de a răspunde unor potențiale noi cerințe legale ale indicilor de capital, sau unor modificări ale acestora, precum și satisfacerea așteptărilor pieții în sensul unor niveluri mai mari de capital în sectorul bancar.* S-a constatat o schimbare în așteptările autorităților de reglementare și ale investitorilor care vizează niveluri mai mari de capital și reducerea gradului de îndatorare (*leverage*) în sectorul bancar, datorită unei percepții sporite a riscului. Acest lucru se reflectă la nivelul activității recente de atragere de capital inițiate de instituțiile financiare din Europa și S.U.A. Capitalul de bază de rang-1 suplimentar obținut în temeiul Ofertei Combinate va îmbunătăți capacitatea Erste Group Bank de a îndeplini posibile viitoare cerințe ale autorităților de reglementare sau ale piețelor financiare de a crește indicii de capital.
- *Asigurarea resurselor financiare pentru finanțarea dezvoltării viitoare în Europa Centrală și de Est.* Previziunile existente cu privire la PIB-ul real sugerează o recuperare mai rapidă în țările din Europa Centrală și de Est, cu rate de creștere ale PIB-ului real mai puternice în 2010, și apoi comparabile cu cele din UE-15. Dezvoltarea piețelor bancare din Europa Centrală și de Est ar trebui să continue să beneficieze de pe urma nivelurilor mai scăzute de intermediere financiară decât cele înregistrate în prezent pe piețe mai dezvoltate, cum ar fi UE-15. Oferta Combinată va oferi resursele financiare necesare Erste Grup pentru finanțarea creșterii viitoare pe piețele din Europa Centrală și de Est.

## Avantaje Competitive

Grupul Erste consideră că are, în special, următoarele avantaje competitive:

- Poziții de piață de top în domeniul bancar de retail și IMM
- Model de afaceri viabil și rezilient
- Marcă de renume
- Operarea pe piețele Europei Centrale și de Est cu nivele scăzute ale PIB și ale activității bancare

## Strategia Grupului Erste

Obiectivul Grupului Erste este acela de a fi principalul furnizor de servicii financiare orientat spre operațiuni bancare de retail și IMM-uri, din Austria și din Europa Centrală și de Est. Poziționarea strategică a Grupului Erste a fost conturată prin strategiile sale de bază, care au fost urmate încă de la oferta sa publică inițială din 1997.

### Axarea pe servicii bancare de tip retail și IMM-uri

Activitățile bancare de retail și IMM-uri reprezintă o strategie de afaceri de bază bine-definită cu o importanță majoră pentru activitatea Grupului Erste. Activitățile bancare de retail și IMM-uri sunt atractive pentru Grupul Erste din mai multe motive: oferă un model de afaceri convingător construit în jurul pozițiilor de lider al acestui segment de piață din Austria și un număr de țări din Europa Centrală și de Est, un profil favorabil de risc/rendament și posibilitatea de auto-finanțare; o ofertă de produse variată, acoperind produse simple și care pot fi ușor de înțeles cu un potențial ridicat de vânzare încrucișată (*cross selling*) precum și oportunitatea de a opera pe piețe care sunt bine diversificate atât din punct de vedere geografic cât și în ceea ce privește maturitatea. Pe scurt, modelul activității bancare de retail și IMM-uri al Grupului Erste permite o creștere durabilă, profitabilă și din fonduri proprii, chiar și în perioade economice mai dificile.

### Axarea pe operațiunile din Europa Centrală și de Est

Inițial, Grupul Erste și-a stabilit ca piață internă extinsă teritoriul țărilor din Europa Centrală aflate în vecinătatea Austriei. În următoarea fază a dezvoltării sale strategice, Grupul Erste și-a extins piața internă la regiunile adiacente (incluzând țările potențial candidate la UE din Europa de Est și Sud-Est). În prezent, grupul deține filiale operaționale importante în Republica Cehă, România, Slovacia, Ungaria și Croația. Grupul Erste consideră că principala condiție pentru a reuși în domeniul serviciilor bancare de retail și IMM în această regiune este o prezență puternică pe piață. Prin urmare, Grupul Erste nu intenționează să își modifice acest obiectiv strategic ca urmare a actualei crize internaționale financiare și economice, întrucât consideră că această strategie oferă un potențial de creștere pe termen lung important și care poate fi susținut în viitor.

### Axarea pe eficiență

Obiectivul Grupului Erste de a eficientiza colaborarea la nivelul grupului reprezintă un efect direct al dezvoltării sale rapide. De asemenea, acest obiectiv reflectă conștientizarea faptului că anumite sarcini sunt îndeplinite mai eficient printr-o abordare standardizată, la nivel de grup, în timp ce eforturile de promovare a vânzărilor pot fi gestionate mai bine la nivel local.

Pe baza implementării Structurii de Guvernanță a Grupului Erste (a se vedea secțiunea „Descrierea Activității Grupului Erste—Structura de Guvernanță a Grupului”), această strategie de bază urmărește elaborarea unor inițiative la nivel de grup, pentru valorificarea sinergiilor.

## Sumarul Ofertei Combinate

<b>Oferta Combinată</b>	Oferta Combinată, cuprinzând Oferta de Drepturi și Oferta Globală, reprezintă aproximativ 18,87% din actualul capital social emis al Erste Group Bank (înainte de înregistrarea majorării capitalului la Registrul Societăților). Oferta Combinată poate înceta în anumite condiții în orice moment, inclusiv în ceea ce privește Drepturile de Subscriere deja exercitate.
<b>Oferta de Drepturi</b>	Erste Group Bank oferă acționarilor săi existenți (la data de 30 octombrie 2009, 24:00, ora Vienei) și deținătorilor de Drepturi de Subscriere un număr maxim de 60 de milioane Noi Acțiuni, la Prețul de Subscriere, acordându-se 3 Noi Acțiuni pentru fiecare 16 Acțiuni Existente sau Drepturi de Subscriere deținute. În ceea ce privește Oferta de Drepturi, Noile Acțiunile pot fi subscrise doar în multipli de 3.
<b>Oferta Globală</b>	Noile Acțiunile pentru care nu sunt exercitate Drepturi de Subscriere în cadrul Ofertei de Drepturi vor fi oferite în cadrul Ofertei Globale. Oferta Globală constă din (i) o ofertă publică adresată investitorilor de retail și investitorilor instituționali din Austria, Republica Cehă și România, (ii) un plasament privat în Statele Unite pentru Cumpărătorii Instituționali Calificați (QIBs) în temeiul Regulii 144A din Legea Valorilor Mobiliare și (iii) un plasament privat pentru anumiți investitori instituționali calificați din alte țări decât Austria, Republica Cehă, România și Statele Unite, în conformitate cu Regulamentului S din Legea Valorilor Mobiliare.
<b>Alocare Preferențială Pentru Investitorii de Retail</b>	În cadrul ofertei publice din Austria, Republica Cehă și România, investitorii individuali privați din Austria, Republica Cehă și România beneficiază de alocare preferențială în Oferta Globală. Pentru cei care depun ordinele lor de cumpărare pentru Noile Acțiuni la Erste Bank Oesterreich, la Băncile de Economii, la ecetra Central European e-Finance AG (brokerjet.at), Česká spořitelna, brokerjet České spořitelny (brokerjet.cz) sau BCR se va garanta alocarea preferențială a unui număr de maxim 700 de Noi Acțiuni, sub condiția ca acestea să rămână disponibile după exercitarea Drepturilor de Subscriere.
<b>Noile Acțiuni</b>	Un număr de maxim 60 de milioane noi acțiuni ordinare la purtător, fără valoare nominală, cu drept de vot ale Erste Group Bank, cu o valoare noțională calculată de 2,00 EUR fiecare, cu cupon nr. 24 atașat.
<b>Perioada de Subscriere și Perioada Ofertei</b>	Perioada în care acționarii Erste Group Bank și deținătorii Drepturilor de Subscriere pot subscrie pentru Noile Acțiuni (Perioada de Subscriere) va începe la data de 2 noiembrie 2009 și se va încheia la data sau în jurul datei de 16 noiembrie 2009. Perioada în care investitorii pot cumpăra Noi Acțiuni în cadrul Ofertei Globale (Perioada Ofertei) va începe la data de 2 noiembrie 2009 și se va termina la sau în jurul datei de 17 noiembrie 2009, 12:00, la prânz, ora Vienei.
<b>Prețul Maxim Aferent Subscrierii și Ofertei</b>	Prețul Maxim Aferent Subscrierii și Ofertei este de 32,00 EUR pentru fiecare Nouă Acțiune.

**Prețul Aferent Subscrierii și Ofertei**

Prețul de Subscriere va fi egal cu Prețul Ofertei. Prețul Aferent Subscrierii și Ofertei va fi stabilit de către Erste Group Bank, la data sau în jurul datei de 17 noiembrie 2009, prin consultare cu Joint Global Coordinators și Joint Bookrunners, la același nivel sau la un nivel mai mic decât Prețul Maxim Aferent Subscrierii și Ofertei. Prețul Aferent Subscrierii și Ofertei va fi anunțat și publicat, inclusiv printr-un anunț ad-hoc, în media în format electronic la data sau în jurul datei de 17 noiembrie 2009, după la FMA în conformitate cu prevederile Articolului 7 para. 5 din Legea Pieței de Capital la data sau în jurul datei de 18 noiembrie 2009 și va fi publicat cu promptitudine în Amtsblatt zur Wiener Zeitung (monitorul oficial al Austriei) la data sau în jurul datei de 18 noiembrie 2009.

**Drepturile de Subscriere**

Drepturile de subscriere la Noile Acțiuni Erste Group Bank vor purta numărul ISIN AT0000A0FNR6. 16 Drepturi de Subscriere conferă dreptul de subscriere la 3 Noi Acțiuni.

**Tranzacționarea Drepturilor**

Erste Group Bank nu va aplica pentru tranzacționarea Drepturilor de Subscriere la nicio bursă de valori.

**Exercitarea Drepturilor de Subscriere**

Drepturile de Subscriere pot fi exercitate pe parcursul Perioadei de Subscriere prin prezentarea cuponului nr. 23. Noile Acțiuni vor fi oferite în vederea subscrierii la Prețul de Subscriere, care va fi egal sau mai mic decât Prețul Maxim Aferent Subscrierii și Ofertei. Acționarii și deținătorii Drepturilor de Subscriere care nu doresc să își exercite Drepturile de Subscriere la Prețul Maxim Aferent Subscrierii și Ofertei, dar care emit un ordin de subscriere la un preț mai mic decât Prețul Maxim Aferent Subscrierii și Ofertei vor primi din partea Managerilor o alocare de Noi Acțiuni corespunzătoare numărului de Drepturi de Subscriere indicat în ordinul de subscriere, cu condiția ca limita de preț să nu fie mai mică decât Prețul de Subscriere final. În cazul în care limita de preț stabilită de deținător este mai mică decât Prețul de Subscriere, Drepturile de Subscriere vor expira fără a fi valorificate. Expirarea Drepturilor de Subscriere poate fi evitată prin emiterea unui ordin de subscriere fără menționarea unei limite de preț sau cu menționarea unei limite de preț egale cu Prețul Maxim Aferent Subscrierii și Ofertei. Drepturile de Subscriere expiră la data sau în jurul datei de 16 noiembrie 2009. Deținătorii Drepturilor de Subscriere deținute printr-o bancă depozitară membră a OeKB sau printr-o instituție financiară participantă la Euroclear, Clearstream sau CDCP își pot exercita Drepturile de Subscriere în baza unei dispoziții transmise băncii sau instituției financiare respective de a subscrie, în numele lor, la Noile Acțiuni. Investitorii care dețin Drepturi de Subscriere prin Depozitarul Central SA își pot exercita Drepturile lor de Subscriere în baza unei dispoziții transmise intermediarilor lor financiari (bancă custode / broker) care au calitatea de depozitari ai acțiunilor ce conferă Drepturi de Subscriere.

Criteria a anunțat ca își va exercita toate Drepturile sale de Subscriere, precum și toate Drepturile de Subscriere ale Erste Stiftung, pe care Criteria le-a achiziționat de la Erste Stiftung. Aceasta reprezintă în total aproximativ 36,2% din toate Drepturile de Subscriere din Oferta de Drepturi.

## **Exercitarea Drepturilor de Subscriere de către Acționarii din SUA**

Noile Acțiuni și Drepturile de Subscriere nu au fost și nu vor fi înregistrate în conformitate cu Legea Valorilor Mobiliare. Prin urmare, Drepturile de Subscriere nu pot fi exercitate de către o persoană sau în numele unei asemenea persoane, în Statele Unite, cu excepția cumpărătorilor instituționali calificați (după cum sunt aceștia definiți în Regula 144A). În cadrul Ofertei de Drepturi, Drepturile de Subscriere nu pot fi exercitate de către o persoană sau în numele unei persoane, în Statele Unite, cu excepția investitorilor QIB care au transmis o scrisoare de investitor QIB în forma prevăzută în Anexa 4 la prezentul document și care îndeplinesc celelalte cerințe descrise în acest Prospect. A se vedea „Oferta Combinată—Oferta de Drepturi”.

Deținătorii de ADR-uri, conform programului ADR al Erste Group Bank nu vor putea subscrie la Noile Acțiuni în baza acțiunilor ordinare reprezentate de aceste ADR-uri.

## **Listare**

Acțiunile Existente sunt listate la Bursa de Valori Viena, la Bursa de Valori Praga și la Bursa de Valori București și sunt tranzacționate prin sistemele de tranzacționare XETRA (Viena), SPAD (Praga) și ARENA Gateway (București). Prețurile în timp real pot fi reperate prin simbolurile Reuters ERST.VI (Viena), ERSTsp.PR (Praga) și ERST.BX (București) și prin simbolurile ticker Bloomberg EBS :AV (Viena), RBAG :CP (Praga) și EBS :RO (București). Erste Group Bank a aplicat pentru listarea Noilor Acțiuni pe Piața Oficială (*Amtlicher Handel*) a Bursei de Valori Viena, astfel încât se preconizează aprobarea listării Noilor Acțiuni și tranzacționarea acestora în segmentul Prime Market al Bursei de Valori Viena la data sau în jurul datei de 19 noiembrie 2009. Erste Group Bank a aplicat pentru listarea Noilor Acțiuni la Bursa de Valori Praga și la Bursa de Valori București, astfel încât se preconizează aprobarea listării Noilor Acțiuni și tranzacționarea acestora începând cu data sau în jurul datei de 19 noiembrie 2009.

## **Convenția de Blocare**

Pe o perioadă de 180 de zile de la data Contractului de Subscriere, Erste Group Bank și filialele la care acesta deține o participație majoritară, nu vor putea, fără aprobarea prealabilă a Goldman Sachs International și J.P. Morgan Securities Ltd. (i) să ofere, să constituie ca garanție, să anunțe intenția de a vinde, să vândă, să contracteze vânzarea, să vândă orice opțiune sau să contracteze cumpărarea oricărei opțiuni, să acorde o opțiune, un drept sau o garanție de cumpărare sau să transfere ori să înstrăineze în orice mod, direct sau indirect, Acțiuni sau alte titluri care pot fi convertite, sau exercitate sau schimbate în Acțiuni sau (ii) să încheie orice acord de swap sau orice alt acord prin care transferă, total sau parțial, orice efecte economice care decurg din proprietatea asupra Acțiunilor, indiferent dacă tranzacțiile menționate la punctele (i) și (ii) de mai sus presupune compensarea prin transmiterea de Acțiuni sau de orice astfel de titluri, în numerar sau în altă manieră, cu excepția Noilor Acțiuni care vor fi emise în cadrul Ofertei Combinată; sub rezerva că Erste Group Bank are dreptul (i) de a acorda opțiuni salariaților și management-ului și de a emite Acțiuni prin

exercitarea opțiunilor acordate salariaților și management-ului pe baza planurilor existente de opțiuni către salariați și management, după cum sunt acestea descrise în prezentul Prospect, (ii) de a cumpăra și de a vinde Acțiunile și de a emite și tranzacționa opțiuni privind Acțiunile, la Bursa de Valori Viena, la Bursa de Valori Praga și la Bursa de Valori București, în cursul curent al activității sale de brokerage și bancare, (iii) să emită Acțiuni doar în vederea achiziționării sau majorării participațiilor sale la alte bănci de economii și (iv) să emită acțiuni preferențiale prin intermediul unei filiale străine în scopul obținerii de capital de rang 1 (*tier 1*) sau de capital hibrid, după cum sunt acestea definite în Legea Bancară.

Pe o perioadă de 180 de zile de la data Contractului de Subscriere, Erste Stiftung nu va putea, fără aprobarea prealabilă a Goldman Sachs International și J.P. Morgan Securities Ltd. (i) să ofere, să constituie ca garanție, să anunțe intenția de a vinde, să vândă, să contracteze vânzarea, să vândă orice opțiune sau să contracteze cumpărarea oricărei opțiuni, să acorde o opțiune, un drept sau o garanție de cumpărare sau să transfere ori să înstrăineze în orice mod, direct sau indirect, Acțiuni sau alte titluri care pot fi convertite, sau exercitate sau schimbate în Acțiuni sau (ii) să încheie orice acord de swap sau orice alt acord prin care transferă, total sau parțial, orice efecte economice care decurg din proprietatea asupra Acțiunilor, indiferent dacă tranzacțiile menționate la punctele (i) și (ii) de mai sus presupun compensarea prin transmiterea de Acțiuni sau de orice astfel de titluri, în numerar sau în altă manieră.

#### **Folosirea Veniturilor**

Pe baza unui Preț al Ofertei estimat la 27,50 EUR, care reprezintă prețul de închidere al Acțiunilor la Bursa de Valori Viena la data de 29 octombrie 2009, Erste Group Bank preconizează că veniturile nete maxime ale Ofertei Combinate vor fi de 1.650 milioane EUR, asumând că toate Noile Acțiuni sunt emise, după deducerea impozitului privind contribuția la capital, a reducerilor de subscriere (*underwriting*) estimate, precum și a comisioanelor și cheltuielilor aferente ofertei, care vor fi suportate de Erste Group Bank.

Erste Group Bank intenționează să folosească veniturile nete obținute din Oferta Combinată în scopul consolidării bazei de capital a Erste Group Bank și în scopul creșterii flexibilității financiare a Erste Group Bank. A se vedea secțiunea „Contextul Ofertei Combinate și folosirea veniturilor”.

#### **Dividende**

Noile Acțiuni conferă drepturi depline de participare la dividendele rezultate din și incluzând anul financiar care începe la data de 1 ianuarie 2009.

#### **Drepturi de Vot**

Deținătorii Acțiunilor au dreptul să exercite un singur vot pentru fiecare Acțiune.

#### **Taxa Reținută la Sursă**

Dividendele plătibile de Erste Group Bank sunt supuse taxei cu reținere la sursă aplicabile în Austria (în prezent, la o rată de 25%). Rate reduse ale taxei cu reținere la sursă sunt aplicabile anumitor persoane nerezidente în Austria, îndreptățite la un asemenea beneficiu în baza unui tratat privind evitarea dublei impuneri. A se vedea secțiunea „Impozitare”.

**Plata pentru Noile Acțiuni**

Transmiterea Noilor Acțiuni este preconizată a avea loc la data sau în jurul datei de 20 noiembrie 2009, după achitarea prețului acestora în fonduri imediat disponibile. Se preconizează că Noile Acțiuni vor fi disponibile pentru transmitere în formă dematerializată prin facilitățile OeKB și pentru depozitare la depozitari, pentru Clearstream, Euroclear sau CDCP, la data sau în jurul datei de 20 noiembrie 2009. Subscriitorii și cumpărătorii de Noi Acțiuni nu vor primi certificate de acțiuni individuale.

**Număr de Identificare a Valorilor Mobiliare**

	<b>Acțiuni Existente și Noi Acțiuni</b>	<b>Drepturile de Subscriere</b>
ISIN . . . .	AT 0000652011	AT 0000A0FNR6

**Simbolul Reuters**

ERST.VI (Bursa de Valori Viena)  
ERSTsp.PR (Bursa de Valori Praga)  
ERST.BX (Bursa de Valori București)

**Simbolul Bloomberg**

EBS :AV (Bursa de Valori Viena)  
RBAG :CP (Bursa de Valori Praga)  
EBS :RO (Bursa de Valori București)

## SUMARUL FACTORILOR DE RISC

*Potențialii investitori trebuie să acorde atenție deosebită riscurilor evidențiate mai jos și celorlalte informații conținute de prezentul Prospect înainte de luarea oricărei decizii de investiție cu privire la Noile Acțiuni. Fiecare dintre riscurile evidențiate mai jos ar putea avea impact negativ semnificativ asupra activității, operațiunilor, situației financiare, rezultatelor din operațiuni, lichidității și/sau perspectivelor Erste Group Bank. În plus, fiecare dintre riscurile evidențiate mai jos ar putea influența negativ prețul de tranzacționare al Noilor Acțiuni și, drept urmare, investitorii și-ar putea pierde investiția, total sau parțial.*

*Potențialii investitori ar trebui să aibă în vedere că riscurile descrise mai jos nu sunt singurele riscuri cu care se confruntă Grupul Erste. Erste Group Bank a descris numai acele riscuri legate de activitatea, operațiunile, situația financiară, rezultatele operațiunilor, lichiditatea și/sau perspectivele sale, pe care le consideră importante și pe care le cunoaște la momentul actual. Pot exista și alte riscuri, pe care Erste Group Bank nu le consideră importante la momentul actual sau pe care deocamdată nu le cunoaște și fiecare dintre aceste riscuri ar putea avea efectele prevăzute mai sus.*

### Factori ce pot afecta activitatea Grupului Erste

- Criza financiară și economică globală a avut un efect negativ asupra Grupului Erste și a piețelor în care acesta își desfășoară activitatea, efect negativ care este posibil să persiste atâta timp cât se mențin condițiile dificile
- Ca urmare a crizei financiare și a scăderii economice înregistrate în prezent, Grupul Erste se confruntă cu o deteriorare a calității creditelor
- Neîndeplinirea obligațiilor de către partenerii contractuali poate duce la pierderi care să depășească provizioanele Grupului Erste și pierderile probabile maxime avute în vedere în procedurile Grupului Erste cu privire la managementul riscurilor
- Grupul Erste este expus deprecierii valorii garanțiilor care susțin împrumuturile comerciale și împrumuturile imobiliare rezidențiale
- Fluctuațiile și volatilitatea pieței pot afecta negativ valoarea pozițiilor Grupului Erste, pot reduce profitabilitatea și pot face dificilă evaluarea valorii juste a unora dintre activele sale
- În 2009, Grupul Erste a înregistrat creșteri semnificative ale profiturilor din activități de tranzacționare (*trading*), profituri a căror realizare nu poate fi garantată în perioadele următoare
- Grupul Erste este supus riscului ca lichiditățile să nu fie imediat disponibile și acest risc este sporit de condițiile actuale de pe piețele financiare globale
- Există riscul ca o agenție de rating să suspende, declaseze sau să retragă un rating acordat Erste Group Bank sau unei țări în care Erste Group Bank este activă și ca respectiva acțiune să afecteze în mod negativ condițiile de refinanțare ale Erste Group Bank, în special accesul acesteia la piețele instrumentelor de împrumut
- Noi cerințe administrative sau legale, precum și modificări ale nivelurilor de capitalizare adecvată și îndatorare (*leverage*) ar putea supune Grupul Erste unor standarde sau cerințe de capital sporite și ar putea să-i solicite în viitor obținerea de capital suplimentar
- Strategiile și procedurile Grupului Erste de management al riscurilor ar putea lăsa Grupul expus unor riscuri neanticipate sau neidentificate
- Grupul Erste este expus la riscuri operaționale semnificative, inerente activității bancare
- Modificarea politicilor sau standardelor contabile ale Erste Group Bank poate afecta semnificativ modalitatea de raportare a situației sale financiare și a rezultatelor activităților sale

- Demisia sau pierderea personalului cheie ar putea avea efect negativ asupra capacității Grupului Erste de a-și implementa strategia
- Grupul Erste poate avea dificultăți în recrutarea sau menținerea de personal calificat
- Grupul Erste manifestă o dependență din ce în ce mai accentuată față de sisteme informatice complexe
- Erste Group Bank poate fi solicitată să acorde sprijin financiar băncilor aflate în dificultate din cadrul Haftungsverbund, ceea ce ar putea avea drept consecință înregistrarea de costuri semnificative și devierea resurselor de la alte activități
- Grupului Erste i se poate solicita să participe la programe guvernamentale de asistență destinate instituțiilor de credit sau să finanțeze astfel de programe
- Grupul Erste este expus riscurilor asociate ratei și marjei de dobândă
- Dat fiind că o mare parte din operațiunile, activele și clienții Erste Group Bank și ai Grupului Erste se află în țări din Europa Centrală și de Est care nu fac parte din Zona Euro, Erste Group Bank și clienții săi sunt expuși riscurilor valutare
- Grupului Erste i se poate solicita efectuarea și a altor reduceri, în bilanțul contabil, a valorii fondului comercial (*goodwill*) și a activelor necorporale aferente, rezultate din achizițiile precedente
- Modificarea standardelor de garanție ale Băncii Centrale Europene ar putea avea un efect negativ asupra finanțării Erste Group Bank și asupra accesului său la lichidități
- Grupul Erste operează pe piețe extrem de competitive, concurând cu mari instituții financiare internaționale, precum și cu concurenți locali de renume
- Este posibil ca acționarul principal al Erste Group Bank să poată controla activitățile acționarilor
- Acordurile contractuale încheiate cu Republica Austria pot afecta activitatea Erste Group Bank și Erste Bank Oesterreich
- Modificările de legi și regulamente din țările în care Grupul Erste își desfășoară activitatea pot avea impact semnificativ asupra activității, situației financiare și rezultatelor din operațiuni ale Grupului Erste

#### **Factori ce pot afecta piețele în care Grupul Erste își desfășoară activitatea**

- Evoluția economică sau politică din Europa Centrală și de Est sau tendința descendentă a economiei austriece ar putea avea efect negativ semnificativ asupra activității Grupului Erste
- Băncile străine ar putea reduce finanțarea filialelor acestora din Europa Centrală și de Est
- Există riscul ca fondurile UE angajate să nu fie eliberate și/sau ca UE să nu mai adopte alte programe de sprijin
- Falimente bancare
- Efecte negative pe care eventualele probleme grave, legate de lichidități, ale anumitor țări din Europa Centrală și de Est le pot avea asupra întregii regiuni a Europei Centrale și de Est
- Există riscul ca guvernele din țările unde Grupul Erste își desfășoară activitatea să reacționeze la actuala criză economică și financiară prin măsuri sporite de protecționism, naționalizări sau măsuri similare
- Grupul Erste poate fi afectat negativ de dezvoltarea lentă sau de recesiunea piețelor bancare pe care își desfășoară activitatea, precum și de extinderea mai redusă a Zonei Euro și a Uniunii Europene

- În multe țări din Europa Centrală și de Est și, în special, în țările Europei de Est, sistemele juridice și garanțiile procedurale nu sunt deocamdată complet dezvoltate
- Legislația aplicabilă privind falimentul și alte legi și regulamente care guvernează drepturile creditorilor din diverse țări din Europa Centrală și de Est pot limita capacitatea Grupului Erste de a obține rambursarea creditelor neperformante
- Respectarea regulilor cu privire la măsurile de combatere a spălării de bani, a corupției și a finanțării actelor de terorism implică eforturi și costuri semnificative, nerespectarea acestora poate avea consecințe severe din punct de vedere juridic și reputațional
- Modificarea legislației privind protecția consumatorului poate limita comisioanele pe care Grupul Erste le poate percepe pentru anumite tranzacții bancare

#### **Factori ce pot afecta Oferta Combinată și Noile Acțiuni**

- Prețul Acțiunilor poate fi volatil
- Participațiile la Erste Group Bank ale acționarilor care aleg să nu participe la Oferta Combinată se vor dilua
- Vânzările și distribuțiile viitoare de acțiuni ale Erste Group Bank de către acționarii principali ar putea duce la scăderea prețului de piață al Noilor Acțiuni
- Capacitatea Erste Group Bank de a plăti dividende aferente Acțiunilor va depinde de existența profiturilor care pot fi distribuite
- Drepturile acționarilor unei societăți austriece pot diferi de drepturile acționarilor unei societăți constituite în altă jurisdicție
- O suspendare a tranzacționării Acțiunilor ar putea avea efect negativ asupra prețului acțiunilor
- Este posibil ca unii acționari să nu poată participa la ofertele de capital cu Drepturi de Subscriere.
- Contractul de Subscriere (*Underwriting*) dintre Erste Group Bank și Manageri este supus termenilor și condițiilor general practicate
- Erste Group Bank face obiectul unei proceduri de step-up cu privire la dividendele aferente Titlurilor de Capital de Participare (*Participation Capital Securities*)
- Titlurile de Capital de Participare sunt perpetue și pot fi răscumpărate de către Erste Group Bank doar în anumite circumstanțe
- Sumele rezultate din lichidare vor fi distribuite între deținătorii de Titluri de Capital de Participare și acționari

Pentru detalii suplimentare privind factorii de risc, a se vedea secțiunea "Factori de risc".

## Sumarul Informațiilor Financiare și al Altor Informații

Sumarul datelor financiare și al celorlalte date furnizate mai jos provin din Situațiile Financiare Consolidate ale Grupului Erste, încorporate în prezentul Prospect prin trimitere la acestea și întocmite în conformitate cu Standardele Internaționale de Raportare Financiară (IFRS). A se vedea „Prezentarea Informațiilor Financiare” și „Discutarea și Analizarea Informațiilor Generale—Situăției Financiare și a Rezultatelor Operațiunilor de către Management”. Participațiile minoritare includ, printre altele, anumite bănci de economii în care Erste Group Bank deține o participație minoritară sau nu deține nicio participație, dar asupra cărora exercită controlul în baza Haftungsverbund. În anul 2008 Grupul Erste a înregistrat activități întrerupte, astfel încât contul de profit și pierdere aferent anului 2007 a fost prezentat din nou.

### Bilanțul contabil

in milioane EUR	La 30 septembrie	La 31 decembrie		
	2009 neauditat	2008 auditat	2007 auditat	2006 auditat
<b>Active</b>				
Împrumuturi și avansuri la instituțiile de credit	13.938	14.344	14.937	16.616
Împrumuturi și avansuri la clienți	129.954	126.185	113.956	97.107
Provizioane de risc pentru împrumuturi și avansuri	(4.713)	(3.783)	(3.296)	(3.133)
Active de tranzacționare și alte active financiare <sup>(1)</sup>	42.491*	41.770*	44.214*	42.497*
Active diverse ( <i>sundry assets</i> ) <sup>(2)</sup>	21.883*	22.925*	30.708*	28.616*
<b>Total active</b>	<b>203.553</b>	<b>201.441</b>	<b>200.519</b>	<b>181.703</b>
<b>Pasive și capitalul acționarilor</b>				
Depozite ale băncilor	26.920	34.672	35.165	37.688
Depozite ale clienților	113.317	109.305	100.116	90.849
Titluri de creanță în circulație și pasive subordonate	36.615*	36.530*	36.667*	27.024*
Datorii diverse ( <i>sundry liabilities</i> ) <sup>(3)</sup>	12.618*	9.839*	17.168*	15.238*
Capitalul acționarilor	10.667	8.079	8.452	7.979
în legătură cu capitalul de participare <sup>(4)</sup>	1.760	—	—	—
Participații minoritare	3.416	3.016	2.951	2.925
<b>Total datorii și capital al acționarilor</b>	<b>203.553</b>	<b>201.441</b>	<b>200.519</b>	<b>181.703</b>

Sursa: Situațiile financiare consolidate auditate ale Erste Group Bank aferente anilor financiari încheiați la 31 decembrie 2008, 31 decembrie 2007 și 31 decembrie 2006 și situațiile financiare consolidate intermediare neauditare ale Erste Group Bank pentru perioada de nouă luni încheiată la 30 septembrie 2009, cu excepția cifrelor marcate cu asterisc (\*), care sunt realizate pe baza calculelor și datelor interne ale Erste Group Bank.

- (1) Poziția „Active de tranzacționare și alte active financiare” reprezintă subtotalul elementului-rând active de tranzacționare, active financiare la valoarea justă conform contului de profit și pierdere, active financiare disponibile în vederea vânzării și active financiare păstrate până la scadență
- (2) Poziția „Active diverse” reprezintă subtotalul elementului-rând numerar și solduri la băncile centrale, investiții ale societăților de asigurări, participații la capitalul asociaților, înregistrate la capitalul propriu, active necorporale, imobilizări corporale (proprietăți și echipamente), active fiscale, active deținute în vederea vânzării și alte active.
- (3) Poziția „Datorii diverse” reprezintă subtotalul elementului-rând datorii de tranzacționare, provizioane pentru subscriere (underwriting provisions), alte provizioane, datorii fiscale, datorii asociate cu active deținute în vederea vânzării și alte datorii.
- (4) Poziția „Capitalul de participare” nu include cheltuielile în valoare de 4 milioane EUR aferente atragerii de capital, conform secțiunii 23(4) a Legii Bancare.

## Contul de profit și pierdere

in milioane EUR	Pentru perioada de nouă luni încheiată la 30 septembrie		Pentru anul încheiat la 31 decembrie			
	2009 neauditat	2008 neauditat	2008 auditat	2007 auditat		
				prezentat din nou	2007 auditat	2006 auditat
Venit net din dobânzi	3.840,9	3.573,3	4.913,1	3.945,8	3.945,8	3.189,3
Venit operațional <sup>(1)</sup>	5.657,2	5.247,2	6.998,9	6.154,8	6.189,8	4.948,9
Cheltuieli administrative generale	(2.880,3)	(3.053,7)	(4.001,9)	(3.642,1)	(3.642,1)	(2.945,3)
Rezultat operațional <sup>(2)</sup>	2.776,9	2.193,5	2.997,0	2.512,7	2.547,7	2.003,6
Profit înainte de impozitare pentru perioada respectivă <sup>(3)</sup>	1.077,9	1.321,8	576,2	1.892,6	1.927,6	1.522,2
Profit după impozitare din activități întrerupte	0	610,2	639,7	28,4	n.a.	n.a.
Profitul net înaintea participațiilor minoritare <sup>(4)</sup>	808,3	1.667,6	1.038,6	1.550,0	1.550,0	1.182,4
<b>Profit net după participațiile   minoritare</b>	<b>720,1</b>	<b>1.463,0</b>	<b>859,6</b>	<b>1.174,7</b>	<b>1.174,7</b>	<b>932,2</b>

Sursa: Situațiile financiare consolidate auditate ale Erste Group Bank aferente anilor financiari încheiați la 31 decembrie 2008, 31 decembrie 2007 și 31 decembrie 2006 și situațiile financiare consolidate intermediare neauditare ale Erste Group Bank pentru perioada de nouă luni încheiată la 30 septembrie 2009.

## Indicatori principali

	Pentru perioada de nouă luni încheiată la 30 septembrie		Pentru anul încheiat la 31 decembrie			
	2009 neauditat	2008 neauditat	2008 auditat	2007 auditat		
				prezentat din nou	2007 auditat	2006 auditat
Rentabilitatea capitalurilor ( <i>return on equity—ROE</i> ) <sup>(5)</sup>	10,3%	21,7%	9,6%	14,1%	14,1%	13,7%
Raport cost-venit <sup>(6)</sup>	50,9%	58,2%	57,2%	59,2%	58,8%	59,5%
Costurile aferente riscurilor <sup>(7)</sup>	1,51%	0,67%	0,88%	0,44%	0,44%	0,50%
Capital de rang 1 (după deducerile legale) ( <i>tier-1 capital</i> ) ( <i>after   regulatory deductions</i> ) <sup>(8)</sup>	9.173	6.931	7.448	6.674	6.674	6.185
Capital de bază rang 1 (după deducerile legale) ( <i>core tier 1 capital   (after regulatory deductions)</i> ) <sup>(9)</sup>	7.996	5.690	6.192	5.427	5.427	4.935
Indice rang 1 ( <i>Tier 1 ratio</i> )—riscul de credit <sup>(10)</sup>	8,6%	6,6%	7,2%	7,0%	7,0%	6,6%
Indice de bază rang 1—risc total <sup>(11)</sup>	6,5%	4,7%	5,2%	5,0%	5,0%	5,0%
Indice rang 1—risc total <sup>(12)</sup>	7,4%	5,8%	6,2%	6,1%	6,1%	6,2%
Indice de solvabilitate <sup>(13)</sup>	10,9%	9,2%	9,8%	10,1%	10,1%	10,2%

Sursa: Situațiile financiare consolidate auditate ale Erste Group Bank aferente anilor financiari încheiați la 31 decembrie 2008, 31 decembrie 2007 și 31 decembrie 2006 și situațiile financiare consolidate intermediare neauditare ale Erste Group Bank pentru perioada de nouă luni încheiată la 30 septembrie 2009, cu excepția cifrelor de la poziția „Capital de bază rang 1 (după deducerile legale)”, „Indicele de bază de rang 1-risc total” și „Indice rang 1—risc total”, care sunt realizate pe baza calculelor și datelor interne ale Erste Group Bank.

(1) Venitul operațional include venitul net din dobânzi, venitul net din comisioane, rezultatul net din tranzacționare și venitul din activitatea de asigurare din anii 2006 și 2007 când nu au fost prezentate activități întrerupte.

- (2) Rezultatul operațional este egal cu venitul operațional minus cheltuielile administrative generale
- (3) Acesta este profitul pre-impozitare din operațiuni continue în anul 2008 când sunt prezentate activități întrerupte.
- (4) Include atât profitul din activități continue, cât și profitul din activități întrerupte în anul 2008 când sunt prezentate activități întrerupte.
- (5) Rentabilitatea capitalurilor este raportul dintre profitul anual după impozitare și după participațiile minoritare și valoarea medie (lunară) a capitalurilor inclusiv capitalul de participare.
- (6) Raportul cost/venit reprezintă raportul dintre cheltuielile operaționale (cheltuielile administrative generale) și venitul operațional (suma venitului net din dobânzi, venitul net din comisioane, a rezultatului din tranzacționare și a venitului din activitatea de asigurare în anii 2006 și 2007 când nu sunt prezentate activități întrerupte).
- (7) Costurile aferente riscurilor reprezintă alocările anualizate nete aferente provizioanelor pentru media (trimestrială a) creditelor pentru clienți.
- (8) Capitalul de rang 1 este capitalul de rang 1 (incluzând capitalul hibrid conform articolului 24 (2) 5 și 6 din Legea Bancară) după deduceri în milioane de euro.
- (9) Capitalul de bază de rang 1 este capitalul de rang 1 (excluzând capitalul hibrid conform secțiunii 24 (2) 5 și 6 din Legea Bancară) după deducerile legale în milioane de euro.
- (10) Indicele de rang 1—riscul de credit este raportul dintre capitalul de rang 1 (incluzând capitalul hibrid conform articolului 24 (2) 5 și 6 din Legea Bancară), după deducerile legale și activele ajustate la risc, conform secțiunii 22 (2) din Legea Bancară.
- (11) Indicele de bază de rang 1—riscul total este raportul dintre capitalul de bază de rang 1 (excluzând capitalul hibrid conform articolului 24 (2) 5 și 6 din Legea Bancară), după deducerile legale și baza de calcul pentru cerințele de capital conform secțiunii 22 (1) din Legea Bancară.
- (12) Indicele de rang 1—riscul total este raportul dintre capitalul de rang 1 (incluzând capitalul hibrid conform articolului 24 (2) 5 și 6 din Legea Bancară), după deducerile legale și baza de calcul pentru cerințele de capital conform secțiunii 22 (1) din Legea Bancară.
- (13) Indicele de solvabilitate este raportul dintre suma capitalului de rang 1, rang 2 și rang 3, după deducerile legale, și baza de calcul pentru cerințele de capital conform secțiunii 22 (1) din Legea Bancară.

## Annex 4—US QIB Investor letter

**NOTE TO QIBS EXERCISING THEIR RIGHTS: IN ORDER TO BE ENTITLED TO EXERCISE YOUR RIGHTS, YOU MUST EXECUTE THIS INVESTOR LETTER AND RETURN IT TO YOUR FINANCIAL INTERMEDIARY TOGETHER WITH ANY OTHER DOCUMENTS REQUIRED FOR SUBSCRIPTION BY THE TIME INSTRUCTED BY YOUR FINANCIAL INTERMEDIARY. YOU MUST ALSO SEND A COPY OF THIS INVESTOR LETTER TO ERSTE GROUP BANK AG, IN CARE OF AUGUST SUTTER (FAX: +43 50100 11228 OR EMAIL: AUGUST.SUTTER@ERSTEGROUP.COM) BY NO LATER THAN 4 PM VIENNA TIME ON 16 NOVEMBER 2009.**

**NOTE TO FINANCIAL INTERMEDIARIES: FINANCIAL INTERMEDIARIES WHO RECEIVE INVESTOR LETTERS SHALL FORWARD SUCH INVESTOR LETTERS TO THEIR CUSTODIAN OR NOMINEE. THE NOMINEE EFFECTING THE SUBSCRIPTION WITH ERSTE GROUP BANK AG SHALL FORWARD THE INVESTOR LETTER TO ERSTE GROUP BANK AG, IN CARE OF AUGUST SUTTER (FAX: +43 50100 11228 OR EMAIL: AUGUST.SUTTER@ERSTEGROUP.COM) BY NO LATER THAN 4 PM VIENNA TIME ON 16 NOVEMBER 2009.**

### US QIB Investor letter

To: Erste Group Bank AG

c/o August Sutter

Börsegasse 14

A-1010 Vienna, Austria

Ladies and Gentlemen:

This letter is delivered in connection with our proposed subscription of newly issued shares ("New Shares") of Erste Group Bank AG ("Company") pursuant to the issuance of the rights described below ("Rights") to shareholders of record of the Company on 30 October 2009, 24:00 Vienna time ("Record Date") in accordance with the terms set out in the prospectus dated 30 October 2009.

We understand that we have subscription rights which entitle us to subscribe for the New Shares with first priority preferential rights in respect of the shares of the Company, which, on the Record Date, we beneficially own or hold in an account, or pursuant to Rights which we have subsequently purchased pursuant to Regulation S (as defined below) or any other available exemption from the registration requirements of the US Securities Act (as defined below), over which shares and Rights we exercise sole investment discretion (a "discretionary account"). We wish to consider exercising our Rights in respect of shares of the Company so owned or held by us.

In connection with our exercise of the Rights and contemplated subscription for the New Shares as set forth above, we hereby represent, acknowledge and agree that:

1. We are a "qualified institutional buyer" ("QIB") as defined in Rule 144A under the U.S. Securities Act of 1933, as amended ("US Securities Act"), and, if we are subscribing for the New Shares as a fiduciary or agent for one or more investor accounts, each owner of such account is a QIB, we have full investment discretion with respect to each such account, and we have the full power and authority to make the acknowledgements, representations and agreements herein on behalf of each owner of each such account.
2. We are subscribing for the New Shares for our own account, or for the account or accounts of QIBs, in each case, for investment purposes, and not with a view to any distribution (within the meaning of the US federal securities laws) of the New Shares.
3. We understand, and each beneficial owner has been advised, that the Rights and the New Shares have not been and will not be registered under the U.S. Securities Act or any other applicable US state securities laws, and are being offered and issued or sold to us (or such

beneficial owner) in a transaction not involving a public offering in the United States within the meaning of the US Securities Act, that is exempt from the registration requirements of the US Securities Act.

4. We understand that the Rights and the New Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the US Securities Act and may not be deposited into any unrestricted depositary receipt facility, unless at the time of deposit such Rights and New Shares are no longer “restricted securities” within the meaning of Rule 144(a)(3) under the US Securities Act.
5. We are not subscribing for the New Shares or purchasing Rights on the secondary market on the Vienna Stock Exchange, the Prague Stock Exchange or the Bucharest Stock Exchange as a result of any general solicitation or general advertising within the meaning of Rule 502 under the US Securities Act, including advertisements, articles, notices, or other communications published in any newspaper, magazine or similar media or broadcast over radio or television; or any seminar or meeting whose attendees have been invited by general solicitation or general advertising within the meaning of Rule 502 under the US Securities Act.
6. We have received and read a copy of the English language prospectus dated 30 October 2009 (“Prospectus”). We have not relied on financial or other information supplied to us by any person other than information contained in the Prospectus. We have made our own assessment concerning the relevant tax, legal and other economic considerations relevant to our investment in the Rights and the New Shares.
7. We have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the New Shares, and we have the financial ability to bear the economic risk of investment in the New Shares.
8. We agree that if we wish to reoffer, resell, pledge or otherwise transfer any of the Rights or the New Shares, we will not do so except in accordance with any applicable U.S. federal and state securities laws, and we certify that either:
  - (a) we will transfer the New Shares in a transaction exempt from the registration requirements of the US Securities Act under Rule 144(e) or Rule 144(k) (a “Rule 144 Transaction”) (if available) and provide an opinion of counsel reasonably satisfactory to the Company which states that the transfer is exempt from the registration requirements of the US Securities Act and that the New Shares, as the case may be, following such transfer are freely transferable;
  - (b) we will transfer the Rights and the New Shares to a person who we reasonably believe is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A under the US Securities Act (if available) (a “Rule 144A Transaction”);
  - (c) we will transfer the Rights and the New Shares in an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the US Securities Act (a “Regulation S Transaction”);
  - (d) we will transfer the Rights and the New Shares in a transaction exempt from the registration requirements of the US Securities Act other than a Rule 144 Transaction (if available), a Rule 144A transaction or a Regulation S Transaction and provide an opinion of counsel reasonably satisfactory to the Company which states that the transfer is exempt from the registration requirements of the US Securities Act; provided that the person to whom such Rights and New Shares are transferred delivers a letter to the Company making the foregoing acknowledgements, representations and agreements; or
  - (e) we will transfer the Rights and the New Shares pursuant to an effective registration statement under the US Securities Act.

9. We acknowledge that the Company and its affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. We understand that the Company is relying on this letter in order to comply with the US Securities Act and other US state securities laws. We irrevocably authorize any account operator, which includes any nominee, custodian or other financial intermediary through which we hold our Rights and shares in the Company, to provide the Company with a copy of this letter and such information regarding our identity and holding of shares in the Company (including pertinent account information and details of our identity and contact information) as is necessary or appropriate to facilitate our exercise of the Rights. We also irrevocably authorize the Company to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters set forth herein.
10. If any of the representations or warranties contained in this letter shall at any time become untrue, we agree immediately to notify the addressee hereof in writing. We also agree that we may not cancel, terminate or revoke this letter.

We understand that this letter is required in connection with the laws of the United States and shall be governed by and construed in accordance with the laws of the State of New York without giving effect to its choice of law principles.

The Company shall be entitled to rely on this letter (and, if this letter is delivered to our custodian or nominee, to delivery of a copy of this letter on its request) and we irrevocably authorize you to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Very truly yours,

Name\*:

By: \_\_\_\_\_

Title\*:

Address\*:

Date\*:

\* Please complete.

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