Erste Group Bank AG

Financial Statements 2011

ERSTE GROUP

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Erste Group Bank AG MANAGEMENT REPORT 2011

Summary Financial Review of Erste Group Bank AG for the year ended 31 December 2011

Business trends and economic situation

Economic developments in 2011 were characterised by unexpected events, including two supply shocks due to the tsunami in Japan and the Arab Spring protests, a drastic surge in oil prices during the first half of the year, the escalating debt crisis in some euro zone countries, and S&P's rating downgrade of the US. All these events impacted the global economy during 2011, with the development of energy prices and rising uncertainty about the economy playing crucial roles in the downside surprise on GDP growth and the upside surprise on inflation. The latter squeezed household purchasing power and consumption. Although the natural disaster in Japan led to supply chain disruptions in the global automotive, machinery and high-tech industries, the country's production emerged from its post-tsunami setback at a relatively quick pace. The correction of supply chain disruptions, the decrease in oil prices in the second half of 2011 and ongoing support from Federal Reserve easing helped the US economy to maintain its recovery. Economic growth in Asia continued to outperform that of Europe and the US, driven mainly by China and India. European exporting countries benefited from the improvement, starting with Germany, the continent's leading economy. After a strong first quarter, however, the euro zone economy slowed sharply from the second quarter onwards. The escalating debt crisis in some peripheral countries and fears of global recession depressed sentiment; as a result GDP growth in the euro zone declined to 1.5% for 2011. All in all, however, the world economy grew by 3.8% in 2011, after 4.8% in 2010.

Austria continued to grow faster than the euro zone average in 2011, with its GDP rising by 3.3%. Exports performed well, with Germany remaining the key export market with a share of more than 30%. Domestic demand also contributed to growth. The unemployment rate reflected the growing economy and declined to 4.1%, one of the lowest in Europe. Measured in terms of GDP per capita at approximately EUR 36,000, Austria remained one of the euro zone's most prosperous countries in 2011. Rating agencies also acknowledged Austria's economic performance along with its social and political stability, strong institutions, and a highly educated and flexible workforce. As a result, at the close of 2011, Austria was one of the European countries assigned the highest credit grades by the rating agencies. Both private household debt and public debt as a percentage of GDP remained below the euro zone average, with the latter standing at 71.6%. Inflation increased to 3.3%.

Within Central and Eastern Europe, economic growth varied in 2011 from 4.9% in Ukraine to 0.3% in Croatia. As growth in the region was driven mainly by the export sector, countries with open economies, such as the Czech Republic, Slovakia, or even Hungary, were able to benefit to a greater extent from the performance of Germany. Romania's relatively closed economy exited its two-year recession mainly due to the excellent performance of the agricultural sector. Croatia's economic recovery remained fragile due to weak domestic demand. Nevertheless, with unemployment in the region remaining at relatively high levels, domestic demand continued to be subdued and consumer prices grew only modestly. Some of the currencies came under intense downward pressure due to a combination of contagion from the euro area and questionable policymaking. This was most pronounced in Hungary, where the forint weakened significantly versus the euro and Swiss franc and thus caused difficulties for households with foreign currency debt.

Financial performance indicators

Operating income of Erste Group Bank AG was down by 17.9 percent to EUR 1,363.4 million (prior year: EUR 1,661.2 million), with the decline essentially attributable to income from shares in subsidiaries (EUR 224.7 million lower year-on-year).

Operating expenses increased by 7.7 percent to EUR 424.6 million (prior year: EUR 394.2 million).

Operating income (operating income less operating expenses) declined by 25.9 percent to EUR 938.8 million (prior year: 1,267.0 million).

At 31.1 percent, the **cost-income ratio** (operating expenses as a percentage of operating income) was significantly above the previous year's figure of 23.7 percent.

Taking into account the charges to and releases from impairment adjustments for receivables, securities and participating interests, **pre-tax profit for the year** was EUR 220.0 million, or 79.5 percent below the previous year's figure (EUR 1,071.6 million). The losses incurred through the early close-out of existing credit default swaps merit special mention. Net profit for the year before changes in reserves was EUR 138.3 million – 87.4 percent below that of the previous year (EUR 1,094.0 million).

Return on equity (ROE, net profit for the year before changes in reserves expressed in proportion to average equity capital, which consists of share capital, reserves less treasury shares and profit available for distribution) was 1.2 percent (prior year: 10.1 percent).

The **core (Tier 1) capital** of Erste Group Bank AG pursuant to section 23 par. 14 no. 1 Federal Banking Act (BWG) totalled EUR 11.7 billion on 31 December 2011 (comparable to prior year: EUR 11.4 billion), or EUR 11.5 billion after deductions pursuant to section 23 par. 13 no. 3 and 4 BWG (comparable to prior year: EUR 11.2 billion).

The **core (Tier 1) ratio** of Erste Group Bank AG expressed in proportion to credit risk – regulatory core (Tier 1) capital pursuant to BWG after deductions expressed as a percentage of the risk-weighted assets pursuant to section 22 par. 2 BWG – totalled 33.4 percent at 31 December 2011 (prior year: 30.2 percent).

The **qualifying capital** of Erste Group Bank AG, pursuant to section 23 BWG, including non-credit-risk-related risk requirements (in particular, operational risk and position risk for securities and foreign exchange) amounted to EUR 14.9 billion at 31 December 2011 (prior year: EUR 14.5 billion).

The legal minimum requirement was approx. EUR 3.4 billion at the balance sheet date, resulting in a coverage ratio of approx. 436 percent (prior year: approx. 404 percent).

The **solvency ratio** in relation to credit risk (own funds less risk requirements other than for credit risk, in particular operational risks and position risk for securities and foreign currency, expressed as a percentage of risk-weighted assets pursuant to section 22 par. 2 BWG) totalled 34.8 percent at 31 December 2011 (prior year: 32.3 percent). This is markedly higher than the 8 percent minimum requirement pursuant to section 22 par. 1 BWG.

Erste Group Bank AG applies the **Basel II** solvency rules. The advanced IRB (internal-rating-based) measurement approach is used for retail business; for corporate business, sovereigns and interbank business, the standardised approach based on the internal rating system is employed. In addition, certain asset categories are measured according to the standardised approach in accordance with statutory transition regulations.

Details on earnings

Net interest income grew by 26.8 percent to EUR 468.3 million (prior year: EUR 369.3 million). The restructuring of interest income and expenses attributable to the trading book securities (EUR 55 million) has been taken into account. Previously, this income had been posted as "Income from financial operations".

Income from securities and participating interests was down by 20.7 percent to EUR 831.4 million (prior year: 1,048.1 million). The main reason for this decrease is that the income from shares in affiliated undertakings declined to EUR 775.1 million (prior year: EUR 999.8 million).

Net commission income fell by 44.0 percent from EUR 101.7 million to EUR 57.0 million and this can chiefly be attributed to the EUR 20.8 million shortfall in net commission income from lending and the EUR 25.6 million shortfall in net commission income from securities business.

Net profit on financial operations exhibited a 106.3 percent decrease – from EUR 126.4 million in the previous year to EUR -7.9 million – which can be attributed chiefly to the depreciation of securities in the trading book and the above mentioned reclassification of interest income.

In addition to salaries (both fixed and variable) and social expenses, expenses for long-term employee provisions, as well as pension expenses and pension fund contributions are included in **personnel expenses**, a sub-item of **operating expenses**. In total, personnel expense grew by 1.2 percent to EUR 238.3 million (prior year: EUR 235.5 million). This rise resulted chiefly on account of expenses for retirement benefits and social capital allocation.

The **number of employees** at Erste Group Bank AG (weighted according to their number of man hours worked) grew by 10.0 percent in the financial year.

	Status 31/12/2011	**Status 31/12/2010**
Domestic	1,835	1,697
International	105	67
London	*35*	*38*
New York	*35*	*19*
Hong Kong	*22*	*10*
Germany	*13*	*N.A.*
Total	**1,940**	**1,764**
of which on unpaid leave	*96*	*98*

The relatively slighter increase in personnel expenses is a result of the reduction in variable salary components.

Other administrative expenses grew by 18,1 percent to EUR 162.5 million (previous year: EUR 137.6 million). Above-average increases were registered in expenses for IT operation and development.

Value adjustments on tangible fixed assets have decreased by 18.3 percent from EUR 18.6 million last year to EUR 15.2 million this year.

In 2011, the net allocation to **risk provisions** for receivables (including receivable write-offs offset against income from written-off receivables and cancellation of valuation allowances and risk provisions) amounted to EUR 687.0 million (prior year: EUR 164.9 million). This trend resulted from the early close-out of existing credit default swaps.

Current asset securities' valuation and price earnings, as well as the income and value adjustment positions on **participating interests and fixed-asset securities** was EUR -31.7 million in 2011 (prior year: EUR -30.5 million).

Tax situation: Pursuant to section 9 of the Austrian Corporate Tax Act ("KStG"), Erste Group Bank AG and its main domestic subsidiaries constitute a tax group. Due to the high proportion of tax-exempt income – particularly income from participating interests – and tax payments for the permanent establishments abroad, no Austrian corporate income tax was payable in fiscal year 2011. The current tax loss carried forward increased in 2011.

Tax on profit mainly comprised expenses from foreign capital gains and other income-related taxes, as well as tax revenue from the tax allocation to subsidiary companies that form a tax group along with Erste Group Bank AG under group taxation regulations.

Changes in reserves during the year resulted in the net allocation of EUR 2.8 million (prior year: allocation to reserves of EUR 688.2 million), **net income for the year** was at EUR 141.1 million, was significantly below the previous year's level of EUR 405.8 million. Together with prior year's profit brought forward, the **profit available for distribution** amounts to EUR 141.1 million.

At the Annual General Meeting, the Management Board will propose not to pay out a dividend to the shareholders (prior year: EUR 0.70 per share). The holders of participation capital will receive a dividend of 8 percent on the notional value (EUR 141.1 in total).

Explanatory notes on the balance sheet

The Erste Group Bank AG divisions Group Capital Markets and Group Capital Investment Banking, together with the three international branches in New York, London, Hong Kong and Treasury Sales Germany and the remaining business areas, generated a total business volume (balance sheet total) of EUR 81.5 billion in 2011, which represents an increase of 5.9 percent year-on-year (prior year: EUR 76.9 billion).

At EUR 33.2 billion, **loans and advances to credit institutions** were nearly on a par with previous year's level of EUR 32.7 billion (increase by 1.7 percent). The rise essentially affected euro investments at Erste Bank der oesterreichischen Sparkassen AG.

Loans and advances to customers declined by 3.8 percent from EUR 15.4 billion in 2010 to EUR 14.8 billion in 2011. This reduction resulted from the diminished loans and advances from foreign currency securities to foreign customers.

Total **securities investments** (treasury bills as well as fixed-interest and variable-yield securities) decreased by 1.6 percent to EUR 11.9 billion (prior year: EUR 12.1 billion).

At year end Erste Group Bank AG has **no sovereign exposure** to **Greece**. Bought derivatives in the amount of EUR 42 million exceeds sold hedges in the amount of EUR 28.5 million. Erste Group Bank AG has an **exposure of EUR 37.4 million against Greek banks**. A valuation allowance of EUR 10 million is generated.

The carrying amount of **participating interest and shares in affiliated undertakings** increased by 14.6 percent to EUR 11.4 billion from last year's level of EUR 9.9 billion. This figure counts in the rise in the equity capital of EGB CEPS Beteiligungen Ges.m.b.H. of EUR 1.6 billion.

Other assets of EUR 5.7 billion (prior year: EUR 4.6 billion) primarily include interest accruals, accruals for derivative products and receivables from participating interests and affiliated undertakings.

On the liabilities side, **liabilities to credit institutions** increased by 15.6 percent to EUR 28.0 billion (prior year: EUR 24.2 billion). This rise essentially resulted from euro-denominated liabilities to Austrian and foreign credit institutions.

Liabilities to customers remained at last year's level of EUR 6.0 billion.

Refinancing through **own issues** (debts evidenced by certificates, subordinated liabilities and supplementary liabilities) exhibited a decline by 1.7 percent to EUR 30.6 billion (prior year: EUR 31.1 billion).

Other liabilities amounted to EUR 4.3 billion (prior year: EUR 3.1 billion) and chiefly included interest and commission accruals, accrued premiums from derivatives trading and other offsetting liabilities.

Disclosure pursuant to section 243 par. 3 of the Austrian Commercial Code ("UGB")

In order to strengthen its capital structure Erste Group announced its plans to repurchase certain issued Tier 1 and Tier 2 securities for cash on 17 February 2012. The potential repurchase up to an indicative limit of EUR 500 million of Tier 1 instruments will take place from 17 February 2012 to 2 March 2012.

As Erste Bank Group AG does not conduct any independent and regular research for new scientific and technical findings and no upstream development work for commercial production or use, it does not engage in any research and development activities pursuant to section 243 par. 3 no. 3 UGB. In order to provide customers with improvements in retail business and in the ongoing services, **innovation and research** is promoted and fostered in the **bank's business operations**.

Erste Group Bank AG maintains **three branches in London, New York and Hong Kong** that provide commercial lending to foreign banks, leasing companies and sovereign debtors.

As of 2011, **two further branches were established in Germany** (Berlin and Stuttgart) - their main focus is on institutional sales.

Investor information pursuant to section 243a of the Austrian Commercial Code ("UGB")

With regard to the statutory disclosure requirements in the Management Report, special reference is made to the relevant information in the notes to the financial statements.

Art. 15.4 of the Articles of Association concerning the appointment and dismissal of members of the Management Board and the Supervisory Board is not directly prescribed by statutory law: a three-quarter majority of valid votes cast and a three-quarter majority of the subscribed capital represented at the meeting considering the proposal are required to pass a motion for removal of Supervisory Board members.

The Articles of Association contain no restrictions in respect of voting rights or the transfer of shares. A holding period of one year applies with regard to the employee share ownership programmes (MSOP/ESOP).

Art. 19.9 of the Articles of Association concerning amendments to the Articles of Association contains a provision that is not prescribed directly by statutory law: amendments to the Articles of Association, in so far as they do not alter the business purpose, may be passed by simple majority of votes cast and simple majority of the subscribed capital represented at the meeting considering the amendment. Where higher majority votes are required by individual provisions of the Articles of Association, these provisions can only be amended with the same higher majority vote. Moreover, amendments to Art. 19.9 require a three-quarter majority of the votes cast and a three-quarter majority of the subscribed capital represented at the meeting considering the proposal.

Other information:

Furthermore, it should be noted that Erste Group Bank AG – just as nearly all Austrian savings banks – are members of the **Haftungsverbund of Sparkassengruppe**.

Sparkassengruppe sees itself as an association of independent, regionally established savings banks which strives to bolster its market position by strengthening common product development, harmonising its market appearance and advertising concepts, pursuing a common risk policy, engaging in co-ordinated liquidity management and applying common controlling standards.

In addition, the purpose of this scheme is:

- to identify any business issues of its member banks at an early stage and to provide effective assistance to its members in the resolution of business issues - this can range from offering technical assistance or giving guarantees to providing borrowed or qualifying capital, and

- to provide customers with a deposit guarantee system that goes beyond the legal deposit guarantee requirement (section 93 et seq. BWG) that which only guarantees certain types of customer deposits by creating a suitable obligation to service the liabilities of other participating savings banks if the need arises.

Haftungsverbund GmbH is responsible for implementing such measures and analysing the business situation of every member bank of the Haftungsverbund. Overall, the participating savings banks hold a maximum stake of 49 percent (assuming all savings banks participate) in Haftungsverbund GmbH and Erste Group always holds a minimum stake of 51 percent.

As required by the BWG, individual members of the Haftungsverbund may need to provide assistance to other members (by giving liquidity assistance, granting loans or guarantees and providing equity capital, for instance), and, in the case of section 93 par. 3 no. 1 BWG, to service the guaranteed customer deposits of a Haftungsverbund member. The scope of the individual services to be provided by individual Haftungsverbund members where needed can therefore not be determined beforehand. Any contributions made by Haftungsverbund members under the statutory deposit guarantee system pursuant to section 93 et seq. BWG are likewise counted in.

Additional disclosures pursuant to section 243a no. 7 UGB

Pursuant to the following provisions, members of the Management Board have the right to repurchase shares where such a right is not prescribed by statutory law:

As per decision of the Annual General Meeting of 12 May 2011:

- the company is entitled to purchase treasury shares under section 65 par. 1 no. 7 of the Austrian Stock Corporation Act ("AktG") for trading purpose. However, the trading portfolio of these shares may not exceed five percent of the subscribed capital at the end of any calendar day. The market price for the shares to be purchased must not be lower than 50 percent of the closing price at the Vienna Stock Exchange on the last trading day prior to the purchase and must not exceed 200 percent of the closing price at the Vienna Stock Exchange on the last trading day prior to the purchase. This authorisation is valid for 30 months, i.e. until 11 November 2013.

- Subject to approval by the Supervisory Board, the Management Board is entitled to purchase treasury shares pursuant to section 65 par. 1 no. 8 of the Austrian Stock Corporation Act ("AktG"). However, the shares purchased under this authorisation and under Section 65 par. 1 no. 1, 4 and 7 AktG may not exceed ten percent of the subscribed capital. The market price of each share to be purchased may not be below EUR 2.00 or above EUR 120.00. Upon approval by the Supervisory Board, the shares purchased according to the above can be sold in the form of an issue of shares as consideration and financing for the acquisition of companies, businesses, business units or shares in one or more domestic or foreign companies. Such an offering would be conducted outside the stock markets and would not constitute a public offering. Furthermore, the Management Board is entitled to withdraw shares without resolution at the Annual General Meeting. This authorisation is valid for 30 months, i.e. until 11 November 2013.

All sales and purchases were carried out as authorised at the Annual General Meeting.

Significant agreements pursuant to section 243a no. 8 UGB

The following paragraph lists significant agreements to which the company is party, and which become effective, are amended or are rendered ineffective when there is a change in the control of the company as a result of a takeover bid, as well as their effects:

The **share option plan** of Erste Group Bank AG includes the following special provisions (section 17 of the share option plan) in the event of a takeover bid:

(1) Should a takeover offer for the shares of Erste Group Bank AG be announced to the public, all options that have been granted to the Management Board members and eligible managers at that time but have not yet vested will immediately vest for those Management Board members and eligible managers who fulfil the personal participation requirements.

(2) In such cases, the Management Board of Erste Group Bank AG will determine the vesting date, the end of the exercise window and the value date. These dates should be set in such a way as to allow exercise of the options and sale of the shares during the takeover procedure.

(3) In such cases, no key employees will be chosen from among the employees and/or they will not be granted any options.

(4) All allocated and delivered options may be exercised by the eligible recipient one day following delivery; the provisions of section 11 par. 1 no. 2 (minimum holding period for options) and section 12 par. 1 1stsentence (exercise window) do not apply. The shares obtained may be offered for sale during the takeover procedure; section 16 (holding period) does not apply.

(5) The holding period for shares previously obtained (sec. 16) ends with the announcement of the takeover bid.

(6) If the takeover bid is withdrawn without a competitor having issued a takeover bid, options allocated pursuant to section 1 but not yet exercised become subject to a holding period of one year as of the day the withdrawal of the takeover bid becomes known. This corresponds to the holding period under section 1, which applies to the shares obtained on the basis of allocated options. The holding period(s) terminated under par. 5 are not re-applied.

Preferred co-operation between Erste Foundation and Caixabank S.A.

Erste Foundation and Caixabank S.A. (formerly Criteria CaixaCorp) have concluded a Preferred Partnership Agreement (PPA), by which Erste Foundation Criteria gives Caixabank, S.A. ("CaixaBank") the status of a friendly investor and preferred partner for participations. Under this agreement, CaixaBank is authorised to nominate a person for appointment to the Supervisory Board of Erste Group Bank AG. In return, CaixaBank has undertaken not to participate in a hostile takeover bid for Erste Group Bank AG's shares, and to give Erste Foundation the right of pre-emption and an option right to the Erste Group Bank AG shares held by CaixaBank. Under the PPA, Erste Foundation undertakes not to grant any rights to third parties that are more favourable than those granted to CaixaBank, except under certain circumstances. Erste Foundation's and CaixaBank's voting rights at Erste Group Bank AG remain unaffected by the PPA. The PPA has been approved by the Austrian Takeover Commission.

After a number of transactions that aimed to reorganise "la Caixa" Group, Criteria CaixaCorp changed its name to CaixaBank, S.A. as of 30 June 2011. In the course of these transactions, the former Criteria CaixaCorp acquired the operational banking business of "la Caixa", which now continues to do business indirectly through the newly set up company CaixaBank which is listed on the stock exchange. As a consequence, CaixaBank - with its operational banking business in "la Caixa" - holds the portfolio of bank participations, including the holdings in Erste Group Bank AG. The name change has affected neither the "Preferred Partnership Agreement" nor the ongoing business cooperation.

The **agreement in principle of the Haftungsverbund** provides for the possibility of early cancellation for good cause. Good cause allowing the respective other contracting parties to cancel the agreement is deemed to exist if the ownership structure of a party to the contract changes in such a way – particularly by transfer or capital increase – that one or more third parties from outside the savings bank sector directly and/or indirectly gain a majority of the equity capital or voting rights in the contracting party.

The Haftungsverbund's agreement in principle and supplementary agreement expire if and as soon as any entity that is not a member of the savings bank sector association acquires more than 25 percent of the voting power or equity capital of Erste Group Bank AG in any manner whatsoever and a member savings bank notifies the Haftungsverbund's steering company and Erste Group Bank AG by registered letter within twelve weeks from the change of control that it intends to withdraw from the Haftungsverbund.

Directors and Officers Insurance

Changes in control

(1) In the event that any of the following transactions or processes occur during the term of the insurance policy (each constituting a "change in control") in respect of the insured:

a) the insured ceases to exist as a result of a merger or consolidation, unless the merger or consolidation occurs between two insured parties, or

b) another company, person or group of companies or persons acting in concert, who are not insured parties, acquire more than 50 percent of the insured's outstanding equity or more than 50 percent of its voting power (resulting in the right to control the voting power represented by the shares, and the right to appoint the Management Board members of the insured), then the insurance cover under this policy remains in full force and effect for claims relating to unlawful acts committed or alleged to have been committed before this change in control took effect. However, no insurance cover is provided for claims relating to unlawful acts committed or allegedly committed after that time (unless the insured and insurer agree otherwise). The premium for this insurance cover is deemed to be completely earned.

(2) In the event that a subsidiary ceases to be a subsidiary during the insurance period, the insurance cover under this policy shall remain in full force and effect for that entity for the

remainder of the insurance period or (if applicable) until the end of the extended discovery period, but only in respect of claims brought against an insured in relation to unlawful acts committed or alleged to have been committed by the insured during the existence of this entity as a subsidiary. No insurance cover is provided for claims brought against an insured in relation to unlawful acts committed or allegedly committed after this entity ceased to exist.

Disclosures pursuant to section 243a par. 2 UGB

Control environment

The Management Board of Erste Group Bank AG is responsible for the establishment, structure and application of an appropriate internal control and risk management system that meets the company's needs in its Group accounting procedures.

The Accounting Holding and Group Taxes department, which is part of the Group Accounting division, prepares the final accounts of Erste Group Bank AG. The assignment of powers, account responsibilities and the necessary control procedure are defined in the operating instructions.

Risk assessment

The main risk in the accounting procedures is that errors or deliberate action (fraud) prevent facts from adequately reflecting the company's financial position and performance. This is the case whenever the data provided in the financial statements and notes is essentially inconsistent with the correct figures, i.e. whenever, alone or in aggregate, they are apt to influence the decisions made by the addressees on the basis of the final accounts. Such decision may incur serious damage, such as financial loss, the imposition of sanctions by the banking supervisor or reputational harm.

Controls

The relevant units are obliged to comply with the accounting and measurement principles that are applicable for capturing, posting and accounting transactions and laid out in the operating instructions relating to the UGB and in the IFRS Account Manual.

The basic components of the internal control system (ICS) at Erste Group Bank AG and the entire Erste Group are:

- Controlling as a permanent financial/business analysis (e.g. comparison of target and actual data between Accounting and Controlling) and control of the company and/or individual corporate divisions.
- Systemic, automatic control systems and measures in the formal procedure and structure, e.g. programmed controls during data processing.
- Principles of functional separation and the four-eye principle.
- Internal Audit – as a separate organisational unit – is charged with monitoring all corporate divisions in an independent yet proximate manner, particularly with regard to the effectiveness of the components of the internal control system. The Internal Audit unit is monitored and/or checked by the Management Board, the Audit Committee/Supervisory Board and/or by external parties (bank supervisor, also by auditors).

Information and communication

The final accounts are prepared in a standardised format and in compliance with the above described control measures. Before being passed on to the Audit Committee of the Supervisory Board, the financial statements to be published are submitted to the managers and the CFO for approval.

Reporting is nearly fully automated using input systems and automatic interfaces. This warrants that the data for controlling, (segment) and earnings accounting as well as other evaluations are always up to date. The information used by the accounting department is derived from the same database and reconciled monthly for reporting. Close collaboration between Accounting and Controlling ensures that target and actual data are constantly compared, allowing for effective control and harmonisation.

Responsibilities of Internal Audit

Internal Audit is in charge of auditing and evaluating all divisions. However, the main object of all its audit activities is to monitor the completeness and functionality of the internal control system. Internal Audit has the task of reporting its observations to the Group's Management Board, Supervisory Board and Audit Committee on an annual basis.

According to section 42 BWG, Internal Audit is a control body that is directly subordinate to the Management Board. It's sole purpose is to comprehensively verify the lawfulness, propriety and expediency of the banking business and banking operation on an ongoing basis. The mandate of Internal Audit is therefore to support the Management Board in its efforts to secure the bank's assets and promote economic and operational performance and thus in the Management Board's pursuit of its business and operating policy.

The activities of Internal Audit are governed in particular by the currently applicable Rules of Procedure, which were drawn up under the authority of all Management Board members and approved as well as implemented by them. The Rules of Procedure are reviewed on a regular basis and whenever required, and adapted should the need arise.

Audit activities of Internal Audit

In its auditing activities, Internal Audit puts a special focus on:

- operating and business areas of the bank;
- operating and business procedures of the bank;
- internal bank standards (organisational policies, regulations on the division of powers, guidelines, etc.) as well as operating instructions, also with regard to their compliance, up-to-dateness and ongoing update;
- audit areas stipulated by the law, such as the material accuracy and completeness of notifications and reports to the Financial Market Authority and Oesterreichische Nationalbank or, once annually, the rating systems and their mode of operation.

In discharging its responsibilities, Internal Audit exercises its own discretion in compliance with the annually drawn up audit plan approved by the Management Board. Once approved, the audit plan is brought to the notice of the Audit Committee.

Outlook

Most of Erste Group's core markets are expected to post economic growth in 2012, albeit on a lower level than in 2011 − in line with the weakening outlook for the euro zone in the second half of 2011. A mild negative performance is forecast for Hungary and Croatia only.

Against this backdrop and despite the reduction of non-core assets, Erste Group expects a slightly rising operating income as well as an improving cost/income ratio supported by unchanged operating expenses and selective loan growth in its core markets in 2012. Risk costs should decrease as extraordinary effects such as the EUR 450 million one-off provisions in Hungary are not expected to recur. Erste Group expects timely and sustainable compliance with the 9% capital requirement set by the European Banking Authority.

Explanations on the risk profile of Erste Group and its risk management objectives and methods

As a result of Erste Group's business model, the risk profile is pervaded particularly by credit, market and operational risk. At the same time, the focus is on liquidity risk and general business risk, especially in light of the global financial crisis over the past few years. In addition to the types of risk indicated above, the Group's risk management system also monitors a range of other, lesser risks. The main types of risk can be summarised as follows:

Credit risk	is the risk of loss from the potential collapse of counterparties, particularly of borrowers in the conventional lending business, and any related credit losses.
Market risk	generally describes the risk of loss from unfavourable price changes in marketable and traded products, such as shares, fixed-income securities and derivatives, as well as from interest and foreign exchange volatility and fluctuations in raw material prices.
Operational risk	describes the risk of loss as a result of human error, the malfunctioning of internal procedures or systems, or external events.
Liquidity risk	describes the risk of the bank's insufficient liquidity or inability to make funds available in a timely manner to service its debts.
Business risk	describes the bank's risk of being unable to reach its financial business objectives.

Risk management objectives and methods

Knowingly and selectively accepting risk and managing risk professionally are core functions of every bank. Erste Group pursues a proactive risk policy and risk strategy that also aims to establish an optimal balance between risk and return in order to earn a sustained high return on equity.

Erste Group has an established, pro-active controlling and risk management system that is tailored specifically to its corporate and risk profile. This system is based on a clearly defined risk strategy derived from the Group's business strategy and places a special focus on the early identification and targeted control of risk and trends. Apart from meeting the internal requirement of ensuring effective and efficient risk management, the controlling and risk management system of Erste Group is also intended to fulfil external, particularly regulatory, tasks.

In line with international practice, the risk management process at Erste Group consists of the following stages: risk identification, risk assessment, risk aggregation, risk mitigation and risk reporting.

For **credit risk**, by far the most important risk category, Erste Group has been using the Basel II IRB measurement approach since 2007, and thus has in place all the methods and processes required for this advanced measurement approach.

For a number of years, the **market risk exposure** of the trading book has been assessed using the bank's own model.

For Erste Group Bank AG and the most important subsidiaries, **operational risk** has been assessed using the AMA (advanced measurement approach) since 2009. Ever since, its application has been continually expanded in the Group.

In order to provide a comprehensive overview of current and future risk and the cover pools of the Group, the bank's risk-absorbing capacity is determined by means of the **Internal Capital Adequacy Assessment Process (ICAAP)**. This process provides regular updates on the risk profile and capital adequacy, furnishing a basis for defining and implementing any measures that may be necessary.

The risk management structure

An organisational chart with clearly defined duties and responsibilities, including a schedule of delegated authorisations and risk limits, is in place for the purpose of monitoring and controlling risk.

As a matter of principle, the Management Board, and in particular the Group's **Chief Risk Officer (CRO)**, perform their duties with due care and diligence. The CRO is responsible for market-independent risk controlling and for managing all risk types throughout all business areas.

In its regular meetings, the Management Board addresses risk themes. Reports on all risk types are drawn up at regular intervals and any measures that become necessary are taken. The Management Board also addresses relevant risk themes and is provided with ad-hoc reports by Internal Risk Reporting for this purpose.

Risk management is conducted in line with a business and risk strategy adopted by the Group's Management Board as well as the bank's aggregate risk schedule. Committees with explicit strategic and operative controlling functions have been set up to ensure the Group's effective and optimal management. At the top of the risk hierarchy within Erste Group is the Risk Committee (RC).

The **Risk Management Committee** is responsible for giving approval any time credit and investments or large exposures exceed the Management Board's limit authorised according to the schedule of delegation. Approval by the Risk Management Committee is required for every investment and large exposure as defined under section 27 BWG whose carrying amount exceeds 10% of the company's eligible capital or 10% of the group of credit institution's eligible consolidated capital. Furthermore, it has the responsibility of granting authorisation in advance to the extent permitted by the law. The Risk Management Committee is further in charge of monitoring the risk management at Erste Group Bank AG.

The Risk Management Committee convenes at regular intervals. As the central risk control unit, the Risk Management Committee is kept up to date on the risk status of all risk types.

The operative units identify, assess, monitor, manage and limit risk, and decide what measures need to be taken. They are banded together in the CRO division and are therefore, with the exception of the Management Board level, independent from the business units. The following **sections** are directly answerable to the CRO:

- Group Strategic Risk Management;
- Group Corporate Risk Management;
- Group Retail Risk Management;
- Group Corporate Workout;
- Group Legal;
- Group Compliance; and
- Group Security Management.

Group Strategic Risk Management – in its risk control function – is essentially charged with managing the risk portfolio at macro-level, providing adequate risk measurement methods and tools and drawing up comprehensive risk guidelines and control rules. This section comprises the departments Group Operating Risk, Credit Risk Methods, Group Enterprise-wide Risk Management and Reporting as well as Group Market and Liquidity Risk Management and the staff position Basel II.

Group Corporate Risk Management is responsible for operative credit risk management for the divisionalised large corporate business of Erste Group. It is in charge of the formal and material evaluation, recommendation and approval of all credit risk to which Erste Group Bank AG is exposed as a holding company. Group Risk Management is also responsible for credit risk management in the segment Group Corporate & Investment Banking (GCIB), as well as for all loan applications for amounts exceeding the limit for which the respective subsidiary companies are authorised. This unit analyses country risk, states, other credit institutions, securitisations (ABSs and CDOs), corporates and real estate risk.

Group Retail Risk Management's focus is on retail business, and thus the primary business segment of Erste Group. Procedures and standards for Retail Risk Management are co-ordinated at Group level; in addition, Group-wide credit risk reports are provided for retail business. The operative risk management functions for the retail activities of Erste Group are performed at local level.

Group Corporate Workout is responsible for the restructuring of the segments Group Large Corporates (GLC) and Group Real Estates (GRE). Over and beyond this, the division is responsible for a consistent process and business policy for restructuring and handling across the entire Erste Group.

Group Legal, as central legal department, advises and supports the Management Board, the business divisions and central offices in legal matters, also reducing the legal risk through legal dispute management. In its Group function, Group Legal is responsible for legal risk management and reporting; its object is to identify and reduce to a minimum, to limit or avoid any legal risk.

Group Compliance includes the departments Securities Compliance, AML (Anti Money-Laundering) Compliance and Fraud Management and is in charge of handling compliance risk. Compliance risk comprises the risk of legal or regulatory sanctions, major financial losses or reputational damage that Erste Group may suffer if it fails to comply with laws, ordinances, rules or standards.

Group Security Management is responsible for the strategic orientation, definition of security standards, quality assurance, the monitoring and further development of security-related issues in Erste Group.

Corporate Social Responsibility

Introduction

Social responsibility has been a pillar of the bank's corporate policy since its inception in 1819 - and remains an integral component of Erste Group's corporate philosophy today. Efforts in this regard have again been rewarded this year; the Erste Group (share) was incorporated into the newly created STOXX Global ESG Leaders index which combines the best sustainable companies worldwide.

Customers

Erste Group strives to offer its customers products and advice suited to their needs and understanding and, in so doing, to build and maintain long-term relationships to its customers. The bank continuously endeavours to improve service quality and to adjust its product range to meet the customers' needs and tastes.

In order to sharpen its customer focus even further, Erste Group has set up "Group Customer Experience", an independent unit integrating the functions market research, quality management and claims processing. This tool allows the bank to gain a better understanding of its customers' needs and expectation and to respond quicker and in a more targeted manner.

Ethical investments

The Austrian fund management company of Erste Group was quick to recognise the desire and determination among investors to take greater consideration of ecological and ethical-social aspects in their investment decisions. Erste Sparinvest embraced this change as an opportunity and has developed the most diverse range of ethical-sustainable funds in Austria over the past ten years. The managed assets grew to a volume of EUR 1.5 billion in 2011, which is 15% above the 2010 level. In 2011, Sparinvest's sustainability experts managed ten investment funds and a number of individual mandates.

Erste Sparinvest is committed to the UN principles of responsible investment and decided in 2011 to exclude companies doing business with controversial weapons, such as land mines, from all actively management investment fund portfolios starting in 2012.

Civil society

In 2011, too, Erste Group supported three initiatives: the annual Eastern Europe campaign of Caritas for children in the poorest countries of Europe, the call for donations to fight poverty in Austria and the *Coffee to help* campaign. Erste Group regularly endorses special projects of Caritas Vienna, youngcaritas.at and Caritas Austria. Österreichisches Hilfswerk has been the cooperation partner of several Erste Group companies since 2003.

Erste Bank der oesterreichischen Sparkassen AG, s Bausparkasse and Sparkassen continued to support the Hilfswerk initiative KINDER FÖRDERN. ELTERN HELFEN in 2011. Erste Bank der oesterreichischen Sparkassen AG again supported the lobby.16 association in 2011, which promotes the right to education of unaccompanied refugee children and endeavours to give them access to education, jobs and participation in social life.

In 2011, Erste Group extended its efforts to support and promote partnerships between cultural and social institutions in order to develop new ideas and strategies jointly within the framework of placement programmes. One such project is Kultur-Transfair, which aims to develop projects that promote interest in and facilitate access to culture.

As partner of the *Viennale* film festival, the *VIENNAFAIR* trade fair and of *Vienna Design Week*, Erste Group continued to promote cultural activities in 2011. Erste Bank der oesterreichischen Sparkassen AG has been the main sponsor of Jeunesse since the start of the 2011/12 season; in addition to a comprehensive programme of classical, jazz, world, new music and children's concerts, the company also actively promotes young artists.

The bank has been supporting amateur and professional sports events in Austria and Central Europe for decades. Projects are implemented in close partnership with the organisation and organisers. The main focus lies on ice hockey, running and tennis as well as youth promotion.

For Erste Group, voluntary commitment is an essential component of corporate social responsibility. Erste Group encourages its employees in all countries to engage in volunteer work and supports them in their endeavour. As a result, more then 400 Sparkassen employees are involved in Zweite Sparkasse.

Key figures - Employees (Austria, without savings banks)

	2011	2010	2009
Employee turnover	4.4%	6.7%	4.5%
Sick days per year	7.5	6.7	6.9
Training days per year	2.7	1.7	1.3
Percentage of women in management positions	26.8%	26.7%	18.4%
Percentage of part-time employees	25.8%	25.3%	15.7%
Percentage of female part-time employees	80.4%	79.8%	74.3%

2011 saw the introduction of variable remuneration guidelines defining the performance criteria for establishing and paying out bonuses. For Erste Group, employee training takes a high priority. The second class of *Group Leadership Development Programme* completed the training module in 2011 and new trainees participated in the *Erste Group Junior Trainee Programme*.

Erste School of Banking and Finance coordinated educational and training activities in 2011, too, establishing three new technical colleges. Again, preventive healthcare was an important theme for Erste Group. The main points were stress management and burnout prevention as well as early recognition of risk factors for cardiovascular disease.

In Austria alone, 1,200 employees of Erste Bank der oesterreichischen Sparkassen AG and Erste Group Bank AG used the preventive healthcare offer. Erste Bank der oesterreichischen Sparkassen AG was cited as "model of good practice" by the European Network of Health Promotion for its exemplary commitment to the management of mental disorders. Erste Group once again measured its employees' commitment and satisfaction in 2011. 32,000 employees took part in the survey. Improvements will be implemented based on the data fed back from the employees.

The Environment

In 2011, Erste Group set out to implement the environmental strategy it had adopted a year earlier with a focus on activities in Austria. In 2011, negotiations began power utilities with a view to changing to a new provider of electricity from sustainable production and the switch was successfully completed at the beginning of 2012. The reduction in paper consumption at Erste Group is another priority; henceforth, only FSC- or PEFC-certified paper will be used.

A key advancement in 2011 was the development of ecological criteria for procurement procedures. To participate in tenders, suppliers will henceforth have to answer a questionnaire to determine whether and to what extent their production takes into consideration ecological criteria. 2011 saw the adoption of a responsible financing policy in the energy sector. Only project that meet defined environmental and social criteria receive financing.

CO2 emissions per employee declined by 8.33% year-on-year to 1.76t/employee (Erste Bank der oesterreichischen Sparkassen AG and Erste Holding). In terms of electricity consumption, considerable cuts were achieved. This success is attributable to internal awareness building activities carried out amongst the employees and to innovative IT features. Similarly, a number of different projects were implemented in all Erste Group subsidiaries. The positive trend was started by a host of measures, such as conversion to low-energy technologies and optimisation of material and waste management.

Vienna, 29 February 2012

Management Board

Andreas Treichl mp Chairman	**Franz Hochstrasser mp** Vice Chairman
Herbert Juranek mp Member	**Gernot Mittendorfer mp** Member
Manfred Wimmer mp Member	

Balance sheet at 31 December 2011
Erste Group Bank AG

Assets

	€	€	in € thousand previous year	in € thousand previous year
1. Cash in hand and balances with central banks		2,959,594,307.14		558,715
2. Treasury bills and other bills eligible for refinancing with central banks				
a) treasury bills and similar securities	3,279,696,947.01		3,392,953	
b) other bills eligible for refinancing with central banks	0.00	3,279,696,947.01	0	3,392,953
3. Loans and advances to credit institutions				
a) repayable on demand	1,206,671,809.96		1,245,462	
b) other loans and advances	32,042,964,396.43	33,249,636,206.39	31,432,331	32,677,793
4. Loans and advances to customers		14,827,058,295.61		15,405,703
5. Debt securities and other fixed-income securities				
a) issued by public bodies	873,799,805.55		851,446	
b) issued by other borrowers	7,742,617,468.09	8,616,417,273.64	7,841,379	8,692,825
of which: own debt securities	0.00		0	
6. Shares and other variable-yield securities		1,116,371,924.31		1,299,575
7. Participating interests		251,418,780.48		285,565
of which: in credit institutions	119,996,961.76		158,775	
8. Shares in affiliated undertakings		11,132,413,323.36		9,649,198
of which: in credit institutions	852,938,669.72		849,150	
9. Intangible fixed assets		43,967,199.78		33,110
10. Tangible fixed assets		39,655,111.41		36,443
of which: land and buildings used by the credit institution for its own business operations	27,755,706.73		23,200	
11. Own shares and shares in a controlling company		470,000.00		6,133
of which: par value	470,000.00		600	
12. Other assets		5,717,387,804.56		4,628,636
13. Subscribed capital called but not paid		0.00		0
14. Prepayments and accrued income		290,999,513.10		282,179
Total Assets		81,525,086,686.79		76,948,828

Off-balance-sheet items

	€	€	in € thousand previous year	in € thousand previous year
1. Foreign assets		41,346,940,033.08		38,912,213

Balance sheet at 31 December 2011
Erste Group Bank AG

Liabilities and Equity

		€	€	in € thousand previous year	in € thousand previous year
1.	**Liabilities to credit institutions**				
a)	repayable on demand	1,479,151,518.53		1,357,172	
b)	with agreed maturity dates or periods of notice	26,520,004,764.15	27,999,156,282.68	22,863,511	24,220,683
2.	**Liabilities to customers (non-banks)**				
a)	savings deposits	0.00		0	
	of which:				
	aa) repayable on demand	0.00		0	
	bb) with agreed maturity dates or periods of notice	0.00		0	
b)	other liabilities	5,953,710,090.99		5,991,415	
	of which:				
	aa) repayable on demand	2,833,059,001.55		1,473,518	
	bb) with agreed maturity dates or periods of notice	3,120,651,089.44	5,953,710,090.99	4,517,897	5,991,415
3.	**Securitised liabilities**				
a)	Debt securities issued	22,993,475,197.64		22,785,522	
b)	other securitiesed liabilities	2,745,579,166.22	25,739,054,363.86	3,556,799	26,342,321
4.	**Other liabilities**		4,325,553,220.84		3,083,870
5.	**Accruals and deferred income**		115,524,149.75		88,062
6.	**Provisions**				
a)	provisions for severance payments	0.00		0	
b)	pension provisions	324,587,664.00		332,508	
c)	provisions for taxes	15,760,341.39		12,771	
d)	other	331,901,526.29	672,249,531.68	226,425	571,704
6.A	**Special fund for general banking risks**		0.00		0
7.	**Subordinated liabilities**		2,700,104,906.25		2,507,824
8.	**Supplementary capital**		2,152,869,894.72		2,272,591
9.	**Subscribed capital**		781,534,524.00		756,353
9.A	**Participation capital**		1,763,744,000.00		1,763,744
10.	**Capital reserves**				
a)	committed	6,390,552,000.00		6,151,714	
b)	uncommitted	260,000,000.00		260,000	
c)	for own shares and shares in a controlling company	0.00	6,650,552,000.00	0	6,411,714
11.	**Retained earnings**				
a)	statutory reserve	34,156,000.00		34,156	
b)	reserves provided for by the bye-laws	0.00		0	
c)	other reserves	1,612,167,202.02		1,548,170	
d)	for own shares and shares in a controlling company	27,059,000.00	1,673,382,202.02	90,495	1,672,821
	Carry forward		80,527,435,166.79		75,683,102

Liabilities and Equity

	€	€	in € thousand previous year	in € thousand previous year
Carry forward		80,527,435,166.79		75,683,102
12. Reserve pursuant to Section 23 (6) of the Austrian Banking Act (BWG)		851,000,000.00		851,000
13. Net profit or loss for the year		141,099,520.00		405,823
14. Untaxed reserves				
a) valuation reserve resulting from special depreciation	5,552,000.00		8,903	
b) other untaxed reserves	0.00	5,552,000.00	0	8,903
of which:				
aa) investment reserve pursuant to Section 9 of the Austrian Income Tax Act (EStG) 1988	0.00		0	
bb) investment allowance pursuant to Section 10 of the Austrian Income Tax Act (EStG) 1988	0.00		0	
cc) rent reserve pursuant to Section 11 of the Austrian Income Tax Act (EStG) 1988	0.00		0	
dd) reserve transferred pursuant to Section 12 (7) of the Austrian Income Tax Act (EStG) 1988	0.00		0	
Total Liabilities and Equity		81,525,086,686.79		76,948,828

Off-balance-sheet items

1. Contingent liabilities		7,346,055,788.60		15,169,673
of which:				
a) acceptances and endorsements	0.00		0	
b) guarantees and assets pledged as collateral security	6,601,418,003.89		6,811,833	
c) credit derivatives	744,637,784.71		8,357,840	
2. Commitments		4,043,053,406.13		5,289,878
of which: commitments arising from repurchase agreements	0.00		0	
3. Commitments arising from agency services		1,967,138.72		2,878
4. Eligible capital pursuant to Section 23 in conjunction with Section 29 of the Austrian Banking Act (BWG)		14,894,792,611.99		14,484,859
of which: capital pursuant to Section 23 (14) 7 of the Austrian Banking Act (BWG)	494,059,584.70		513,172	
5. Capital requirement pursuant to Section 22 (1) of the Austrian Banking Act (BWG)		3,420,168,439.39		3,588,808
of which: capital required pursuant to Section 22 (1) 1 and 4 of the Austrian Banking Act (BWG)	2,859,004,439.39		3,075,607	
6. Foreign liabilities		22,145,524,822.01		22,582,939

Profit and Loss Account 2011

Erste Group Bank AG

	€	€	in € thousand previous year	in € thousand previous year
1. **Interest and similar income**		1,976,324,062.86		1,635,700
of which: from fixed-income securities	444,659,214.44		318,820	
2. **Interest and similar expenses**		- 1,508,063,730.53		- 1,266,413
I. NET INTEREST INCOME		**468,260,332.33**		**369,287**
3. **Income from securities and participating interests**				
a) income from shares, other ownership interests and variable-yield securities	42,440,372.09		38,733	
b) income from participating interests	13,799,223.54		9,551	
c) income from shares in affiliated undertakings	775,124,566.47	831,364,162.10	999,805	1,048,089
4. **Commissions income**		201,471,607.60		260,051
5. **Commissions expenses**		- 144,498,843.94		- 158,384
6. **Net profit or net loss on financial operations**		- 7,886,867.85		126,384
7. **Other operating income**		14,727,968.29		15,772
II. OPERATING INCOME		**1,363,438,358.53**		**1,661,199**
8. **General administrative expenses**		- 400,828,796.80		- 373,113
a) staff costs	- 238,310,866.69		- 235,542	
of which:				
aa) wages and salaries	- 155,754,136.93		- 164,827	
bb) expenses for statutory social-security contributions and compulsory contributions related to wages and salaries	- 33,468,119.73		- 31,836	
cc) other social expenses	- 2,041,842.61		- 1,842	
dd) expenses for pensions and assistance	- 46,782,413.12		- 44,220	
ee) allocation to the pension provision	7,920,380.00		11,331	
ff) expenses for severance payments and contributions to severance and retirement funds	- 8,184,734.30		- 4,148	
b) other administrative expenses	- 162,517,930.11		- 137,571	
9. **Value adjustments in respect of assets items 9 and 10**		- 15,211,738.03		- 18,646
10. **Other operating expenses**		- 8,598,629.23		- 2,480
III. OPERATING EXPENSES		**- 424,639,164.06**		**- 394,239**
IV. OPERATING RESULT		**938,799,194.47**		**1,266,960**

	€	in € thousand previous year
Carry forward (IV. Operating result)	938,799,194.47	1,266,960
11. Value adjustments of loans and advances and allocations to provisions for contingent liabilities and commitments	- 804,110,165.15	- 305,463
12. Value re-adjustments of loans and advances and provisions for contingent liabilities and commitments	92,671,241.07	150,722
13. Value adjustments of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings	- 42,143,336.41	- 72,912
14. Value re-adjustments of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings	34,814,762.78	32,302
V. PROFIT OR LOSS ON ORDINARY ACTIVITIES	**220,031,696.76**	**1,071,609**
15. Extraordinary income	0.00	0
of which: withdrawals from the special fund for general banking risks	0.00	0
16. Extraordinary expenses	- 4,877,658.00	- 4,877
of which: allocation to the special fund for general banking risks	0.00	0
17. Extraordinary result (sub-total of items 15 and 16)	- 4,877,658.00	- 4,877
18. Tax on profit or loss	43,063,766.07	33,460
19. Other taxes not reported under item 18	- 119,933,997.08	- 6,198
VI. PROFIT OR LOSS FOR THE YEAR AFTER TAX	**138,283,807.75**	**1,093,994**
20. Changes in reserves	2,789,072.25	- 688,182
off which: allocation to liability reserve pursuant to Section 23 (6) of the Austrian Banking Act (BWG)	0.00	0
reversal of liability reserve pursuant to Section 23 (6) of the Austrian Banking Act (BWG)	0.00	0
VII. NET INCOME FOR THE YEAR	**141,072,880.00**	**405,812**
21. Profit brought forward from previous year	26,640.00	11
22. Profit transferred on the basis of profit transfer agreement	0.00	0
VIII. NET PROFIT OR LOSS FOR THE YEAR	**141,099,520.00**	**405,823**

Notes to the 2011 financial statements of Erste Group Bank AG

I. General Information

The 2011 financial statements of Erste Group Bank AG have been prepared in accordance with the regulations of the Austrian Commercial Code ("UGB") and in conjunction with the applicable provisions of the Austrian Banking Act ("BWG").

Pursuant to section 59a BWG, Erste Group Bank AG prepared the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) on the same balance sheet date.

1. Ongoing legal cases

Erste Group Bank AG and some of its subsidiaries are involved in legal disputes, most of which have arisen in the course of ordinary banking business. These legal proceedings are not expected to have any substantial detrimental effect on the financial position or profitability of Erste Group and/or Erste Group Bank AG. Erste Group is currently also involved in the following legal cases:

In 2002, Erste Group Bank AG and the majority of Austria's savings banks ("Sparkassen") set up the cross-guarantee system ("Haftungsverbund"). The purpose of this cross-guarantee system is to create an early-warning system, expand deposit guarantee arrangements and strengthen cooperation within Austria's savings banks sector.
In competition proceedings before the Austrian Cartel Court, a competitor of Erste Group Bank AG and the Austrian Federal Competition Authority requested the court to prohibit the Haftungsverbund alleging infringement of Article 81 of the EC Treaty (now Article 101 of the Treaty on the Functioning of the European Union/TFEU).
In March 2007, the Supreme Court (OGH) handed down a resolution and confirmed that the Haftungsverbund in its material provisions is compliant with Article 81 of the EC Treaty.
However, the Supreme Court held that certain aspects of the agreements could be critical under competition aspects. The Supreme Court did not specify any explicit consequences that needed to be implemented by Erste Group Bank AG and the other parties. Erste Group Bank AG and the Cartel Court reached an agreement in April 2008 concerning the changes that needed to be made. This agreement (undertakings within the meaning of section 27 of the Austrian Cartel Act) was contested by the competitor before the Austrian Supreme Court. In October 2008, the Supreme Court reversed the decision of the Cartel Court due to a procedural error and referred the case back to the Cartel Court. Neither the undertakings (if confirmed) nor the earlier decision of the Supreme Court have any bearing on the validity of the consolidation of the own funds of members of the Haftungsverbund.

In 2010, lawyers acting on behalf of a group of Jewish Holocaust victims and their descendants made claims against Hungarian banks in connection with the persecution in 1944 in what was then Greater Hungary. Erste Group Bank is also listed as one of the defendants in the case. In essence, the plaintiffs assert that Hungarian banks have been retaining Jewish assets held by them in 1944 to the present day. The plaintiffs estimate that the value of these assets was 2 billion US dollars in 1944. They also allege that Erste Group Bank is the legal successor of a number of the banks that operated in Greater Hungary in 1944. Erste Group Bank rejects these claims. Neither Erste Group Bank nor its Hungarian subsidiary bank, which was founded decades after the end of the Second World War, consider themselves the legal successors of any of the banks named in the lawsuit. Erste Group Bank sees no basis to justify the jurisdiction of any US court of law in this case. In February 2011, the US submitted a "statement of interest" with the US court of law recommending that the claims filed against Erste Group Bank AG be rejected. The case is still pending.

2. Disclosures

Erste Group Bank AG uses the Internet as the medium for publishing disclosures under section 26 BWG and the disclosure regulation. Details are available on the website of Erste Group at www.erstegroup.com/ir.

II. Notes to accounting and measurement methods

1) The financial statements have been prepared in accordance with **generally accepted accounting principles** and according to the standard principle that the financial statements should give a fair and accurate view of the financial position, income and expenses of the company. The principle of individual measurement was applied in the assessment of the

company's assets and liabilities, and it was assumed that the company would continue to operate (going concern). The particularities of the banking business were taken into account in the application of the principle of prudence.

2) Receivables and liabilities in foreign currency were measured at the ECB reference rate as at the balance sheet date. The currencies for which ECB did not publish a reference rate were recognised at the mean rate for foreign currencies of Erste Group Bank AG. MUM currencies were converted using the fixed euro factors. Foreign exchange forward transactions and currency swaps were generally rated at the forward currency rate.

3) Interests and shares in affiliated undertakings were recognised at cost of acquisition. Where permanent impairments resulted from sustained losses or other circumstances, valuations were revised downward accordingly. Where necessary, adequate provisions were established to cover the losses incurred by the subsidiaries.

4) For **bonds and other fixed-income securities**, the difference between acquisition cost and redemption value was amortised pro rata temporis pursuant to section 56 par. 2 BWG or recognised as income pro rata temporis over the residual time to maturity until redemption in accordance with section 56 par. 3 BWG. Sustained depreciation was written off pursuant to section 204 par. 2 UGB at the lower present value as at the balance sheet date. **Securities in the trading portfolio** and other **securities in the available for sale portfolio** were measured at market value pursuant to section 207 UGB and section 56 par. 5 BWG.

5) Loans and advances to credit institutions and customers, bills of exchange and other assets were measured in accordance with section 207 UGB. Appropriate value adjustments have been made to account for recognisable risk. Write-ups have been made from the reversal of value adjustments. Loans have been measured in consideration of statistical risk factors while provisions have been made where applicable in the form of portfolio corrections. Loans and advances to debtors in high-risk countries were assessed conservatively in consideration of the opinion of the Expert Senate for Commercial Law and Auditing (Fachsenat für Handelsrecht und Revision) of the Chamber of chartered public accountants and tax consultants (Kammer der Wirtschaftstreuhänder).

6) Intangible and tangible assets were measured at purchase or production cost less depreciation and impairment. Straight-line depreciation was employed where planned. The useful life is 25 to 50 years for buildings and 5 to 20 years for fixtures and fittings; the amortisation period for intangible assets is 4 to 15 years. Low-value assets were fully written off in the year of purchase.

7) Securitised and subordinated liabilities were recognised in the balance sheet at their repayment values or the pro rata annual values (zero coupon bonds).

8) Issuing costs for securities were expensed immediately; **premiums and discounts on issues** were amortised over the term of the securities.

9) Provisions were made in the amounts deemed necessary in standard commercial practice.

The **provisions for company pension plans** for retirees were measured based on actuarial expertise according to IFRS principles. The pension entitlements were measured in accordance with IAS 19 using the projected unit credit method and in application of the corridor method.

In the reporting year, the parameters used in the calculations were adapted as follows to take into account the changed market conditions: the discount rate was increased from 4.25 % to 4.65 % and the statutory increase in pension benefits was increased from 2.0 % to 2.4 %. The mortality tables based on the *AVÖ 2008 P-Rechnungsgrundlagen* (the actuarial basis for pension insurance of the Austrian Association of Actuaries) were taken into account.
The pension expectancies of Erste Bank Group AG employees who were in active employment on 31 December 2011 and employees with tenure and accrued pension rights who retired on or after 1 January 1999 have been transferred to the company VBV-Betriebliche Altersvorsorge AG.

Severance payment entitlements outsourced to S-Versicherung AG have been measured based on an actuarial expertise according to IFRS principles. Entitlements to severance payments have been measured in accordance with IAS 19 using the projected unit credit method. In the reporting year, the parameters used in the calculations were adapted as follows to take into account the changed market conditions: the discount rate was increased from 4.25 % to 4.65 % and the statutory increase in pension benefits was increased from 2.0 % to 2.4 %. Severance entitlements measured in compliance with commercial law and based on the above parameters amounted to EUR 38,610,891.00 and are posted as a contingent liability in the balance sheet. The credit intended for the performance of outsourced severance obligations with the insurer as at 31 December 2011 amounted to EUR 39,535,350.00. The outsourcing of severance entitlements to S-Versicherung AG has not resulted in any change to employee claims against Erste Group Bank AG, which continues to be liable for the severance entitlements of employees.

The **provision for anniversary bonuses** was measured in the same way as the severance payment provision, and an ancillary wage cost supplement of 8% was added.

10) Recoverable **trust assets** were declared off-balance sheet in accordance with section 48 par. 1 BWG**.**

11) In **derivatives** trading, the assets and liabilities were measured as follows:
Hedging products and their underlying asset or liability are shown as one valuation unit in the balance sheet. Interest flows on other products of the non-trading portfolio (strategic positions) were accrued over the period in which they occur. Negative market values are recognised in the income statement, while positive market values have not been recognised. Trading portfolios were measured mark-to-market.

12) **Securities lending transactions** have not been posted in the balance sheet in accordance with the provision applicable for securities lending. The securities underlying the lending transactions are recognised in the respective balance sheet items.

III. Notes to the balance sheet

(Unless indicated otherwise, amounts for the reporting year are stated in EURO, for the previous year in thousand EURO).

1) Maturity structure of loans and advances as well as liabilities to credit institutions and customers (by remaining maturities):

a) Loans and advances

	31/12/2011	31/12/2010
Loans and advances to credit institutions	***33,249,636,206.39***	*32,677,793*
up to 3 months	**12,492,000,824.71**	11,785,842
more than 3 months and up to 1 year	**5,975,911,751.84**	3,982,369
more than 1 year and up to 5 years	**10,540,276,895.80**	12,037,375
more than 5 years	**3,034,758,324.08**	3,626,745
payable on demand	**1,206,688,409.96**	1,245,462
Loans and advances to customers	***14,827,058,295.61***	*15,405,703*
up to 3 months	**1,283,357,992.87**	860,168
more than 3 months and up to 1 year	**1,743,054,773.35**	1,993,205
more than 1 year and up to 5 years	**5,451,969,537.80**	5,715,349
more than 5 years	**5,445,702,761.00**	5,852,605
payable on demand	**902,973,230.59**	984,376

b) Liabilities

	31/12/2011	31/12/2010
Liabilities to credit institutions	**27,999,156,282.68**	*24,220,683*
up to 3 months	**17,102,516,457.94**	14,480,303
more than 3 months and up to 1 year	**874,360,729.53**	526,232
more than 1 year and up to 5 years	**4,297,206,520.40**	3,523,377
more than 5 years	**4,245,921,056.28**	4,333,599
payable on demand	**1,479,151,518.53**	1,357,172
Liabilities to customers (non-banks)	***5,953,710,090.99***	*5,991,415*
Savings deposits		
up to 3 months	**0.00**	0
more than 3 months and up to 1 year	**0.00**	0
more than 1 year and up to 5 years	**0.00**	0
more than 5 years	**0.00**	0
payable on demand	**0.00**	0
Other	**5,953,710,090.99**	*5,991,415*
up to 3 months	**1,734,064,250.92**	3,066,656
more than 3 months and up to 1 year	**919,986,838.52**	296,242
more than 1 year and up to 5 years	**28,000,000.00**	740,000
more than 5 years	**438,600,000.00**	415,000
payable on demand	**2,833,059,001.55**	1,473,517
Securitised liabilities	***25,739,054,363.86***	*26,342,321*
up to 3 months	**2,614,667,332.54**	2,305,668
more than 3 months and up to 1 year	**4,902,629,394.21**	3,329,007
more than 1 year and up to 5 years	**12,124,600,838.54**	15,827,206
more than 5 years	**6,097,156,798.57**	4,880,440
payable on demand	**0.00**	0

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2) Debt securities due within one year

As at 31 December 2011, **debt securities** and other fixed-income securities for Erste Group Bank AG which will mature within one year after the balance sheet date amounted to EUR 4,092,639,506.25 (prior year: EUR 923,996 thousand).
As at 31 December 2010, **debt securities** in issue which will mature within one year after the balance sheet date amounted to EUR 7,517,288,931.58 (prior year: EUR 5.636,637 thousand).

3) Assets and liabilities in foreign currencies

	Assets		Liabilities	
	31/12/2011	31/12/2010	**31/12/2011**	31/12/2010
Total of Erste Group Bank AG	**26,206,605,805.98**	26,138,749	**14,318,574,622.21**	14,028,584

4) Loans and advances as well as liabilities to affiliated undertakings and companies in which participating interest is held

	Loans and advances to affiliated undertakings		Loans and advances to companies in which participating interest is held	
	31/12/2011	31/12/2010	**31/12/2011**	31/12/2010
Loans and advances to credit institutions	**23,915,230,403.45**	22,801,412	**398,973.86**	399
Loans and advances to customers (non-banks)	**4,133,795,654.12**	3,798,930	**0.00**	0
Debt securities and and other fixed-income securities (incl. securitised loans and advances to credit institutions)	**1,847,624,068.43**	1,972,188	**0.00**	0
Shares and other variable-yield securities	**159,565,693.67**	160,805	**0.00**	0

	Liabilities to affiliated undertakings		Liabilities to companies with participating interests	
	31/12/2011	31/12/2010	**31/12/2011**	31/12/2010
Liabilities to credit institutions	**11,487,630,299.24**	11,286,733	**836,886.88**	837
Liabilities to customers (non-banks)	**1,898,251,530.77**	2,716,680	**0.00**	0

Among these, the most important companies are:

Loans and advances to affiliated undertakings:

Erste Bank der oesterreichischen Sparkassen AG, Vienna
Erste Bank Hungary Rt, Budapest
Steiermärkische Bank und Sparkassen Aktiengesellschaft, Graz
Banca Comerciala Romana SA, Bucharest

Liabilities to affiliated undertakings:

Erste Bank der österreichischen Sparkassen AG, Vienna
Steiermärkische Bank und Sparkassen Aktiengesellschaft, Graz
Ceska Sporitelna a.s., Prague

5) Subordinated assets

		31/12/2011	31/12/2010
a)	Loans and advances to credit institutions	**1,436,267,169.32**	1,470,362
	thereof:		
	to affiliated undertakings	**1,425,015,369.14**	1,469,506
	to companies with participating interests	**0.00**	0

		31/12/2011	31/12/2010
b)	Loans and advances to customers	**222,752,606.49**	216,896
	thereof:		
	to affiliated undertakings	**8,809,859.23**	0
	to companies with participating interests	**0.00**	0
c)	Debt securities and other fixed-income securities		
	fixed-income securities	**220,358,777.07**	206,710
	thereof:		
	to affiliated undertakings	**3,237,147.10**	11,981
	to companies with participating interests	**0.00**	0

6) Fiduciary business

No fiduciary business was disclosed as at the balance sheet date.

7) Participating interests and shares in affiliated undertakings

Holdings as at 31 December 2011:

The indicated figures generally comply with IFRS; dividends received in the same year are deducted from equity capital.

Company name, company location	Share (%) (interest of Erste Group)	Equity capital (EUR)	Profit/Loss (EUR)	Balance sheet date
1.) Credit institutions				
Erste Bank der oesterreichischen Sparkassen AG, Vienna	100.00	958,286,680.00	158,751,000.00	31/12/2011
Prvá stavebná sporitelna, a.s., Bratislava	35.00	252,995,000.00	29,355,000.00	31/12/2010
"Spar - Finanz" - Investitions- und Vermittlungs-Aktiengesellschaft, Vienna	50.00	3,773,971.36	42,827.68	31/12/2010
Banka Sparkasse d.d., Ljubljana	28.00	91,544,000.00	-4,339,000.00	31/12/2010
2) Financial institutions				
ERSTE FACTORING d.o.o., Zagreb	76.95	15,047,950.00	3,512,210.00	31/12/2010
Erste Securities Istanbul Menkul Degerler AS, Istanbul	100.00	5,776,860.00	-1,391,540.00	31/12/2011
Erste Group Immorent AG, Vienna (sub-group)	100.00	418,883,000.00	20,534,000.00	31/12/2011
3.) Other holdings				
Capexit Private Equity Invest AG, Vienna (sub-group)	100.00	2,558,000.00	675,000.00	31/12/2011
EB-Malta-Beteiligungen Gesellschaft m.b.H., Vienna	100.00	127,480,000.00	3,577,000.00	31/12/2011
EGB e-business Holding GmbH, Vienna (sub-group)	100.00	27,007,000.00	-2,347,000.00	31/12/2011
EGB Ceps Beteiligungen GmbH, Vienna	100.00	9,387,277,000.00	615,081,000.00	31/12/2011
Erste Corporate Finance GmbH, Vienna	100.00	253,648.08	-16,261.62	31/12/2010
Erste Group Services GmbH, Vienna	100.00	89,000.00	6,481,000.00	31/12/2011
Erste Bank Beteiligungen GmbH, Vienna	100.00	212,608,000.00	30,811,000.00	31/12/2011
Erste Reinsurance S.A., Howald	100.00	12,802,000.00	-13,636,000.00	31/12/2011
OM Objektmanagement GmbH, Vienna	100.00	91,173,000.00	825,000.00	31/12/2011
Erste GCIB Finance I B.V., Amsterdam	100.00	3,288,000.00	582,000.00	31/12/2011
ROMANIAN EQUITY PARTNERS COÖPERATIEF U.A., Amsterdam	66.67	4,105,685.00	-786,124.00	31/12/2010
VBV – Betriebliche Altersvorsorge AG, Vienna	26.94	50,302,105.82	3,859,163.78	31/12/2010
s IT Solutions SK, spol. s r.o., Bratislava	99.53	528,000.00	215,000.00	31/12/2011

8) Securities

a) Breakdown of securities admitted for trading on a stock exchange

(pursuant to section 64 par. 1 no. 10 BWG)	listed		non-listed	
	31/12/2011	31/12/2010	**31/12/2011**	31/12/2010
a) Debt securities and other fixed-income securities	3,202,295,487.85	4,177,931	5,414,121,785.79	4,514,894
b) Shares and other variable-yield securities	185,381,357.12	237,043	353,725,710.00	356,553
c) Participating interests	52,563,388.22	53,436	0.00	0
d) Shares in affiliated undertakings	0.00	0	0.00	0
Total	**3,440,240,233.19**	**4,468,410**	**5,767,847,495.79**	**4,871.447**

(pursuant to section 64 par. 1 no. 11 BWG)	fixed assets		current assets	
	31/12/2011	31/12/2010	**31/12/2011**	31/12/2010
a) Debt securities and other fixed-income securities	3,720,083,579.92	3,650,934	4,896,333,693.72	5,041,891
b) Shares and other variable-yield securities	311,853,324.69	311,070	227,568,336.74	282,525
Total	**4,031,936,904.61**	**3,962,004**	**5,123,902,030.46**	**5,324,416**

Allocation pursuant to section 64 par. 1 no. 11 BWG has been carried out in accordance with the organisational policies adopted by the Management Board and positions that are held for a long-term profitable investment due to strategic aspects have been included under fixed assets.

The difference to the redemption value resulting from the pro-rata write-downs pursuant to section 56 par. 2 BWG as at 31 December 2011 amounted to EUR 67,936,625.59 (prior year: EUR 49,145 thousand), while the difference to the redemption value from the pro-rata write-ups pursuant to section 56 par. 3 BWG amounted to EUR 29,956,424.44 (prior year: EUR 78,563 thousand).

b) Break-down of the differences of the securities listed for trade on the stock exchange not held as financial fixed assets

	31/12/2011	31/12/2010
Difference between the higher market value at the balance sheet date and the cost of purchase pursuant to section 56 par. 5 BWG.	**70,082,570.39**	64.952

c) Repurchase agreements

The carrying amount of the assets subject to sale and repurchase agreements amounted to EUR 1,422,781,593.33 at the balance sheet date (prior year: EUR 1,350,880 thousand).

d) Breakdown of debt securities and other fixed-income securities

	31/12/2011	31/12/2010
Issued by public-sector issuers	873,799,805.55	851,445
Issued by other issuers	7,742,617,468.09	7,841,379
thereof:		
own issues	2,948,483,876.92	3,062,313
bonds - domestic credit institutions	638,126,624.80	621,259
bonds - foreign credit institutions	1,640,632,299.66	1,614,867
mortgage and municipal securities	801,388,987.57	352,436
convertible bonds	19,708,217.83	19,965
other bonds	1,694,277,461.31	2,170,539

9) Trading book

Erste Group Bank AG kept a trading book pursuant to section 22 n BWG throughout the financial year. The **securities portfolio** assigned to the trading book as at 31 December 2011 was EUR 3,927,082,523.03 (prior year: EUR 3,821,953 thousand).
Money market instruments worth EUR 20,566,227,674.24 (prior year: EUR 23,388,070 thousand) were assigned to the trading book on 31 December 2011.
The volume of **other financial instruments** included in the trading book had a par value of EUR 415,518,429,509.89 at 31 December 2011, (prior year: EUR 502,561,464 thousand) and is split up as follows.

	Long position		Short position		Total	
	2011	2010	**2011**	2010	**2011**	2010
Options	2,790,782,132.08	6,216,536	3,256,696,279.26	5,937,901	6,047,478,411.34	12,154,436
Caps and floors	47,958,398,606.91	55,076,145	44,170,435,805.53	56,096,269	92,128,834,412.44	111,172,414
Currency swaps	55,756,017,748.71	43,099,329	0.00	0	55,756,017,748.71	43,099,329
Interest swaps	227,920,969,633.19	227,486,769	0.00	0	227,920,969,633.18	227,486,769
Fwd rate agreement	14,206,522,999.33	49,711,278	17,890,763,977.01	54,740,074	32,097,286,976.34	104,451,352
Financial futures	321,466,338.66	211,982	68,750,528.33	653,793	390,216,866.99	865,776
Loan derivatives	581,203,160.53	1,729,879	596,422,300.36	1,601,164	1,177,625,460.89	3,331,043
Commodity trades	0.00	345	0.00	0	0.00	345
Total	349,535,360,619.41	383,532,263	65,983,068,890.48	119,029,201	415,518,429,509.89	502,561,464

Please note: interest and currency swaps, as well as commodity trades, are bilateral transactions but depicted as unilateral (purchase) in the table. All other products are unilateral transactions, therefore purchases and sales are disclosed separately.

10) Fixed assets

The consolidated statement of changes in fixed assets pursuant to section 226 par. 1 UGB is disclosed separately in the attachment to the notes.
The carrying amount of developed land was EUR 11,352,183.85 as at 31 December 2011 (prior year: EUR 11,393 thousand).
The carrying amount at 31 December 2011 did not include leased assets.
For the next financial year, Erste Group Bank AG will have expenses from the use of tangible assets not disclosed in the balance sheet (rental and leasing contracts) of a total of EUR 15,467,495.00 (prior year: EUR 12.556 thousand), and of a total of EUR 84,487,131.00 for the next five fiscal years (prior year: EUR 69,378 thousand).
Intangible fixed assets include assets worth EUR 17,515,998.50 (prior year: EUR 15,930 thousand) that have been acquired from an affiliated undertaking. During the year, such assets worth EUR 7,999,916.42 were acquired (prior year: EUR 8,174 thousand).

11) Accrued and deferred items

Prepayments and accrued income had increased to EUR 290,999,513.10 at 31 December 2011 (prior year: EUR 282,179 thousand). Of these, EUR 78,447,436.65 (prior year: EUR 53,587 thousand) were accruals in connection with derivative instruments, and EUR 141,639,342.90 (prior year: EUR 153,443 thousand) were prepayments on commissions.

12) Other assets

	31/12/2011	31/12/2010
Total:	5,705,513,768.41	4,628,636
thereof from securities transactions	957,049.84	12,625
thereof from derivative products	4,006,626,608.71	2,721,212
thereof from accrued income	709,253,895.66	625,307
thereof from receivables from participating interests and affiliated undertakings	830,047,240.56	1,046,905

13) Securitised liabilities

	31/12/2011	31/12/2010
Total:	25,739,054,363.86	26,342,321
thereof funded loans and bank bonds	961,767,283.42	961,767
thereof non-funded loans and bank bonds	14,383,886,072.93	16,028,746
thereof mortgage bonds and local government bonds	9,797,492,528.18	7,358,283
thereof certificates of deposit and commercial paper	450,908,479.33	1,928,525

14) Other liabilities

	31/12/2011	31/12/2010
Total:	4,373,871,572.67	3,083,870
thereof from derivative products	3,077,474,376.68	2,208,375
thereof from securities transactions	501,115,863.18	111,768
thereof from deferred income	557,076,685.70	546,540

15) Provisions

	31/12/2011	31/12/2010
Provisions for pensions	324,587,664.00	332,508
Provisions for taxation	15,760,341.39	12,771
Risk provision	164,756,553.55	120,601
Other	167,144,972.74	105,823
Total	**672,249,531.68**	**571,704**

The decrease in the **provisions for pensions** during the reporting year of EUR 7,920,380.00 was mainly the result of yearly use and changes to parameters for the calculation as described in section II.9 of these notes.

The sum total of actuarial gains/losses amounted to a loss of EUR 15,591,128.98 as per 31 December 2011 and this was deducted from the defined benefit obligation (EUR 340,178,792.00); as at 31 December 2011, the reserve therefore amounted to EUR 324,587,664.00.

For the **risk provisions** please refer to item III/29 of the notes. These include risk provisions from the early close-out of credit default swaps contracts in the amount of EUR 21,767,744.65.

Severance obligations have been outsourced to Sparkassen Versicherung Aktiengesellschaft since 2007.

The item **other provisions** includes provisions for negative market values for open derivatives without hedge relationship in the amount of EUR 60,192,387.98. In 2010 negative market values subject to provisions amounted to EUR 42,799 thousand, the amount was part of the item other liabilities.

16) Subordinated liabilities

Subordinated liabilities at 31 December 2011 totalled EUR 4,852,974,800.97 (prior year: EUR 4,780,414 thousand), thereof EUR 1,037,840.74 was attributed to 14,281 GIROCREDIT participation certificates issued in 1984 (participation rights pursuant to section 174 of the Austrian Stock Corporation Act ["AktG"]). The participation certificates securitise a share in profit and loss, but not in capital, and do not give the holder any voting rights.

No subordinated liability taken by Erste Group Bank AG during the reporting year (including supplementary capital) was above the 10 % limit for total subordinated liabilities.

Movements in total subordinated liabilities were as follows:

Increase due to new issues	EUR	348,821,186.59
Disposals due to maturity	EUR	217,800,000.00
Disposals due to partial extinguishment	EUR	92,257,651.30
Increase in carrying amount caused by valuation price fluctuations	EUR	39,241,121.05

At the balance sheet date, the bank held no own issues from subordinated liabilities that were not admitted for trading on a stock exchange.

In 2011, Erste Group Bank AG expenses for subordinated liabilities and supplementary capital were EUR 190,835,717.14 (prior year: EUR 200,564 thousand).

The term “subordinated” is defined in section 45 par. 4 and section 51 par. 9 BWG.

17) Subscribed capital and participation capital

Subscribed capital was EUR 781,534,524.00 at 31 December 2011 (prior year: EUR 756,353 thousand), represented by 390,767,262 voting bearer shares (ordinary shares).

In addition, a par value of EUR 1,763,744,000.00 (prior year: EUR 1,763,744 thousand) in participation capital was disclosed pursuant to section 23 par. 4 BWG, which the Management Board was authorised to raise in the amount of EUR 2,700,000,000 subject to approval at the extraordinary Annual General Meeting on 2 December 2008. This authorisation is valid for five years starting from the day the resolution was passed. In 2009, the participation capital was subscribed by the Republic of Austria as well as by private and institutional investors.

Capital increases 2011

Under ESOP 2011, 289,663 shares were subscribed to at a price of EUR 28.00 between 2 and 13 May 2011.

The proceeds from the issue of EUR 8,110,564.00 plus EUR 172,547.49 (from the difference between the issue price of EUR 28.00 and the price on the value date 26 May 2011 of EUR 33.73 for 30,113 shares subscribed to by employees of Erste Bank AG, charged to the item 8 Personnel expenses in the income statement), thus a total of EUR 8,283,111.49 was allocated as follows: EUR 579,326.00 to the subscribed share capital (item 9 under Liabilities) and EUR 7,703,785.49 to additional paid-in capital (item 10 under Liabilities). Subscription of these shares increased the subscribed capital and decreased the contingent capital accordingly.

Capital increase from authorised capital

In the second half of 2011, Erste Group Bank AG held negotiations about the acquisition of BCR shares held by the SIFs with all five regional Romanian investment funds ("Societati de Investitii Financiare", “SIF” for short), namely SIF Banat-Crisana, SIF Moldova, SIF Muntenia, SIF Oltenia and SIF Transilvania. The acquisition of BCR shares is being implemented in several tranches. Once the transaction has been concluded (the final step is scheduled for 2013), the BCR stake held by Erste Group will increase to approx. 99.5 %.

Prior to the first tranche, SIFs held a total of 3,257,561,011 BCR shares (30.0060 %). Up to 2,575,523,440 BCR shares will be obtained by Erste Group Bank AG at an exchange ratio of 1:127.9583 by way of a capital increase using authorised capital to the exclusion of the shareholders' subscription rights. Erste Group will acquire the remaining BCR shares held by SIFs against payment in cash.

The issue price of the new shares for the tranches implemented in 2011 from the capital increase in exchange for payment in kind was set at EUR 20.79. In 2011, the SIFs Banat-Crisina, SIF Moldova, SIF Muntenia and SIF Transilvania transferred a total of 1,573,999,761 BCR shares as contribution in kind to Erste Group Bank AG and the company's share capital was increased accordingly by EUR 24,601,756. Overall, 12,300,878 new Erste Group Bank AG shares were issued to these four SIFs.

As per 1 January 2011, the approved capital of Erste Group Bank AG amounted to EUR 200,000,000. After completion of these capital increases in exchange for contributions in kind, the approved capital amounted to EUR 175,398,244 as per 31 December 2011.

SIFs have additional options at the end of 2011, which could result in the issuance of 3,801,386 ordinary shares of Erste Group Bank AG.

18) Employee share ownership programme and management share option programme

MSOP 2005: The MSOP comprises a maximum of 2,000,000 ordinary shares of Erste Group Bank AG, which corresponds to 2,000,000 options. The tables below show the amounts of vested options distributed to Management Board members, managers and other eligible staff of Erste Group Bank AG.

Conditions: Each of the options granted free of charge entitles the holder to subscribe to one share; the transfer of options inter vivos is not permitted. The 2005 options were granted on the following dates: for the Management Board and other managers, 1 June 2005; for other key staff, options were granted in three tranches, on 1 September 2005, 1 September 2006 and 31 August 2007. For options granted in three tranches, at which time they were credited to the accounts of the recipients: 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 AG shares quoted in April 2005, plus a 10% premium and rounded down to the nearest half euro, which was EUR 43.00 per share. The option term begins on 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 was vested. Every year, notices of the 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 (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.

The **MSOP 2005** options granted, vested and exercised were distributed as follows among the recipients:

	granted and credited	expired 2011	not yet exercised
Andreas Treichl	9,000	3,000	3,000
Franz Hochstrasser	9,000	3,000	3,000
Herbert Juranek	5,000	1,000	3,000
Gernot Mittendorfer	9,000	3,000	3,000
Bernhard Spalt	5,000	1,000	3,000
Martin Škopek	9,000	3,000	3,000
Manfred Wimmer	3,000	1,000	1,000
Total received by Management Board members:	49,000	15,000	19,000
Other management	692,000	201,000	266,500
Employees	672,161	207,851	249,270
Total options	1,413,161	423,851	534,770

19) Capital authorised and contingent as at 31 December 2011

Authorised capital:

Article 5 of the Articles of Association authorises the Management Board, subject to approval by the Supervisory Board, – if necessary in several tranches – to increase the company's subscribed capital until 12 May 2015 by up to EUR 175,398,244 by issuing up to 87,699,122 shares as follows (the type of share, issuing price, terms of issuing and – if intended – exclusion of subscription rights are to be determined by the Management Board with the approval of the Supervisory Board): by issuing shares against cash contributions without exclusion of the subscription rights of existing shareholders; however, where the capital increase is used for the issuance of shares to employees, managers or members of the Management Board of the company or an affiliated undertaking, the subscription rights of existing shareholders are excluded; by issuing shares against contributions in kind, while excluding the subscription rights of existing shareholders.

Contingent capital:
Pursuant to article 6.3 of the Articles of Association, contingent capital from Management Board resolutions passed in 2002 and 2010 is of a par value of EUR 21,923,264, and may be utilised by issuing up to 10,961,632 bearer or registered shares at an issue price of at least EUR 2.00 per share, payable in cash, while excluding the subscription rights of the existing shareholders. This contingent capital is used to grant share options to employees, managers and members of the Management Board of the company or of an affiliated undertaking.

According to article 6.4 of the Articles of Association, the company has additional contingent capital of EUR 124,700,000 from the issuance of up to 62,350,000 ordinary bearer shares. This contingent capital is used to grant conversion or subscription rights to holders of convertible bonds.

Authorised contingent capital:
According to article 7 of the Articles of Association no authorisation currently exists to grant contingent capital.

20) Major shareholders

At 31 December 2011, the foundation DIE ERSTE oesterreichische Spar-Casse Privatstiftung (hereinafter referred to as "the Privatstiftung") controls a 25.02% interest in Erste Group Bank AG. 23.39% of the shares are held directly by DIE ERSTE oesterreichische Spar-Casse Privatstiftung, 1.63% of the shares are held by Sparkassen Beteiligungs GmbH & Co KG, an affiliated undertaking of DIE ERSTE oesterreichische Spar-Casse Privatstiftung. This makes the Privatstiftung the largest single investor in Erste Group Bank AG. In addition, the Privatstiftung held participation capital with a notional value of EUR 17,000,000.00 in Erste Group Bank AG as at 31 December 2011.

The Privatstiftung received a dividend of EUR 66,961,323.80 (prior year: EUR 64.1 million) on its stake in Erste Group Bank AG in 2011 (for financial year 2010). The dividend for participation capital of Erste Group Bank AG amounted to EUR 1,360,000.00. The purpose of the Privatstiftung, to be achieved notably by way of the participating interest in Erste Group Bank AG, is to support social, scientific, cultural and charitable institutions as well as to generally promote the guiding principles of the savings bank philosophy. At 31 December 2011, the members of the Privatstiftung's Management Board were Andreas Treichl (Chairman of the Management Board of Erste Group Bank AG), Rupert Dollinger, Theodora Eberle, Richard Wolf and Boris Marte. The Privatstiftung's Supervisory Board had eight members at the end of 2011, three of whom are also members of the Supervisory Board of Erste Group Bank AG.

Under article 15.1 of the Articles of Association, for the duration of its assumption of liability for all current and future debts in the event of their default on payment, DIE ERSTE oesterreichische Spar-Casse Privatstiftung is entitled, pursuant to Section 92 par. 9 BWG, to nominate up to one-third of the Supervisory Board members to be elected at the Annual General Meeting. Until now, the Privatstiftung has not exercised this right.

As at 31 December 2011, Erste Group Bank AG has accounts receivable in the amount of EUR 16.71 in respect of the Privatstiftung. In addition, standard derivative transactions for hedging purposes were in place between Erste Group Bank AG and the Privatstiftung, namely interest rate swaps in the nominal amount of EUR 185,000,000.00 and foreign currency swaps of EUR 29,233,916.33). In 2011, the interest income of Erste Group Bank AG resulting from said derivative transactions for the reporting period amounted to EUR 7,713,717.75 while interest expenses amounted to EUR 5,246,340.50.

CaixaBank S.A., located in Barcelona, Spain, holds a total of 38,195,848 Erste Group shares, equivalent to 9.77% of the share capital of Erste Group Bank AG. In addition, CaixaBank S.A. held participation capital with a notional value of EUR 15,000,000.00 in Erste Group Bank AG as at 31 December 2011. Juan Maria Nin, the Deputy Chairman of CaixaBank S.A. is a member of the Supervisory Board of Erste Group Bank AG.

CaixaBank S.A. received a dividend in the amount of EUR 26,737,093.60 for its interest in Erste Group Bank AG during the year 2011 (for 2010). The dividend for participation capital amounts to EUR 1,200,000.00.

Provisions concerning the appointment and dismissal of members of the Management Board and the Supervisory Board that do not result from statutory law concern article 15.4 of the Articles of Association, according to which a majority of three quarters of valid votes cast and a majority of three quarters of the subscribed capital existing at the time of resolution are required to decide on the revocation of members of the Supervisory Board.

The Articles of Association contain no restrictions in respect of voting rights or the transfer of shares. The Management Board has no knowledge of limitations agreed between partners. The sole exception is the holding period of one year in connection with the employee share ownership programmes (MSOP and ESOP).

Article 19.9. of the Articles of Association concerning amendments to the Articles of Association contains a provision that is not prescribed directly by statutory law: amendments to the Articles of Association, in so far as they do not alter the business purpose, may be passed by simple majority of votes cast and simple majority of the subscribed capital represented at the meeting considering the amendment. Where higher majority votes are required in individual provisions of the Articles of Association, these provisions can only be amended with the same higher majority vote. Furthermore, clause 19.9. of the Articles of Association can only be amended with a majority of three-quarters of votes cast and with a majority of three-quarters of the subscribed capital represented at the meeting considering the resolution.

21) Reserves

a) Changes in capital reserves:

The capital reserve at 31 December 2011 totalled EUR 6,650,552,000 (prior year: EUR 6,411,714 thousand). The increase in the capital reserves by EUR 238,838,000.00 is the result of the share premium of the capital increases described in section III. 17 of these notes.

b) Changes in retained earnings:

As at 31 December 2011, retained earnings amounted to EUR 1,673,382,202.02. This includes a reserve for own shares of EUR 27,059,000.00.

c) Changes in the liability reserve:

As at 31 December 2011, the total liability reserve was EUR 851,000,000.00.

d) Changes in untaxed reserves

The reduction in untaxed reserves to EUR 5,552,000.00 (prior year: EUR 8,903 thousand) is the result of the reversal of valuation reserves due to special depreciations pursuant to section 12 Inocme tax law (EStG 1988).

22) Own supplementary capital

At the 2011 balance sheet date, Erste Group Bank AG held supplementary own capital with a carrying amount of EUR 7,625,993.15 (prior year: EUR 6,967 thousand).

23) Own subordinated capital

At the 2011 balance sheet date, Erste Group Bank AG held subordinated own capital with a carrying amount of EUR 40,922,028.30 (prior year: EUR 13,750 thousand).

24) Own shares

Treasury shares held by Erste Bank

	No. of shares	Purchase price (EUR)	Sales price (EUR)	par value (EUR)
Portfolio at 1 January 2011	166,948			333,896.00
Total additions	14,591,842	373,431,072.19		29,183,684.00
Total disposals	14,758,790		379,297,624.91	29,517,580.00
Portfolio as at 31 December 2011	0			0.00
Highest level of treasury shares held	169,756			339,512.00

The aim of the transactions was primarily market making. As at 31 December 2011 Erste Group Bank AG accounted for a short position of -1,963,470 shares (book value EUR 26,673,739.94) in the position other liabilities. The short position is covered by securities lending transactions.

Participation capital of a par value of EUR 470,000.00 was disclosed as own capital as at the balance sheet date.

Ordinary shares of Erste Group Bank AG are also held by the following affiliated undertakings.

Sparkasse Kremstal-Pyhrn Aktiengesellschaft
Sparkasse Mühlviertel-West Bank Aktiengesellschaft

SPK Immobilien- und Vermögensverwaltungs GmbH
Kärntner Sparkasse Aktiengesellschaft
Steiermärkische Bank und Sparkassen Aktiengesellschaft

25) Own funds

Since 1 January 2007, Erste Group Bank AG has been applying the Basel II solvency rules. The advanced IRB (internal-rating-based) approach is used for retail business while the basic approach based on the internal rating system is used in corporate business, for sovereigns and in interbank business. In addition, some asset categories are measured according to the standardised approach in accordance with statutory transition regulations.

a) Risk-weighted assets pursuant to section 22 par. 2 BWG:

	2011	2011	2010	2010
	unweighted	weighted	unweighted	weighted
Standardised approach	41,809,302,674.12	17,785,504,907.91	34,651,660	17,855,296
Internal ratings based (IRB) approach	32,322,646,839.62	16,716,213,084.46	39,500,015	19,346,641
Risk weighted assets by exposure class at 31 December 2011 according to Basel II regulation:	**74,131,949,513.74**	**34,501,717,992.37**	**74,151,675**	**37,201,937**

b) Minimum capital requirement pursuant to section 22 par. 1 BWG

	31/12/2011	31/12/2010
1. Minimum capital requirement for credit risk pursuant to section 22 a–h BWG	2,760,137,439.39	2,976,155
a) Standardised approach	*1,422,840,392.63*	*1,428,424*
b) Internal-ratings-based (IRB) approach	*1,337,297,046.76*	*1,547,731*
2. Settlement risk	19,000.00	29
3. Minimum capital requirement for position risk	561,145,000.00	513,172
4. Minimum capital requirement for operational risk	98,867,000.00	99,452
5. Minimum qualifying capital requirement due to adoption of Basel II regulation	0.00	0
6. Minimum capital requirement for qualified non-financial investments	0.00	0
Total minimum capital requirement	3,420,168,439.39	3,588,808

c) Own funds pursuant to section 23 BWG

	31/12/2011	31/12/2010
Core (Tier 1) capital		
Paid-up capital	2,545,278,524.00	2,520,097
Deduction of treasury shares	-470,000.00	-6,133
Reserves	9,180,486,202.02	8,944,438
Hybrid (Tier 1) capital	17,010,442.63	17,477
Intangible assets	-43,967,199.78	-33,110
Core (Tier 1) capital pursuant to section 23 par. 14 no. 1 BWG (before deductions)	*11,698,337,968.87*	*11,442,769*
Qualifying supplementary (Tier 2) capital		
Supplementary capital	526,013,175.20	764,065
Revaluation reserve	100,752,261.26	55,002
Excess loan loss provision for IRB items	0.00	0
Subordinated capital	2,483,384,124.90	2,199,952
Qualifying supplementary (Tier 2) capital (before deductions)	*3,110,149,561.36*	3,019,019
Eligible short-term subordinated capital (Tier 3)	0.00	0
Rededication of own-fund components no longer eligible	494,059,584.70	513,172
Eligible short-term subordinated (Tier 3) capital	494,059,584.70	513,172
Deductions from core (Tier 1) capital purs. to sec. 23 par. 13 no.3 and no.4 BWG	-128,241,144.57	-153,416
Deductions from own funds pursuant to section 23 par. 13 no. 3 and no. 4 BWG	-128,241,144.57	-153,416
Deductions from own funds pursuant to section 23 par. 13 no. 4a BWG	-81,233,959.06	-93,596
Deductions from core (Tier 1) capital pursuant to section 23 par. 13 no. 4c BWG	-64,805.95	-18,191
Deductions from own funds pursuant to section 23 par. 13 no. 4c BWG	-64,805.95	-18,191
Deductions from core (Tier 1) capital pursuant to section 23 par. 13 no. 4d BWG	-34,954,321.42	-26,645
Deductions from own funds pursuant to section 23 par. 13 no. 4d BWG	-34,954,321.42	-26,645
Eligible capital pursuant to section 23 BWG	14,894,792,611.99	14,484,860
Minimum capital requirement	3,420,168,439.39	3,588,808
Qualifying capital surplus	11,474,624,172.60	10,896,051
Cover ratio	**435.5%**	403.6%
Solvency ratio (1), in relation to credit risk	**41.26%**	37.29%
thereof core (Tier 1) ratio (2), in relation to credit risk	**33.43%**	30.23%

(1) Total eligible capital pursuant to section 23 BWG less risk requirements other than for capital risk (settlement risk, operational risk and position risk for trading book and foreign currencies) in relation to the assessment base for credit risk pursuant to section 22 par. 2 BWG.

(2) Core (Tier 1) capital after deductions relative to the credit risk assessment base pursuant to section 22 par. 2 BWG.

26) List of assets pledged as collateral for liabilities pursuant to section 64 par. 1 no. 8 BWG

Assets	31/12/2011	Pledged as collateral for liabilities related to the following transactions
Fixed interest securities	40,835,803.51	Arrangement collateral for the benefit of Oesterr. Kontrollbank AG
		Collateral for loans to companies of Erste Group:
	50,000,000.00	thereof Slovenská Sporitelna a.s.
	78,755,581.80	Premium reserve for funded Erste Group Bank AG bonds
	2,185,662,995.25	Collateral for ECB account
	18,615,000.00	Collateral for other liabilities
	426,413,163.13	Margin requirements
	241,377,888.92	Premium reserve for mortgage and municipal bonds
Loans and advances to customers	1,806,504,357.78	Premium reserve for mortgage and municipal bonds
Loans and advances to credit institutions	198,317,108,38	Collateral for loans of Erste & Steiermärkische
		Bank d.d to companies of the Erste Group
	390,470,000.00	Collateral for other liabilities
	6,792.811.29	Margin requirements

27) Total volume of unsettled derivatives

as at 31/12/2011		Notional amounts by remaining maturity			
		< 1 year	**1-5 years**	**> 5 years**	**Total**
INTEREST RATE CONTRACTS		**376,713,956,791.87**	**143,018,127,057.25**	**98,748,788,311.68**	**618,480,872,160.81**
OTC products:					
Interest rate options	purchase	19,830,076,763.04	18,093,029,801.34	10,242,865,442.54	48,165,972,006.91
	sale	15,845,743,189.79	19,634,587,388.30	11,456,327,218.63	46,936,657,796.72
Interest rate swaps	purchase	146,901,088,762.75	57,879,212,959.53	40,820,666,593.10	245,600,968,315.37
	sale	162,734,243,159.90	46,707,686,098.04	36,159,039,057.43	245,600,968,315.37
FRAs	purchase	13,984,004,085.22	222,518,914.11	0.00	14,206,522,999.33
	sale	17,410,772,081.07	479,991,895.93	0.00	17,890,763,977.01
Listed products:					
Futures		8,028,750.10	1,100,000.00	0.00	9,128,750.10
Interest rate options		0.00	0.00	69,890,000.00	69,890,000.00
CURRENCY CONTRACTS		**115,955,871,635.73**	**5,104,635,219.24**	**1,565,126,267.69**	**122,625,633,122.66**
OTC products:					
Currency options	purchase	1,409,260,477.60	204,559,913.12	4,520,847.46	1,618,341,238.18
	sale	1,283,719,739.23	208,279,863.96	11,967,857.92	1,503,967,461.11
Currency swaps	purchase	56,897,759,837.27	2,251,189,656.79	948,869,254.52	60,097,818,748.58
	sale	56,315,228,300.30	2,440,605,785.37	599,768,307.79	59,355,602,393.46
Listed products:					
Futures		21,664,321.04	0.00	0.00	21,664,321.04
Currency options		802,527.80	0.00	0.00	802,527.80
PRECIOUS METAL CONTRACTS		**5,279,914.49**	**33,089,420.80**	**0.00**	**38,369,335.29**
OTC products:					
Precious metal options	purchase	454,420.40	33,089,420.80	0.00	33,543,841.20
	sale	453,633.80	0.00	0.00	453,633.80
Precious metal swaps	purchase	0.00	0.00	0.00	0.00
	sale	0.00	0.00	0.00	0.00
Listed products:					
Futures		2,644,267.79	0.00	0.00	2,644,267.79
Precious metal options		1,727,592.50	0.00	0.00	1,727,592.50
SECURITIES-RELATED CONTRACTS		**624,749,235.88**	**596,251,184.03**	**569,602,737.36**	**1,790,603,157.27**
OTC products:					
Share options	purchase	110,622,066.69	497,371,679.92	510,755,937.24	1,118,749,683.85
	sale	54,022,557.72	87,321,921.60	58,846,800.12	200,191,279.44
Listed products:					
Futures		356,513,192.51	266,335.50	0.00	356,779,528.01
Share options		103,591,418.96	11,291,247.01	0.00	114,882,665.97
CREDIT DERIVATIVE CONTRACTS		**461,403,601.53**	**1,058,931,187.78**	**178,185,717.59**	**1,698,520,506.90**
OTC products:					
Credit default swaps	purchase	218,030,373.30	545,898,886.65	168,185,717.59	932,114,977.54
	sale	243,373,228.23	513,032,301.13	10,000,000.00	766,405,529.36
TOTAL		**493,733,824,747.01**	**149,811,034,069.10**	**101,061,703,034.32**	**744,606,561,850.44**
thereof OTC products		493,238,852.68	149,798,376.49	100,991,813.03	744,029,042.20
thereof listed products		494,972.07	12,657.58	69,890.00	577,519.65

28) **Derivative financial instruments and fixed-asset financial instruments pursuant to the Fair-Value Valuation Act ("FVBG")**

Derivative financial instruments					
per 31/12/2011	**Notional amount purchase**	**Notional amount sale**	**Carrying amount**	**Positive fair value**	**Negative fair value**
Interest rate contracts					
OTC products					
Interest rate options	48,165,972,006.91	46,936,657,796.71	-27,722,659.72	1,741,523,269.40	-1,753,597,470.28
Interest rate swaps	245,600,968,315.37	245,600,968,315.37	365,853,360.60	13,168,671,106.31	-11,943,363,572.42
FRAs	14,206,522,999.33	17,890,763,977.01	928,206.41	34,325,245.47	-33,386,370.47
Listed products					
Futures	3,272,250.10	5,856,500.00			
Interest rate options	0.00	69,890,000.00	-1,319,997.91	0.00	-1,319,997.91
Currency contracts					
OTC products					
Currency options	1,618,341,238.18	1,503,967,461.11	11,730,319.18	125,127,767.46	-113,003,042.34
Currency swaps	60,097,818,748.58	59,355,602,393.46	170,937,980.15	824,568,461.05	-708,257,017.72
Listed products					
Futures	14,409,838.47	7,254,482.57			
Currency options	2,587.80	799,940.00	-6,216.85	20,718.29	-26,935.14
WP-related contracts					
OTC products					
Share options	1,118,749,683.85	200,191,279.44	39,443,433.06	122,171,537.94	-114,776,776.49
Listed products					
Futures	301,681,728.17	55,097,799.84			
Share options	20,144,781.01	94,737,884.96	-1,507,975.77	1,797,908.47	-3,305,884.24
Precious metal contracts					
OTC products					
Precious metal options	28,500,000.00	0.00	-126.00	345,766.00	-345,892.00
Precious metal swaps	0.00	0.00	0.00	0.00	0.00
Listed products					
Futures	1,583,294.69	0.00			
Precious metal options	0.00	1,727,592.50	-38,029.06	0.00	-38,029.06
Commodity and other contracts					
OTC products					
Commodity options	5,043,841.24	453,633.77	-734.95	1,716,884.79	-1,717,619.74
Commodity swaps	0.00	0.00	0.00	0.00	0.00
Listed products					
Futures	519,227.23	541,745.92			
Commodity options	0.00	0.00	0.00	0.00	0.00
Credit derivate contracts					
OTC products					
Credit derivative options	0.00	0.00	0.00	0.00	0.00
Credit derivative swaps	932,114,977.54	766,405,529.36	-37,384,971.26	100,679,589.12	-58,561,114.88
OTC products	371,774,031,811.00	372,255,010,386.22	523,784,807.46	16,119,129,627.55	-14,727,008,876.33
Listed products	341,613,707.47	235,905,945.79	-2,872,219.59	1,818,626.76	-4,690,846.35
Total	**372,115,645,518.47**	**372,490,916,332.01**	**520,912,587.87**	**16,120,948,254.31**	**-14,731,699,722.68**

Financial instruments held as fixed assets

per 31.12.2011	Carrying amount	Fair value	Hidden liabilities	Hidden reserves
Treasury bills	365,148,543.59	336,690,285.86	28,458,257.73	
	1,526,882,602.44	1,592,795,935.74		65,913,333.30
Loans and advances to credit institutions	2,053,714,379.58	1,950,061,053.16	103,653,326.42	
	167,152,308.79	167,230,414.63		78,105.84
Loans and advances to customers	1,196,947,648.42	1,100,178,660.85	96,768,987.57	
	201,679,490.61	203,722,620.86		2,043,130.25
Debt securities	1,580,450,563.70	1,299,394,361.16	281,056,202.55	
	1,765,059,803.52	1,803,113,087.04		38,053,283.51
Shares	177,794,236.97	150,989,072.42	26,805,164.55	
	317,102,485.96	323,230,515.68		6,128,029.72
Total	**5,374,055,372.26**	**4,837,313,433.45**	**536,741,938.82**	
	3,977,876,691.32	**4,090,092,573.95**		**112,215,882.62**

Assets were not impaired, since the impairment is not presumed to be permanent. The fair value is the amount that could be attained in an active market through the sale of a financial instrument, or correspondingly the amount that would be payable for its purchase. Market prices were used to determine fair value where available. Where no market price was available, valuation models were used, particularly the net present value method.

Fair Values for options are calculaded by using recognized option pricing models. The applied valuation models include among others the Black-Scholes models, binominal models, Hull-White and BGM models.

29) Information relating to hedging transactions

Erste Group Bank AG uses interest rate swaps, currency swaps and options to hedge against future cash flows or the market risk (interest rate, exchange rate and price risk) resulting from balance sheet assets (bonds, loans) and liabilities (own issues, promissory notes, custody transactions) on an individual basis or as a group.

Derivatives are used in accordance with the UGB Hedging Strategy to hedge the fair value of underlying transactions (e.g. by swapping fixed for variable interest payments) and payment streams (e.g. by swapping variable for fixed interest payments) thereby reducing the interest rate risk of Erste Group Bank AG to the level defined under the interest risk strategy.

	31/12/2011 in EUR '000	31/12/2010 in EUR '000	Change in EUR '000
Positive fair value hedge	1,330,375	1,109,319	221,056
Positive cash flow hedge	40,148	74,049	-33,901
Negative fair value hedge	-536,566	-772,738	236,172
Negative cash flow hedge	-20,420	-72,032	51,612
Total			
Positive fair value	**1,370,523**	**1,183,368**	**187,155**
Negative fair value	**-556,986**	**-844,770**	**287,784**

The fair values are given based on clean prices. Where fair values are negative, they represent off-balance-sheet losses from derivatives in a hedge relationship. As per 31 December 2011, fair value hedges with a 2045 horizon and cash flow hedges with a 2030 horizon were available. The negative fair values (accrued interest not considered) of derivatives used to hedge against payment flows are not recognised in the annual financial statements because these payment flows are – with a level of probability verging on certainty – offset by recognised payment counter-flows from the underlying transactions .

Effectiveness is basically measured using critical terms matching method. Where inadmissible, effectiveness is measured on a quarterly basis using the hypothetic derivative method. This method retrospectively determines the effectiveness of fair value hedges by comparing the changes in fair value (also taking into account accrued interest) between the hedge and the underlying using a hypothetical derivative as underlying. For a prospective determination of the efficiency of fair value hedges, the change in the value of the derivative and the underlying is compared at a point when the interest rate curve shifts one basis point. The interest accrued by the variable cash flow from the hedge since the last measurement and that of the underlying are compared to determine the efficiency of cash flow hedges retrospectively. To measure the efficiency of cash flow hedges prospectively, the fair values of the variable side between hedge and underlying are compared, using a hypothetical derivative as underlying.

30) Risk provisions

Changes in risk provisions (loans and advances to credit institutions and loans and advances to customers as well as contingent liabilities)

	2011	2010
At the beginning of the year	568,140,925.74	506,167
Less: use	-39,291,997.22	-39,122
Less: releases	-52,325,205.02	-106,927
Plus: additions	191,869,571.84	199,077
Plus: transfer	0.00	-3,262
Changes in valuation of foreign currency	4,082,783.59	12,208
At end of year	672,476,078.93	568,141

31) Contingent liabilities

Contingent liabilities consist of guarantees and assets pledged as collateral security (EUR 6.601.418.003,89) and credit derivatives (EUR 744.637.784,71). Required provisions have been deducted from contingent liabilities.
Guarantees and assets pledged as collateral security essentially consisted of guarantees by Erste Group Bank AG for domestic customers (EUR 2.198.090.356,74) and foreign customers (EUR 3.732.046.322,25).

32) Credit risks

Credit risks accounts with an amount of EUR 3,370,347,401.63 to unused credit and liability commitments to customers and EUR 573,595,819.48 to other banks.

IV. Notes to the profit & loss account:

(Unless indicated otherwise, amounts for the reporting year are stated in EURO, for the previous year in thousand EURO).

1) Profits of affiliated undertakings (subsidiaries that are considered a tax group with Erste Group Bank AG under the group taxation regulations of 2005) posted in the income statement of Erste Group Bank AG under income from **participating interests and shares in affiliated undertakings** reached a value of EUR 763,532,685.00 (prior year: EUR 981,245 thousand). Of this, EUR 615,000,000.00 originated from EGB Ceps Beteiligungen GmbH and EUR 105,826,320.00 from Erste Bank der oesterreichischen Sparkassen AG. During the reporting year, there were no requirements for impairment, nor other expenses for group members (prior year: EUR 0 thousand) nor profits from sales (prior year: EUR 0 thousand)

2) The breakdown by region (according to the location of entities) of **gross income** of Erste Group Bank AG was as follows:

	Domestic	**International**	**2011 total**	Domestic	International	2010 Total
Interest and similar income	1,806,803,042.67	169,521,020.19	1,976,324,062.86	1,463,123	172,578	1,635,700
Income from securities and participating interests	831,245,477.48	118,684.62	831,364,162.10	1,047,778	311	1,048,089
Commission income	195,453,472.84	6,018,134.76	201,471,607.60	236,006	24,045	260,052
Income from financial operations	-8,699,617.75	812,749.90	-7,886,867.85	127,399	-1,015	126,384
Other operating income	14,582,207.63	145,760.66	14,727,968.29	15,074	698	15,772
Total	**2,839,384,582.87**	**176,616,350.13**	**3,016,000,933.00**	**2,889,380**	**196,617**	**3,085,997**

In 2011, interest and similar income included income from trading book securities in the amount of EUR 92,324,636.00, while income from shares and other equity amounted to EUR 3,686,885.80 and the item "Interest and similar expenses" totalled EUR 41,679,104.15. In 2010, income from trading book securities amounting to EUR 108,761 thousand less refinancing costs for trading book positions in the amount of EUR 34,103,270.63 were recognised under the heading "Income from financial operations".

3) Commission income included EUR 7,965,728.06 (prior year: EUR 10,975 thousand) from **administrative and agency services** on behalf of third parties.

4) **Other operating income** of EUR 14,727,968.29 (prior year: EUR 15,772 thousand) included income from rental income, cost reimbursements and the release of provisions.

5) In terms of **personnel expenses**, the item Expenses for severance payments and payments to severance-payment funds included expenses for severance payments of EUR 6,938,168.88 (prior year: € 3,184 thousand). Changes in pension provisions were in part the result of changes in calculation parameters.

6) **Other operating expenses** of Erste Group Bank AG, which amounted to EUR 8,598,629.23 (prior year: EUR 2,480 thousand), essentially consisted of the expenses incurred for the Lehmann Brothers penalty interest (EUR 3,139,636.72) and the payment of insurance against operational risk (EUR 5,247,134.02).

7) The item **value adjustments on claims and allocations to provisions for contingent liabilities and for credit risk** includes expenses incurred by the early close-out of existing credit default swaps in the amount of EUR 572,839,688.60.

8) **Income from the release of value adjustments for claims and provisions for contingent liabilities and for credit risk** includes income from the early close-out of credit default swaps in the amount of EUR 22,225,936.59.

9) **Value adjustments in respect of securities held as financial fixed assets, participating interests and shares in affiliated undertakings** included write-offs for s IT Solutions SK, spol. s r.o. in the amount of EUR 12,865,057.99 and Erste Reinsurance S.A. in the amount of EUR 5,084,488.85.

10) As in the previous year, the reported net **amount of extraordinary income** and **extraordinary expenses** of EUR 4,877,658.00 (prior year: EUR -4,878 thousand) was the result of expenses incurred to close the pension provision gap and the proportional amortisation of the difference from the transfer of pension expectancies for active employees to the pension fund, which was also reported as a deferred expense.

11) Under the item **taxes on profit or loss**, a tax income of EUR +43,063,766.07 (prior year: EUR +33,460 thousand) was reported.

Since 2005, Erste Group Bank AG and its main domestic subsidiaries have formed a tax group in accordance with section 9 of the Austrian Corporate Tax Act ("KStG"), with Erste Group Bank AG as the group parent ("Gruppenträger"). Group and tax equalisation agreements were concluded with all members of the Group. Under these agreements, Group members allocate amounts equivalent to the corporation tax on taxable profits to Erste Group Bank AG. Since tax losses from prior years are recorded and offset against their current tax liability by the Group member companies themselves, there is no obligation to make tax allocation payments to Erste Group Bank AG. Moreover, Erste Group Bank AG undertakes to make compensatory payments for any tax losses utilised up to that point to Group member companies leaving the Group. Future tax liabilities resulting from these constellations were allocated to reserves if their realisation was probable. Liabilities with a low probability of occurrence were not allocated to reserves due to their quasi-permanent nature.

Net income from taxes on profit or loss was EUR 53,677,596.51 (prior year: EUR +43,466 thousand) under the current tax allocation system while tax revenue from foreign taxes on income of previous years amounted to EUR +3,734,905.41 (prior year: EUR +1,201 thousand) according to section 9 KStG on group taxation.
Tax revenue from foreign taxes on income of previous years in the amount of EUR +637,209.00 are also included. The principal expenses under this item are foreign income tax and other foreign income-related taxes of EUR 14,606,002.88.

Write-ups not effected due to tax reasons amounted to EUR 14,182,920.14 in the year 2011.

12) General administrative expenses also include fees for auditing and tax advisory services. The table below lists the fees charged by the auditors (these are mainly Sparkassen-Prüfungsverband and Ernst & Young):

in EUR	2011	2010
Fees charged for the auditing of the financial statements	2,507,754.47	2,442
Fees charged for audit-related services	115,727.10	248
Fees charged for tax advisory services	404,766.04	404
Total	**3,028,247.61**	**3,094**

V. Information on board members and employees

1) Employees

The average number of employees at Erste Group Bank AG (weighted, excluding employees on leave and members of the Management Board) was 1,757.12 during financial year 2011 (prior year: 1,607.5).

Of these, 260 employees (prior year: 234) worked for other companies in exchange for reimbursed expenses in 2011. The total reimbursement was EUR 23,474,347.08 (prior year: EUR 22,489 thousand) and was recognised under general administrative expenses (personnel expenses) in the income statement.

2) Board members

Where the law or the Articles of Association do not require otherwise, the Annual General Meeting passes resolutions by a simple majority of the votes cast or, in cases where a majority of the capital is required, by a simple majority of the subscribed capital represented at the time of voting. The Annual General Meeting shall resolve on amendments to the Articles of Association by simple majority of the votes cast and by simple majority of the subscribed capital represented at the resolution, provided that the objects of the Company are not changed. Where higher majority votes are required in individual provisions of the Articles of Association, these provisions can only be amended with the same higher majority vote. This provision may only be amended with a majority of three fourths of cast votes and a majority of three fourths of the subscribed capital represented at the time of passing the resolution.

At the end of 2011, loans and advances to members of the Management Board by Erste Bank der oesterreichischen Sparkassen AG totalled EUR 146,087.26 (prior year: EUR 166 thousand). Loans to members of the Supervisory Board amounted to EUR 228,081.26 (prior year: EUR 251 thousand). The applicable interest rates and other terms (maturity dates and collateral) represent market terms. During the financial year no substantive repayments on the loans granted to members of the Management Board and Supervisory Board were made.

In 2011, members of the Management Board received cash and non-cash compensation for their function as Management Board members in 2011 totalling EUR 6,064,799.70 (prior year: EUR 5.143 million). Performance bonus paid in 2011 for the fiscal year 2010 totalled EUR 1,305,424.74 and that for the year 2007 amounted to EUR 498,313.84 (performance bonus payment in 2010 for the year 2009 was EUR 3.684 million).

In the fiscal year 2011, EUR 2,148,002.92 (prior year: EUR 924 thousand) was granted to former members of the Management Board and their surviving dependants.

The breakdown of compensation received by members of the Management Board in 2011 is as follows:

	Comensation in 2011 (in EUR)			**Comparison with 2010 (in EUR million)**	
	for 2011	for 2010	for 2007	for 2010	for 2009
Base salary	4,987,028.36			4.122	
Performance bonus		1,305,424.74	498,313.84		3.684
Other compensation	1,077,771.34			1.021	
Total	6,064,799.70	1,305,424.74	498,313.84	5.143	3.684

In addition to the above mentioned performance bonus, the beneficiaries received a total of 43,529 share equivalents of Erste Group Bank AG. Valuation is based on the average, weighted daily share price of Erste Group Bank AG in 2011 amounting to EUR 25.37 per share. Pay-outs will be made in 2012 after a one-year holding period.

No performance bonus will be paid to Management Board members for the fiscal year 2011. In relation with measures aimed at strengthening the bank strategically, the Management Board repayed EUR 585,451.42 performance bonuses for the year 2010 (incl. interest) and further waived its bonus entitlement of EUR 1,340,080.70 for the year 2010 that would have been paid out in the years from 2012 to 2016.

The item other compensation includes pension fund contributions and contributions to Vorsorgekasse (in cases of the new severance payments scheme). In 2011, the Management Board of Erste Group Bank AG did not receive board emoluments or other compensation from fully consolidated subsidiaries of Erste Group Bank AG. The compensation of Management Board members is based on the individual’s responsibilities, the achievement of corporate targets and the group’s financial situation.

The Supervisory Board is constituted by a minimum of three and a maximum of twelve members who are appointed by the Annual General Meeting. Unless the Annual General Meeting has determined a shorter term of office for individual, several or all Supervisory Board members on the occasion of their appointment, the term of office of the members of the Supervisory Board shall end at the end of the Annual General Meeting which resolves on the approvals of their actions for the fourth business year following their election; a re-election shall be admissible. In addition, membership in the Supervisory Board ceases by death, by revocation, by withdrawal or in the event of a defined impediment. To revoke membership, a three-fourths majority of valid votes and a three-fourths majority of the subscribed capital represented at the time of passing the resolution shall be required.

In the reporting year, the Supervisory Board members of Erste Group Bank AG were paid EUR 992,762.20 (prior year: EUR 512 thousand) for their board function. Members of the Supervisory Board received the following compensation for board positions in fully consolidated subsidiaries of Erste Group Bank AG: Heinz Kessler EUR 48,488.88, Friedrich Rödler EUR 13,250.00 and Werner Tessmar-Pfohl EUR 25,600.00. No other legal transactions were concluded with members of the Supervisory Board. The following amounts were invoiced for other legal transactions by companies related to members of the Supervisory Board: DORDA BRUGGER JORDIS Rechtsanwälte GmbH, with Theresa Jordis as one of its partners, invoiced Erste Group a total of EUR 156,266.76 for several consultancy contracts in 2011. Friedrich Rödler is senior partner of PricewaterhouseCoopers Austria. Companies of this group invoiced Erste Bank Group a total of EUR 142,095.14 for consultancy contracts in 2011.

The breakdown of compensation paid to the Supervisory Board members was as follows:

Supervisory Board member:	2011	2010
Supervisory Board compensation	706,262.20	350
Attendance fees	286,500.00	162
Total	992,762.20	512

Pursuant to the decision at the Annual General Meeting of 12 May 2011, the Supervisory Board adopted the following compensation structure in its constituent meeting:

in EUR	Number	Compensation per person	Total compensation
Chairman	1	100,000.00	100,000.00
Vice President	2	75,000.00	150,000.00
Members	9	50,000.00	450,000.00
Total	**12**		700,000.00

Information on Erste Group Bank AG shares held by Management Board and Supervisory Board members as well as transactions carried out with Erste Group Bank AG shares (numbers of shares):

Members of the Management Board:

Management Board member	As at 31/12/2010	Additions 2011	Disposals 2011	As at 31/12/2011
Andreas Treichl	184,640	0	0	184,640
Franz Hochstrasser	25,260	0	0	25,260
Herbert Juranek	656	0	0	656
Gernot Mittendorfer	0	2,100	0	2,100
Bernhard Spalt	6,376	0	0	6,376
Martin Škopek	1,560	200	0	1,760
Manfred Wimmer	18,132	0	0	18,132

For members of the Management Board whose office term began or ended during the financial year, their holdings in Erste Group AG shares as of the date of inception or termination of the office term were considered either as an addition or as a disposal.

The Management Board members below held the following Erste Group Bank AG participation capital at the balance sheet date of 31 December 2011:

Management Board member:	Notional amount
Andreas Treichl	30,000
Herbert Juranek	30,000
Bernhard Spalt	10,000
Manfred Wimmer	30,000

The breakdown of Supervisory Board members' holdings in Erste Group Bank AG shares at the balance sheet date of 31 December 2011 was as follows:

Supervisory Board member:	No. of shares
Georg Winckler	2,500
Jan Homan	4,400
Wilhelm Rasinger	15,135

Theresa Jordis	2,900
Friedrich Rödler	1,702
John James Stack	32,761
Werner Tessmar-Pfohl	1,268
Elisabeth Gürtler	700
Andreas Lachs	52
Friedrich Lackner	500
Bertram Mach	95
Barbara Smrcka	281
Karin Zeisel	35
Markus Haag	160
Christian Havelka	1,851

Supervisory Board members have not received any options on Erste Group Bank AG shares for exercising their function.

Persons related to members of the Management Board or Supervisory Board held 4,136 Erste Group Bank AG shares at 31 December 2011.

The Supervisory Board members below held the following Erste Group Bank AG participation capital on the balance sheet date of 31 December 2011:

Supervisory Board member:	Notional amount
Heinz Kessler	30,000
Georg Winckler	5,000
Wilhelm Rasinger	20,000
Friedrich Rödler	82,000
Elisabeth Gürtler	59,000

Persons related to Management Board or Supervisory Board members held Erste Group Bank AG participation capital in the amount of EUR 91,000 (notional amount) at 31 December 2011.

Expenses for severance payments, pension severance payments and pensions of Erste Group Bank AG have a bearing on the income statement items "Wages and salaries", "Expenses for retirement benefits", "Allocation to/reversals of the pension provision", “Expenses for severance payments and payments to severance-payment funds” and, as far as they pertain to pro rata catch-up requirements, "Extraordinary expenses”. Expenses for severance payments and pensions for members of the Management Board and managers amounted to EUR 5,651,050.62 (prior year: EUR 6,142 thousand). Expenses for severance payments and pensions for other employees amounted to EUR 46,273,372.80 (prior year: EUR 35,773 thousand). Each of the amounts indicated includes the required expenses for surviving dependants.

Information pursuant to section 239 par. 2 UGB regarding Management Board and Supervisory Board members is disclosed separately in the attachment to the notes.

VI. Appropriation of profit

At the Annual General Meeting, the Management Board will propose paying out the profit to the holders of the participation capital and to pay no dividend to the holders of ordinary shares (prior year EUR 0.70 per share).

Appendix to the Notes

Executive bodies of Erste Group Bank AG

Supervisory Board

Heinz Kessler
President
Retired CEO

Georg Winckler
1st Vice President
Former rector of the University of Vienna
Professor of Economics at the University of Vienna

Theresa Jordis
2nd Vice President
Attorney at law

Bettina Breiteneder
Businesswoman

Elisabeth Gürtler
Businesswoman

Jan Homan
Chief Executive Officer of Teich AG

Juan María Nín Génova
President and CEO of "La Caixa"

Brian D. O´Neill
Vice Chairman of Lazard International

Wilhelm Rasinger
Consultant

Friedrich Rödler
Public accountant and tax consultant

John James Stack
President and retired CEO

Werner Tessmar-Pfohl
Retired businessman

Representatives of the Employees' Council:

Friedrich Lackner
Chairman of the Employees' Council

Christian Havelka
Member of the Employees' Council until 21/11/2011

Markus Haag since 21/11/2011
Member of the Employees' Council

Andreas Lachs
Member of the Employees' Council

Bertram Mach
Vice Chairman of the Employees' Council

Barbara Smrcka
Vice Chairwoman of the Employees' Council

Karin Zeisel
Vice Chairwoman of the Employees' Council

Representatives of the Supervisory Authority

Robert Spacek
State Commissioner

Dietmar Griebler
Deputy State Commissioner

Tamara Els
State Controller for Premium Reserve

Erhard Moser
Deputy State Controller for Premium Reserve

Irene Kienzl
Trustee under Mortgage Bank Act (Hypothekenbank- und Pfandbriefgesetz)

Thomas Schimetschek
Deputy trustee under Mortgage Bank Act (Hypothekenbank- und Pfandbriefgesetz)

Management Board

Andreas Treichl
Chairman of the Management Board

Franz Hochstrasser
Vice Chairman of the Management Board

Herbert Juranek
Member of the Management Board

Gernot Mittendorfer
Member of the Management Board since 01/01/2011

Bernhard Spalt
Member of the Management Board until 31/01/2012

Martin Škopek
Member of the Management Board until 31/01/2012

Manfred Wimmer
Member of the Management Board

Appendix to the Notes

Statement of changes in fixed assets and long-term assets 2011

in EUR millions	At cost 1 January 2011	Additions	Disposals	At cost 31 December 2011	Write-ups (sec. 56 (3) BWG) Currency translations	Accumulated depreciation 31/12/2011	Carrying amount 31/12/2011	Carrying amount 01/01/2011	Write-ups 2011	Depreciation 2011
1. Participating interests	**303,789,560.51**	**40,336,320.39**	**77,121,835.71**	**267,004,045.19**	**0.00**	**15,585,264.71**	**251,418,780.48**	**285,565,275.31**	**3,935,063.99**	**2,058,580.89**
2. Shares in affiliated undertakings	**9,921,071,985.93**	**1,959,706,405.00**	**488,147,245.72**	**11,392,631,145.21**	**0.00**	**260,217,821.85**	**11,132,413,323.36**	**9,649,198,134.04**	**11,918,215.44**	**17,949,546.84**
3. Intangible assets	**96,088,279.84**	**24,170,279.26**	**36,068.23**	**120,222,490.87**	**0.00**	**76,255,291.09**	**43,967,199.78**	**33,110,490.47**	**0.00**	**13,225,413.24**
4. Tangible assets	**116,264,593.59**	**5,457,566.03**	**828,090.46**	**120,894,069.17**	**0.00**	**81,238,957.76**	**39,655,111.41**	**36,442,861.15**	**1,808,217.27**	**3,794,542.06**
5. Securities										
Treasury bills and similar securities	1,535,602,536.78	1,004,488,599.75	628,071,948.31	1,912,019,188.22	1,359,494.81	21,347,537.00	1,892,031,146.03	1,522,012,570.78	0.00	9,690,218.00
Loans and advances to credit institutions	2,570,890,626.42	359,221,454.14	714,117,225.89	2,215,994,854.67	4,912,476.22	40,642.52	2,220,866,688.37	2,582,352,471.38	0.00	5,996.17
Loans and advances to customers	1,893,643,604.12	75,225,996.58	566,498,178.04	1,402,371,422.66	2,351,449.20	6,095,732.83	1,398,627,139.03	1,898,714,003.11	0.00	1,364,790.07
Debt securities incl. fixed-income securities	3,451,840,483.05	1,161,685,923.91	1,155,917,352.74	3,457,609,054.22	7,847,190.13	119,945,877.13	3,345,510,367.22	3,341,057,845.39	0.00	8,378,854.69
Shares and other variable-yield securities	523,160,076.07	35,823,822.52	64,410,788.99	494,573,109.60	324,773.65	1,160.32	494,896,722.93	523,004,523.84	0.00	33,868.50
	9,975,137,326.44	**2,636,445,796.90**	**3,129,015,493.97**	**9,482,567,629.37**	**16,795,384.01**	**147,430,949.80**	**9,351,932,063.58**	**9,867,141,414.50**	**0.00**	**19,473,727.43**
Total	**20,412,351,746.31**	**4,666,116,367.58**	**3,695,148,734.09**	**21,383,319,379.81**	**16,795,384.01**	**580,728,285.21**	**20,819,386,478.61**	**19,871,458,175.47**	**17,661,496.70**	**56,501,810.46**

Vienna, 29 February 2012

Management Board

Andreas Treichl mp Chairman	**Franz Hochstrasser mp** Vice Chairman
Herbert Juranek mp Member	**Gernot Mittendorfer mp** Member
Manfred Wimmer mp Member	

Auditors' report

Report on the Financial Statements

Sparkassen-Prüfungsverband and Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna, have audited the accompanying financial statements, including the accounting system, of Erste Group Bank AG, Vienna, for the fiscal year from January 1, 2011 to December 31, 2011. These financial statements comprise the balance sheet as of December 31, 2011, the income statement for the fiscal year ended December 31, 2011, and the notes.

Management's Responsibility for the Financial Statements and for the Accounting System

The management of Erste Group Bank AG is responsible for the accounting system and for the preparation and fair presentation of the financial statements in accordance with Austrian Generally Accepted Accounting Principles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing. Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Erste Group Bank AG's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the financial statements comply with legal requirements and give a true and fair view of the financial position of the Erste Group Bank AG as of December 31, 2011 and of its financial performance for the fiscal year from January 1, 2011 to December 31, 2011 in accordance with Austrian Generally Accepted Accounting Principles.

Comments on the Management Report

Pursuant to statutory provisions, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report is consistent with the financial statements and whether the disclosures pursuant to section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the management report is consistent with the financial statements. The disclosures pursuant to section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, 29 February 2012

Austrian Savings Bank Auditing Association
(Audit Agency)

(Bankprüfer)

Friedrich O. Hief mp Certified Accountant	Herwig Hierzer mp Auditor

Ernst & Young

Wirtschaftsprüfungsgesellschaft m.b.H.

Andrea Stippl mp Certified Accountant	Elisabeth Glaser mp Certified Accountant

This report has been translated from German into English for reference purposes only. Please refer to the official legally binding version as written and signed in German. Only the German version is definitive.

Statement of all members of the management board

We confirm to the best of our knowledge that the separate financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Vienna, 29 February 2012

Management Board

Andreas Treichl mp
Chairman

Franz Hochstrasser mp
Vice Chairman

Herbert Juranek mp
Member

Gernot Mittendorfer mp
Member

Manfred Wimmer mp
Member