Erste Group Bank AG

Full Rating Report

Ratings

Long-Term IDR	A
Short-Term IDR	F1
Viability Rating	a−
Support Rating	1
Support Rating Floor	A

Sovereign Risk

Foreign-Currency Long-Term IDR	AAA
Local-Currency Long-Term IDR	AAA

Outlooks

Long-Term IDR	Stable
Sovereign Foreign-Currency Long-Term IDR	Stable
Sovereign Local-Currency Long-Term IDR	Stable

Financial Data

Erste Group Bank AG

	31 Dec 11	31 Dec 10
Total assets (USDm)	271,712.1	275,171.0
Total assets (EURm)	210,006.3	205,938.0
Total equity (EURm)	15,180.0	15,364.7
Fitch core capital (EURm)	11,290.9	10,600.6
Operating profit (EURm)	742.4	1,515.1
Comprehensive income (EURm)	-849.2	1,341.4
Net income (EURm)	-562.6	1,186.4
Loan impairment charges/av. loans (%)	1.69	1.55
Pre-impairment operating ROAE (%)	19.84	23.90
Operating ROAE (%)	4.89	10.21
Operating ROAA (%)	0.35	0.73
Fitch core capital/ weighted risks (%)	9.90	8.85
Tier 1 ratio (%)	10.40	10.20
Core tier 1 ratio (%)	9.40	9.20
Tangible common equity ratio (%)	5.64	5.31

Related Research

Austrian Banks: Capital, the EBA and CEE (January 2012)

2012 Outlook: Major Austrian Banks (December 2011)

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Key Rating Drivers

Sovereign Support Key: The ratings of Erste Group Bank AG (Erste) – except its Viability Rating (VR) – reflect Fitch Ratings' opinion that there is an extremely high probability of support from the Austrian authorities, if needed, given Erste's systemic importance to the domestic financial system. At end-2011, Erste had domestic retail lending and retail deposit market shares of 19.3% and 18.9%, respectively, and leading or sizeable market shares in five central and eastern European (CEE) countries, plus smaller operations in Serbia and Ukraine.

Capital and CEE: Erste's VR reflects the bank's strong franchises in retail and SME banking in Austria and selected CEE markets, its adequate underlying profitability and sound funding profile. The VR also takes into account Erste's sizeable credit exposure to currently more difficult CEE markets like Hungary and Romania, and its need to improve capitalisation in light of European Banking Authority (EBA) requirements and upcoming Basel III regulations.

CDS and Goodwill Hits: Erste's performance in 2011 was significantly burdened by one-off charges in Q311 relating to a reclassification of previously not marked-to-market credit default swaps (CDS) (EUR204.5m loss) and a write-down of goodwill (EUR1,041.9m) on its Romanian (EUR692.8m), Hungarian (EUR312.7m) and two Austrian subsidiaries (EUR36.4m). Erste's remaining goodwill at end-2011 was EUR2.2bn (of which EUR1.1bn in its Romanian subsidiary), and Fitch believes that no further goodwill impairment will be required in the short to medium term.

Resilient Core Profitability: High loan impairment charges (LIC) relating to Hungarian foreign-currency lending, sharply lower net trading income (partly due to the CDS reclassification) and 3% lower net fee income year on year due to sluggish loan growth led to a drop in Erste's operating profitability at end-2011. Nonetheless, Erste's core operating profitability held up reasonably well, underpinned by a stable net interest margin (NIM), and Fitch expects Erste to report resilient operating profits in 2012, also helped by the bank's good cost management.

Downside Risk in CEE: Erste's proportion of lending exposure to currently underperforming Hungary, Romania and Croatia is higher than peers' (22% of customer loans at end-2011), putting pressure on the bank's asset quality in 2012. This is balanced by solid franchises in better-performing markets like Austria (49%), the Czech Republic (15%) and Slovakia (5%) and Erste's better-than-average loan book granularity and sector diversification.

Sound Funding Profile: Erste benefits from sound deposit franchises in most major markets and a well-balanced wholesale maturity profile. Relatively sizeable short-term interbank funding is fully covered by unencumbered central bank eligible liquid assets (EUR26bn at end-2011).

EBA Capital Shortfall: Erste's capital base contains a large proportion of commercial and government hybrid (participation) capital as well as a sizeable amount of minority interests. Erste will in Fitch's view have to improve and rebalance its capital structure in light of EBA requirements and the upcoming Basel III implementation.

What Could Trigger a Rating Action

Diminishing Sovereign Support: A weakened ability by the Austrian state to support its large banks (signalled by a change in the sovereign rating) or lower willingness to provide support (eg, as a result of legislative changes) could lead to a downgrade of Erste's IDRs.

Capital Shortfall and CEE: Inability to meet EBA or (in the medium-term) Basel III capital requirements, signalling significant financial stress, could lead to a downgrade of Erste's VR. Higher-than-expected LICs from CEE or Austrian FX lending could also lead to a downgrade.

- Leading market shares in Austrian retail and SME banking.
- Leading bank in the CEE, but operations more concentrated than peers.
- High proportion of minority interests might require organisational restructuring prior to Basel III implementation.

Profile

Erste is Austria's largest bank by assets and a dominant bank in several large CEE markets. It is also the central institution of the Austrian savings banks sector, to which it provides ancillary services. Reflecting its roots in the savings banks sector, Erste has strong market shares in retail and SME banking, both in Austria and CEE. At end-2011, Erste had – according to management – retail lending and retail deposit market shares of 19.3% and 18.9%, respectively, in Austria, and commanding market shares in five CEE countries (see Figure 2). At end-2011, Erste employed 50,452 staff and operated a network of around 3,190 branches (68% and 67%, respectively, outside Austria).

Since a legal reorganisation in 2008, Erste's listed operating bank holding company, Erste Group Bank AG, undertakes major group management functions. Local subsidiaries, including Erste Bank der Oesterreichischen Sparkassen AG (EB Oesterreich) in Austria, are responsible for the retail and SME business (Retail and SME), while the holding company centrally coordinates the group's large corporate and investment banking (GCIB) in Austria and CEE and global markets (group treasury, debt capital markets and asset management). Retail and SME is by far Erste's largest division (see Figure 1).

Dominant Franchise in Austria

Erste's presence in its home market is split into savings banks within Erste's mutual support mechanism (see below) and EB Oesterreich (which includes majority-owned savings banks), with the former accounting for around 57% of Erste's domestic lending and 54% of domestic deposits. Both are predominantly self-funded (see Figure 1).

CEE Presence More Concentrated Than Peers'

Erste has built up an extensive presence in various CEE markets since the late 1990s, often through acquiring local market leaders. Its largest CEE presence is in the Czech Republic through Ceska Sporitelna ('A'/Stable/bbb+), followed by Romania through Banca Comerciala Romana S.A (BCR, 'BBB+'/Stable/bb-) and Slovakia through Slovenska Sporitelna ('A'/Stable/bbb). Erste is also well established in Hungary and Croatia. Franchises in Serbia and Ukraine are more limited.

Compared to its domestic peers, Raiffeisen Bank International AG ('A'/Stable/'bbb') and UniCredit Bank Austria AG ('A'/Stable/'bbb+'), Erste's CEE presence is more centred on European Union (EU) countries or EU accession countries but is at the same time also more concentrated. As a result, a poor performance in one market, like in Hungary in 2011, has a significant impact on Erste's overall performance (see *Performance* below).

Potential Changes to Corporate Structure Due to Basel III

Under a mutual support mechanism (Haftungsverbund) in place since 2002 between Erste and most Austrian savings banks, Erste has a degree of control over these savings banks via a 51% stake in the sector's steering company. In particular, Erste has some control over the appointment of board members at the savings banks, the annual budgeting process and price strategy. Erste provides products, services and back-office

Figure 2
Market Shares (end-2011)

	Loans	Deposits	Branches
AUT	19.3%	18.9%	1,050
CZE	24.7%	28.6%	654
SVK	25.8%	26.1%	292
ROM	18.0%	23.1%	667
HUN	14.5%	8.3%	184
CRO	13.8%	12.8%	146
SER	3.1%	2.4%	65
UKR	1.6%	0.3%	131

Source: Erste

Figure 1
Erste – Segment Reporting

End-2011 (EURbn)	Loans	Deposits	RWA	RoE (%)
By business				
Retail and SME	114.4	110.2	74.9	6.0
GCIB[a]	19.8	5.5	24.4	3.8
Group markets	0.2	2.5	2.7	53.4
Corporate centre	0.4	0.8	1.0	-18.1
By geography				
Savings banks	37.6	33.6	24.5	2.0
EB Austria	28.2	28.8	13.7	16.3
Total Austria	65.8	62.3	38.2	13.2
Czech Republic	17.2	24.3	13.0	42.8
Romania	11.2	8.0	9.2	-4.0
Slovakia	6.2	7.2	4.8	43.2
Hungary	7.1	3.7	4.1	n.a.
Croatia	5.9	4.0	4.3	17.3
Serbia	0.5	0.5	0.6	8.6
Ukraine	0.5	0.2	0.8	n.a.
Total CEE	**48.6**	**47.8**	**36.8**	**2.4**
Total Group	**134.7**	**118.9**	**103.1**	**-5.5**

[a] Group Corporate and Investment Banking
Source: Erste

Related Criteria

Global Financial Institutions Rating Criteria (August 2011)

Figure 3

Shareholder Structure

Shareholder	Holding (%)
ERSTE Foundation	25.0
CaixaBank	9.8
Employees	2.1
Savings banks	4.5
Retail investors	5.2
Institutional investors[a]	53.4
Total	100.0
- O/w Austria	47.4
- O/w Cont. Europe	24.2
- O/w North America	20.0
- O/w UK & Ireland	5.7
- O/w Other	2.7

[a] Less than 5% each
Source: Erste; as of end-2011

functions to the savings banks. The steering company implements and monitors common risk policies and supports member banks in financial difficulties through a limited fund.

Owing to its 51% stake in the sector's steering company, Erste fully consolidates the Austrian savings banks that are members of the scheme and therefore deducts minority interests (MI) of entities not wholly owned. Since Fitch bases part of its analysis on net income before deductions of MI, its ratios may differ from those published by Erste.

Under current regulatory requirements, MI relating to the savings banks are not deducted from Erste's capital base, but there is a possibility that this may change under Basel III guidelines and the corresponding European Union implementation. Under this scenario, Erste would be required to consolidate 100% of the savings banks' assets but would have to deduct significant amounts of MI from its capital base (ie, related MI exceeding a Basel III common equity Tier 1 (CET) ratio of 7.5%; around EUR1.2bn at end-2011).

Fitch understands that Erste is currently evaluating options to minimise the negative impact from a Basel III implementation (should MI be fully deducted). One option is to reduce its shareholding in the sector's steering company to 50% and subsequently deconsolidate the savings banks in the Haftungsverbund (EUR24.6bn risk-weighted assets at end-Q311) which – according to Erste's calculations – would have a positive impact on Erste's CET1 ratio (see also *Capital* below).

Ownership/Corporate Governance

After Erste's IPO in 1997, Erste's previously sole shareholder, Die Erste Oesterreichische Privatstiftung, ERSTE Foundation (Foundation), has remained Erste's largest shareholder with its main stated aim of ensuring the continued independence of Erste. However, the Foundation's stake has gradually been diluted following capital increases as it has limited resources. Fitch understands that Erste has not financed the Foundation in respect of its shares in the bank. Erste's CEO is also a board member on the Foundation.

Erste's second‑largest shareholder since 2009 is Spain-based CaixaBank S.A. (rated 'A−' /Rating Watch Negative), the sub-holding of savings bank La Caixa. Erste and its Spanish shareholder have signed a cooperation agreement to exchange best practice and to grant each other access to the respective client bases. La Caixa's CEO is also a member of Erste's supervisory board. Erste has pre‑emptive rights over the stake La Caixa holds in the bank, which was approved by the Austrian takeover panel.

Performance

- Net income and – to a lesser extent – operating profit negatively affected by significant one-off charges in 9M11.
- Core revenue resilient despite macroeconomic headwinds in Romania and Hungary.
- Revenue base geographically more concentrated than peers.
- Good cost discipline.
- LICs distorted due to sizeable one-off charges in Hungary in Q311, underlying LICs unlikely to fall significantly in 2012.

Erste's focus on traditional corporate and retail banking activities, good retail funding base as well as its regional diversification allowed the bank to continue reporting sound profitability indicators throughout the financial crisis with pre-impairment and operating return on average equity (ROAE) oscillating around 20% and 10%, respectively, between 2007 and 2010. However, in Q311, CDS reclassification expenses, goodwill impairments and LICs relating to its underperforming Hungarian subsidiary (see Figure 4 for further detail) dented Erste's operating profit and led to a sizeable net loss for 2011 (EUR719m after minorities).

While these charges represent a set-back in shoring up capital in light of EBA requirements, Erste's core franchises in Austria and its main CEE countries remained largely unscathed by this, and Erste's underlying profitability should in

Figure 4

Q311 One-Off and Other Charges

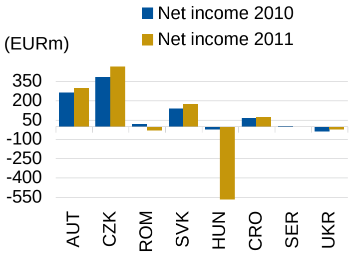
Impact (EURm) on…	…P&L	…Reg. capital	… IFRS equity
CDS impact	204.5	310.0	460.0
Effective interest rate	10.0	0	220.0
Hungarian FX LIC	200.0	200.0	200.0
Goodwill – Romania	692.8	0	692.8
Goodwill – Hungary	312.7	0	312.7
Goodwill – Austria	36.4	0	36.4
Bank levy – Austria	99.4	99.4	99.4
Bank levy - Hungary	40.8	40.8	40.8
Total	**1,596.6**	**650.2**	**2,062.1**

Source: Erste

Figure 5

Net Income by Geography

(2010 vs. 2011)

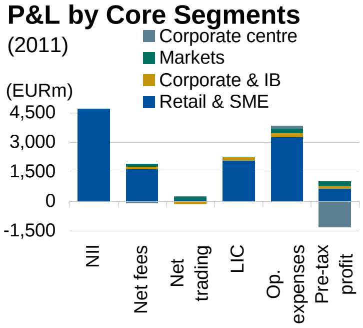


Source: Erste

Figure 6

P&L by Core Segments

(2011)



Source: Erste

Fitch's view remain sound in 2012. In particular, Erste's performance remains supported by its sizeable and well-performing Czech and Slovak subsidiaries as well as its less profitable but large and stable Austrian businesses.

Resilient Core Revenue; Weak Trading Result Partly Due to One-Offs

Due to a weak trading result in 2011 (see below), net interest income (NII), typically accounting for around two‐thirds of Erste's revenue, gained in relative importance and made up 81.2% of total revenue at end-2011 (73.4% at end-2010, 68.0% at end-2009). Supported by moderate loan growth (1.5% yoy in 2011) predominantly in Austria and Slovakia and broadly stable margins, NII rose by 2.4% (compared with restated 2010 figures) at end-2011.

While most of Erste's core markets including Austria (30.2% of NII in 2011) and the Czech Republic (21.3%) performed well, NII in Romania (12.1%) dropped markedly year on year (down 15.8%), largely due to a 150bp yoy fall in the Romanian NIM, reflecting increased competition and lower demand for higher-yielding lending products. Erste's customer lending and deposit-taking business clearly dominates Erste's NII, accounting for 71% of interest income and 48% of interest expense respectively in 2011. Nonetheless, reflecting tensions in wholesale funding markets, increases in interest expenses for bank deposits and outstanding debt (up 22.9% and 10.2% yoy, respectively) outpaced growth in bank deposits (up 18.0% yoy). Erste's NIM marginally benefits from the participation capital it issued, as this generates interest revenue. The payable coupon, however, is being paid out of profits after tax.

Similar to NII, net fee income, accounting for around a quarter of operating revenue in 2011, is geographically relatively concentrated with Austria (39.8% of total net fee income in 2011) and the Czech Republic (27.8%) making up almost three-quarters of net fee income. In 2011, overall net fee income fell somewhat (down 3% compared with restated 2010 figures) with improvements in the Czech Republic (up 4% yoy) and Slovakia (up 5%) not quite compensating for lower net fee income in Romania (down 3%) and Austria (down 2%). Reflecting its traditional retail and SME banking business model, around two-thirds of fee income relate to lending and transaction fees with brokerage and asset management fees accounting for much of the remainder.

Net trading income, typically broadly split between securities and derivative income and FX transaction income, was negatively affected in Q311 by Erste's CDS reclassification (EUR204.5m; see above) and a EUR22m one-off charge relating to Erste's Czech pension fund. Transaction-based FX income was also markedly lower year on year (down 28.6% to EUR155.7m), reflecting lower client volumes.

Figure 8

Performance – Peer Comparison

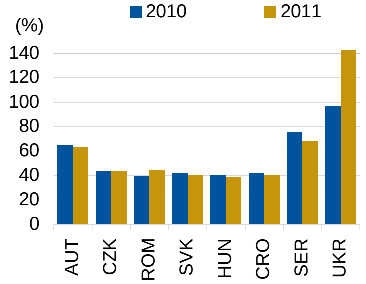
	Erste Group Bank AG		Raiffeisen Bank International AG		UniCredit Bank Austria AG		Intesa Sanpaolo SpA		Sberbank of Russia		OP-Pohjola Group	
(%)	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Total assets (EURm)	210,006	205,938	146,985	131,173	199,228	193,049	639,221	658,757	259,826	210,691	92,287	83,969
Fitch core capital (EURm)	11,291	10,601	7,012	6,414	13,929	13,135	47,758	24,228	29,646	23,694	n.a.	4,074
Pre-impairment ROAE	19.84	23.9	30.24	33.93	17.18	19.74	13.65	11.93	35.26	44.6	12.03	13.73
Operating ROAE	4.89	10.21	17.05	17.57	6.89	8.8	3.65	6.05	35.2	26.34	10.5	11.43
Cost/income ratio	56.20	51.99	56.12	54.61	59.17	54.87	54.44	62.63	48.1	41.94	63.38	59.24
LIC/pre-impairment op. profit	75.33	57.28	43.6	48.21	59.91	55.42	73.25	49.29	0.17	40.95	12.72	16.8
LIC/average gross loans	1.69	1.55	1.35	2.12	0.96	1.37	1.14	0.81	(0.02)	2.72	0.17	0.27
Loans/deposits ratio	113.35	113.43	122.22	131.27	136.19	136.64	105.41	186.14	105.67	93.1	131.23	145.31
Fitch core capital ratio	9.90	8.85	9.09	6.77	11.13	10.27	n.a.	7.29	12.1	12.89	n.a.	9.53
Tangible common equity ratio	5.64	5.31	4.82	4.95	7.33	7.25	7.47	4.43	11.37	11.26	5.88	6.72
LT IDR/Outlook/VR	**'A−'/Stable/'a−'**		**'A−'/Stable/'bbb'**		**'A−'/Stable/'bbb+'**		**'A−'/Negative/'a−'**		**'BBB'/Stable/'bbb'**		**'A+'/Stable/'a+'**	
Sovereign Rating/Outlook	**'AAA'/Stable**		**'AAA'/Stable**		**'AAA'/Stable**		**'A−'/Negative**		**'BBB'/Stable**		**'AAA'/Stable**	

Source: Banks' financial statements, Fitch

Figure 9

Cost Efficiency by Region

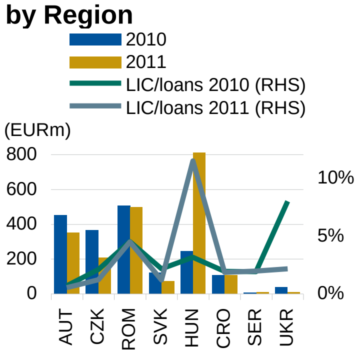
(Cost/income ratio)



Source: Erste

Figure 10

Loan Impairment Charges by Region

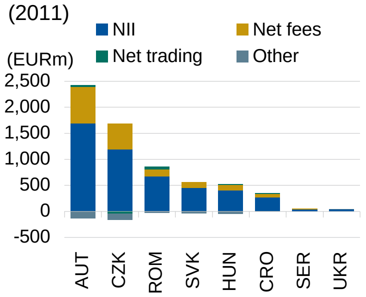


Source: Erste

Figure 7

Revenues by Geography

(2011)



Source: Erste

- Risk profile dominated by corporate and retail credit risk in CEE and Austria; moderate market risk and well-controlled operational risk.
- Set-back to fragile asset quality recovery from abrupt deterioration in Hungary and Romania.
- Important Czech and Austrian loan books continue to perform adequately.
- Improved coverage ratio will have to be maintained to account for uncertainties regarding collateral values in many CEE markets.

Goodwill Impairment and Bank Levies

Sizeable goodwill impairment charges and bank levies resulted in a considerable net loss for 2011. As neither of the two charges directly affects Erste's core business, Fitch has classified the charges (EUR1.2bn) as "non-recurring expense" (line 26 in the attached spreadsheet). However, should the bank levies in Austria and Hungary become a permanent charge, then these would be reclassified as operating expenses.

Good Cost Control – Cost/Income Ratio Affected by One-Off Charges

Since 2009, Erste has focused on containing operating costs amidst a difficult operating environment in CEE, and cost control in recent years has in Fitch's view been good. As a result, in 2011, underlying operating expenses were flat or only marginally higher in all countries. Overall, Erste's operating expenses/average assets ratio fell to 1.82% at end-2011 which compares well with peers, especially given Erste's sizeable retail network.

Nonetheless, lower revenue, mainly due to one-off charges (see above) taken in net trading income, burdened Erste's cost/income ratio, which worsened to 56%, though still comparing adequately with peers. The bank's overall cost efficiency is supported by its CEE subsidiaries which are generally more cost-efficient than its Austrian operations. Fitch expects Erste to continue containing costs in 2012, although extraordinary expenses related to asset sales (see *Capital* below) or restructuring charges in case of any branch closures or redundancies could put upward pressure on Erste's cost base in 2012.

Loan Impairment Charges in 2012 Likely to Remain Stable but Considerable Downside Risk

Having remained high throughout 2010, LICs started to fall in H111, resulting in a LIC/average gross loans ratio of 1.42% at end-H111 (end-2010: 1.55%, end-2009: 1.61%). While LIC improvement continued in most markets in H211, sizeable charges relating to Hungarian FX lending led to a sharp increase of LICs at end-2011 (LIC/average gross loans: 1.69%). Adjusting for this one-off impact, Erste's LIC/average gross loans ratio would have stood at around 1.25% at end-Q311, highlighting the positive trends in most markets outside Hungary.

However, LICs remain elevated, consuming around two-thirds of Erste's pre-impairment profits and Fitch does not expect significant improvements in 2012. In particular, Fitch expects LICs in Hungary to remain high and to increase in both Romania and Croatia. Against this, Fitch expects Austrian, Czech and Slovak loan books (combined around three-quarters of loans at end-2011) to continue to perform well, which should mitigate overall LIC increases.

Risk Management

Reflecting its traditional banking model, Erste is predominantly exposed to credit risk (86.7% of Basel capital charges at end-2010) with only limited exposure to market (3.9%) and operational (9.4%) risk (see Figure 11). Erste's risk management framework at group level, ultimately the responsibility of the management board and the group chief risk officer, is replicated in all major CEE subsidiaries and management considers it important to have strong risk management capabilities in local operations. Nevertheless, control over CEE subsidiaries remains tight and local loan approval limits remain modest.

Credit Risk

Around two-thirds of Erste's credit risk exposure is measured using internal ratings-based (IRB) approaches and Erste intends to migrate additional portfolios, notably Romania, from the standardised to the IRB approach before 2013. Overall, credit risk is well diversified by product type, counterparty and region, and exposure to peripheral EU countries is limited. However, sizeable exposures to currently volatile and fragile markets like Romania (10% of loans at end-2011), Hungary (6%) and Croatia (6%) will in Fitch's view probably put pressure on Erste's asset quality in 2012. This is exacerbated by a high proportion of foreign-currency lending, both in Austria and CEE, which is typically more susceptible to asset quality deterioration.

Figure 11

Basel Capital Charges

(End-2010)

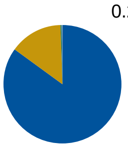
	(%)
Total credit risk	86.7
O/w IRB	53.8
O/w corporates	30.8
O/w retail	12.9
O/w other	10.2
O/w standardised	22.9
O/w corporates	10.3
O/w retail	6.3
O/w other	6.3
O/w supervisory slotting	10.0
Total market risk	3.9
O/w interest rate	1.9
O/w equity	1.4
Total operational risk	9.4
O/w advanced measurement	5.3
O/w basic indicator	4.1

Source: Erste pillar 3 disclosure

Figure 12

Gross Loans by Product

(End-2011)

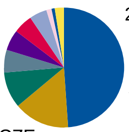


Source: Erste

Figure 13

Gross Loans by Region

(End-2011)



Source: Erste

Loan Book

Overall, Erste's gross loan book (EUR135bn or 64% of assets at end-2011) increased by a mere 1.5% yoy in 2011 (2% in 2009, 3% in 2010). Growth was above average in Slovakia, Croatia and Serbia. Growth in the important Czech market was flat, while Erste's loan books in Romania and Ukraine shrunk marginally. Fitch expects continued muted loan growth in 2012.

At end-2011, retail and SME loans – by far Erste's largest loan book – were split in 45% retail loans, 38% SME and local corporate loans, 11% loans to small SMEs (micro loans) and 6% loans to municipalities. Around 57% of retail and SME loans were extended in Austria with the remainder in CEE (Czech Republic: 16%, Romania: 10%, Hungary: 7%). Erste's group corporate and investment banking (GCIB) segment (around 15% of gross loans at end-2011) contains loans to large Austrian and CEE corporates (turnover of more than EUR175m) as well as Erste's residential (EUR915m at end-H111) and commercial (EUR11.1bn) real estate books.

At end-H111, residential mortgage loans made up around 47% of Erste's retail and micro loans or 26% of total loans. More risky loan types, ie, second charge mortgages (9% of retail/micro loans) or unsecured loans (18%) were more limited. Average portfolio‐based loan-to-value ratios (LTVs) in CEE range from 58% to 76%, but in a limited number of cases, LTVs can reach up to 100% for individual customers of better creditworthiness. Debt service coverage ratios (ranging from 22% to 39%) for unsecured loans are lower compared to secured products.

Although diversified overall, Erste does have significant exposure to the real estate and housing (15% of total loans at end-2011) and construction (5%) sectors. Out of this, around EUR12bn relates to commercial real estate exposure, largely in Austria (19% at end-Q111) and the Czech Republic (22%) but also more volatile markets like Hungary (14% or EUR1.7bn) or Romania (12%; EUR1.5bn). Moreover, LTVs in this portfolio are high with 38% of LTVs exceeding 90%. Credit risk is to some extent mitigated by a high share (78%) of already income-producing exposure and limited land (2%) and pre-development (3%) financing.

More positively, concentration risk at Erste is limited with the 20 largest exposures accounting for around 6% of loans at end-H111 (or 82% or Fitch core capital). Only one exposure was classified as watch-list, but around a third of the 20 largest exposures related to real estate or construction loans, which is in Fitch's view significant.

Similar to its peers, foreign-currency loans are significant (see also Figure 18), notably in Hungary (52% of loans were in Swiss francs at end-2011), Austria (17% in Swiss francs), Romania (61% in euros) and Croatia (67% in euros, 13% in Swiss francs).

Interbank Assets and Investment Book

Interbank assets made up 4% of total assets at end‐2011. The bulk of these exposures related to foreign banks in western Europe. At end-H111, 96% of bank placements were assessed as low risk and the largest 20 bank exposures accounted for 85% of Fitch core capital. Derivative counterparties are typically rated 'A' or higher. At end-H111, around 16% of positive replacement values (net of collateral) were with counterparties rated sub-investment grade. Erste's credit derivatives book was wound down in Q311 and Q411.

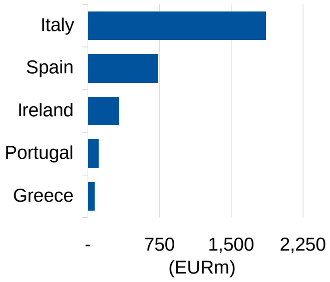
Erste's securities portfolio amounted to 23% of assets at end-H111, split 93% in fixed income, 6% investment funds and 1% equities. Around 60% of Erste's bond portfolio consisted of sovereign bonds, 29% bank bonds, 6% corporate bonds and around 5% structured bonds (see below). Geographically, they mirrored Erste's operational presence with 21% being Austrian bonds, 19% Czech, 10% Hungarian, 9% Slovak, 9% Romanian, 5% German and 5% US bonds.

Overall, 87% of the bond portfolio was (at end-H111) rated investment grade with a 9% 'BB' rated sovereign position being the largest sub-investment grade exposure. Erste's legacy structured bond portfolio amounted to around EUR2.2bn at end-H111. The portfolio was broadly equally split between European prime RMBS (and some CMBS) and CLOs with minor

Figure 14

Exposure to Peripheral Europe

(End-2011; net exposure)



Source: Erste

balances of other asset-backed securities. Around 85% of the total portfolio was rated investment grade and Fitch has been informed that a large proportion of CLOs are paying coupons. At end-H111, market values were 18% below face value, indicating further mark-to-market losses if asset values do not recover. Erste's leverage buy-out exposures in New York and London (EUR775m) will be wound down.

Asset Quality

After signs of improvement in late 2010 and early 2011, asset quality started to gradually deteriorate again in Q211 (Erste's impaired loans ratio worsened to 7.9% at end-H111 from 7.7% at end-Q111 and 7.6% at end-Q310), followed by a fairly sharp deterioration in Q311 (to 8.2%) and Q411 (to 8.5%). However, the asset quality deterioration was almost entirely driven by Romania and Hungary (combined, these two countries accounted for 86% of the EUR1.15bn net new non-performing loans in 2011). Asset quality in Erste's core markets remained resilient, slightly improving in Austria and Slovakia and remaining broadly unchanged in the Czech Republic (see Figure 16 in Annex for further detail). Remarkably, asset quality in Hungarian retail loans did not worsen significantly (unlike corporate loans), although Fitch expects a sharp correction in 2012. Erste's management expects an improving asset quality trend in 2012, notably in the Czech Republic, Slovakia and Austria, but further asset quality deterioration in 2012, largely from Hungary, Romania and Croatia, is in Fitch's view likely.

Elevated LICs, combined with one-off charges relating to Hungarian FX loans (see above) led to an increase in Erste's non-performing loans coverage ratio (to 62% at end-2011 from 60.0% at end-2010) which compares adequately with domestic and international peers. Including fair-valued collateral, all of Erste's business segments are more than 100% covered with the exception of group real estate (94% at end-H111) and international business banking (43%). The latter is in the process of being wound down.

Market Risk

Market risk, generally acceptable, largely relates to interest rate risk in Erste's banking book and some equity and structured bond investments (see above for the latter). Erste uses value-at-risk (VaR) to measure market risk in both its banking and trading books and sensitivity and economic capital analyses to control banking book interest rate risk.

Erste's VaR is a historical simulation model. The model is based on a 99% confidence interval, a one- and 10-day holding period and is based on two years of historical data. Calculations are routinely back-tested and subjected to stress scenarios. At end-H111, Erste's total VaR amounted to around EUR41m (based on a one-day holding period; EUR47m excluding diversification factor), virtually unchanged from last year. Scaled up to a 10-day holding period, the VaR would amount to about EUR130m (or 1.3% of core capital at end-H111). Around four-fifths of Erste's pre-diversification VaR relates to structural interest rate risk, largely in the savings banks, the holding and BCR. While overall interest rate risk is acceptable (a 100bp upward shift in the yield curve of all relevant currencies would have had a 1.3% negative impact on core capital at end-H111), interest rate risk at some subsidiaries, ie, Ceska Sporitelna and Ukraine, is high. Currency and equity risks, generally less significant, largely relate to FX positions in treasury and moderate strategic equity positions, predominantly centralised at Erste's capital markets units.

Utilisation of Erste's trading VaR limit (EUR18m post-diversification, 99% confidence interval, one-day holding period) tends to be low (around 35% to 40%). The highest pre-diversification VaR limits at end-H111 were allocated to treasury trading (EUR8m, including New York and Hong Kong), strategic positions (EUR6m), capital markets trading (EUR8m), Ceska Sporitelna (EUR6.5m), Erste Bank Ukraine (EUR5m) and BCR (EUR5m). Trading market risk is reported online by the individual units, and controlled daily by Vienna.

Operational Risk

Erste's extensive and international business network exposes it to a degree of operational risk, although this is in Fitch's view generally well controlled and actual operational losses tend to be relatively small. Erste's main operating entities calculate operational risk charges using the advanced measurement approach (AMA) and Erste is gradually moving more entities to this approach. At end-H111, 58% of Erste's operational risk charge was calculated under AMA with the remainder being measured under the basic indicator approach.

Actual operational losses in the five years to end-H111 largely related to execution and delivery errors (39% of the loss amount), largely in retail and commercial banking, losses from internal (20%) and external (13%) fraud and losses relating to clients and business practices (18%).

Funding and Capital

- Large and stable deposit franchises in Austria and the Czech Republic fund much of Erste's loan book.
- Reduced reliance on wholesale funding.
- Short-term wholesale funding collateralised with sizeable pool of central bank-eligible liquid assets.
- Improved capital ratios but high share of non-core capital components and minority interests.
- Remedy EBA shortfall feasible in Fitch's view.
- Basel III implementation might require deconsolidation of savings banks.

Funding

Erste's funding profile has progressively improved since the onset of the financial crisis and the bank has made significant efforts to reduce short-term wholesale funding reliance and maintain or increase its local customer deposit franchises, especially significant in Austria, the Czech Republic and to a lesser extent Romania and Slovakia (see Figure 19 in Annex). Erste's plans to reduce RWAs in its non-core activities (which were predominantly wholesale-funded) should further improve Erste's funding position. Nonetheless, Erste remains reliant on access to wholesale markets and intends to satisfy the bulk of its funding requirements by issuing covered bonds and by leveraging off its extensive branch network for retail issuance.

At end-2011, customer deposits made up 61% of Erste's non-equity liabilities, by far Erste's largest and most stable funding source. The majority of deposits (78% at end-2011) was sourced in Austria and the Czech Republic (see Figure 20 in Annex) where Erste enjoys dominant market shares and corresponding pricing power. Despite the difficult economic outlook for the region, Erste's deposit base remained stable in 2011 (increasing by 1.6% yoy) with no undue regional volatility. The granularity of Erste's deposit base is good with the ten largest deposits accounting for around 1% of the total at end-H111. As a result of subdued loan growth, Erste's loans/deposits ratio improved marginally to 113% at end-Q311 (114% at end-2007) which compares well with peers.

Having fallen significantly after the beginning of the financial crisis, Erste's short-term funding needs stabilised at around EUR26bn (or around 12% of its balance sheet) which Fitch considers significant. However, short-term funding is well diversified and entirely covered by unencumbered eligible collateral. The majority of short-term funding (67% at end-H111) relates to interbank funding, largely in euros and US dollars. Interbank funding is adequately diversified and Erste regularly tests credit lines from over 330 banks globally. The importance of Erste's European and US commercial paper and CD programmes (programme size: EUR10bn and USD10bn) has fallen, accounting for EUR1.36bn of funding at end-H111. Funding needs in Swiss francs are covered through swaps and short‐term repo transactions.

Longer-term debt issuance (EUR35bn or 18% of non-equity liabilities at end-2011), largely under Erste's EUR30bn debt issuance programme, is also significant. However, debt issuance is well diversified by tenor (average 7.5 years), instrument and geography, with plans to establish covered bond programmes at some CEE subsidiaries. Moreover, Erste's redemption profile (including EUR1bn remaining government-guaranteed bond maturing in February 2014) is well spread out and Erste is aiming to limit annual redemptions to around EUR5bn per year.

Figure 15
Simplified "Funding Gap"[a]

End-2011	(EURm)
Czech Republic	+7,320
Slovakia	+1,337
Serbia	-3
Ukraine	-307
Croatia	-2,108
Romania	-3,171
Hungary	-3,522
Total CEE	-454
Austrian savings banks	-4,049
Erste Bank Oesterreich	+574
Total group	-3,939

[a] Deposits minus loans (legal entity basis)
Source: Erste, Fitch

Liquidity

Erste's liquidity position, managed centrally with common group standards at all subsidiaries, has structurally improved as a result of lower short-term funding requirements, collateralisation of short-term funding, emphasis of appropriate fund transfer pricing for subsidiaries and Erste's recently introduced policy to only acquire high-quality fully-eligible financial assets.

All group entities have to comply with a liquidity traffic-light system and a survival period analysis (SPA), both taking into account currency requirements and potential cross-border restrictions. The SPA, complying with 2010 CEBS recommendations, assumes both a name and market crisis and the continuation of normal lending activities. Erste has set a minimum one-month survival period for each major group entity and at end-2011 each entity met this requirement with the survival period at group level standing at around one year.

Under the cross‐guarantee scheme, member savings banks are obliged to keep a certain percentage of their deposits at Erste. At end-H111, Erste's counterbalancing capacity (central bank-eligible assets, including CEE central banks) stood at EUR26bn (around 12% of total assets), covering Erste's short-term funding requirements. The bulk of eligible assets were unencumbered. Erste intends to comply with Basel liquidity ratios by end-2013 and at end-H111 it already complied with liquidity coverage ratios at subsidiaries level (albeit not at group level) and its net stable funding ratio was close to 90%. ECB funding at end-2011 was limited to EUR3.6bn and Erste did not participate in the second long-term tender at end-February 2012.

Capital

While Erste's regulatory (and Fitch core capital) ratios have improved markedly since 2007 (partly because of a EUR1.74bn capital increase in late 2009), its capital structure contains a large proportion of non-core capital instruments and minority interests, both of which will negatively affect Erste's Basel III capital. Consequently, and also as a result of the bank's sizeable net loss in 2011, Erste reported a EUR750m shortfall in the EBA exercise at end-Q311, to be remedied until end-H112.

Erste announced that it does not intend to repay EUR1.76bn participation capital received in 2009 (EUR1.22bn received from the Republic of Austria) before 2014 and presented various capital strengthening measures. Apart from retained earnings (estimated EUR200m until end-H112, net of the accrued coupon of the participation capital and the acquisition of minorities in BCR), measures include credit risk optimisation (EUR200m), the disposal of non-core assets (EUR500m) and liability management exercises announced in February 2012 (buy back of around EUR500m hybrids). Overall, Erste intends to overshoot the 9% core Tier 1 ratio target by some EUR200m which Fitch considers feasible especially given that around EUR7bn in RWA are maturing in H112, giving the bank additional flexibility. In Q411, the EBA capital shortfall narrowed to EUR166m, indicating good progress in Erste's capital strengthening plans.

The raised participation capital has the same loss‐absorbing capacity as share capital and is recognised as core equity according to current Austrian bank law. However, Fitch treats this instrument as hybrid capital (with 100% equity credit) which explains much of the difference between Erste's Tier 1 ratio (10.4% at end-2011) and its Fitch core capital ratio (9.9%).

Erste estimates that Basel III implementation will lead to an increase in RWA of around EUR8bn. Moreover, Basel III may require that certain minority interests relating to savings banks are deducted from core capital (see *Profile* above). Assuming a deconsolidation of the savings banks in the Haftungsverbund, Erste estimates that its Basel III CET1 ratio at end-2013 would amount to around 9% which Fitch considers acceptable.

The holding company's double leverage ratio (equity investment in subsidiaries/equity of the holding company) at end-2011 stood at 94% including and at 110% excluding participation capital (81% and 95%, respectively, at end-2010). Despite having its own operations, the holding company is reliant on the upstreaming of dividends from its subsidiaries. To some extent, the holding company benefits from a certain degree of diversification of business lines. However, ultimately, the group's business profile is correlated with the developments in CEE.

Figure 16

Asset Quality by Segments

	Mgmt attention			Substandard			Non-performing			NPL coverage			% of total loans		
(%)	2011	2010	% Δ	2011	2010	% Δ	2011	2010	% Δ	2011	2010	% Δ	2011	2010	% Δ
Austria – Erste Bank Oesterreich	9.3	10.4	-8.0	1.0	1.1	-8.5	3.7	4.1	-7.5	65.4	61.3	+4.1	20.9	20.7	+2.8
Austria – savings banks	16.8	17.7	-4.0	2.7	2.8	-2.3	6.9	7.1	-1.8	59.7	58.5	+1.2	27.9	28.1	+0.9
Czech Republic	17.4	16.1	+6.4	3.0	3.7	-21.6	5.5	5.9	-8.9	69.7	70.0	-0.3	12.8	13.2	-1.7
Romania	28.7	19.7	+44.6	6.4	16.2	-60.9	22.7	18.0	+25.4	50.1	54.4	-4.3	8.3	8.5	-0.8
Slovakia	13.6	9.0	+64.7	3.5	5.0	-24.3	8.0	8.0	+7.8	79.2	81.9	-2.7	4.6	4.3	+8.8
Hungary	22.8	18.9	+10.0	7.2	7.9	-16.0	21.1	12.0	+60.3	70.3	50.0	+20.3	5.3	5.8	-8.7
Croatia	28.0	25.5	+18.1	7.2	4.3	+80.4	12.8	10.2	+36.3	55.2	59.6	-4.4	4.4	4.1	+7.8
Serbia	20.4	18.1	+26.9	2.7	2.1	+44.4	11.9	10.2	+31.8	89.9	99.5	-9.6	0.4	0.3	+12.8
Ukraine	30.6	35.8	-12.6	20.3	15.6	+32.9	32.4	28.4	+16.7	95.3	107.6	-12.3	0.4	0.4	+2.3
Group corporate and IB	18.5	23.6	-17.1	2.5	5.6	-53.2	6.4	5.5	+23.5	54.6	53.8	+0.8	14.7	14.1	+5.7
Group markets	8.9	21.8	-72.2	0.0	0.0	n.m.	0.0	0.0	n.m.	n.m.	n.m.	n.m.	0.2	0.2	-32.0
Corporate centre	9.9	39.1	-72.1	4.1	4.5	0.0	0.3	9.7	-96.9	n.m.	n.m.	n.m.	0.3	0.2	+10.6
Total group	17.2	17.1	+2.2	3.2	4.6	-29.7	8.5	7.6	+13.3	61.0	60.0	+1.0	100.0	100.0	+1.5

Source: Erste

Figure 17

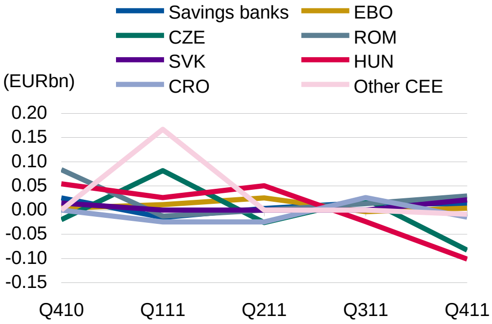
Asset Quality by Industry Sectors

	Management attention			Substandard			Non-performing			% of total loans		
(%)	2011	2010	% Δ	2011	2010	% Δ	2011	2010	% Δ	2011	2010	% Δ
Agriculture & forestry	24.2	32.2	-19.6	2.7	7.1	-58.7	11.5	10.8	+13.3	1.5	1.5	+6.7
Mining	12.4	13.6	-14.9	0.9	1.6	-50.0	14.3	16.6	-19.5	0.3	0.4	-6.9
Manufacturing	25.4	30.7	-14.8	3.2	9.5	-65.3	15.2	11.6	+34.5	8.1	8.0	+2.9
Energy & water	18.5	14.5	+32.9	2.8	2.5	+15.3	6.0	4.7	+32.7	1.8	1.8	+3.8
Construction	20.3	23.3	-6.0	5.7	11.5	-46.7	16.0	13.1	+31.3	5.0	4.7	+7.9
Trade	22.0	26.5	-15.4	3.1	4.7	-33.4	14.0	12.5	+14.3	7.0	7.0	+1.9
Transport & communication	24.0	24.8	-6.7	3.2	6.7	-54.6	11.9	10.9	+4.7	2.8	2.9	-3.3
Hotels & restaurants	26.9	33.3	-19.7	6.7	7.2	-6.9	18.0	15.2	+18.0	3.1	3.2	-0.5
Financials & insurance	10.7	13.8	-28.7	1.6	1.4	+4.8	4.5	4.1	+1.0	4.9	5.4	-8.1
Real estate & housing	15.6	18.7	-14.3	2.6	4.5	-40.0	6.0	4.6	+33.2	15.3	15.1	+3.0
Services	16.6	22.2	-21.1	3.2	3.9	-12.1	10.5	11.4	-3.1	4.0	3.9	+5.4
Public administration	7.3	5.8	+31.7	0.5	0.6	-7.7	0.4	0.1	+333.3	5.3	5.2	+4.3
Education & health	18.0	17.1	+10.0	1.6	2.5	-33.3	5.2	5.8	-5.1	1.9	1.8	+4.7
Private households	15.6	10.4	+50.1	3.5	3.5	+0.6	6.4	6.5	-1.2	38.6	39.0	+0.5
Other	30.8	27.4	+28.8	3.6	21.4	-80.4	25.5	10.2	+186.4	0.2	0.2	+14.9
Total	**17.2**	**17.1**	**+2.2**	**3.2**	**4.6**	**-29.7**	**8.5**	**7.6**	**+13.3**	**100.0**	**100.0**	**+1.5**

Source: Erste

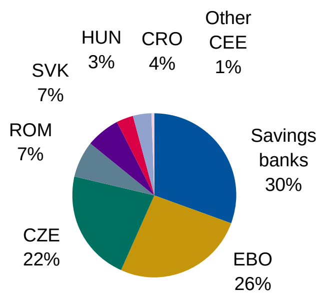
Figure 19 Figure 20

Customer Deposits - Trends



Source: Erste

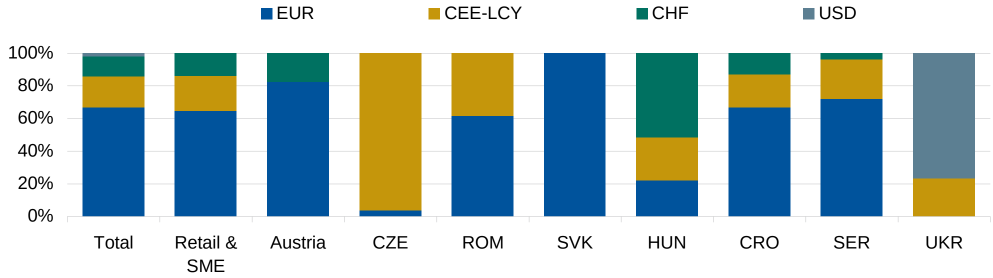
Customer Deposits - Breakdown
(End-2011)



Source: Erste

Figure 18

Loan Book by Currency
(End-2011)



Source: Erste; difference to 100%: other currencies (not shown)

Figure 21

Reporting by Geographical Segment at End-2011

	Austria			Czech Republic			Romania			Slovakia			Hungary			Croatia			Serbia & Ukraine		
(EURm)	**2011**	**2010**	**yoy (%)**	**2011**	**2010**	**yoy (%)**	**2011**	**2010**	**yoy (%)**	**2011**	**2010**	**yoy (%)**	**2011**	**2010**	**yoy (%)**	**2011**	**2010**	**yoy (%)**	**2011**	**2010**	**yoy (%)**
Net interest income	1,682	1,616	4.06	1,183	1,087	8.84	672	799	(15.82)	446	427	4.42	403	387	4.04	262	248	5.59	69	60	14.27
Risk provisions	(352)	(452)	(22.09)	(210)	(366)	(42.45)	(499)	(507)	(1.47)	(74)	(123)	(40.26)	(812)	(244)	232.40	(109)	(106)	3.17	(20)	(47)	(57.00)
Net fee and commission income	711	728	(2.34)	496	477	4.13	130	134	(3.19)	112	107	(5.29)	98	98	(0.03)	77	74	3.58	18	16	14.83
Net trading result	32	39	(16.18)	(45)	62	(172.76)	49	24	105.77	(5)	4	(215.04)	19	23	(17.76)	11	10	15.72	(3)	14	(122.04)
General administrative expenses	(1,540)	(1,538)	0.16	(714)	(710)	0.59	(376)	(375)	0.31	(224)	(222)	0.84	(200)	(203)	(1.04)	(141)	(139)	1.46	(83)	(78)	5.64
Other result	(146)	(50)	190.59	(122)	(83)	46.41	(31)	(50)	(38.39)	(40)	(21)	95.45	(57)	(68)	(16.69)	(10)	(5)	111.75	0	(1)	(136.87)
Pre-tax profit	387	343	12.87	588	468	25.72	(55)	25	(320.61)	215	172	25.62	(550)	(7)	7664.49	89	82	8.92	(19)	(36)	(48.21)
Taxes on income	(90)	(79)	14.78	(122)	(83)	48.08	24	(7)	(453.17)	(42)	(35)	21.10	(17)	(15)	12.73	(16)	(17)	(5.37)	1	(0)	(383.41)
Net profit for the period	296	264	12.30	465	385	20.92	(31)	18	(271.67)	173	137	26.77	(567)	(22)	2474.50	73	65	12.68	(23)	(36)	(36.01)
Average risk-weighted assets	38,159	38,338	(0.46)	12,951	12,422	4.26	9,167	9,059	1.19	4,825	5,231	(7.76)	4,147	4,703	(11.81)	4,321	3,903	10.73	1,364	1,297	5.12
Average attributed equity	1,393	1,434	(2.87)	1,065	1,025	3.91	556	517	7.74	401	432	(7.23)	345	388	(11.11)	251	227	10.52	107	101	5.32

Source: Bank; risk-weighted assets (RWAs)

Figure 22

Reporting Segments at End-2011

	Retail and SME			GCIB			Group markets			Corporate centre			Total group		
(EURm)	**2011**	**2010**	**yoy (%)**	**2011**	**2010**	**yoy (%)**	**2011**	**2010**	**yoy (%)**	**2011**	**2010**	**yoy (%)**	**2011**	**2010**	**yoy (%)**
Net interest income	4,716	4,624	2.00	543	574	(5.39)	197	156	26.18	112	85	32.42	5,569	5,439	2.39
Risk provisions	(2,077)	(1,845)	12.59	(178)	(176)	1.05	(12)	0	#DIV/0!	0	(0)	(100.00)	(2,267)	(2,021)	12.17
Net fee and commission income	1,642	1,633	0.55	119	108	9.69	127	157	(19.36)	(100)	(56)	79.48	1,787	1,843	(3.00)
Net trading result	59	176	(66.63)	(129)	(128)	0.52	155	246	(37.01)	38	28	34.70	122	322	(61.99)
General administrative expenses	(3,279)	(3,265)	0.43	(192)	(184)	4.12	(245)	(234)	4.78	(136)	(134)	1.08	(3,851)	(3,817)	0.90
Other result	(405)	(278)	45.78	(47)	(32)	44.04	10	2	472.11	(1,241)	(133)	834.07	(1,683)	(442)	281.07
Pre-tax profit	656	1,046	(37.25)	116	161	(27.80)	233	328	(29.07)	(1,327)	(211)	530.24	(322)	1,324	(124.33)
Taxes on income	(264)	(235)	12.16	(31)	(31)	1.97	(56)	(68)	(17.79)	110	53	109.58	(240)	(281)	(14.42)
Net profit for the period	392	810	(51.59)	85	131	(34.81)	177	260	(32.01)	(1,217)	(158)	670.15	(563)	1,043	(153.92)
Average risk-weighted assets	74,934	74,952	(0.02)	24,429	25,421	(3.90)	2,743	2,943	(6.78)	970	1,400	(30.67)	103,077	104,716	(1.57)
Average attributed equity	4,117	4,123	(0.15)	1,956	2,035	(3.90)	312	324	(3.65)	6,654	6,595	0.88	13,038	13,077	(0.30)

Source: Fitch

Figure 23

Peer Comparison Table

	Erste			UniCredit Bank Bank Austria AG			Raiffeisen Bank International AG		
(EURm)	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**	**2011**	**2010**	**2009***
Net interest income	5,561	5,392	5,208	4,530	4,574	4,791	3,667	3,578	2,937
Net fee income	1,787	1,936	1,773	1,885	1,991	1,831	1,490	1,491	1,223
Total non-interest operating income	1,291	1,951	2,456	2,428	2,552	2,492	1,893	1,878	1,459
Personal expenses	2,324	2,264	2,228	2,008	1,931	1,898	1,540	1,453	1,054
Other operating expenses	1,527	1,553	2,131	2,109	1,979	1,841	1,581	1,527	1,236
Total operating expenses	3,851	3,817	4,359	4,117	3,910	3,739	3,120	2,980	2,290
Pre-impairment operating profit	3,009.3	3,546	3,318	3,003	3,340	3,614	2,440	2,477	2,106
Loan impairment charge (LIC)	2,267	2,031	2,057	1,326	1,837	2,252	1,064	1,194	1,738
Operating profit	742	1,515	1,261	1,204	1,489	1,316	1,376	1,283	368
Pre-tax profit	-322	1,515	1,261	510	1,146	1,335	1,376	1,283	368
Net income	-563	1,186	977	260	798	1,153	974	1,177	287
Fitch comprehensive income	-849	1,341	294	260	1,068	631	811	1,395	47
Net interest margin (%)	2.87	2.91	2.87	2.45	2.56	2.82	2.83	4.45	4.15
Pre-impairment op. profit/av. equity (%)	19.84	23.9	26.04	17.18	19.74	25.43	30.24	33.93	32.68
Pre-impairment op. profit/av. assets (%)	1.42	1.72	1.64	1.54	1.7	1.73	1.73	2.82	2.65
LIC/pre-impairment operating profit (%)	75.33	57.28	61.98	59.91	55.42	63.59	43.6	48.21	82.54
Operating profit/average equity (%)	4.89	10.21	9.9	6.89	8.8	9.26	17.05	17.57	5.71
Operating profit/average assets (%)	0.35	0.73	0.62	.62	0.76	0.63	0.98	1.46	0.46
Comprehensive income/av. equity (%)	-5.60	9.04	2.3	1.49	6.31	4.44	10.06	19.11	0.73
Fitch core capital/risk-weighted assets (%)	9.90	8.85	6.60	11.13	x	x	9.09	x	X
Tang. common equity/tangible assets %)	5.64	5.31	4.00	7.33	7.25	5.3	4.82	4.95	7.11
Equity/assets (%)	7.23	7.46	6.53	8.66	9.05	7.4	5.74	6.03	8.39
Tier 1 ratio (%)	10.40	10.20	9.20	1,088.	10.35	8.68	9.9	9.7	11.0
Impaired loans	11,388	10,087	8,537	15,012	12,478	9,391	7,602	6,661	4,906
Loan loss reserve (LLR)	7,027	6,119	4,954	7,713	6,936	5,691	5,053	4,756	3,084
Impaired loans/total loans (%)	8.45	7.60	6.61	10.53	9.11	7.26	9.32	8.8	9.71
LLR/impaired loans (%)	61.71	60.66	58.03	51.38	55.59	60.6	66.47	71.4	62.86
LIC/average gross loans (%)	1.69	1.55	1.61	0.96	1.37	1.71	1.35	2.12	3.23
LLR/total assets (%)	3.35	2.97	x	3.87	x	x	3.44	x	X
Loans/customer deposits (%)	113.35	113.43	115.25	136.19	136.64	133.24	122.22	131.27	118.64
Total assets	210,006	205,938	201,710	199,228	193,049	194,459	146,985	131,173	76,275
Total customer deposits	118,880	117,016	112,042	104,728	100,284	97,041	66,747	57,633	42,578
Total long-term funding	33,815	35,957	32,288	26,783	24,539	26,093	17,699	19,737	3,828
Total equity	15,180	15,365	13,179	17,259	17,475	14,388	8,436	7,904	6,400
Fitch core capital	11,291	10,601	8,176	13,929	13,135	10,086	7,012	6,414	5,349

Source: Banks' financial statements; Fitch; *FY2009 data relates to Raiffeisen Bank International AG's predecessor, Raiffeisen International Bank-Holding AG.

Erste Group Bank AG
Income Statement

	31 Dec 2011			31 Dec 2010		31 Dec 2009		31 Dec 2008	
	Year End USDm Unqualified	Year End EURm Unqualified	As % of Earning Assets	Year End EURm Unqualified	As % of Earning Assets	Year End EURm Unqualified	As % of Earning Assets	Year End EURm Unqualified	As % of Earning Assets
1. Interest Income on Loans	8,314.8	6,426.5	3.38	6,306.9	3.36	7,128.5	3.92	10,007.1	5.56
2. Other Interest Income	3,783.3	2,924.1	1.54	2,488.0	1.33	3,143.7	1.73	1,937.4	1.08
3. Dividend Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Gross Interest and Dividend Income	**12,098.1**	**9,350.6**	**4.91**	**8,794.9**	**4.68**	**10,272.2**	**5.65**	**11,944.5**	**6.63**
5. Interest Expense on Customer Deposits	2,370.0	1,831.8	0.96	1,661.7	0.89	2,431.4	1.34	3,259.1	1.81
6. Other Interest Expense	2,533.1	1,957.8	1.03	1,741.7	0.93	2,632.6	1.45	3,793.8	2.11
7. Total Interest Expense	**4,903.1**	**3,789.6**	**1.99**	**3,403.4**	**1.81**	**5,064.0**	**2.79**	**7,052.9**	**3.92**
8. Net Interest Income	**7,195.0**	**5,561.0**	**2.92**	**5,391.5**	**2.87**	**5,208.2**	**2.87**	**4,891.6**	**2.72**
9. Net Gains (Losses) on Trading and Derivatives	158.2	122.3	0.06	456.2	0.24	585.1	0.32	114.7	0.06
10. Net Gains (Losses) on Other Securities	-120.7	-93.3	-0.05	3.7	0.00	-210.9	-0.12	-274.9	-0.15
11. Net Gains (Losses) on Assets at FV through Income Statement	0.4	0.3	0.00	-6.0	0.00	113.2	0.06	-295.6	-0.16
12. Net Insurance Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
13. Net Fees and Commissions	2,312.3	1,787.2	0.94	1,936.0	1.03	1,772.8	0.98	1,971.0	1.09
14. Other Operating Income	-679.6	-525.3	-0.28	-439.3	-0.23	195.4	0.11	242.5	0.13
15. Total Non-Interest Operating Income	**1,670.6**	**1,291.2**	**0.68**	**1,950.6**	**1.04**	**2,455.6**	**1.35**	**1,757.7**	**0.98**
16. Personnel Expenses	3,006.5	2,323.7	1.22	2,264.0	1.21	2,227.5	1.23	2,313.8	1.29
17. Other Operating Expenses	1,975.9	1,527.2	0.80	1,552.8	0.83	2,131.1	1.17	2,130.3	1.18
18. Total Non-Interest Expenses	**4,982.4**	**3,850.9**	**2.02**	**3,816.8**	**2.03**	**4,358.6**	**2.40**	**4,444.1**	**2.47**
19. Equity-accounted Profit/ Loss - Operating	10.4	8.0	0.00	21.0	0.01	12.7	0.01	21.5	0.01
20. Pre-Impairment Operating Profit	**3,893.5**	**3,009.3**	**1.58**	**3,546.3**	**1.89**	**3,317.9**	**1.83**	**2,226.7**	**1.24**
21. Loan Impairment Charge	2,933.0	2,266.9	1.19	2,031.2	1.08	2,056.6	1.13	1,071.4	0.60
22. Securities and Other Credit Impairment Charges	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
23. Operating Profit	**960.5**	**742.4**	**0.39**	**1,515.1**	**0.81**	**1,261.3**	**0.69**	**1,155.3**	**0.64**
24. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
25. Non-recurring Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
26. Non-recurring Expense	1,377.4	1,064.6	0.56	n.a.	-	n.a.	-	579.1	0.32
27. Change in Fair Value of Own Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
28. Other Non-operating Income and Expenses	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
29. Pre-tax Profit	**-416.9**	**-322.2**	**-0.17**	**1,515.1**	**0.81**	**1,261.3**	**0.69**	**576.2**	**0.32**
30. Tax expense	311.0	240.4	0.13	328.7	0.18	284.7	0.16	177.3	0.10
31. Profit/Loss from Discontinued Operations	0.0	0.0	0.00	0.0	0.00	0.0	0.00	639.7	0.36
32. Net Income	**-727.9**	**-562.6**	**-0.30**	**1,186.4**	**0.63**	**976.6**	**0.54**	**1,038.6**	**0.58**
33. Change in Value of AFS Investments	-83.6	-64.6	-0.03	77.0	0.04	-355.0	-0.20	-1,479.0	-0.82
34. Revaluation of Fixed Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
35. Currency Translation Differences	-301.3	-232.9	-0.12	78.0	0.04	n.a.	-	n.a.	-
36. Remaining OCI Gains/(losses)	14.1	10.9	0.01	n.a.	-	-328.0	-0.18	n.a.	-
37. Fitch Comprehensive Income	**-1,098.7**	**-849.2**	**-0.45**	**1,341.4**	**0.71**	**293.6**	**0.16**	**-440.4**	**-0.24**
38. Memo: Profit Allocation to Non-controlling Interests	202.2	156.3	0.08	171.0	0.09	73.2	0.04	179.0	0.10
39. Memo: Net Income after Allocation to Non-controlling Interests	-930.1	-718.9	-0.38	1,015.4	0.54	903.4	0.50	859.6	0.48
40. Memo: Common Dividends Relating to the Period	n.a.	n.a.	-	264.7	0.14	295.0	0.16	309.0	0.17
41. Memo: Preferred Dividends Related to the Period	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Exchange rate		USD1 = EUR0.77290		USD1 = EUR0.74840		USD1 = EUR0.69416		USD1 = EUR0.71855	

Erste Group Bank AG
Balance Sheet

	31 Dec 2011			31 Dec 2010		31 Dec 2009		31 Dec 2008	
	Year End USDm	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets
Assets									
A. Loans									
1. Residential Mortgage Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other Mortgage Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Other Consumer/ Retail Loans	n.a.	n.a.	-	n.a.	-	51,702.0	25.63	49,753.0	24.70
4. Corporate & Commercial Loans	n.a.	n.a.	-	n.a.	-	70,296.0	34.85	70,000.0	34.75
5. Other Loans	174,342.7	134,749.5	64.16	132,729.3	64.45	7,135.7	3.54	6,431.9	3.19
6. Less: Reserves for Impaired Loans/ NPLs	9,092.1	7,027.3	3.35	6,119.1	2.97	4,954.3	2.46	3,782.8	1.88
7. Net Loans	**165,250.6**	**127,722.2**	**60.82**	**126,610.2**	**61.48**	**124,179.4**	**61.56**	**122,402.1**	**60.76**
8. Gross Loans	**174,342.7**	**134,749.5**	**64.16**	**132,729.3**	**64.45**	**129,133.7**	**64.02**	**126,184.9**	**62.64**
9. Memo: Impaired Loans included above	14,734.1	11,388.0	5.42	10,087.4	4.90	8,537.0	4.23	6,345.0	3.15
10. Memo: Loans at Fair Value included above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
B. Other Earning Assets									
1. Loans and Advances to Banks	9,804.2	7,577.7	3.61	12,496.5	6.07	13,139.9	6.51	14,344.0	7.12
2. Reverse Repos and Cash Collateral	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Trading Securities and at FV through Income	9,948.2	7,689.0	3.66	7,969.6	3.87	6,012.0	2.98	5,002.4	2.48
4. Derivatives	14,142.8	10,931.0	5.21	8,474.1	4.11	2,586.0	1.28	2,532.0	1.26
5. Available for Sale Securities	26,193.6	20,245.0	9.64	17,751.1	8.62	16,389.8	8.13	16,033.1	7.96
6. Held to Maturity Securities	20,797.0	16,074.0	7.65	14,234.7	6.91	14,899.1	7.39	14,145.4	7.02
7. At-equity Investments in Associates	223.8	173.0	0.08	223.5	0.11	240.6	0.12	260.4	0.13
8. Other Securities	n.a.	n.a.	-	n.a.	-	2,997.2	1.49	4,057.8	2.01
9. Total Securities	**71,305.5**	**55,112.0**	**26.24**	**48,653.0**	**23.63**	**43,124.7**	**21.38**	**42,031.1**	**20.87**
10. Memo: Government Securities included Above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
11. Memo: Total Securities Pledged	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Investments in Property	n.a.	n.a.	-	n.a.	-	1,196.0	0.59	1,279.0	0.63
13. Insurance Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	0.0	0.00
14. Other Earning Assets	n.a.	n.a.	-	n.a.	-	57.8	0.03	0.0	0.00
15. Total Earning Assets	**246,360.3**	**190,411.9**	**90.67**	**187,759.7**	**91.17**	**181,697.8**	**90.08**	**180,056.2**	**89.38**
C. Non-Earning Assets									
1. Cash and Due From Banks	12,178.5	9,412.8	4.48	5,839.4	2.84	5,996.3	2.97	7,556.2	3.75
2. Memo: Mandatory Reserves included above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Foreclosed Real Estate	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Fixed Assets	3,054.5	2,360.8	1.12	2,445.6	1.19	2,343.9	1.16	2,386.0	1.18
5. Goodwill	n.a.	n.a.	-	3,319.8	1.61	3,320.0	1.65	3,411.0	1.69
6. Other Intangibles	4,569.8	3,532.0	1.68	1,354.8	0.66	1,547.0	0.77	1,393.5	0.69
7. Current Tax Assets	149.6	115.6	0.06	116.5	0.06	124.0	0.06	58.0	0.03
8. Deferred Tax Assets	908.0	701.8	0.33	417.6	0.20	453.5	0.22	800.6	0.40
9. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Other Assets	4,491.4	3,471.4	1.65	4,684.6	2.27	6,227.7	3.09	5,779.6	2.87
11. Total Assets	**271,712.1**	**210,006.3**	**100.00**	**205,938.0**	**100.00**	**201,710.2**	**100.00**	**201,441.1**	**100.00**
Liabilities and Equity									
D. Interest-Bearing Liabilities									
1. Customer Deposits - Current	153,810.6	118,880.2	56.61	117,016.3	56.82	58,674.4	29.09	59,772.6	29.67
2. Customer Deposits - Savings	n.a.	n.a.	-	n.a.	-	53,368.0	26.46	49,532.0	24.59
3. Customer Deposits - Term	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Total Customer Deposits	**153,810.6**	**118,880.2**	**56.61**	**117,016.3**	**56.82**	**112,042.4**	**55.55**	**109,304.6**	**54.26**
5. Deposits from Banks	30,774.1	23,785.3	11.33	20,154.0	9.79	26,295.1	13.04	34,671.6	17.21
6. Repos and Cash Collateral	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Other Deposits and Short-term Borrowings	n.a.	n.a.	-	n.a.	-	3,473.0	1.72	6,072.0	3.01
8. Total Deposits, Money Market and Short-term Funding	**184,584.7**	**142,665.5**	**67.93**	**137,170.3**	**66.61**	**141,810.5**	**70.30**	**150,048.2**	**74.49**
9. Senior Debt Maturing after 1 Year	39,826.1	30,781.6	14.66	31,298.5	15.20	26,139.1	12.96	24,411.6	12.12
10. Subordinated Borrowing	3,925.0	3,033.6	1.44	4,658.0	2.26	6,148.4	3.05	4,790.6	2.38
11. Other Funding	n.a.	n.a.	-	n.a.	-	0.0	0.00	n.a.	-
12. Total Long Term Funding	**43,751.1**	**33,815.2**	**16.10**	**35,956.5**	**17.46**	**32,287.5**	**16.01**	**29,202.2**	**14.50**
13. Derivatives	12,080.0	9,336.6	4.45	7,996.1	3.88	2,394.0	1.19	2,245.0	1.11
14. Trading Liabilities	692.8	535.5	0.25	215.7	0.10	762.7	0.38	274.6	0.14
15. Total Funding	**241,108.6**	**186,352.8**	**88.74**	**181,338.6**	**88.05**	**177,254.7**	**87.88**	**181,770.0**	**90.23**
E. Non-Interest Bearing Liabilities									
1. Fair Value Portion of Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Credit impairment reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Reserves for Pensions and Other	2,044.4	1,580.1	0.75	1,544.5	0.75	1,670.0	0.83	1,620.4	0.80
4. Current Tax Liabilities	43.6	33.7	0.02	68.4	0.03	30.0	0.01	110.0	0.05
5. Deferred Tax Liabilities	446.0	344.7	0.16	328.1	0.16	331.1	0.16	279.1	0.14
6. Other Deferred Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Insurance Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	0.0	0.00
9. Other Liabilities	4,872.6	3,766.0	1.79	4,349.7	2.11	6,301.6	3.12	5,310.4	2.64
10. Total Liabilities	**248,515.1**	**192,077.3**	**91.46**	**187,629.3**	**91.11**	**185,587.4**	**92.01**	**189,089.9**	**93.87**
F. Hybrid Capital									
1. Pref. Shares and Hybrid Capital accounted for as Debt	1,603.1	1,239.0	0.59	1,180.0	0.57	1,180.0	0.58	1,256.0	0.62
2. Pref. Shares and Hybrid Capital accounted for as Equity	1,953.7	1,510.0	0.72	1,764.0	0.86	1,764.0	0.87	n.a.	-
G. Equity									
1. Common Equity	16,637.5	12,859.1	6.12	12,400.2	6.02	10,119.5	5.02	9,466.7	4.70
2. Non-controlling Interest	4,066.4	3,142.9	1.50	3,543.5	1.72	3,414.3	1.69	3,016.5	1.50
3. Securities Revaluation Reserves	-408.8	-316.0	-0.15	-278.0	-0.13	-355.0	-0.18	-1,479.0	-0.73
4. Foreign Exchange Revaluation Reserves	-700.0	-541.0	-0.26	-312.0	-0.15	n.a.	-	n.a.	-
5. Fixed Asset Revaluations and Other Accumulated OCI	45.3	35.0	0.02	11.0	0.01	n.a.	-	91.0	0.05
6. Total Equity	**19,640.3**	**15,180.0**	**7.23**	**15,364.7**	**7.46**	**13,178.8**	**6.53**	**11,095.2**	**5.51**
7. Total Liabilities and Equity	**271,712.1**	**210,006.3**	**100.00**	**205,938.0**	**100.00**	**201,710.2**	**100.00**	**201,441.1**	**100.00**
8. Memo: Fitch Core Capital	14,608.5	11,290.9	5.38	10,600.6	5.15	8,175.8	4.05	6,234.7	3.10
9. Memo: Fitch Eligible Capital	16,197.3	12,518.9	5.96	11,780.6	5.72	9,355.8	4.64	7,490.7	3.72
Exchange rate		USD1 = EUR0.77290		USD1 = EUR0.74840		USD1 = EUR0.69416		USD1 = EUR0.71855	

Erste Group Bank AG
Summary Analytics

	31 Dec 2011 Year End	31 Dec 2010 Year End	31 Dec 2009 Year End	31 Dec 2008 Year End
A. Interest Ratios				
1. Interest Income on Loans/ Average Gross Loans	4.80	4.82	5.57	8.30
2. Interest Expense on Customer Deposits/ Average Customer Deposits	1.53	1.44	2.18	3.07
3. Interest Income/ Average Earning Assets	4.83	4.74	5.66	6.51
4. Interest Expense/ Average Interest-bearing Liabilities	2.02	1.89	2.81	3.93
5. Net Interest Income/ Average Earning Assets	2.87	2.91	2.87	2.67
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	1.70	1.81	1.74	2.08
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Assets	2.87	2.91	2.87	2.67
B. Other Operating Profitability Ratios				
1. Non-Interest Income/ Gross Revenues	18.84	26.57	32.04	26.43
2. Non-Interest Expense/ Gross Revenues	56.20	51.99	56.87	66.84
3. Non-Interest Expense/ Average Assets	1.82	1.85	2.16	2.16
4. Pre-impairment Op. Profit/ Average Equity	19.84	23.90	26.04	19.34
5. Pre-impairment Op. Profit/ Average Total Assets	1.42	1.72	1.64	1.08
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	75.33	57.28	61.98	48.12
7. Operating Profit/ Average Equity	4.89	10.21	9.90	10.03
8. Operating Profit/ Average Total Assets	0.35	0.73	0.62	0.56
9. Taxes/ Pre-tax Profit	-74.61	21.69	22.57	30.77
10. Pre-Impairment Operating Profit / Risk Weighted Assets	2.64	2.96	2.68	2.15
11. Operating Profit / Risk Weighted Assets	0.65	1.26	1.02	1.11
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	-3.71	8.00	7.66	9.02
2. Net Income/ Average Total Assets	-0.27	0.58	0.48	0.51
3. Fitch Comprehensive Income/ Average Total Equity	-5.60	9.04	2.30	-3.82
4. Fitch Comprehensive Income/ Average Total Assets	-0.40	0.65	0.15	-0.21
5. Net Income/ Av. Total Assets plus Av. Managed Securitized Assets	n.a.	n.a.	n.a.	n.a.
6. Net Income/ Risk Weighted Assets	-0.49	0.99	0.79	1.00
7. Fitch Comprehensive Income/ Risk Weighted Assets	-0.74	1.12	0.24	-0.42
D. Capitalization				
1. Fitch Core Capital/Weighted Risks	9.90	8.85	6.60	6.01
2. Fitch Eligible Capital/ Weighted Risks	10.98	9.83	7.55	7.23
3. Tangible Common Equity/ Tangible Assets	5.64	5.31	4.00	3.17
4. Tier 1 Regulatory Capital Ratio	10.40	10.20	9.20	7.20
5. Total Regulatory Capital Ratio	14.40	13.50	12.70	10.10
6. Core Tier 1 Regulatory Capital Ratio	9.40	9.20	n.a.	n.a.
7. Equity/ Total Assets	7.23	7.46	6.53	5.51
8. Cash Dividends Paid & Declared/ Net Income	n.a.	22.31	30.21	29.75
9. Cash Dividend Paid & Declared/ Fitch Comprehensive Income	n.a.	19.73	100.48	-70.16
10. Cash Dividends & Share Repurchase/Net Income	n.a.	n.a.	n.a.	n.a.
11. Net Income - Cash Dividends/ Total Equity	-3.71	6.00	5.17	6.58
E. Loan Quality				
1. Growth of Total Assets	1.98	2.10	0.13	0.46
2. Growth of Gross Loans	1.52	2.78	2.34	10.73
3. Impaired Loans(NPLs)/ Gross Loans	8.45	7.60	6.61	5.03
4. Reserves for Impaired Loans/ Gross loans	5.22	4.61	3.84	3.00
5. Reserves for Impaired Loans/ Impaired Loans	61.71	60.66	58.03	59.62
6. Impaired Loans less Reserves for Imp Loans/ Equity	28.73	25.83	27.19	23.09
7. Loan Impairment Charges/ Average Gross Loans	1.69	1.55	1.61	0.89
8. Net Charge-offs/ Average Gross Loans	n.a.	n.a.	0.04	0.02
9. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	8.45	7.60	6.61	5.03
F. Funding				
1. Loans/ Customer Deposits	113.35	113.43	115.25	115.44
2. Interbank Assets/ Interbank Liabilities	31.86	62.01	49.97	41.37
3. Customer Deposits/ Total Funding excl Derivatives	67.16	67.51	64.08	60.89

Erste Group Bank AG
Reference Data

	31 Dec 2011 Year End USDm	31 Dec 2011 Year End EURm	31 Dec 2011 As % of Assets	31 Dec 2010 Year End EURm	31 Dec 2010 As % of Assets	31 Dec 2009 Year End EURm	31 Dec 2009 As % of Assets	31 Dec 2008 Year End EURm	31 Dec 2008 As % of Assets
A. Off-Balance Sheet Items									
1. Managed Securitized Assets Reported Off-Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other off-balance sheet exposure to securitizations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Guarantees	n.a.	n.a.	-	n.a.	-	n.a.	-	15,212.0	7.55
4. Acceptances and documentary credits reported off-balance sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Committed Credit Lines	n.a.	n.a.	-	n.a.	-	n.a.	-	22,149.0	11.00
6. Other Contingent Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	766.0	0.38
7. Total Business Volume	271,712.1	210,006.3	100.00	205,938.0	100.00	201,710.2	100.00	239,568.1	118.93
8. Memo: Total Weighted Risks	147,521.0	114,019.0	54.29	119,800.0	58.17	123,891.0	61.42	103,663.0	51.46
9. Fitch Adjustments to Weighted Risks.	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Fitch Adjusted Weighted Risks	147,521.0	114,019.0	54.29	119,800.0	58.17	123,891.0	61.42	103,663.0	51.46
B. Average Balance Sheet									
Average Loans	173,267.7	133,918.6	63.77	130,918.4	63.57	127,943.9	63.43	120,608.3	59.87
Average Earning Assets	250,501.9	193,612.9	92.19	185,563.3	90.11	181,407.0	89.93	183,529.5	91.11
Average Assets	274,213.9	211,939.9	100.92	206,249.4	100.15	201,988.5	100.14	205,372.6	101.95
Average Managed Securitized Assets (OBS)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Average Interest-Bearing Liabilities	242,844.5	187,694.5	89.38	180,154.3	87.48	180,089.5	89.28	179,457.9	89.09
Average Common equity	15,809.2	12,218.9	5.82	11,483.7	5.58	9,860.2	4.89	9,554.6	4.74
Average Equity	19,627.8	15,170.3	7.22	14,836.7	7.20	12,742.0	6.32	11,514.8	5.72
Average Customer Deposits	154,613.9	119,501.1	56.90	115,308.1	55.99	111,372.0	55.21	106,087.7	52.66
C. Maturities									
Asset Maturities:									
Loans & Advances < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans and Advances 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances > 5 years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Liability Maturities:									
Retail Deposits < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 1- 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Total Senior Debt on Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Fair Value Portion of Senior Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Covered Bonds	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 1- 5 Year	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Total Subordinated Debt on Balance Sheet	3,925.0	3,033.6	1.44	4,658.0	2.26	6,148.4	3.05	4,790.6	2.38
Fair Value Portion of Subordinated Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
D. Equity Reconciliation									
1. Equity	19,640.3	15,180.0	7.23	15,364.7	7.46	13,178.8	6.53	11,095.2	5.51
2. Add: Pref. Shares and Hybrid Capital accounted for as Equity	1,953.7	1,510.0	0.72	1,764.0	0.86	1,764.0	0.87	n.a.	-
3. Add: Other Adjustments	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Published Equity	21,594.0	16,690.0	7.95	n.a.	-	n.a.	-	n.a.	-
E. Fitch Eligible Capital Reconciliation									
1. Total Equity as reported (including non-controlling interests)	19,640.3	15,180.0	7.23	15,364.7	7.46	13,178.8	6.53	11,095.2	5.51
2. Fair value effect incl in own debt/borrowings at fv on the B/S- CC only	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
3. Non-loss-absorbing non-controlling interests	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
4. Goodwill	0.0	0.0	0.00	3,319.8	1.61	3,320.0	1.65	3,411.0	1.69
5. Other intangibles	4,569.8	3,532.0	1.68	1,354.8	0.66	1,547.0	0.77	1,393.5	0.69
6. Deferred tax assets deduction	462.0	357.1	0.17	89.5	0.04	136.0	0.07	56.0	0.03
7. Net asset value of insurance subsidiaries	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
8. First loss tranches of off-balance sheet securitizations	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
9. Fitch Core Capital	**14,608.5**	**11,290.9**	**5.38**	**10,600.6**	**5.15**	**8,175.8**	**4.05**	**6,234.7**	**3.10**
10. Eligible weighted Hybrid capital	1,588.8	1,228.0	0.58	-30.0	-0.01	-30.0	-0.01	1,256.0	0.62
11. Government held Hybrid Capital	0.0	0.0	0.00	1,210.0	0.59	1,210.0	0.60	0.0	0.00
12. Fitch Eligible Capital	**16,197.3**	**12,518.9**	**5.96**	**11,780.6**	**5.72**	**9,355.8**	**4.64**	**7,490.7**	**3.72**
13. Eligible Hybrid Capital Limit	6,260.7	4,838.9	2.30	4,543.1	2.21	3,503.9	1.74	2,672.0	1.33
Exchange Rate		USD1 = EUR0.77290		USD1 = EUR0.74840		USD1 = EUR0.69416		USD1 = EUR0.71855	

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he ratings above were solicited by, or on behalf of, the issuer, and therefore,
Fitch has been compensated for the provision of the ratings.