

Erste Bank Asset Allocation: Investment experts recommend keeping a small cash reserve

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- Erste Bank remains bullish about equity markets
- High yields and emerging markets very attractive

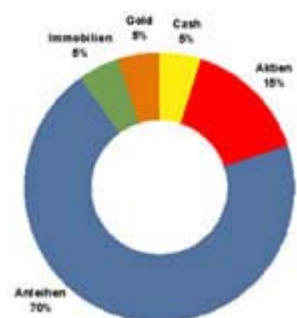
The investment experts of Erste Bank recommend creating a small cash reserve of 5% in the case of conservative portfolios and of 7.5% for dynamic portfolios as of the third quarter. This switch is made at the expense of equities which were reduced by 5 respectively 7.5% in the second quarter. Nonetheless, Erste Bank's basic sentiment is still bullish about equity investments. Gold positions should stay at five percent of total assets. "We expect interest rates to remain low without any changes in the next 12 months. However, we recommend putting aside a small cash reserve in order to stay flexible," said Wolfgang Traindl, Head of Private Banking and Asset Management of Erste Bank. Analysts expect the next interest rate hike for the second quarter of 2011 with a rise of 0.25%. Interest on short-term investments in savings deposits are between 1% and 2.625% depending on the investment product. Erste Bank believes that there are attractive performance opportunities in the high-yield corporate bond segment and in debt securities from Central Europe and the emerging markets. Therefore, the recommendation is to continue overweighting bonds with 70% in the conservative portfolio and 60% in the dynamic portfolio. The recommendations of Erste Bank in detail:



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Erste Bank Asset Allocation: Conservative

Erste Bank's current recommendation for conservative investors is to diversify their portfolios as follows: Around 15% in equities, 70% in bonds, 5% in real estate, 5% in gold, and a cash reserve of 5% for buying equities in the event of setbacks. In the equity portion, the focus should stay on the blue chips of developed markets, with European equities being underweighted. We continue to overweight the emerging markets (including Turkey, Russia and China) with a share of 25% of the equity portfolio. In the case of bonds, it is especially the high-yield products that have a larger share of 30%. A greater portion of the fixed income portfolio is invested in government bonds and in state-guaranteed mortgage bonds with good and outstanding credit rating ratings. An important theme in the bond segment is the segment of emerging markets – both in hard currency and in local currency. The real estate share is kept stable at 5%. Gold retains a fixed place in the portfolio with approximately 5%. It is not very recommendable to keep a greater share of cash due to the sustained low level of interest rates.



Erste Bank Asset Allocation: dynamic

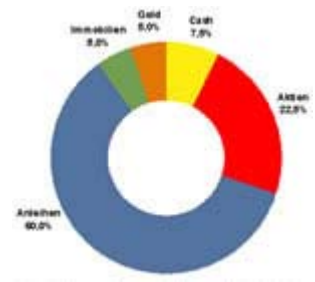
Dynamic investors already had the opportunity to mix in a slightly higher share of equities into the portfolio (around 22%) and in exchange lower the share of bonds (around 60%). Similar to the conservative portfolio, the stress is placed on investments in bonds with higher interest rates, in bonds from the Central European region and from

emerging markets. This asset allocation is rounded off by real estate and gold – analogous to the conservative strategy.

Investor recommendation for everybody: What to do with EUR 20,000?

Investment expert Traindl recommends anyone with freely available capital of EUR 20,000 to invest it in broadly diversified funds – based on individual risk tolerance – in order to take advantage of the diversification effects and cover all important asset classes: ESPA PORTFOLIO BALANCED 30 with an equity share of 0% to 30% for conservative investors, or for more risk-tolerant investors, the ESPA PORTFOLIO BALANCED 50 that is invested 0% to 50% in equities. Investors are also well-advised

with a combination of savings account and investments in funds, bonds and insurance policies. Erste Bank and the savings banks offer, for example, the “s Kapital Sparen Select” which is invested 50:50 percent into savings passbook and funds. In this case, the share in savings passbooks (that is, half of the investment) carries a fixed interest rate of 2.5% for amounts greater than EUR 5,000 that are invested for at least one year.



As a “financial base camp” one should always keep the equivalent of around three months’ income on the side according to the investment experts of Erste Bank. This money should be available at all times for emergencies and is best placed into savings accounts. Persons that have already set up their “base camp” may consider a building society scheme or life insurance as security against risks. Old age provisioning is the next investment step.

The volume of assets under management in private banking of Erste Bank and Sparkassen is around EUR 37 billion. This corresponds to a market share of 25 percent. This makes Erste Bank market leader in this leading segment. In February 2010, the magazine Euromoney awarded Erste Bank the distinction as the best institution for private banking.

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