

Consolidated Financial Statements

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Consolidated Financial Statements 2010 (IFRS)

I. Statement of comprehensive income of Erste Group for the year ended 31 December 2010

Income statement

in EUR thousand	Notes	2010	2009
Interest and similar income		8,794,910	10,272,166
Interest and similar expenses		(3,403,422)	(5,063,964)
Income from associates accounted for at equity		21,015	12,701
Net interest income	1	5,412,503	5,220,903
Risk provisions for loans and advances	2	(2,031,147)	(2,056,568)
Fee and commission income		2,488,386	2,320,092
Fee and commission expenses		(552,388)	(547,291)
Net fee and commission income	3	1,935,998	1,772,801
Net trading result	4	456,201	585,097
General administrative expenses	5	(3,816,782)	(3,807,396)
Other operating result	6	(439,327)	(355,807)
Result from financial assets - at fair value through profit or loss	7	(6,025)	113,153
Result from financial assets - available for sale	8	9,244	(204,114)
Result from financial assets - held to maturity	9	(5,535)	(6,789)
Pre-tax profit from continuing operations		1,515,130	1,261,280
Taxes on income	10	(328,693)	(284,651)
Post-tax profit from continuing operations		1,186,437	976,629
Profit from discontinued operations net of tax		0	0
Net profit for the year		1,186,437	976,629
attributable to			
non-controlling interests		171,018	73,239
owners of the parent	11	1,015,419	903,390

Earnings per share

Earnings per share constitute net profit for the year attributable to owners of the parent divided by the average number of ordinary shares outstanding. Diluted earnings per share represent the

maximum potential dilution (through an increase in the average number of shares) which would occur if all subscription and conversion rights granted were exercised (also see Note 30, Total equity).

		2010	2009
	in EUR thousand		
Net profit for the year attributable to owners of the parent		1,015,419	903,390
Dividend participation capital		(141,100)	(141,100)
Net profit for the year attributable to owners of the parent after deduction of dividend on participation capital		874,319	762,290
Weighted average number of shares outstanding	Number	374,695,868	322,206,516
Earnings per share	in EUR	2.33	2.37
Weighted average number of shares taking into account the effect of dilution	Number	376,749,863	322,263,559
Diluted earnings per share	in EUR	2.32	2.37

Statement of comprehensive income

in EUR thousand	2010	2009
Net profit for the year	1,186,437	976,629
Other comprehensive income		
Available for sale-reserve (including currency translation)	127,620	1,124,057
Reclassification adjustments	(34,367)	21,941
Cash flow hedge-reserve (including currency translation)	(76,497)	8,453
Reclassification adjustments	(25,772)	4,572
Actuarial gains and losses	34,753	37,303
Currency translation	78,164	(203,407)
Deferred taxes on items recognised in other comprehensive income	(26,210)	(405,797)
Reclassification adjustments	13,456	(24,544)
Other comprehensive income - total	137,830	560,609
Total comprehensive income	1,324,267	1,537,238
attributable to		
non-controlling interests	199,581	376,096
owners of the parent	1,124,686	1,161,142

II. Balance Sheet of Erste Group at 31 December 2010

in EUR thousand	Notes	2010	2009 amended ¹⁾	01.01.2009 amended ¹⁾
ASSETS				
Cash and balances with central banks	12	5,839,384	5,996,253	7,556,245
Loans and advances to credit institutions	13	12,496,460	13,139,942	14,344,033
Loans and advances to customers	14	132,729,267	129,133,721	126,184,918
Risk provisions for loans and advances	15	(6,119,058)	(4,954,291)	(3,782,793)
Derivative financial instruments	16	8,474,100	4,712,740	3,369,321
Trading assets	17	5,535,543	6,012,564	5,002,474
Financial assets - at fair value through profit or loss	17	2,434,158	2,997,230	4,057,770
Financial assets - available for sale	17	17,751,115	16,389,828	16,033,080
Financial assets - held to maturity	17	14,234,700	14,899,067	14,145,411
Equity holdings in associates accounted for at equity	18	223,497	240,575	260,396
Intangible assets	19	4,674,578	4,866,518	4,804,486
Property and equipment	19	2,445,580	2,343,859	2,385,994
Current tax assets	20	116,474	123,784	57,948
Deferred tax assets	20	417,612	453,678	800,676
Assets held for sale	21	52,461	57,785	525,578
Other assets	20, 22	4,632,152	5,296,926	5,695,608
Total assets		205,938,023	201,710,179	201,441,145
LIABILITIES AND EQUITY				
Deposits by banks	23	20,153,934	26,295,125	34,671,550
Customer deposits	24	117,016,323	112,042,412	109,304,601
Debt securities in issue	25	31,298,536	29,612,066	30,483,574
Derivative financial instruments	16	7,996,053	3,749,273	2,887,314
Trading liabilities	26	215,698	720,674	230,121
Provisions	27	1,544,549	1,670,015	1,620,418
Current tax liabilities	20	68,367	30,077	110,020
Deferred tax liabilities	20	328,062	331,044	279,125
Liabilities associated with assets held for sale	28	0	0	342,855
Other liabilities	29	4,349,677	4,988,353	4,369,691
Subordinated liabilities	30	5,838,041	6,148,376	6,046,632
Total equity	31	17,128,783	16,122,764	11,095,244
attributable to				
non-controlling interests		3,543,487	3,414,234	3,016,473
owners of the parent		13,585,296	12,708,530	8,078,771
Total liabilities and equity		205,938,023	201,710,179	201,441,145

¹⁾ Due to reclassifications, the positions Trading assets / liabilities, Derivative financial instruments and Other assets / liabilities deviate from amounts published in the Financial Statements for the year 2009. (see chapter C – Accounting Policies).

III. Statement of Changes in Total Equity

A) STATEMENT OF CHANGES IN TOTAL EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

in EUR million	Sub- scribed capital	Addi- tional paid-in capital	Retained earnings	Cash flow hedge reserve	Avail- able for sale reserve	Cur- rency trans- lation	Deferred tax ²⁾	Total owners of the parent	Non-con- trolling interests	Total equity 2010
Total equity at 31 December 2009	2,517	6,171	4,628	73	(372)	(390)	82	12,709	3,414	16,123
Changes in own shares			146					146		146
Purchase			(541)					(541)		(541)
Sale			664					664		664
Result			23					23		23
Dividends			(385)					(385)	(42)	(427)
Capital increases ¹⁾		6						6		6
Participation capital ³⁾	(4)							(4)		(4)
Purchase			(37)					(37)		(37)
Sale			37					37		37
Result			0					0		0
Change in interest in subsidiaries								0	(28)	(28)
Acquisition of non- controlling interest			(11)					(11)	0	(11)
Total comprehensive income			1,032	(62)	94	78	(18)	1,124	200	1,324
Net profit for the year			1,015					1,015	171	1,186
Other comprehensive income			17	(62)	94	78	(18)	109	29	138
Total equity at 31 December 2010	2,513	6,177	5,410	11	(278)	(312)	64	13,585	3,544	17,129

1) Capital increase in connection with ESOP (Employee Share Option Plan)

2) For disclosure of tax effects relating to each component of other comprehensive income, see note 10.

3) Expenses incurred by the capital increase decreased the equity by EUR 5 m and the positive tax effect from tax deductible expenses incurred by the capital increase resulted in an increase of equity by EUR 1 m. See also note 30

For further details, see note 30 total equity.

B) STATEMENT OF CHANGES IN TOTAL EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009

in EUR million	Sub-scribed capital	Additional paid-in capital	Retained earnings	Cash flow hedge reserve	Available for sale reserve	Currency translation	Deferred tax ⁴⁾	Total owners of the parent	Non-controlling interests	Total equity 2009
Total equity at 31 December 2008	634	4,583	3,711	70	(1,073)	(226)	380	8,079	3,016	11,095
Changes in own shares			201					201		201
Purchase			(2,327)					(2,327)		(2,327)
Sale			2,503					2,503		2,503
Result			25					25		25
Dividends			(203)					(203)	(92)	(295)
Capital increases ^{1) 2)}	122	1,588						1,710		1,710
Participation capital ³⁾	1,761							1,761		1,761
Change in interest in subsidiaries									114	114
Total comprehensive income			919	3	701	(164)	(298)	1,161	376	1,537
Net profit for the year			903					903	73	976
Other comprehensive income			16	3	701	(164)	(298)	258	303	561
Total equity at 31 December 2009	2,517	6,171	4,628	73	(372)	(390)	82	12,709	3,414	16,123

1) Capital increase in connection with ESOP (Employee Share Option Plan)

2) In November 2009, Erste Group increased equity by the public placement of ordinary shares in a total nominal amount of EUR 1.74 bn. Increase in equity net of expenses incurred by the capital increase and related tax effects totalled EUR 1.70 bn. Expenses incurred by the capital increase decreased the equity by EUR 54 m and the positive tax effect from tax-deductible expenses incurred by the capital increase resulted in an increase of equity by EUR 13 m.

3) In April 2009, Erste Group placed participation capital in a total nominal amount of EUR 1.76 bn. Of this EUR 1.22 bn was subscribed to by the Republic of Austria and EUR 540 m by private parties. Increase in equity net of expenses incurred by the capital increase and related tax effects totalled EUR 1.76 bn. Expenses incurred by the capital increase decreased the equity by EUR 4 m and the positive tax effect from tax deductible expenses incurred by the capital increase resulted in an increase of equity by EUR 1 m. See also note 30.

4) For disclosure of tax effects relating to each component of other comprehensive income, see note 10.

IV. Cash Flow Statement

in EUR million	2010	2009
Profit from continuing operations	1,186	977
Profit from discontinued operations	0	0
Net profit for the year	1,186	977
Non-cash adjustments for items in net profit for the year		
Depreciation, amortisation, impairment and reversal of impairment, revaluation of assets	676	826
Allocation to and release of provisions (including risk provisions)	2,152	2,152
Gains/(losses) from the sale of assets	(82)	(122)
Other adjustments	(24)	29
Changes in assets and liabilities from operating activities after adjustment for non-cash components		
Loans and advances to credit institutions	653	1,338
Loans and advances to customers	(3,596)	(1,957)
Trading assets	(2,957)	(1,012)
Financial assets - at fair value through profit or loss	557	1,174
Financial assets - available for sale	(1,264)	392
Other assets from operating activities	(378)	(880)
Deposits by banks	(6,141)	(8,709)
Customer deposits	4,974	1,852
Debt securities in issue	1,686	(951)
Trading liabilities	3,153	613
Other liabilities from operating activities	(275)	932
Cashflow from operating activities	320	(3,346)
thereof discontinued operations	0	0
Proceeds of disposal		
Financial assets - held to maturity and associated companies	3,790	2,109
Property and equipment, intangible assets and investment properties	252	489
Acquisition of		
Financial assets - held to maturity and associated companies	(3,225)	(3,036)
Property and equipment, intangible assets and investment properties	(622)	(940)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	(7)	(84)
Disposal of subsidiaries	3	0
Cash flow from investing activities	191	(1,462)
thereof discontinued operations	0	0
Capital increases	2	3,470
Dividends paid	(385)	(203)
Other financing activities (mainly changes of subordinated liabilities)	(310)	98
Cash flow from financing activities	(693)	3,365
thereof discontinued operations	0	0
Cash and cash equivalents¹⁾ at beginning of period	5,996	7,556
Cashflow from operating activities	320	(3,346)
Cash flow from investing activities	191	(1,462)
Cash flow from financing activities	(693)	3,365
Effect of currency translation	25	(117)
Cash and cash equivalents¹⁾ at end of period	5,839	5,996
Cash flows related to taxes, interest and dividends	5,084	4,959
Payments for taxes on income	(329)	(262)
Interest received	8,668	10,124
Dividends received	148	161
Interest paid	(3,403)	(5,064)

1) Cash and cash equivalents are equal to cash in hand and balances held with central banks.

V. Notes to the Financial Statements of Erste Group

A. GENERAL INFORMATION

Erste Group Bank AG is Austria's oldest savings bank and the largest wholly privately-owned Austrian credit institution listed on the Vienna Stock Exchange. It is also quoted on the Prague Stock Exchange (since October 2002) and on the Bucharest Stock Exchange (since 14 February 2008). The registered office of Erste Group Bank AG is located at Graben 21, 1010 Vienna, Austria.

Erste Group offers a complete range of banking and other financial services, such as savings accounts, asset management (including investment funds), consumer credit and mortgage lending, investment banking, securities and derivatives trading, portfolio management, project finance, foreign trade financing, corporate finance, capital market and money market services, foreign exchange trading, leasing and factoring.

The consolidated financial statements of Erste Group for the 2010 financial year and the comparable data for 2009 were prepared in compliance with applicable International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) published by the International Accounting Standards Board (IASB) and with their interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC, formerly Standing Interpretations Committee or SIC) as adopted by the European Union, thus satisfying the requirements of Section 59a Austrian Banking Act and Section 245a Austrian Commercial Code.

Except as otherwise indicated, all amounts are stated in millions of euros. The tables in this report may contain rounding differences.

It is planned for the Management (following a presentation to the Supervisory Board) to approve the consolidated financial statements on 1 March 2011 for publication.

B. ACQUISITIONS AND DISPOSALS

Acquisitions in 2010

Erste Group did not make any significant acquisitions and disposals during 2010.

Acquisitions in 2009

Erste & Steiermärkische Bank d.d Rijeka acquired a total of 100.0% (65.35% of shares directly and indirectly held by Erste Group Bank AG) of Erste Bank ad, Podgorica (former Opportunity Bank). Erste Bank ad, Podgorica was fully consolidated in the financial statements of Erste Group with effect from 31 March 2009.

The total purchase price for the acquisition of the shares of Erste Bank ad, Podgorica including transaction costs, was about EUR 13.5 million. The resulting negative goodwill amounting to HRK 65.6 million or EUR 9.0 million was recognised directly in Other operating result.

Erste Group acquired 95.0% of asset management business (Ringturm Kapitalanlagegesellschaft m.b.H) of Vienna Insurance Group (VIG), during the course of the sell of its insurance activities, with a view to cooperating more closely with the VIG. Ringturm Kapitalanlagegesellschaft m.b.H was fully consolidated in the financial statements of Erste Group with effect from 31 March 2009.

The total purchase price for the acquisition of the shares of Ringturm Kapitalanlagegesellschaft m.b.H was EUR 100 million with the resulting goodwill amounting to EUR 36.3 million.

Customer relationships were recognised separately from goodwill. Upon consolidation, customer relationships were valued at EUR 84.8 million and are being amortised on a straight line basis over the expected useful life of about 20 years.

With effect from 21 January 2009, Sparkasse Kufstein AG joined the Haftungsverbund of the Austrian savings banks. Since that date, the savings bank has been included in the consolidated financial statements of Erste Group. Erste Group holds no equity interest in this savings bank.

Shareholdings in significant companies and their representation in the consolidated financial statements are detailed in Note 46

C. ACCOUNTING POLICIES

a) BASIS OF CONSOLIDATION

Subsidiaries

All subsidiaries directly or indirectly controlled by Erste Group Bank AG are consolidated in the group financial statements, on the basis of the subsidiaries' annual accounts at and for the year ended 31 December 2010.

Subsidiaries are consolidated from the date on which control is transferred to the Bank. Control is achieved when the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date of acquisition or up to the date of disposal. The financial statements of the Bank's subsidiaries are prepared for the same reporting year as Erste Group Bank AG, by using consistent accounting policies. All intra-group balances, transactions, income and expenses as well as unrealised gains and loss and dividends are eliminated. Non-controlling interests represent the portion of total comprehensive income and net assets, which are not attributable to the group.

Erste Group Bank AG is a member of the Haftungsverbund of the Austrian savings bank sector. At the balance sheet date almost all of Austria's savings banks, in addition to Erste Group Bank AG and Erste Bank der oesterreichischen Sparkassen AG, formed part of this Haftungsverbund.

The provisions of the agreement governing the Haftungsverbund are implemented by the steering company Haftungsverbund GmbH. Erste Group Bank AG indirectly always holds at least 51% of the subscribed capital of the steering company, through Erste Bank der oesterreichischen Sparkassen AG. Two of the four members of the steering company's management, including the CEO, who has the casting vote, are appointed by Erste Bank der oesterreichischen Sparkassen AG. The steering company is vested with the power to monitor the common risk policies of its members. If a member encounters serious financial difficulties – specific key indicators are continually monitored – the steering company has the mandate to provide support measures and/or to intervene, as required, in the business management of the affected member savings bank. As Erste Group Bank AG owns the controlling interest in the steering company, it exercises control over the members of the cross-guarantee system. In accordance with IFRS, all Haftungsverbund members are therefore fully consolidated.

Investments in associates

Investments in companies over which Erste Group Bank AG exercises a significant influence ('associates') are accounted for under the equity method. As a general rule, significant influence is presumed by an ownership interest of between 20% and 50%. Joint ventures are also included using the equity method. Under the equity method, an interest in an associate is recognised in the balance sheet at cost plus post-acquisition changes in the group's share of the net assets of the entity. The group's share of the associate's profit or loss is recognised in the income statement. Entities accounted for under the equity method are recognised largely on the basis of annual financial statements at – and for the year ended on – 31 December 2010.

b) ACCOUNTING AND MEASUREMENT METHODS

In order to improve transparency, Erste Group has enhanced the balance sheet structure by introducing an additional line item "Derivative financial instruments", both for the assets and liabilities sides of the balance sheet. This new disclosure is felt to be more appropriate and of greater relevance. The positive and negative fair values of derivative instruments previously shown under "Trading assets / liabilities" and "Other assets / liabilities" are now reported under the single line item "Derivative financial instruments". The comparative figures have been amended as follows:

in EUR million	31.12.2009	01.01.2009
ASSETS		
Trading assets	2,586	2,532
Other assets	2,127	837
Derivative financial instruments	4,713	3,369
LIABILITIES AND EQUITY		
Trading liabilities	2,436	2,290
Other liabilities	1,313	597
Derivative financial instruments	3,749	2,887

Derivatives are shown on a gross basis. The change had no impact on the consolidated statement of comprehensive income.

Foreign currency translation

The consolidated financial statements are presented in euro which is the functional currency of Erste Group Bank AG. The functional currency is the currency of the primary business environment in which an entity operates. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

For foreign currency translation, exchange rates quoted by the central banks in each country are used. For group entities with the euro as functional currency, these are the ECB reference rates.

(i) Transactions and balances in foreign currency

Transactions in foreign currencies are initially recorded at the functional currency exchange rate effective at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange at the balance sheet date. All resulting exchange differences that arise are recognised in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

(ii) Group companies

Assets and liabilities of foreign subsidiaries are translated into Erste Group's presentation currency euro at the rate of exchange as at the balance sheet date (closing rate). Their statements of comprehensive income (including other comprehensive income) are translated at monthly average exchange rates. Goodwill and fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition (including the recognition of intangible assets such as customer relationships and brand) are treated as assets and liabilities of the foreign subsidiaries and are translated at the closing rate. Exchange differences arising on translation are recognised in other comprehensive income. On disposal of a foreign subsidiary, the cumulative amount recognised in other comprehensive income relating to that particular foreign subsidiary is recognised in the income statement.

Financial instruments – recognition and measurement

A financial instrument is a contract which automatically produces a financial asset for the one company and a financial liability or equity instrument for the other. In accordance with IAS 39, all financial assets and liabilities – which also include derivative financial instruments – have to be recognised in the balance sheet and measured in accordance with their assigned category.

Erste Group uses following measurement categories:

- _ **financial assets or financial liabilities at fair value through profit or loss,**
- _ **available-for-sale financial assets**
- _ **held-to-maturity investments**
- _ **loans and receivables**
- _ **financial liabilities measured at amortised cost (which are defined in addition to the above mentioned measurement categories according to IAS 39)**

IAS 39 measurement categories are not necessarily the line items presented in the balance sheet. Specific relationships between the balance sheet line items and measurement categories are described in the table of the point (xi).

Basically it has to be distinguished between two measurement methods:

- amortised cost
- fair value

(i) Date of recognition

Financial instruments are initially recognised when Erste Group becomes a party to the contractual provisions of the instrument. Regular way (spot) purchases and sales of financial assets are recognised at settlement date which is the date that an asset is delivered.

(ii) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on the purpose and the management's intention for which the financial instruments were acquired and their characteristics. Financial instruments are measured initially at their fair value plus transaction costs. However in the case of financial assets and financial liabilities designated at fair value through profit or loss, transaction costs are not included.

(iii) Cash and balances with central banks

Balances with central banks include only claims (deposits) against central banks which are repayable on demand. Repayable on demand means that it may be withdrawn at any time or with a term of notice of only one business-day or 24 hours. Mandatory minimum reserves are also shown under this position.

(iv) Derivatives

Derivatives used by Erste Group include mainly interest rate swaps, futures, forward rate agreements, interest rate options, currency swaps and currency options. Derivatives are measured at fair value. Changes in fair value are recognised in the income statement except those resulting from cash flow hedges accounted in accordance with hedge accounting principles. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. All kind of derivatives disregarding their internal classification are disclosed under the line item "Derivative financial instruments" which can be found both on assets and liabilities side of the balance sheet. It means that the line item "Derivative financial instruments" contains both derivatives held in trading book and banking book and includes also derivatives which are officially designated for hedge accounting.

(v) Financial assets and financial liabilities held-for-trading

Financial assets and financial liabilities held-for-trading are recorded at fair value in the balance sheet. Changes in fair value including interest income and expenses as well as dividend income resulting from financial instruments held-for-trading are reported in 'Net trading result'. Included in held-for-trading are debt securities, equity instruments acquired or issued principally for the purpose of selling or repurchasing in the near term. They are presented as 'Trading assets' or 'Trading liabilities' in the balance sheet.

(vi) Financial assets or financial liabilities designated at fair value through profit or loss

Financial assets or financial liabilities classified in this category are those that have been designated by management on initial recognition (Fair Value Option).

Erste Group uses the fair value through option in case of financial assets managed on fair value basis. In accordance with a documented investment strategy, the performance of the portfolio is evaluated and regularly reported to the management board. The portfolio consists largely of relatively low credit risk investments in bonds issued by EU governments and EU municipalities. They also have very low interest risk as most of them are floating rate bonds linked to EURIBOR.

Financial assets designated at fair value through profit or loss are recorded in the balance sheet at fair value in the line 'Financial assets – at fair value through profit or loss' with changes in fair value recognised in the income statement 'Result from financial assets – at fair value through profit or loss'. Interest earned on debt instruments is shown in 'Interest and similar income'. Also, dividend income on equity instruments is presented in 'Interest and similar income' when the right to the payment has been established.

If financial liabilities are designated at fair value through profit or loss then they are reported under respective financial liabilities positions 'Deposits by banks', 'Customer deposits' or 'Debt securities in issue'. Changes in fair value are recognised in 'Result from financial assets – at fair value through profit or loss'. Interest incurred is shown as 'Interest and similar expenses'.

(vii) Available-for-sale financial assets

Available-for-sale assets include equity and debt securities as well as other investments in non-consolidated companies. Equity investments classified as available-for-sale are those which are neither classified as held-for-trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial measurement, available-for-sale financial assets are subsequently measured at fair value. Unrealised gains and losses are recognised directly in other comprehensive income and reported in the 'Available-for-sale reserve' until the financial asset is disposed of or impaired. If available-for-sale assets are disposed of or impaired, the cumulative gain or loss previously recognised directly in other comprehensive income is reclassified to profit or loss and reported under the line item 'Result from financial assets – available for sale'. In the balance sheet, available-for-sale financial assets are disclosed in the line item 'Financial assets – available for sale'.

If the fair value of investments in non-quoted equity instruments cannot be measured reliably, they are recorded at cost. There is no market for such investments. Erste Group does not have any specific plan to dispose such investments

Interest and dividend income on available-for-sale financial assets are reported in the income statement as 'Interest and similar income'.

(viii) Held-to-maturity financial investments

Held-to-maturity financial investments reported as 'Financial assets – held to maturity' in the balance sheet are non-derivative financial assets with fixed or determinable payments and fixed maturities, if Erste Group has the intention and ability to hold them until maturity. After initial recognition held-to-maturity financial investments are subsequently measured at amortised cost including impairment. Interest earned on financial assets held-to-maturity is reported in 'Interest and similar income'. Losses arising from impairment of such investments as well as realised gains or losses from selling are recognised in the income statement in the line 'Result from financial assets – held to maturity'.

(iv) Loans and advances

The balance sheet line items 'Loans and advances to credit institutions' and 'Loans and advances to customers' meet the definition of loans and receivables category. Loans and advances include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that Erste Group intends to sell immediately or in the near term and those that Erste Group upon initial recognition designates as at fair value through profit or loss;
- those that Erste Group, upon initial recognition, designates as available for sale; or
- those for which Erste Group may not recover substantially all of its initial investment, other than because of credit deterioration.

After initial measurement, loans and advances are subsequently measured at amortised cost including impairment. Interest income earned is included in 'Interest and similar income' in the income statement. Allowance for impairment is reported in the balance sheet line 'Risk provisions for loans and advances'. Losses arising from impairment are recognised in the income statement line 'Risk provisions for loans and advances'.

(x) Deposits and other liabilities

Financial liabilities are measured at amortised cost, unless they are measured at fair value through profit or loss. Financial liabilities are reported in the lines 'Deposits by banks', 'Customer deposits' 'Debt securities in issue' or 'Subordinated liabilities' except for those which are not held for trading. Interest expenses incurred are reported in the line 'Interest and similar expenses' in the income statement.

(xi) Relationships between balance sheet positions and measurement categories and classes for risk disclosures

Balance sheet positions	Measurement value			Measurement category
	Fair Value	At amortised cost	Other	
ASSETS				
Cash and balances with central banks			Nominal value	n/a
Loans and advances to credit institutions		x		Loans and receivables
Loans and advances to customers		x		Loans and receivables
Risk provisions for loans and advances		x		Loans and receivables
Derivative financial instruments	x			Financial assets - at fair value through profit or loss
Hedging derivatives	x			n/a
Trading assets	x			Financial assets - at fair value through profit or loss
Financial assets - at fair value through profit or loss	x			Financial assets - at fair value through profit or loss
Financial assets - available for sale	x			Financial assets - available for sale
Financial assets - held to maturity		x		Financial assets - held to maturity
Other assets		x		Loans and receivables
LIABILITIES				
Deposits by banks		x		Financial liabilities
Customer deposits	x	x		Financial liabilities / Financial liabilities - at fair value through profit or loss
Debt securities in issue	x	x		Financial liabilities / Financial liabilities - at fair value through profit or loss
Derivative financial instruments	x			Financial liabilities - at fair value through profit or loss
Hedging derivatives	x			n/a
Trading liabilities	x			Financial liabilities
Other liabilities		x		Financial liabilities
Subordinated liabilities		x		Financial liabilities

For the purposes of risk disclosures under IFRS 7 Erste Group splits balance sheet positions for financial instruments into classes – disaggregated according to industries (see note 37.5).

Derecognition of financial assets and financial liabilities

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- _ **the rights to receive cash flows from the asset have expired; or**
- _ **as Erste Group has transferred its rights to receive cash flows from the asset or**
- _ **has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement;**
- _ **and either:**
 - _ **has transferred substantially all the risks and rewards connected with the ownership of the asset, or**
 - _ **has neither transferred nor retained substantially all the risks and rewards connected with the ownership of the asset, but has transferred control of the asset.**

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Repurchase and reverse repurchase agreements

Securities sold under agreement to repurchase at a specified future date are not derecognised from the balance sheet as Erste Group retains substantially all the risks and rewards of ownership. Such transactions are also known as 'repos' or 'sale and repurchase agreement'. The corresponding cash received is recognised in the balance sheet as an asset with a corresponding obligation to return it as a liability in the respective lines 'Deposits by banks' or 'Customer deposits' reflecting the transaction's economic substance as a loan to Erste Group. The difference between the sale and repurchase prices is treated as interest expense and recorded in the line 'Interest and similar expenses' and is accrued over the life of agreement. Financial assets transferred out by Erste Group under repurchase agreements remain on the group's balance sheet and are measured according to the rules applicable to the respective balance sheet item.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the balance sheet. Such transactions are also known as 'reverse repos'. The consideration paid is recorded in the balance sheet in the respective lines 'Loans and advances to credit institutions' or 'Loans and advances to customers', reflecting the transaction's economic substance as a loan by Erste Group. The difference between the purchase and resale prices is treated as interest income and recorded in line 'Interest and similar income' and is accrued over the life of the agreement.

Securities lending and borrowing

In securities lending transactions, the lender transfers ownership of securities to the borrower on the condition that the borrower

will retransfer, at the end of the agreed loan term, ownership of instruments of the same type, quality and quantity and will pay a fee determined by the duration of the lending. Similarly to 'reverse repos', the transfer of the securities to counterparties via securities lending does not result in derecognition unless the risks and rewards of ownership are also transferred. Securities borrowed are not recognised on the balance sheet, unless they are then sold to third parties.

Determination of fair value

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

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

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

Impairment of financial assets

Erste Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default or delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

In case of loans and advances, any impairment is reported in the allowance account referred to as 'Risk provisions for loans and advances' in the balance sheet and the amount of the loss is recognised in the income statement line 'Risk provisions for loans and advances'. Risk provisions for loans and advances include specific risk provisions for loans and advances for which objective evidence of impairment exists. In addition, risk provisions for loans and advances include portfolio risk provisions for which no objective evidence of impairment exists in single observation. For held-to-maturity investments impairment is recognised directly by reduction of asset account and in the income statement line 'Result from financial assets – held to maturity'. Interest income for individually impaired assets continues to be accrued on the reduced carrying amount and is accrued using the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss. This interest income is recorded as part of 'Interest and similar income'.

Loans together with the associated allowance are derecognised when there is no realistic prospect of future recovery and all collaterals have been realised in Erste Group.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account in case of loans and advances. In case of held-to-maturity investments the carrying amount is increased or decreased. Decreases of impairment losses are reported in the same line of income statement as the impairment loss itself.

(ii) Available-for-sale financial investments

In case of debt instruments classified as available-for-sale, Erste Group assesses individually whether there is objective evidence of impairment based on the same criteria as for financial assets carried at amortised cost. However, the amount recorded for

impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. On recognising impairment any amount of losses retained in other comprehensive income item 'Available for sale reserve' is reclassified to the income statement and shown as impairment loss in 'Result from financial assets – available for sale'. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to credit event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement in the line 'Result from financial assets – available for sale'. Impairment losses and their reversals are recognised directly against the assets in the balance sheet.

In case of equity investments classified as available-for-sale, objective evidence also includes a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. For this purpose in Erste Group "significant" decline means a market price below 80% of the acquisition cost and "prolonged" decline refers to a market price which is permanently below acquisition cost for a period of 9 month up to the reporting date. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement is removed from 'Available for sale reserve' in other comprehensive income and is reclassified and shown as impairment loss in 'Result from financial assets – available for sale'. Impairment losses on equity investments are not reversed through the income statement; increases in the fair value after impairment are recognised directly in other comprehensive income. Impairment losses and their reversals are recognised directly against the assets in the balance sheet.

(iii) Off-balance-sheet exposures

Provisions for off-balance sheet transactions (particularly warranties and guarantees as well as other credit commitments) are included in the balance sheet line 'Provisions', the related expense is reported in the income statement in line 'Risk provisions for loans and advances'.

Hedge accounting

Erste Group makes use of derivative instruments to manage exposures to interest rate risk and foreign currency risk. At inception of the hedge relationship, the Bank formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship. Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80%

to 125%. Exact conditions for particular types of hedges applied by Erste Group are internally specified.

(i) Fair value hedges

Fair value hedges are employed to reduce market risk. For designated and qualifying fair value hedges, the change in the fair value of a hedging derivative is recognised in the income statement. Meanwhile, the change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the income statement.

If the hedging instrument expires or is sold, terminated or exercised, or when the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. In this case the fair value adjustment of the hedged item shall be amortised to the income statement until maturity of the financial instrument.

(ii) Cash flow hedges

Cash flow hedges are used to eliminate uncertainty in the future cash flows in order to stabilise net interest income. For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised in Other comprehensive income and reported under the 'Cash flow hedge reserve'. The ineffective portion of the gain or loss on the hedging instrument is recognised in the income statement in 'Net trading result'. When the hedged cash flow affects the income statement the gain or loss on the hedging instrument is reclassified into the corresponding income or expense line in the income statement.

When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. In this case the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income shall remain separately in 'Cash flow hedge reserve' until the transaction occurs.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Leasing

Lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. Finance lease of Erste Group is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Remaining lease agreements in Erste Group are classified as Operating lease.

Erste Group as a lessor

The lessor in the case of finance lease reports a receivable against the lessee amounting to present value of the contractually agreed payments taking into account any residual value. In the case of operating leases the leased asset is reported by the lessor in 'property and equipment' or in 'investment property' and is depreciated in accordance with the principles applicable to the assets involved. Lease income is recognised on a straight-line basis over the lease term.

Lease agreements in which Erste Group is the lessor almost exclusively represent finance leases.

Erste Group as a lessee

From the side of a lessee, Erste Group has not entered into any leases fulfilling conditions of finance leases. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight line basis over the lease term.

Property and equipment

Property and equipment – land and buildings, furniture and equipment is measured at cost less accumulated depreciation and accumulated impairment in value. Borrowing costs for qualifying assets are capitalised into the costs of property and equipment.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

	Useful life in years
Buildings	20-50
Office furniture and equipment	5-20
Computer hardware	4-5

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other operating result' in the statement of comprehensive income in the year the asset is derecognised.

Business combinations and goodwill

(i) Business combinations

Business combinations are accounted for using the purchase method of accounting. This involves recognising identifiable assets (including previously unrecognised intangible assets such as customer relationships and brand) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the fair value of the identifiable net assets acquired, the discount on acquisition is recognised in profit or loss in the line 'Other operating result' in the year of acquisition.

(ii) Goodwill and impairment testing

Goodwill is not amortised but tested for impairment annually in November with any impairment determined recognised in profit or loss. For reviewing the value of existing goodwill, an annual impairment test is carried out for each cash-generating unit (CGU) to which goodwill has been allocated. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. For impairment testing purposes in Erste Group, all business segments distinguished in the segment reporting in the financial statements are defined as CGUs. Separate legal entities within these segments are treated as separate CGUs.

Goodwill is tested for impairment by comparing the recoverable amount of each cash-generating unit, to which goodwill has been allocated with its carrying amount. The carrying amount of a cash-generating unit is derived based on the amount of equity allocated to a cash-generating unit taking into account any goodwill and unamortised intangible assets recognised for the cash-generating unit according to the purchase prices allocation. The

recoverable amount is the higher of a CGU's fair value less costs to sell and its value in use. Where available, the fair value less costs to sell is determined based on recent transactions, market quotations or appraisals. The value in use is determined using a discounted cash flow model (DCF-model), which incorporates the specifics of the banking business and its regulatory environment. In determining value in use, the present value of future earnings distributable to shareholders is calculated.

The estimation of future earnings distributable to shareholders is based on financial plans for the CGUs as agreed by the management taking into account the fulfillment of the respective regulatory capital requirements. The planning period ranges between three and five years. After estimating earnings distributable to shareholders for the planning period they are discounted to their present values. Any earnings beyond the planning period are derived on the basis of the last year of the planning period and a long-term growth rate, which is based on macroeconomic parameters for each CGU. The estimated future earnings beyond the initial planning period are captured in the terminal value.

Long-term growth rates applied to estimate future earnings beyond the planning period are as follows:

	Growth rates	
in %	2010	2009
Austria	2.0 – 3.3	2.0
CEE	2.0 – 4.3	2.0
Other	2.0	2.0

The discount rates applied to calculate the present values have been determined based on the capital asset pricing model (CAPM). According to the CAPM, the discount rate comprises a risk-free interest rate together with a market risk premium that itself is multiplied by a factor that represents the systematic market risk (beta factor). Furthermore, a country-risk premium is considered too. The values used to establish the discount rates are determined using external sources of information.

Discount rates applied to determine the value in use of the CGUs in 2010 and 2009 are as follows:

	Discount rates	
in %	2010	2009
Austria	8.1 – 9.0	9.4
CEE	10.6 – 12.0	10.4 – 12.6
Other	11.6 – 15.0	15.1 – 17.3

Where the recoverable amount of a CGU is less than its carrying amount, the difference is recognised as an impairment loss in the line 'Other operating result'. The impairment loss is allocated first to writing down the CGU's goodwill. Any remaining impairment loss reduces the carrying amount of the CGU's other

assets, though not to an amount less than their fair value less costs to sell. There is no need to recognise an impairment loss if the recoverable amount of the CGU is higher than or equal to its carrying amount. Impairment losses relating to goodwill cannot be reversed in future periods.

(iii) Sensitivities

The value in use of a CGU is most sensitive to changes of the estimated future earnings distributable to shareholders, the discount rate and the long-term growth rate.

A decrease of approximately 20 % of the long-term growth rate or an increase of approximately 7 % of the discount rate applied to determine the value in use of BCR would have caused the value in use to equal the carrying amount of BCR. In doing so, it should be taken into account that changing the parameters might have compensatory impacts.

Investment properties

Investment property is property (land and building) held for the purpose of earning rental income or for capital appreciation. In case of partial own use, the property is investment property only if the owner-occupied portion is insignificant. Investment properties are measured at cost less accumulated straight-line depreciation based on useful life. Any impairment losses are recognised in the line 'Other operating result' as required. If the reasons which led to the impairment cease to apply, the previously recognised impairment loss is reversed to no more than the asset's carrying amount if no impairment loss had been recognised.

The useful life of investment properties is equal to those of property and equipment.

Non-current assets held for sale and liabilities associated with non-current assets held for sale

Non-current assets are classified as held for sale if they can be sold in their present condition and the sale is highly probable within 12 months of classification as held for sale. Assets classified as held for sale are reported under the balance sheet line 'Assets held for sale'. Non-current assets that are classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

A disposal group is a group of assets, possibly with associated liabilities, which an entity intends to dispose of in a single transaction. The measurement basis as well as the criteria for classification as held for sale are applied to the group as a whole. Assets being part of a disposal group are reported under the balance sheet line 'Assets held for sale'. Liabilities associated with assets held for sale, which are liabilities that form part of a disposal group, are disclosed under the balance sheet line 'Liabilities associated with assets held for sale'.

Intangible assets

In addition to goodwill Erste Group's other intangible assets include computer software and customer relationships, brand and other intangible assets. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank.

Costs of internally generated software are capitalised if Erste Group can demonstrate technical feasibility and intention of completing the software, ability to use it, how it will generate probable economic benefits, availability of resources and ability to measure reliably the expenditures. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. In the case of Erste Group these are brands, customer relationships and distribution networks and they are capitalised on acquisition if they can be measured with sufficient reliability.

Intangible assets with finite lives are amortised over their useful economic life. The amortisation period and the amortisation method are reviewed at least at each financial year-end and adjusted if necessary. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income under 'General Administrative expenses' except for amortisation of customer relationships which is reported in 'Other operating result'.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

	Useful life in years
Computersoftware	4 – 6
Customer relationships	10 – 20
Distribution network	5.5

Brands are not amortised as they are assumed to have an indefinite useful life. An intangible asset has an indefinite useful life, if there are no legal, contractual, regulatory or other factors limiting the useful life. They are annually tested for impairment within cash generating units to which they belong. In the event of impairment, impairment losses are recognised in 'Other operating result'. Furthermore each period brands are reviewed whether current circumstances continue to support the conclusion about indefinite life.

Financial guarantees

In the ordinary course of business, Erste Group gives financial guarantees, consisting of some types of letters of credit and guarantees. According to IAS 39 a financial guarantee is a contract that requires the guarantor to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with original or modified terms of a debt instrument. If Erste Group is in a position of being a guarantee holder, the financial guarantee is not recorded in the balance sheet but is taken into consideration as collateral when determining impairment of the guaranteed asset.

Erste Group as a guarantor recognises financial guarantees in the financial statements. Financial guarantees are initially measured at fair value as soon as Erste Group becomes a contracting party, i.e., when the guarantee offer is accepted. Generally the initial measurement is the premium received for a guarantee. If no premium is received at contract inception the fair value of a financial guarantee for which the premium is not received at contract inception is nil, as this is the amount at which the transaction could be settled on a standalone arm's length transaction with an unrelated party. Subsequent to initial recognition the financial guarantee contract is reviewed for possible requirement for provisions under IAS 37.

The premium received is recognised in the statement of comprehensive income in 'Net fee and commission income' on a straight line basis over the life of the guarantee.

Defined employee benefit plans

Defined employee benefit plans operated by Erste Group, are for pensions, severance and jubilee benefits.

The defined benefit pension plans relate only to retired employees. The pension obligations for current employees were transferred to external pension funds in previous years. Remaining with Erste Group is a defined-benefit obligation for entitlements of former employees who were already retired as of 31 December 1998 before the pension reform took effect, and for those former employees who retired only in 1999 but remained entitled to a direct pension from Erste Group under individual agreements; and for entitlements to resulting survivor pensions.

Severance benefit obligations exist against Austrian employees who entered the group's employment before 1 January 2003. The severance benefit is a one-time remuneration to which employees are entitled when their employment relationship ends. The entitlement to this severance payment arises after three years of employment.

Defined benefit plans include also jubilee benefits to which Austrian employees are entitled. Jubilee payments (long service/loyal-service payments) are remuneration tied to the length of employees' service to an employer. The entitlement to jubilee benefits is established by collective agreement, which defines both the conditions and amount of the entitlement. In Central European subsidiaries further defined benefit plans exist.

Obligations resulting from defined employee benefit plans are determined using the projected unit credit method. Future obligations are determined based on actuarial expert opinions. The calculation takes into account not only those salaries, pensions and vested rights to future pension payments known at the balance sheet date, but also anticipated future rates of increase in salaries and pensions.

As of 31 December 2010, for all domestic subsidiaries, the most important actuarial assumptions used in the computation were adjusted to reflect the situation at year-end 2010. Thus, the actuarial calculation of pension, severance and jubilee benefit obligations is based on a discount rate (long-term capital market interest rate) of 4.25% per annum (previously: 5.0%). The statutory increase in pension benefits is assumed to be 2.0% per year (previously: 2.5%) and severance and jubilee benefits are calculated based on an expected annual increase of 3.0% per year in salaries (previously: 3.8%). Obligations were calculated in accordance with the Pagler & Pagler mortality tables titled 'AVÖ 2008 P – Rechnungsgrundlagen für die Pensionsversicherung'. The expected retirement age for each employee was individually calculated on the basis of the changes set out in the Budget Implementation Act of 2003 (Austrian Federal Law Gazette Vol. I No. 71/2003) regarding the increase in the minimum retirement age. The currently applicable legislation on the gradual raising of the retirement age for men and women to 65 was taken into consideration. For Central European subsidiaries the mandatory retirement age as well as the discount rates which range from 3.13% (previously: 4.27%) to 6.7% (previously: 7.5%) - depends on the particular country - is used.

The liability recognised from a defined-benefit plan represents the present value of the defined benefit obligation less the fair value of the plan assets available for the direct settlement of obligations. For all plans present value of the obligation exceeds the fair value of plan assets. Resulting defined benefit liability is reported in the balance sheet line 'Other provisions'. At Erste Group the plan assets consist of qualifying insurance policies purchased to back severance and jubilee benefit provisions.

Actuarial gains or losses of pension and severance benefit obligations and of plan assets available to settle these obligations are recognised directly in equity for the period in which they occur. Actuarial gains or losses of provisions for jubilee benefits are recognised in the income statement in the period during which they occur.

Based on actually realized returns of portfolios and forecasts on the development of assessment included in these portfolios, at 31 December 2010 an interest rate of 4.25% (2009: 5%) was assumed for the expected return on plan assets.

Provisions

Provisions are recognised when the group has a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. In the balance sheet, provisions are reported under the line 'Other provisions'. They include credit risk provisions for off-balance-sheet transactions (particularly warranties and guarantees) as well as provisions for litigations and restructuring. Expenses or income from release relating to credit risk provisions for off-balance-sheet items are presented in income statement in the line 'Risk provisions for loans and advances', all other expenses or income from releases related to provisions are reported in the line 'Other operating result'.

Share-based payment transactions

Erste Group grants shares and share options to employees and managers as compensation for their services, under the employee share ownership plan (ESOP) and the management share option (MSOP) plans. Both take the form of equity-settled share-based payment transactions.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. Under ESOP, Erste Group shares are offered to employees at a discounted price; therefore, the fair value results from the discount at which employees purchase Erste Group shares. Any expense incurred from this fair value is immediately recognised in personnel expenses under the line 'General administrative expenses'. Under MSOP, Erste Group share options are granted to managers and other key personnel. For MSOP initial fair value of the options granted is determined by means of generally accepted option pricing models (Black and Scholes, Binomial model). Expense from this fair value is spread over the vesting periods (the period between the grant date and the first permitted exercise date). Expense is recognised in personnel expenses under the line 'General administrative expenses' together with a corresponding increase in equity.

Taxes

(i) Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted by the balance sheet date.

(ii) Deferred tax

Deferred tax is recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts at the balance sheet date. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry

forward of unused tax losses can be utilised. Deferred taxes are not recognised on temporary differences arising from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted at the balance sheet date. For the subsidiaries local tax environment applies.

Deferred tax relating to items recognised in other comprehensive income is also recognised in other comprehensive income and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxation authority.

Own shares and contracts on own shares

Own equity instruments of Erste Group which are acquired by it or by any of its subsidiaries (treasury shares) are deducted from equity. Consideration paid or received on the purchase, sale, issue or cancellation of Erste Group's own equity instruments is recognised directly in equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of own equity instruments.

Fiduciary assets

The group provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity are not reported in the financial statements, as they are not the assets of the group.

Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by Erste Group's shareholders.

Regarding dividends on participation capital see note 30.

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. As regards the lines reported in the income statement their description and revenue recognition criteria are following:

(i) Net interest income

Interest and similar income mainly includes interest income in the narrow sense on loans and advances to credit institutions and customers, on balances with central banks and on bonds and other interest-bearing securities. Interest and similar expenses mainly include interest paid on deposits by banks and customer deposits, deposits of central banks, debt securities in issue and subordinated debt (including hybrid issues).

For all financial instruments measured at amortised cost, interest-bearing financial assets classified as available-for-sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the effective interest rate (EIR). The calculation includes fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. Interest income from individually impaired loans is calculated by applying the original effective interest rate used to discount the estimated cash flows for the purpose of measuring the impairment loss.

Also reported in interest and similar income is current income from shares and other equity-related securities (especially dividends), income from other investments in companies and non-consolidated subsidiaries categorised as available-for-sale. Such dividend income is recognised when the right to receive the payment is established.

Net interest income also includes rental from investment properties. As such, rental income from rental agreements constituting operating leases is recognised on a straight-line basis over the lease term.

Income from associates recorded by applying the equity method (share of profit or loss in associates) is also included in the total of net interest income. Impairment losses, reversal of impairment losses, and realised gains and losses on investments in associates accounted for at equity are reported in 'Other operating result'.

(ii) Risk provisions for loans and advances

This item includes allocations to and releases of specific and portfolio risk provisions for loans and advances for both on-balance-sheet and off-balance-sheet transactions. Also reported in this item are direct write-offs of loans and advances as well as recoveries on loans written off.

(iii) Net fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers. It includes income and expenses mainly from fees and commission payable or receivable for payment transfers, securities business and lending business, as well as from insurance brokerage, building society brokerage and foreign exchange transactions.

Fees earned for the provision of services over a period of time are accrued over that period. These fees include guarantee fees, commission income from asset management, custody and other management and advisory fees.

Fee income earned from providing transaction services, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, is recognised on completion of the underlying transaction.

(iv) Net trading result

Results arising from trading activities include all gains and losses from changes in fair value, dividends and interest income or expense on financial assets and financial liabilities classified as 'Held-for-trading'. It also includes any ineffective portions recorded in hedging transactions as well as foreign exchange gains and losses.

(v) General administrative expenses

General administrative expenses represent the following expenses accrued in the reporting period: personnel and other administrative expenses, as well as depreciation and amortisation. Not included is any amortisation of customer relationships nor impairment of goodwill.

Personnel expenses include wages and salaries, bonuses, statutory and voluntary social security contributions, staff-related taxes and levies. They also include expenses and income for severance payments, pension and jubilee obligations (covering service cost, interest cost, expected return on plan assets and actuarial gains and losses for jubilee obligations).

Other administrative expenses include information technology expenses, expenses for office space, office operating expenses, advertising and marketing, expenditures for legal and other consultants as well as sundry other administrative expenses.

(vi) Other operating result

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

Significant accounting judgements, assumptions and estimates

The consolidated financial statements contain amounts that have been determined on the basis of judgements and by use of estimates and assumptions. The estimates and assumptions used are based on historical experience and other factors, such as planning as well as expectations and forecasts of future events that are currently deemed to be reasonable. As a consequence of the

uncertainty associated with these assumptions and estimates, actual results could in future periods lead to adjustments in the carrying amounts of the related assets or liabilities. The most significant use of judgment, assumption and estimates are as follows:

Going concern

The Erste Group's management has made an assessment of Erste Group's ability to continue as a going concern and has concluded that Erste Group has the resources to continue in business for the foreseeable future. The management is not aware of any material uncertainties that may cast significant doubt upon Erste Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgment is required to establish fair values. Disclosures for valuation models, fair value hierarchy and fair values of financial instruments can be found in the Note 39) Fair value of financial instruments.

Impairment of financial assets

Erste Group reviews its financial assets not measured at fair value through profit or loss at each balance sheet date to assess whether an impairment loss should be recorded in the income statement. In particular, it is required to determine whether there is objective evidence of impairment as a result of loss event occurring after initial recognition and to estimate the amount and timing of future cash flows when determining the impairment loss.

Disclosures concerning impairment are in the note 37) Risk Management in the part Credit risk – Non-performing assets and risk provisions. Development of loan loss provisions is described in the note 15) Risk provisions for loans and advances.

Impairment of non-financial assets

Erste Group reviews its non-financial assets at each balance sheet date to assess whether there is an indication of impairment loss which should be recorded in the income statement. This is especially relevant for cash generating units which contain goodwill which have to be tested for impairment annually. Judgement and estimates are required to determine the value in use by estimating the timing and amount of future expected cash flows and the discount rates. Assumptions and estimates used for impairment on non-financial assets calculations are described in the part Business combination and goodwill of the accounting policies.

Deferred tax assets

Deferred tax assets are recognised in respect of tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. Disclosures concerning deferred taxes are in the note 20) Tax assets and liabilities.

Defined benefit obligation plans

The cost of the defined benefit pension plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Assumption and estimates used for the defined benefit obligation calculations can be found in the part Defined benefit plans of accounting policies. Quantitative data for long-term employee provisions are in the note 27) Other provisions.

Leases

From Erste Group's perspective as a lessor, judgement is required to distinguish whether the lease is a finance or operating lease based on the transfer of substantially all the risk and rewards from the lessor to the lessee.

c) APPLICATION OF AMENDED AND NEW IFRS/IAS

The accounting policies adopted are consistent with those used in the previous financial year except that Erste Group has adopted the following standards, amendments and interpretations which became effective for financial years beginning on or after 1 January 2010.

Effective standards and interpretations

IFRS 3 (Revised 2008) Business Combinations and IAS 27 (Revised 2008) Consolidated and Separate Financial Statements

The revised standards were issued in January 2008 and became effective for financial years beginning on or after 1 July 2009. IFRS 3 reconsiders the application of acquisition accounting for business combinations and IAS 27 mainly relates to changes in the accounting for noncontrolling interests and the loss of control of a subsidiary. Under IFRS 3, the acquirer can elect to measure any non-controlling interest on a transaction-by-transaction basis, either at fair value as at the acquisition date or its proportionate interest in the fair value of the identifiable assets and liabilities of the acquiree. When an acquisition is achieved in successive share purchases (step acquisition), the identifiable assets and liabilities of the acquiree are recognized at fair value when control is obtained. A gain or loss is recognized in profit or loss for the difference between the fair value of the previously held equity interest in the acquiree and its carrying amount. IAS 27 also requires the effects of all transactions with noncontrolling interests to be recorded in equity if there is no change in control. Transactions, resulting in a loss of control result in a gain or loss being recog-

nized in profit or loss. Application of this standard does not have any significant impact on Erste Group's financial statements

Amendment to IAS 39 Financial Instruments: Recognition and Measurement' – Eligible Hedged Items

This amendment to IAS 39 was issued in July 2008 and became effective for financial years beginning on or after 1 July 2009. The amendment clarifies how the principles of IAS 39 for establishing a hedge relationship should be applied for designation of one-sided risk and inflation risk of a hedged item. Application of this amendment does not have any significant impact on Erste Group's financial statements.

Amendments to IAS 39 and IFRIC 9 Embedded derivative

Amendments were issued in March 2009 and are effective for financial years beginning on or after 1 July 2009. The amendments require entities to assess whether they need to separate out an embedded derivative from a hybrid financial instrument when financial assets are reclassified out of the fair value through profit or loss category. When the fair value of an embedded derivative that needs to be separated cannot be measured reliably, the reclassification of the hybrid financial asset out of the fair value through profit or loss category is not permitted. Application of these amendments does not have any significant impact on Erste Group's financial statements.

Improvements to IFRSs

In April 2009, the IASB issued a set of amendments to various standards. The particular amendments are effective for financial years beginning either on or after 1 July 2009 or on or after 1 January 2010. Application of these amendments does not have any significant impact on Erste Group's financial statements.

IFRS 1 (revised 2008) First-time Adoption of International Financial Reporting Standards

The revised standard was issued in November 2008 and became effective for financial years beginning on or after 1 July 2009. The changes concern solely the formal structure of IFRS 1. The objective is to improve the clarity and the applicability of the Standard. Application of this amendment does not have any significant impact on Erste Group's financial statements as Erste Group is not the first time adopter of IFRSs.

Amendment to IFRS 2 Group Cash-settled Share-based Payment Transactions

This amendment to IFRS 2 was issued in June 2009 and is effective for financial years beginning on or after 1 January 2010. The amendment clarified the scope of IFRS 2. The entity which receives the goods or services (receiving entity) should generally account for a grant as cash-settled share-based payment transactions in accordance with the requirements of IFRS 2 unless the grant is settled with equity instruments of the receiving entity or unless the receiving entity is not obliged to settle the grant. The entity which is obliged to settle the share-based payment transaction (settling entity) accounts for the transaction

depending on the nature of the settlement. If the share-based payment is settled with equity instruments, the grant is accounted for as an equity-settled share-based payment transaction. If the grant is settled in cash, it is accounted for in accordance with the IFRS 2 requirements for cash-settled share-based payment transactions. The term 'group' has the same meaning as in IAS 27, i.e. includes only parent and its subsidiaries. Application of this amendment does not have any significant impact on Erste Group's financial statements.

Amendment to IFRS 1 Additional Exemptions for First-time Adopters

This amendment to IFRS 1 was issued in July 2009 and is effective for financial years beginning on or after 1 January 2010. The amendment provides additional exemptions from the generally mandatory full retrospective application of International Financial Reporting Standards. Application of this amendment does not have any impact on Erste Group's financial statements.

IFRIC 17 Distributions of Non-cash Assets to Owners

IFRIC 17 was issued in November 2008 and is effective for financial years beginning on or after 1 July 2009. IFRIC 17 deals with the initial recognition and measurement of dividends payable as well as with accounting at the moment the assets are distributed. As Erste Group does not pay dividends in the form of non-cash assets application of this IFRIC does not have any impact on Erste Group's financial statements.

IFRIC 18 Transfers of Assets from Customers

IFRIC 18 was issued in January 2009 and is effective for financial years beginning on or after 1 July 2009. This interpretation specifies the accounting for transfers of items of property, plant and equipment by entities that receive such transfers from their customers. In the scope of this interpretation are agreements in which an entity receives from a customer an item of property, plant and equipment (or cash from customers for the acquisition or construction of such items of property, plant and equipment) that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as electricity, gas or water), or to do both. Erste Group is not involved in such types of transactions, and therefore, the IFRIC does not have any effect on its financial statements.

Standards and interpretations not yet effective

IAS 24 (revised 2009) Related party disclosures

The revised standard was issued in November 2009 and becomes effective for financial years beginning on or after 1 January 2011. IAS 24 provides a partial exemption from the disclosure requirements for government-related entities and clarifies the definition of a related party. The amendment is not expected to have material effect on financial statements of Erste Group. Erste Group decided not to apply the revised standard before it becomes effective.

IFRS 9: Financial Instruments

The new IFRS 9 standard was issued in November 2009 and becomes effective for financial years beginning on or after 1 January 2013. Earlier application is permitted. However, as the EU has not yet endorsed the standard, it is therefore not yet applicable for EU entities for the 2010 financial year.

An amendment concerning accounting for financial liabilities issued in October 2010 supplemented the existing requirements for classification and measurement of financial assets, which were omitted in the version of IFRS 9 Financial instruments issued in November 2009.

IFRS 9 introduces two classification criteria for financial assets: 1. An entity's business model for managing the financial assets and 2. the contractual cash flow characteristics of the financial assets. As a result, a financial asset is measured at amortised cost only if both conditions are met: a) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value with changes recognised in profit or loss.

Based on changes in the business model an entity shall reclassify all affected assets from fair value to amortised cost category or vice versa.

IFRS 9 eliminates the concept of embedded derivatives for financial assets. Application of the classification criteria results in the fact that all structured financial instruments have to be fair valued (except for narrowly defined cases e.g. for interest rate caps or floors, prepayment, put, call, prolongation options).

For investments in equity instruments which are not held for trading, an entity may make an irrevocable election at initial recognition to measure them at fair value with changes recognised in other comprehensive income. Gains and losses once recognised in other comprehensive income are never recycled into profit or loss even when the equity instruments are sold.

Investments in tranches resulting from securitisation (referred to as contractually-linked instruments) are subject to a 'look through' approach in order to determine if they are measured at fair value or amortised cost. It means that risk and cash flow characteristics of the underlying pool of instruments and the tranches are compared according to the defined criteria. If the look-through approach is not possible, tranches have to be fair valued.

IFRS 9 requires that an entity which applies fair value option for its financial liabilities recognises the fair value changes resulting from its own credit risk in Other comprehensive income rather than in the income statement. This principle is not applied if such

recognition would create or enlarge accounting mismatch in profit or loss. Such assessment has to be done upon the initial recognition of the financial liability. Recycling from other comprehensive income into profit or loss is not allowed.

This standard will have significant effect for balance sheet positions and measurement methods of financial instruments. As IFRS 9 has not been published in the final version yet quantification of its impact is not possible.

Amendment to IAS 32 – Classification of Rights Issues

This amendment to IAS 32 was issued in October 2009 and is effective for financial years beginning on or after 1 February 2010. The amendment addresses the classification of rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of foreign currency. These rights are to be classified as equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class. The amendment is not expected to have material effect on financial statements of Erste Group. Erste Group has decided not to apply the amendment before it becomes effective.

Amendment to IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters

This amendment was issued in January 2010 and is effective for financial years beginning on or after 1 July 2010. The amendment relieves first-time adopters of IFRSs from providing the additional disclosures introduced in March 2009 by Improving Disclosures about Financial Instruments. The standard will have no effect on the Erste Group 2011 financial statements as Erste Group is not a first time adopter of IFRSs.

Improvements to IFRSs

In May 2010, the IASB issued a set of amendments to various standards. None of the amendments are mandatory for 2010. The particular amendments are effective for financial years beginning either on or after 1 July 2010 or on or after 1 January 2011. The amendment is not expected to have an effect on the financial statements of Erste Group.

Amendments to IFRS 7 - Disclosures—Transfers of Financial Assets

Amendment of IFRS 7 was issued in October 2010 and is effective for financial years beginning on or after 1 July 2011. The new disclosure requirements are focused on relationship between transferred assets and related financial liabilities. Moreover for derecognised financial assets the nature and especially risks of continuing involvement should be evaluated. The term continuing involvement is used with different and much wider meaning compared to IAS 39.

The aim of new disclosures is that users are able to understand relationships between transferred financial assets (which are not derecognised) and associated liabilities resulting from such transfers. The disclosure requirements also enable users to evaluate the

nature and risks retained in those transferred financial assets which are derecognised.

The amendment is not expected to have material effect on financial statements of Erste Group. It will only result in new disclosures. Erste Group decided not to apply the amendment before it becomes effective.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 was issued in November 2009 and is effective for financial years beginning on or after 1 July 2010. IFRIC 19 addresses the accounting when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swaps). IFRIC 19 clarifies the accounting for such situations by the debtor (issuer of the equity instruments). According to that, the equity instruments issued for the purpose of extinguishing all or part of a financial liability are part of consideration paid. The equity instruments are to be measured at their fair value. If the fair value of the equity instrument cannot be reliably measured, the equity instrument is to be measured to reflect the fair value of the financial liability fully or partly extinguished. IFRIC 19 states that any difference between the carrying amount of the financial liability (or part of a

financial liability) extinguished, and the initial measurement amount of the equity instruments issued, is to be recognized in profit or loss. This interpretation is not expected to have an effect on financial statements of Erste Group.

Amendment to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The amendment to IFRIC 14 was issued in November 2009 and is effective for financial years beginning on or after 1 January 2011. IFRIC 14 specifies additional criteria regarding the amount of a defined benefit surplus that can be recognized as an asset under IAS 19. Under it, a surplus must be unconditionally available for a refund or reduction in future contributions for an entity to recognize an asset. IFRIC 14 also aims to avoid the possibility of statutory minimum funding requirements being onerous for the entity. On the other hand, additional liabilities must be recognized if an entity has a statutory obligation to cover an existing shortfall for past service on the minimum funding basis. The amendment is not expected to have effect on the financial statements of Erste Group. Erste Group has decided not to apply the interpretation before it becomes effective.

D. NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME AND THE BALANCE SHEET OF ERSTE GROUP

1) Net interest income

in EUR million	2010	2009
Interest income		
Lending and money market transactions with credit institutions	1,090.9	1,691.3
Lending and money market transactions with customers	6,306.9	7,128.5
Bonds and other interest-bearing securities	1,139.3	1,139.4
Current income		
Equity-related securities	93.6	114.0
Investments		
Non-consolidated subsidiaries	8.2	8.6
Other investments	18.4	13.7
Investment properties ¹⁾	78.2	78.1
Other interest and similar income	10.8	16.7
Interest and similar income	8,746.3	10,190.3
Interest income from financial assets - at fair value through profit or loss	48.6	81.9
Total interest and similar income	8,794.9	10,272.2
Interest expenses		
Deposits by banks	(532.6)	(1,300.2)
Customer deposits	(1,661.7)	(2,431.4)
Debt securities in issue	(890.1)	(986.4)
Subordinated liabilities	(304.4)	(333.8)
Other	(10.1)	(6.7)
Interest and similar expenses	(3,398.9)	(5,058.5)
Interest expenses from financial assets - at fair value through profit or loss	(4.5)	(5.5)
Total interest and similar expenses	(3,403.4)	(5,064.0)
Income from associates accounted for at equity	21.0	12.7
Total	5,412.5	5,220.9

1) Rental income from investment properties which are in accordance with IAS 40 totalled EUR 85.8 m (2009 EUR 85.4 m)

2) Risk provisions for loans and advances

in EUR million	2010	2009
Allocation to risk provisions for loans and advances	(2,888.1)	(2,759.8)
Release of risk provisions for loans and advances	933.3	750.6
Direct write-offs of loans and advances	(103.8)	(81.2)
Recoveries on written-off loans and advances	27.4	33.8
Total	(2,031.2)	(2,056.6)

3) Net fee and commission income

in EUR million	2010	2009
Lending business	304.0	317.1
Payment transfers	847.3	816.4
Card business	182.1	183.8
Securities business	455.1	377.8
Investment fund transactions	215.8	169.6
Custodial fees	43.0	27.4
Brokerage	196.3	180.8
Insurance brokerage	112.0	95.5
Building society brokerage	40.1	37.7
Foreign exchange transactions	26.1	25.1
Investment banking business	25.9	15.1
Other	125.5	88.1
Total	1,936.0	1,772.8

4) Net trading result

in EUR million	2010	2009
Securities and derivatives trading	238.2	303.7
Foreign exchange transactions	218.0	281.4
Total	456.2	585.1

5) General administrative expenses

in EUR million	2010	2009
Personnel expenses	(2,263.8)	(2,227.5)
Other administrative expenses	(1,165.9)	(1,202.3)
Depreciation and amortisation	(387.1)	(377.6)
Total	(3,816.8)	(3,807.4)

Personnel expenses

in EUR million	2010	2009
Wages and salaries	(1,684.6)	(1,661.6)
Compulsory social security contributions	(456.2)	(450.6)
Long-term employee provisions	(73.0)	(71.0)
Other personnel expenses	(50.0)	(44.3)
Total	(2,263.8)	(2,227.5)

Personnel expenses include expenses of EUR 55.8 m (2009: EUR 66.9 m) for defined contribution plans of which EUR 0.9 million (2009: EUR 0.8 million) relates to Management Board Members.

Average number of employees during the financial year (weighted according to the level of employment)

	2010	2009
Employed by Erste Group	50,386	51,799
Domestic	16,010	16,343
Haftungsverbund savings banks	7,624	7,862
Abroad	34,376	35,456
Banca Comercială Română Group	9,077	9,339
Česká spořitelna Group	10,744	10,843
Slovenská sporiteľňa Group	4,084	4,598
Erste Bank Hungary Group	3,100	3,139
Erste Bank Croatia Group	2,289	2,287
Erste Bank Serbia	943	960
Erste Bank Ukraine	1,719	1,985
Other subsidiaries and foreign branch offices	2,420	2,305

Other administrative expenses

in EUR million	2010	2009
IT expenses	(282.0)	(333.1)
Expenses for office space	(281.9)	(275.0)
Office operating expenses	(210.9)	(196.3)
Advertising/marketing	(182.7)	(177.1)
Legal and consulting costs	(86.6)	(101.3)
Sundry administrative expenses	(121.8)	(119.5)
Total	(1,165.9)	(1,202.3)

Operating expenses (incl. repair and maintenance) for investment properties held for rental income totalled EUR 4.5 million (2009: EUR 3.5 million).

Depreciation and amortisation

in EUR million	2010	2009
Software and other intangible assets	(158.4)	(161.4)
Real estate used by the Group	(86.4)	(79.6)
Office furniture and equipment and sundry property and equipment	(142.3)	(136.6)
Total	(387.1)	(377.6)

Amortisation of customer relationships is not included in the item depreciation and amortisation, but in other operating result.

6) Other operating result

in EUR million	2010	2009
Other operating income	157.4	195.4
Other operating expenses	(596.7)	(551.2)
Total	(439.3)	(355.8)
Result from real estates/moveables/properties/software	(77.9)	(86.7)
Allocation/release of other provisions/risks	(17.2)	(10.8)
Expenses for deposit insurance contributions	(66.2)	(55.9)
Amortisation of customer relationships	(69.5)	(67.2)
Other taxes	(71.9)	(24.8)
Impairment of goodwill	(51.9)	(28.0)
Result from other operating expenses/income	(84.7)	(82.4)
Total	(439.3)	(355.8)

Operating expenses (incl. repair and maintenance) for investment properties not held for rental income totalled EUR 9.8 million (2009: EUR 7.1 million).

The amount of impairment on assets held for sale recognised in the result from real estates/moveables/properties/software is EUR (17.1) million (2009: EUR (5.9) million)

7) Result from financial assets – at fair value through profit or loss

in EUR million	2010	2009
Gain / (loss) from measurement / sale of financial assets at fair value through p&l	(6.0)	113.2

8) Result from financial assets – available for sale (AfS)

in EUR million	2010	2009
Gain / (loss) from sale of financial assets available for sale	67.6	(14.1)
Impairment / reversal of impairment of financial assets available for sale	(58.4)	(190.0)
Total	9.2	(204.1)

During the reporting period the amount removed from Other comprehensive income to Result from financial assets – available for sale was EUR 34.4 million (2008: EUR 21.9 million).

The carrying amount of investments in equity instruments measured at cost which were sold during the period was EUR 0.1 million. The resulting gain on sale was EUR 2.7 million.

9) Result from financial assets – held to maturity (HtM)

in EUR million	2010	2009
Income		
Income from sale of financial assets held to maturity	6.6	3.2
Reversal of impairment loss of financial assets held to maturity	0.0	1.7
Expenses		
Loss from sale of financial assets held to maturity	0.0	(7.2)
Impairment of financial assets held to maturity	(12.1)	(4.5)
Total	(5.5)	(6.8)

10) Taxes on income

Taxes on income are made up of current taxes on income calculated in each of the group companies based on the results reported for tax purposes, corrections to taxes on income for previous years, and the change in deferred taxes.

in EUR million	2010	2009
Current tax expense / income	(318.3)	(262.5)
current period	(320.0)	(286.8)
prior period	1.7	24.3
Deferred tax expense / income	(10.4)	(22.2)
current period	(39.2)	(47.4)
prior period	28.8	25.2
Total	(328.7)	(284.7)

The following table reconciles the income taxes reported in the income statement to the pre-tax profit multiplied by the nominal Austrian tax rate.

in EUR million	2010	2009
Pre-tax profit from continuing operations	1,515.1	1,261.3
Income tax expense for the financial year at the domestic statutory tax rate (25%)	(378.8)	(315.3)
Impact of different foreign tax rates	29.5	22.3
Impact of tax-exempt earnings of investments and other tax-exempt income	130.6	152.3
Tax increases due to non-deductible expenses	(140.5)	(193.5)
Tax income not attributable to the reporting period	30.5	49.5
Total	(328.7)	(284.7)

Tax effects relating to each component of Other comprehensive income:

in EUR million	2010			2009		
	Before-tax amount	Tax benefit	Net-of-tax amount	Before-tax amount	Tax benefit	Net-of-tax amount
Available for sale-reserve (including currency translation)	127.6	(33.4)	94.2	1,124.1	(394.3)	729.8
Cash flow hedge-reserve (including currency translation)	(76.5)	14.8	(61.7)	8.4	(2.2)	6.2
Actuarial gains and losses	34.8	(7.6)	27.2	37.3	(9.3)	28.0
Currency translation	78.2	0.0	78.2	(203.4)	0.0	(203.4)
Other comprehensive income	164.1	(26.2)	137.9	966.4	(405.8)	560.6

11) Appropriation of profit

It will be proposed at the Annual General Meeting of Erste Group Bank AG that shareholders be paid a dividend of EUR 0.70 per share or EUR 264,723,704.70 in total. Shareholders of participation capital, will be paid a dividend of 8% on nominal value, this is EUR 141,099,520.00 in total. In 2010, a dividend of EUR 0.65 per share was paid for the financial year 2009, this is EUR 245,651,305.90 in total. (In 2009, a dividend of EUR 0.65 per share was paid for the financial year 2008 (EUR 206,058,295.95 in total)). The total amount of profits of Erste Group Bank AG distributable under Austrian accounting regulations amounts to EUR 405.8 million (2009: EUR 386.8 million).

12) Cash and balances with central banks

in EUR million	2010	2009
Cash in hand	2,142	2,183
Balances with central banks	3,697	3,813
Total	5,839	5,996

13) Loans and advances to credit institutions

in EUR million	2010	2009
Loans and advances to domestic credit institutions	1,356	1,337
Loans and advances to foreign credit institutions	11,140	11,803
Total	12,496	13,140

14) Loans and advances to customers

in EUR million	2010	2009
Loans and advances to domestic customers		
Public sector	2,996	2,758
Commercial customers	35,978	35,610
Private customers	24,830	23,285
Unlisted securities	250	250
Other	201	153
Total loans and advances to domestic customers	64,255	62,056
Loans and advances to foreign customers		
Public sector	3,100	2,802
Commercial customers	34,548	34,686
Private customers	29,534	28,417
Unlisted securities	971	944
Other	321	229
Total loans and advances to foreign customers	68,474	67,078
Total	132,729	129,134

15) Risk provisions for loans and advances**Risk provisions 2010**

in EUR million	2009	Acqui- sition/ disposal of subsidiaries	Currency trans- lation	Alloca- tions	Use	Re- leases	Interest income from impaired loans	Reclasi- fication ³⁾	2010
Specific provisions	3,777	(3)	27	2,405	(806)	(593)	(113)	621	5,315
Portfolio provisions	1,177	0	30	357	0	(249)	0	(511)	804
Risk provisions for loans and advances ¹⁾	4,954	(3)	57	2,762	(806)	(842)	(113)	110	6,119
Other risk provisions ²⁾	112	0	4	13	(5)	(9)	0	1	116
Provision for guarantees	266	0	(1)	113	(11)	(82)	0	(99)	186
Total	5,332	(3)	60	2,888	(822)	(933)	(113)	12	6,421

1) Risk provisions for loans and advances are recognised in the balance sheet as a deduction from assets.

2) Other risk provisions mainly include provisions for legal proceedings, realisation losses, and liabilities for statements made in offering circulars.

3) Due to the groupwide implementation of Erste Group Risk Management Standards in retail business, portfolio provisions have been reclassified to specific provisions.

Risk provisions 2009

in EUR million	2008	Acqui- sition/ disposal of subsidiaries	Currency trans- lation	Alloca- tions	Use	Re- leases	Interest income from impaired loans	Reclasi- fication	2009
Specific provisions	3,002	35	(3)	1,979	(601)	(507)	(118)	(10)	3,777
Portfolio provisions	781	11	(10)	574	0	(179)	0	0	1,177
Risk provisions for loans and advances ¹⁾	3,783	46	(13)	2,553	(601)	(686)	(118)	(10)	4,954
Other risk provisions ²⁾	107	0	1	10	(2)	(5)	0	1	112
Provision for guarantees	127	2	0	197	(10)	(59)	0	9	266
Total	4,017	48	(12)	2,760	(613)	(750)	(118)	0	5,332

1) Risk provisions for loans and advances are recognised in the balance sheet as a deduction from assets.

2) Other risk provisions mainly include provisions for legal proceedings, realisation losses, and liabilities for statements made in offering circulars.

16) Derivative financial instruments

in EUR million	Notional amount	2010		Notional amount	2009	
		Fair value			Fair value	
		Positive	Negative		Positive	Negative
Derivatives held for trading						
Interest rate swaps	204,496	3,951	4,079	192,766	5,118	5,206
Currency swaps	31,601	817	829	34,007	1,369	1,244
Credit default swaps	3,373	50	30	3,193	130	126
Interest forward rate agreement	106,122	24	23	82,450	52	47
Currency forward rate agreement	1,748	41	35	3,393	139	93
Interest rate futures	643	0	0	69	0	0
Currency futures	15	0	0	2	0	1
Interest rate options	101,274	1,035	1,006	116,631	1,000	1,001
Currency options	8,620	69	59	16,402	185	160
Other agreements	2,371	32	33	4,537	88	55
Total derivatives held for trading¹⁾	460,263	6,019	6,094	453,450	8,081	7,933
Derivatives held in banking book						
Fair value hedges						
Interest rate contracts	18,153	1,516	627	28,850	1,491	652
Currency contracts	314	54	156	1,092	30	93
Other agreements	2	0	0	277	2	4
Total fair value hedges	18,469	1,570	783	30,219	1,523	749
Cash flow hedges						
Interest rate contracts	6,378	134	97	5,862	216	47
Currency contracts	500	1	0	643	3	24
Other agreements	0	0	0	0	0	0
Total cash flow hedges	6,878	135	97	6,505	219	71
Other derivatives						
Interest rate contracts	32,071	606	605	15,949	296	310
Currency contracts	11,593	86	350	4,861	85	177
Other agreements	399	58	66	243	5	6
Total other derivatives	44,063	750	1,022	21,053	386	493
Total derivatives in banking book	69,410	2,455	1,902	57,777	2,128	1,313
Total derivatives	529,673	8,474	7,996	511,227	10,209	9,246

17) Securities

in EUR million	Financial assets											
	Loans and advances to CI and NCI		Trading assets		At fair value through profit or loss		Available for sale		Held to maturity		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Bonds and other interest-bearing securities	2,077	2,125	4,945	5,597	2,029	2,524	14,736	13,000	14,235	14,899	38,022	38,145
Listed	0	0	4,316	5,087	1,942	2,355	12,942	10,629	13,630	12,547	32,830	30,618
Unlisted	2,077	2,125	629	510	87	169	1,794	2,371	605	2,352	5,192	7,527
Equity-related securities	0	0	580	415	406	473	2,513	2,874	0	0	3,499	3,762
Listed	0	0	182	101	406	473	529	599	0	0	1,117	1,173
Unlisted	0	0	398	314	0	0	1,984	2,275	0	0	2,382	2,589
Equity holdings	0	0	0	0	0	0	502	516	0	0	502	516
Total	2,077	2,125	5,525	6,012	2,435	2,997	17,751	16,390	14,235	14,899	42,023	42,423

Investment funds are disclosed within equity-related securities.

Held to maturity financial assets include bonds and other interest bearing securities that are quoted in an active market and are intended to be held to maturity.

The carrying amount of investments in equity instruments measured at cost is EUR 436 million.

18) Equity holdings in associates accounted for at equity

in EUR million	2010	2009
Credit institutions	106	129
Non-credit institutions	117	112
Total	223	241

The table below shows the aggregated financial information of companies accounted for at equity:

in EUR million	2010	2009
Total assets	5,142	5,471
Total liabilities	4,099	3,661
Income	567	567
Profit/loss	60	6

At 31 December 2010, the fair value of listed companies accounted for at equity was EUR 32.5 million (2009: EUR 30.8 million).

19) Movements in fixed assets schedule

Movements in fixed assets schedule 2010

in EUR million	At cost 2009	Acquisition of sub- sidiaries (+)	Disposal of subsidiaries (-)	Currency translation (+/-)	Additions (+)	Disposals (-)	At cost 2010
Intangible assets	7,207	43	0	9	172	(96)	7,335
Goodwill	4,326	3	0	(12)	0	0	4,317
Customer relationships	777	8	0	(3)	0	0	782
Brand	305	0	0	(2)	0	0	303
Other (primarily software)	1,799	32	0	26	172	(96)	1,933
Property and equipment	4,594	132	0	59	405	(311)	4,879
Land and buildings (used by the group)	2,766	0	0	41	108	(50)	2,865
Office furniture and equipment, hardware and sundry property and equipment	1,828	132	0	18	297	(261)	2,014
Investment properties and movable other property¹⁾	1,578	27	(20)	29	45	(40)	1,619
Investment properties	1,549	27	(20)	29	42	(30)	1,597
Movable other property	29	0	0	0	3	(10)	22
Total	13,379	202	(20)	97	622	(447)	13,833

1) Investment properties and movable other property are reported in other assets.

The amount recorded for investment properties under operating leases includes a carrying amount of EUR 101.9 million (2009: EUR 90.0 million).

In the reporting period, borrowing costs of EUR 4.7 million (2009: EUR 16.9 million) were capitalised. The related interest rates ranged from 1.9% to 8.0%. (2009: 1.9% to 5.1%).

in EUR million	Accumulated depreciation 2010	Currency translation (+/-)	Amortisation and depreciation (-) ²⁾	Impairment (+/-) ³⁾	Carrying amounts 2010
Intangible assets	(2,660)	(22)	(228)	(70)	4,675
Goodwill	(1,058)	0	0	(52)	3,259
Customer relationships	(274)	0	(70)	0	508
Brand	0	0	0	0	303
Other (primarily software)	(1,328)	(22)	(158)	(18)	605
Property and equipment	(2,433)	(31)	(228)	(4)	2,446
Land and buildings (used by the group)	(955)	(15)	(86)	(3)	1,910
Office furniture and equipment, hardware and sundry property and equipment	(1,478)	(16)	(142)	(1)	536
Investment properties and movable other property¹⁾	(446)	(5)	(39)	(20)	1,173
Investment properties	(434)	(5)	(35)	(20)	1,163
Movable other property	(12)	0	(4)	0	10
Total	(5,539)	(58)	(495)	(94)	8,294

1) Investment properties and movable other property are reported in other assets.

2) Including amortisation and depreciation reported by non-bank companies which is reflected in other operating result.

3) Impairment losses are included in other operating result.

Goodwill at 31 December 2010 comprised predominantly goodwill of EUR 1,809.8 million (2009: EUR 1,820.7 million) from Banca Comercială Română S.A, goodwill of EUR 543.1 million (2009: EUR 543.1 million) from Česká spořitelna a.s., goodwill of EUR 312.7 million (2009: EUR 312.7 million) from Erste Bank Hungary Nyrt., goodwill of EUR 226.3 million (2009: EUR 226.3 million) from Slovenská sporiteľňa a.s. as well as goodwill from Erste Asset Management GmbH of EUR 36.3 million (2009: 36.3 million)

At 31 December 2010, customer relationships included the customer relationships of Banca Comercială Română at EUR 375.3 million (2009: EUR 433.4 million), the customer relationship and distribution network of Erste Card Club d.d. Croatia at EUR 24,5 million (2009: EUR 31.7 million), as well as the customer relationships of Ringturm Kapitalanlagegesellschaft m.b.H at EUR 77.2 million (2009: EUR 81.5 million). The remaining amortisation period of customer relationships in Banca Comercială Română is 6.7 years, in Erste Card Club d.d. Croatia 3.6 years and in Ringturm Kapitalanlagegesellschaft m.b.H 17.8 years.

The item brand at 31 December 2010 consisted of the brand of Banca Comercială Română, at EUR 303.00 million (2009: EUR 304.8 million).

Impairment losses recognised in 2010 for other intangible assets, shown in the movements in the fixed assets schedule, relate to the core banking systems in Slovenská sporiteľňa, a.s. and Erste Bank Ukraine. Impairment losses recognised in 2010 and 2009 for investment property come from real estate funds managed by Česká spořitelna, a.s. Impairment losses recognised for goodwill in 2010 come from Kärtner Sparkasse AG, Sparkasse Waldviertel AG, ABS Banka d.d., Bosnia-Herzegovina and Investbanka a.d. Skopje, Macedonia and in 2009 from Tiroler Sparkasse AG and ABS Banka d.d. in Bosnia-Herzegovina. All these impairments were allocated based on value in use of the assets.

Movements in fixed assets schedule 2009

in EUR million	At cost 2008	Acquisition of sub- sidiaries (+)	Disposal of subsidiaries (-)	Currency translation (+/-)	Additions (+)	Disposals (-)	At cost 2009
Intangible assets	7,108	131	0	(176)	351	(207)	7,207
Goodwill	4,418	40	0	(126)	0	(6)	4,326
Customer relationships	707	86	0	(33)	17	0	777
Brand	321	0	0	(16)	0	0	305
Other (primarily software)	1,662	5	0	(1)	334	(201)	1,799
Property and equipment	4,624	62	(1)	(22)	441	(510)	4,594
Land and buildings (used by the group)	2,722	43	0	(14)	283	(268)	2,766
Office furniture and equipment, hardware and sundry property and equipment	1,902	19	(1)	(8)	158	(242)	1,828
Investment properties and movable other property¹⁾	1,551	0	(32)	8	148	(97)	1,578
Investment properties	1,510	0	(32)	8	145	(82)	1,549
Moveable other property	41	0	0	0	3	(15)	29
Total	13,283	193	(33)	(190)	940	(814)	13,379

1) Investment properties and movable other property are reported in other assets.

in EUR million	Accumulated depreciation 2009	Currency translation (+/-)	Amortisation and depreciation (-) ²⁾	Impairment (+/-) ³⁾	Carrying amounts 2009
Intangible assets	(2,340)	36	(228)	(28)	4,867
Goodwill	(1,006)	29	0	(28)	3,320
Customer relationships	(206)	7	(67)	0	571
Brand	0	0	0	0	305
Other (primarily software)	(1,128)	0	(161)	0	671
Property and equipment	(2,250)	2	(217)	(11)	2,344
Land and buildings (used by the group)	(897)	2	(80)	(10)	1,869
Office furniture and equipment, hardware and sundry property and equipment	(1,353)	0	(137)	(1)	475
Investment properties and movable other property¹⁾	(382)	2	(31)	(56)	1,196
Investment properties	(368)	2	(26)	(56)	1,181
Moveable other property	(14)	0	(5)	0	15
Total	(4,972)	40	(476)	(95)	8,407

1) Investment properties and movable other property are reported in other assets.

2) Including amortisation and depreciation reported by non-bank companies, which is reflected in other operating result.

3) Impairment losses are included in other operating result.

20) Tax assets and liabilities

in EUR million	Tax assets 2010	Tax assets 2009	Tax liabilities 2010	Tax liabilities 2009
Deferred tax assets				
Temporary differences relate to the following items:				
Loans and advances to credit institutions and customers	6	(178)	(140)	(21)
Risk provisions for loans and advances	110	86	(83)	(64)
Financial assets - at fair value through profit or loss	3	1	(1)	0
Financial assets - available for sale	114	191	(36)	(29)
Property and equipment	18	119	84	3
Deposits by banks and customer deposits	4	(18)	(34)	(22)
Long-term employee provisions	79	94	32	19
Sundry provisions	21	35	10	3
Tax loss carry forward	66	136	46	4
Customer relationships and brand	0	0	(131)	(145)
Other	(3)	(13)	(75)	(79)
Total deferred taxes	418	453	(328)	(331)
Current taxes	116	124	(68)	(30)
Total taxes	534	577	(396)	(361)

In compliance with IAS 12.39, no deferred tax liabilities were recognised for temporary differences relating to investments in subsidiaries in the amount of EUR 356 million (31 December 2009: EUR 356 million), as they will not reverse in the foreseeable future.

No deferred taxes were recognised for tax loss carryforwards of EUR 888 million (31 December 2009: EUR 941 million), as they will not be realised in the foreseeable future.

21) Assets held for sale

in EUR million	2010	2009
Assets held for sale	52	58
Disposal group	0	0
Total	52	58

Assets held for sale include mainly cars and buildings.

22) Other assets

in EUR million	2010	2009
Accrued interest and commissions	1,370	1,307
Deferred income	213	240
Investment properties	1,163	1,181
Sundry assets	1,886	2,568
Total	4,632	5,296

Sundry assets consist mainly of clearing items from the settlement of securities and payment transactions.

The fair value of investment properties totalled EUR 1.2 billion (2009: EUR 1.2 billion).

The determination of fair values in Austria is widely conducted by internal experts: in the CEE-countries on the basis of external expert opinions. The determined market values are then cross-checked with observed market values.

The carrying amount of expenditure recognized in the line: fixed assets and investment properties during their construction is EUR 339.7 million (2009: EUR 370.0 million). The contractual commitments for purchase of investment properties are EUR 206.2 million (2009: EUR 261.4 million).

23) Deposits by banks

in EUR million	2010	2009
Deposits by banks - domestic credit institutions	5,680	9,239
Deposits by banks - foreign credit institutions	14,474	17,056
Total	20,154	26,295

24) Customer deposits

in EUR million	Domestic 2010	Domestic 2009	Abroad 2010	Abroad 2009	Total 2010	Total 2009
Savings deposits	41,347	41,590	12,974	11,778	54,321	53,368
Sundry						
Public sector	987	1,042	3,293	2,993	4,280	4,035
Commercial customers	11,118	9,635	13,072	11,881	24,190	21,516
Private customers	5,263	4,949	28,382	27,602	33,645	32,551
Sundry	279	247	301	325	580	572
Total other	17,647	15,873	45,048	42,801	62,695	58,674
Total	58,994	57,463	58,022	54,579	117,016	112,042

Customer deposits include a total of EUR 368 million (2009: EUR 155 million) of liabilities to which the fair value option was applied. The total amount repayable on these liabilities at 31 December 2009 was EUR 363 million (2009: EUR 152 million). The difference between the fair value of these liabilities and the amount repayable at 31 December 2010 totalled EUR 5 million (2009: EUR 3 million). In the reporting period 2010 the amount of fair value changes that are attributable to the changes in the credit risk is EUR (0.2) million (2009: EUR 0.9 million). Fair value changes attributable to the changes in credit risk are equal to the fair value changes which do not result from the changes in the risk-free interest rates.

25) Debt securities in issue

in EUR million	2010	2009
Bonds	19,754	20,982
Certificates of deposit	3,761	3,473
Other certificates of deposits/ name certificates	1,761	1,583
Mortgage and municipal bonds	9,090	6,540
Other	62	55
Repurchased own issues	(3,130)	(3,021)
Total	31,298	29,612

In 1998, Erste Group Bank AG launched a debt issuance programme (DIP); amounting to EUR 30 billion. The DIP is a programme for issuing debt instruments in various currencies, with a wide array of available structures and maturities.

In 2010 81 new issues with total volume of about EUR 3.2 billion were floated under the DIP in 2010.

Furthermore in July 2010, a programme to float bonds to retail customers was released. 63 new issues with total volume of about EUR 800 million were floated.

The euro commercial paper and certificates of deposit programme of August 2008 has an overall size of EUR 10 billion. In all, 257 issues amounting to EUR 29.5 billion were placed in 2010; issues totalling approximately EUR 27.5 billion were redeemed over the same period.

Outstanding debt securities included EUR 89 million (2009: EUR 74 million) in liabilities to which the fair value option was applied. The total amount repayable on these liabilities at 31 December 2010 was EUR 119 million (2009: EUR 91 million). The difference between the fair value of these liabilities and the amount repayable at 31 December 2009 was EUR (30) million (2009: EUR (17) million). In the reporting period 2010 the amount of fair value changes that are attributable to the changes in the credit risk is EUR 0.3 million (2009: EUR 1.5 million). Fair value changes attributable to the changes in credit risk are equal to the fair value changes which do not result from the changes in the risk-free interest rates.

The realised profit of own issues is EUR 5.6 million.

26) Trading liabilities

in EUR million	2010	2009
Debt instruments	64	55
Other trading liabilities	152	666
Total	216	721

27) Provisions

in EUR million	2010	2009
Long-term employee provisions	1,109	1,171
Sundry provisions	436	499
Total	1,545	1,670

a) Long-term employee provisions

in EUR million	Pensions	Severance payments	Jubilee payments	Total
Present value of long-term employees' benefit obligations 31 Dec 2006	981	410	62	1,453
Present value of long-term employees' benefit obligations 31 Dec 2007	991	395	62	1,448
Present value of long-term employees' benefit obligations 31 Dec 2008	950	407	70	1,427
Increase from acquisition of subsidiaries	7	4	1	12
Decrease from disposal of subsidiaries	0	0	0	0
Settlements	(10)	(1)	0	(11)
Curtailments	0	0	(1)	(1)
Service cost	0	16	4	20
Interest cost	50	23	4	77
Payments	(73)	(33)	(5)	(111)
Exchange rate difference	0	(1)	0	(1)
Actuarial gains/losses recognised in Other comprehensive income	(37)	(6)	0	(43)
Actuarial gains/losses recognised in income	0	0	(2)	(2)
Present value of long-term employees' benefit obligations 31 Dec 2009	887	409	72	1,368
Obligations covered by plan assets	0	190	8	198
Obligations covered by provisions	0	219	64	283
Less fair value of plan assets	0	189	8	197
Provisions as of 31 Dec 2009	887	220	64	1,171
Present value of long-term employees' benefit obligations 31 Dec 2009	887	409	72	1,368
Present value of long-term employees' benefit obligations 31 Dec 2009	0	5	0	5
Decrease from disposal of subsidiaries	0	0	0	0
Settlements	0	0	0	0
Curtailments	0	0	0	0
Service cost	0	16	5	21
Interest cost	42	21	3	66
Payments	(71)	(34)	(4)	(109)
Exchange rate difference	0	0	0	0
Actuarial gains/losses recognised in Other comprehensive income	(25)	(12)	0	(37)
Actuarial gains/losses recognised in income	0	0	(3)	(3)
Present value of long-term employees' benefit obligations 31 Dec 2010	833	405	73	1,311
Obligations covered by plan assets	0	190	12	202
Obligations covered by provisions	0	215	61	276
Less fair value of plan assets	0	190	12	202
Provisions as of 31 Dec 2010	833	215	61	1,109

The movement in plan assets during the reporting period was as follows:

in EUR million	Severance payments	Jubilee payments	Total
Fair value of plan assets as of 31 Dec 2008	171	7	178
Expected return on plan assets	9	0	9
Contributions by the employer	32	2	34
Benefits paid	(17)	(1)	(18)
Actuarial gains/losses recognised in Other comprehensive income	(6)	0	(6)
Actuarial gains/losses recognised in income	0	0	0
Settlements	0	0	0
Fair value of plan assets as of 31 Dec 2009	189	8	197
Expected return on plan assets	0	4	4
Contributions by the employer	10	1	11
Benefits paid	11	1	12
Actuarial gains/losses recognised in Other comprehensive income	(18)	(2)	(20)
Actuarial gains/losses recognised in income	(2)	0	(2)
Settlements	0	0	0
Fair value of plan assets as of 31 Dec 2010	190	12	202

In 2011, the expected premiums for the severance and jubilee benefit obligations will amount to EUR 11.2 million (2010: EUR 12.7 million).

The following table presents the portfolio structure of the plan assets

in EUR million	2010	2009
Debt instruments	183	186
Fixed-term deposits / cash	19	11
Total	202	197

In 2010, actual gain on plan assets amounted to EUR 8.4 million (2009: EUR 3.8 million).

b) Sundry provisions

Sundry provisions 2010

in EUR million	2009	Acquisition/ disposal of subsidiaries	Currency translation	Alloca- tions	Use	Releases	Reclassi- fication	2010
Provision for off-balance-sheet and other risks	378	0	3	126	(16)	(91)	(98)	302
Sundry other provisions ¹⁾	121	(1)	1	33	(11)	(9)	0	134
Total	499	(1)	4	159	(27)	(100)	(98)	436

1) Sundry other provisions consist mainly of provisions for litigation. It is considered highly likely that use will be made of sundry other provisions next year.

Sundry provisions 2009

in EUR million	2008	Acquisition/ disposal of subsidiaries	Currency translation	Alloca- tions	Use	Releases	Reclassi- fication	2009
Provision for off-balance-sheet and other risks	234	2	1	207	(12)	(64)	10	378
Sundry other provisions ¹⁾	137	0	1	16	(15)	(6)	(12)	121
Total	371	2	2	223	(27)	(70)	(2)	499

1) Sundry other provisions consist mainly of provisions for litigation. It is considered highly likely that use will be made of sundry other provisions next year.

28) Other liabilities

in EUR million	2010	2009
Deferred income	366	432
Accrued interest and commissions	1,191	1,247
Sundry liabilities	2,793	3,309
Total	4,350	4,988

Sundry liabilities consist mainly of clearing items from the settlement of securities and payment transactions.

29) Subordinated liabilities

in EUR million	2010	2009
Subordinated issues and deposits	2,885	3,014
Supplementary capital	1,775	1,955
Hybrid issues	1,200	1,180
Repurchased own issues	(22)	(1)
Total	5,838	6,148

30) Total equity

in EUR million	2010	2009
Subscribed capital	2,513	2,517
Share capital	756	756
Participation capital	1,757	1,761
Additional paid-in capital	6,177	6,171
Retained earnings and other reserves	4,895	4,021
Owners of the parent	13,585	12,709
Non-controlling interests	3,544	3,414
Total¹⁾	17,129	16,123

1) Details on equity are provided in Section III, Consolidated Statement of Changes in Total Equity.

At 31 December 2010, subscribed capital (also known as called up and fully paid share capital – the capital paid in by shareholders) consisted of 378,176,721 (2009: 377,925,086) voting bearer shares (ordinary shares). The par value of each ordinary share was EUR 2.00. Additional paid-in capital (or share premium) represents the amount by which the issue price of the shares exceeded their accounting par value. Retained earnings and other reserves represent accumulated net profit brought forward, as well as income and expenses recognised in other comprehensive income.

In April 2009, Erste Group Bank AG issued participation capital for subscription. Within the context of this offer, Erste Group-Bank AG placed EUR 540 million of participation capital with private and institutional investors. In March, the Republic of Austria subscribed to EUR 1.0 billion of participation capital and in May, another EUR 224 million of participation certificates. In total, the participation capital issued during the course of the measures package amounts to a volume of EUR 1.76 billion. The notional amount of each participation capital security has is EUR 1,000.00. The Participation Capital Securities are perpetual and non-transferable. Erste Group is entitled to repay the participation capital securities only if the repayment amount would not be below 100% (resp. 150% after 1 January 2019) of the nominal amount).

Participation capital participates in losses of the Erste Group in the same manner as share capital, but the holders of participation capital do not have any voting rights. The participation capital securities do not confer any conversion right for ordinary shares of the Erste Group.

Dividend payments to holders of participation capital securities are made prior to distributions of dividends to shareholders of the Erste Group. Erste Group shall not be obliged to pay unpaid dividends.

The dividend on the participation capital is 8.0% per annum for the business years 2009 to 2013. For the business years starting from 2014, the dividend is stepped-up in the following way: 2014 8.5% p.a., 2015 9.0% p.a., 2016 9.75% and from 2017 1% increase each year. However the dividend must not ever exceed 12-Month-EURIBOR plus 10% per annum.

In November 2009, Erste Group increased equity by public placement of ordinary shares in a total nominal amount of EUR 1.74 bn. in order to increase the tier-1 ratio and to improve the quality of the capital. 60 million new shares were issued at a price of EUR 29.0 per share. The price was determined according to market conditions at the time of the issue.

Changes in number of shares and participation capital securities

in units	2010	2009
Shares outstanding at 1 January	355,211,949	289,084,186
Acquisition of own shares	(16,827,866)	(42,069,729)
Disposal of own shares	23,353,206	47,285,169
Capital increases due to ESOP and MSOP	251,635	912,323
Capital increase November 2009	0	60,000,000
Shares outstanding at 31 December	361,988,924	355,211,949
Own shares	16,187,797	22,713,137
Number of shares at 31 December	378,176,721	377,925,086
Weighted average number of shares outstanding	374,695,868	322,206,516
Dilution due to MSOP/ESOP	2,053,995	57,050
Weighted average number of shares taking into account the effect of dilution	376,749,863	322,263,567
in units	2010	2009
Participation capital securities outstanding at 1 January	1,763,353	0
Issue March until May 2009	0	1,763,744
Acquisition of own participation capital securities	(36,973)	(48,926)
Disposal of own participation capital securities	37,098	48,535
Participation capital securities outstanding at 31 December	1,763,478	1,763,353
Participation capital securities	266	391
Participation capital securities outstanding at 31 December	1,763,744	1,763,744

Employee share ownership plan and management share option plan

Under the **ESOP 2010**, between 3 and 14 May 2010, a total of 251,635 shares were subscribed for at a price of EUR 26.50. The resulting issue proceeds of EUR 6,668,327.50 plus EUR 92,931.75 (resulting from the difference between the issue price of EUR 26.50 and the quoted price of EUR 29.59 on the 27 May 2010 value date when 30,075 shares were subscribed for by employees of Erste Group Bank AG and subsequently charged to personnel expenses in the income statement) totalled EUR 6,761,259.25. Of this amount, EUR 503,270.00 was allocated to subscribed capital and EUR 6,257,989.25 to additional paid-up capital.

Personnel expenses include EUR 0.8 million (prior year: EUR 4.7 million) related to the ESOP and profit-sharing.

MSOP 2005: The MSOP comprises a maximum of 2,000,000 ordinary shares of Erste Group Bank AG, represented by 2,000,000 options. The distribution of vested options among management board members, managers and eligible other staff of the Erste Group Bank AG group is shown in the tables below.

Terms of MSOP 2005: Each of the options, which are granted free of charge, entitles the holder to receive one share; the transfer of options inter vivos is not permitted. The 2005 option grant dates were as follows: for the management board and other managers, 1 June 2005; for other key personnel, the grants occurred in three tranches, on 1 September 2005, 1 September 2006 and 31 August 2007. For all recipients the options were vested in three tranches, at which time they were credited to recipients' accounts: 1 September 2005, 1 September 2006 and 31 August 2007. The exercise price for all three tranches was set at the average market price of Erste Group Bank AG shares quoted in April 2005 plus a 10% premium, rounded down to the nearest half euro. The resulting exercise price was EUR 43.00 per share. The option term begins at the grant date and ends on the value date of the last exercise window of the fifth calendar year after the year in which the option vested. Every year, notices of intention to exercise may be submitted within 14 days from the day of publication of the quarterly results for the first, second and third quarter of each financial year (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 had the following distribution among recipients:

	Outstanding / Exercisable 01.01.2010	Forfeited in 2010	Expired in 2010	Outstanding / Exercisable 31.12.2010
Management board members	34,000	0	4,000	30,000
Other management	600,890	12,000	98,890	490,000
Other staff	582,789	6,000	115,468	461,321
Total options	1,217,679	18,000	218,358	981,321

In 2010 nil options were exercised (2009: exercised nil)

Information on shares held and transactions in Erste Group Bank AG shares by members of the management board and supervisory board (in number of shares):

Management board members:

Managing board member	At 31 Dec 2009	Additions 2010	Disposals 2010	At 31 Dec 2010
Andreas Treichl	209,640	0	25,000	184,640
Franz Hochstrasser	33,260	0	8,000	25,260
Herbert Juranek	656	0	0	656
Johannes Leobacher, till 14 October 2010	2,500	0	2,500	0
Bernhard Spalt	6,376	0	0	6,376
Martin Škopek, since 1 July 2010	0	950	0	950
Manfred Wimmer	18,132	0	0	18,132

For members of the management board whose office term began or ended during the financial year 2010, their holdings in Erste Group Bank AG shares as of the date of inception or termination of the office term were considered as an addition or disposal.

The management board members held the following numbers of Erste Group Bank AG participation capital at the balance sheet date of 31 December 2010

Managing board member	Notional amount
Andreas Treichl	30,000
Herbert Juranek	30,000
Bernhard Spalt	10,000
Manfred Wimmer	30,000

Supervisory board members held the following numbers of Erste Group Bank AG shares at the balance sheet date of 31 December 2010:

Supervisory Board member	Shares held
Georg Winckler	2,500
Jan Homan	4,400
Wilhelm Rasinger	13,735
Theresa Jordis	2,900
Friedrich Rödler	1,502
John James Stack	32,761
Werner Tessmar-Pfohl	1,268
Elisabeth Gürtler	700
Christian Havelka	1,851
Andreas Lachs	52
Friedrich Lackner	500
Bertram Mach	95
Barbara Smrcka	281
Karin Zeisel	35
Markus Haag	160

At 31 December 2010, supervisory board members did not hold options in Erste Group Bank AG shares.

As far as can be determined, persons related to members of the management board or supervisory board held 6,920 shares of Erste Group Bank AG as of 31 December 2010.

Supervisory board members held the following numbers of Participation capital at the balance sheet date of 31 December 2010:

Supervisory Board member	Notional amount
Heinz Kessler	30,000
Georg Winckler	5,000
Wilhelm Rasinger	28,000
Friedrich Rödler	82,000
Elisabeth Gürtler	59,000

As of 31 December 2010 persons related to members of the management board or supervisory board held participation capital of Erste Group Bank AG in notional amount of EUR 81,000.

Authorised but unissued capital remaining at 31 December 2010, and participation capital at that date:

Clause 5 of the articles of association authorises the management board until 12 May, 2015, subject to approval by the supervisory board to increase – if necessary in several tranches – the subscribed capital of Erste Group Bank AG up to EUR 200,000,000.00 by issuing up to 100,000,000 shares as follows (type of share, issuing price, terms of issuing, and – if intended – exclusion of subscription rights are assigned by the management board with approval by the supervisory board): by issuing of shares by cash contributions without exclusion of subscription rights of existing shareholders; if, however, the capital increase is used for the issue of shares to employees, management or members of the management board of Erste Group Bank AG or a subsidiary while excluding the subscription rights of existing shareholders; by issuing of shares by contribution in kind while excluding the subscription rights of existing shareholders.

Under clause 6.3 of the articles of association of decision-making by the management board there remains (in the financial years from 2002 to 2010) contingent capital of EUR 22,502,590.00, which may be utilised by issuing up to 11,251,295 bearer or registered shares at an issue price of at least EUR 2.00 (payable in cash) while excluding the subscription rights of existing shareholders. This contingent capital is used for granting options to other staff, other management and Management Board members of the entity or one of their related party.

According to clause 6.4 of the articles of association, the company has contingent capital of EUR 124,700,000 available, which may be utilised by issuing up to 62,350,000 bearer shares. This contingent capital can be used for granting conversion or subscription rights to holders of convertible bonds.

According to clause 7 of the articles of association currently no authority for granting contingent capital is available.

31) Segment reporting

The segment reporting of Erste Group follows the presentation and measurement requirements of IFRS.

New segment structure

In the interest of a clearer presentation of the group structure, the segment reporting has been aligned with the structure of Erste Group and is now divided into four primary segments: Retail & SME, Group Corporate & Investment Banking, Group Markets and Corporate Center.

Basis for Erste Group's controlling of individual segments is the average attributed equity as well as the average risk-weighted assets. For the measurement and rating of the profitability of segments, RoE as well as cost/income ratio is used.

Retail & SME

The Retail & SME segment includes the individual, retail-focused regional banks of Erste Group. To enhance transparency and maintain continuity with the existing segmentation, the Austria division is divided into two subsegments, Erste Bank Oesterreich (including local subsidiaries) and Savings Banks. The latter subsegment consists of those savings banks which as a result of their membership in the Haftungsverbund are consolidated in the Erste Group accounts; the Savings Banks subsegment is thus unchanged from the past segmentation. In the Segment Central and Eastern Europe the individual subsidiaries continue to be reported separately.

Group Corporate & Investment Banking

The Group Corporate & Investment Banking segment (GCIB) includes all large corporate customers operating in the markets of

Erste Group and having revenue of more than EUR 175 million. Also part of Group Corporate & Investment Banking segment is the former International Business excluding treasury activities; the real estate business of Erste Group including the leasing subsidiary, Immorent; and investment banking (including equity capital markets).

Group Markets

The Group Markets (GM) segment comprises the divisionalised business units Group Treasury and Capital Markets (which includes all capital markets activities except equity capital markets). Besides Erste Group Bank's own treasury activities, it also includes the Capital Market units of the CEE subsidiaries and of the foreign branches in Hong Kong and New York, as well as the Capital Market activities of the investment banking subsidiaries Erste Securities Polska, Erste Bank Investment Hungary, Erste Securities Zagreb and Erste Securities Istanbul and the asset management activities of Erste Asset Management GmbH

Corporate Center segment

The Corporate Center segment continues to include group-wide services in the Marketing, Organisation, Information Technology and other departments that support the implementation of corporate strategy at group level. Consolidation effects and non-operating exceptional items are also recorded in this segment. Additionally, the Balance Sheet Management unit forms part of the Corporate Center segment. The results of the local asset/liability business units continue to be reported in the individual subsegments.

Also recorded in Corporate Center is the amortisation of customer relationships at BCR, Erste Card Club d.d. and Ringturm KAG totalling EUR 67.4 million (2009: EUR 65.9 million).

Segmentation by core business

in EUR million	Retail and SME		Group Corporate & Investment Banking		Group Markets		Corporate Center ³⁾	
	2010	2009	2010	2009	2010	2009	2010	2009
Net interest income	4,593.8	4,530.3	574.2	570.5	156.4	193.2	88.1	(73.1)
Risk provisions for loans and advances	(1,844.6)	(1,788.6)	(186.5)	(267.9)	0.0	0.0	(0.1)	0.0
Net fee and commission income	1,672.0	1,567.9	160.1	162.7	157.1	106.1	(53.1)	(63.9)
Net trading result	176.2	182.6	5.8	(3.0)	246.3	407.0	27.8	(1.5)
General administrative expenses	(3,264.8)	(3,274.9)	(183.9)	(174.2)	(233.7)	(222.2)	(134.5)	(136.1)
Other result ¹⁾	(278.1)	(314.6)	(32.4)	(69.7)	1.8	(3.9)	(132.9)	(65.4)
Pre-tax profit from continuing operations	1,054.6	902.7	337.3	218.4	327.9	480.2	(204.7)	(340.0)
Taxes on income	(237.5)	(238.2)	(74.8)	(47.0)	(67.6)	(89.3)	51.2	89.8
Post-tax profit from continuing operations	817.1	664.5	262.5	171.4	260.3	390.9	(153.5)	(250.2)
Profit from discontinued operations net of tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit for the year	817.1	664.5	262.5	171.4	260.3	390.9	(153.5)	(250.2)
attributable to								
non-controlling interests	153.0	65.5	14.9	5.0	15.2	23.1	(12.1)	(20.3)
owners of the parent	664.0	599.1	247.6	166.4	245.1	367.8	(141.4)	(229.9)
Average risk-weighted assets	74,951.7	74,338.4	25,421.2	26,536.8	2,943.0	3,144.9	1,399.7	2,579.4
Average attributed equity	4,123.1	4,079.6	2,034.9	2,086.0	323.9	344.0	6,755.4	3,432.3
Cost/income ratio	50.7%	52.1%	24.8%	23.9%	41.7%	31.5%	214.0%	-
ROE²⁾	16.1%	14.7%	12.2%	8.0%	75.7%	106.9%	-	-

1) Other result consists of four income statement items: other operating result, result from financial assets at fair value through profit or loss, result from financial assets available for sale, and result from financial assets held to maturity.

2) ROE = return on equity. Net profit attributable to owners of the parent divided by average attributed equity.

3) Interest income on impaired loans was allocated to appropriate segments; Erste Factoring Croatia was allocated to the segment Croatia

in EUR million	Austria		Erste Bank Oesterreich		Haftungsverbund (Cross Guarantee System)		Central and Eastern Europe	
	2010	2009	2010	2009	2010	2009	2010	2009
Net interest income	1,585.8	1,594.6	644.3	637.5	941.4	957.1	3,008.0	2,935.7
Risk provisions for loans and advances	(451.6)	(482.7)	(148.3)	(151.4)	(303.3)	(331.3)	(1,393.0)	(1,305.9)
Net fee and commission income	766.7	696.4	345.2	302.8	421.6	393.6	905.2	871.5
Net trading result	38.8	59.7	11.5	9.4	27.2	50.3	137.5	122.9
General administrative expenses	(1,537.7)	(1,534.5)	(606.8)	(621.4)	(930.9)	(913.1)	(1,727.1)	(1,740.4)
Other result ¹⁾	(50.1)	(160.1)	(25.7)	3.2	(24.4)	(163.3)	(228.0)	(154.5)
Pre-tax profit from continuing operations	351.8	173.4	220.2	180.0	131.6	(6.6)	702.7	729.3
Taxes on income	(80.9)	(60.2)	(46.2)	(40.8)	(34.7)	(19.3)	(156.6)	(178.0)
Post-tax profit from continuing operations	270.9	113.2	174.0	139.1	96.9	(25.9)	546.2	551.3
Profit from discontinued operations net of tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit for the year	270.9	113.2	174.0	139.1	96.9	(25.9)	546.2	551.3
attributable to								
non-controlling interests	109.1	(12.2)	7.1	10.0	102.0	(22.2)	43.9	77.7
owners of the parent	161.8	125.4	166.9	129.1	(5.2)	(3.7)	502.3	473.6
Average risk-weighted assets	38,337.7	38,174.5	14,389.0	14,066.6	23,948.7	24,107.9	36,614.0	36,163.9
Average attributed equity	1,433.7	1,442.8	1,142.9	1,137.4	290.9	305.4	2,689.4	2,636.8
Cost/income ratio	64.3%	65.3%	60.6%	65.4%	67.0%	65.2%	42.6%	44.3%
ROE²⁾	11.3%	8.7%	14.6%	11.4%	-	-	18.7%	18.0%

1) Other result consists of four income statement items: other operating result, result from financial assets at fair value through profit or loss, result from financial assets available for sale, and result from financial assets held to maturity.

2) ROE = return on equity. Net profit attributable to owners of the parent divided by average attributed equity.

in EUR million	Czech Republic		Romania		Slovakia		Hungary	
	2010	2009	2010	2009	2010	2009	2010	2009
Net interest income	1,087.2	1,080.8	798.6	836.8	426.8	385.9	387.1	353.6
Risk provisions for loans and advances	(365.8)	(288.1)	(506.7)	(532.4)	(123.2)	(156.5)	(244.3)	(170.8)
Net fee and commission income	476.8	429.5	134.4	164.8	106.6	104.6	97.8	86.2
Net trading result	62.5	38.6	24.0	26.6	4.0	8.3	23.2	29.9
General administrative expenses	(709.8)	(695.8)	(375.2)	(383.3)	(222.2)	(249.6)	(202.6)	(214.0)
Other result ¹⁾	(83.3)	(107.3)	(50.2)	17.0	(20.5)	(50.3)	(68.3)	(1.3)
Pre-tax profit from continuing operations	467.4	457.8	24.8	129.4	171.6	42.4	(7.1)	83.5
Taxes on income	(82.7)	(105.0)	(6.7)	(17.1)	(34.9)	(14.4)	(14.9)	(25.7)
Post-tax profit from continuing operations	384.7	352.8	18.1	112.3	136.7	28.0	(22.0)	57.8
Profit from discontinued operations net of tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit for the year	384.7	352.8	18.1	112.3	136.7	28.0	(22.0)	57.8
attributable to								
non-controlling interests	5.9	7.1	9.6	38.8	0.1	0.4	(0.2)	0.0
owners of the parent	378.9	345.7	8.5	73.5	136.5	27.6	(21.8)	57.9
Average risk-weighted assets	12,421.7	11,356.6	9,059.3	9,646.3	5,230.5	5,504.4	4,702.7	4,761.8
Average attributed equity	1,025.0	946.2	516.5	548.1	432.0	457.2	387.6	393.3
Cost/income ratio	43.6%	44.9%	39.2%	37.3%	41.3%	50.0%	39.9%	45.6%
ROE²⁾	37.0%	36.5%	1.6%	13.4%	31.6%	6.0%	-	14.7%

1) Other result consists of four income statement items: other operating result, result from financial assets at fair value through profit or loss, result from financial assets available for sale, and result from financial assets held to maturity.

2) ROE = return on equity. Net profit attributable to owners of the parent divided by average attributed equity.

in EUR million	2010	Croatia 2009	2010	Serbia 2009	2010	Ukraine 2009	2010	Total 2009
Net interest income	247.9	223.4	27.5	28.1	32.9	27.1	5,412.5	5,220.9
Risk provisions for loans and advances	(106.0)	(74.5)	(8.2)	(7.0)	(38.8)	(76.7)	(2,031.1)	(2,056.6)
Net fee and commission income	74.0	74.4	11.5	10.9	4.1	1.3	1,936.0	1,772.8
Net trading result	9.7	9.0	2.4	3.1	11.7	7.5	456.2	585.1
General administrative expenses	(139.0)	(130.6)	(31.0)	(31.1)	(47.1)	(36.1)	(3,816.8)	(3,807.4)
Other result ¹⁾	(4.8)	(1.4)	(0.8)	(1.5)	(0.1)	(9.7)	(441.6)	(453.5)
Pre-tax profit from continuing operations	81.8	100.3	1.5	2.5	(37.3)	(86.7)	1,515.1	1,261.3
Taxes on income	(17.0)	(18.5)	0.0	(0.3)	(0.2)	2.9	(328.7)	(284.7)
Post-tax profit from continuing operations	64.7	81.9	1.5	2.2	(37.5)	(83.7)	1,186.4	976.6
Profit from discontinued operations net of tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit for the year	64.7	81.9	1.5	2.2	(37.5)	(83.7)	1,186.4	976.6
attributable to								
non-controlling interests	28.1	30.6	0.4	0.8	0.0	0.0	171.0	73.2
owners of the parent	36.7	51.3	1.0	1.4	(37.5)	(83.7)	1,015.4	903.4
Average risk-weighted assets	3,902.6	3,577.6	633.5	741.2	663.6	576.0	104,715.6	106,599.5
Average attributed equity	227.0	194.2	42.3	49.0	59.0	48.9	13,237.3	9,941.9
Cost/income ratio	41.9%	42.6%	74.9%	74.0%	96.7%	-	48.9%	50.2%
ROE²⁾	16.2%	26.4%	2.4%	2.8%	-	-	7.7%	9.1%

1) Other result consists of four income statement items: other operating result, result from financial assets at fair value through profit or loss, result from financial assets available for sale, and result from financial assets held to maturity.

2) ROE = return on equity. Net profit attributable to owners of the parent divided by average attributed equity.

32) Assets and liabilities denominated in foreign currencies and outside Austria

Assets and liabilities not denominated in EUR were as follows:

in EUR million	2010	2009
Assets	85,965	85,319
Liabilities	59,283	58,760

The assets and liabilities outside Austria are given below:

in EUR million	2010	2009
Assets	110,715	108,671
Liabilities	86,026	86,195

33) Leases

a) Finance leases

Erste Group leases both movable property and real estate to other parties under finance lease arrangements. For the finance lease receivables included in this item, the reconciliation of the gross investment in leases to the present value of the minimum lease payments is as follows:

in EUR million	2010	2009
Outstanding minimum lease payments	5,831	6,477
Non-guaranteed residual values	1,149	1,226
Gross investment	6,980	7,703
Unrealised financial income	1,017	1,250
Net investment	5,963	6,453
Present value of non-guaranteed residual values	778	797
Present value of minimum lease payments	5,185	5,656

The maturity analysis of gross investment in leases and present values of minimum lease payments under non-cancellable leases is as follows (residual maturities):

in EUR million	Gross investment		Present value of minimum lease payments	
	2010	2009	2010	2009
< 1 year	1,250	1,441	1,085	1,214
1-5 years	3,150	3,461	2,479	2,757
> 5 years	2,580	2,801	1,563	1,685
Total	6,980	7,703	5,127	5,656

In the reporting period, the total amount of accumulated allowance for uncollectable minimum lease payments is as follows EUR 66 million (2009: 52 million).

The total amount of contingent rents from finance leases recognised as income in the period was EUR 29 million (2009: 45 million).

b) Operating leases

Under operating leases, Erste Group leases both real estate and movable property to other parties.

Operating leases from view of Erste Group Bank AG as lessor:

Further minimum lease payments from non-cancellable operating leases as follows:

in EUR million	2010	2009
< 1 year	95	76
1-5 years	19	202
> 5 years	52	20
Total	166	298

Operating leases from the view of Erste Group Bank AG as lessee:

Further minimum lease payments from non-cancellable operating leases as follows:

in EUR million	2010	2009
< 1 year	21	1
1-5 years	59	3
> 5 years	16	0
Total	96	4

34) Related-party transactions and principle shareholders

Besides of principal shareholders, Erste Group defines as related parties also other investments and associates which are included in the consolidated financial statements by using the equity method. Furthermore related parties consist of Management and Supervisory Board Members as well as companies over which these persons have control or significant influence. On top of that Erste Group Bank AG defines also close family members of Management and Supervisory Board Members as related parties.

Transactions between Erste Group Bank AG and fully consolidated companies are not recognised in the consolidated financial statements since they are eliminated.

Principal shareholders

At the end of 2010, DIE ERSTE oesterreichische Spar-Casse Privatstiftung, a foundation, held approximately 25.3% of the shares of Erste Group Bank AG, making the foundation the largest shareholder.

In 2010, the foundation received a dividend of EUR 64.1 million (2009: EUR 64.1 million) on its shareholding in Erste Group Bank AG (for the 2009 financial year). The purpose of the foundation, which is intended to be achieved particularly by holding a substantial equity 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 2010, the members of the foundation's management board were Andreas Treichl (chairman of the management board of Erste Group Bank AG), Dietrich Karner, Richard Wolf and Boris Marte. At that date, the foundation's supervisory board had ten members, two of whom were also members of the supervisory board of Erste Group Bank AG.

Under clause 15.1. of the articles of association, DIE ERSTE österreichische Spar-Casse Privatstiftung is entitled – as long as, under Section 92 (9) of the Austrian Banking Act, it guarantees all present and further liabilities of Erste Group Bank AG in the event of the latter's insolvency – to delegate up to one-third of the supervisory board of members to be elected by the annual general meeting. To date, this right of delegation has not been exercised.

At 31 December 2010, in respect of the foundation, Erste Group had accounts payable of EUR 290.2 million and accounts receivable of EUR 276.1 million. In addition, standard derivative transactions on normal market terms were in place for hedging purposes between Erste Group and foundation at the end of 2010. These were interest rate swaps with caps and floors in the notional amount of 247.4 million each as well as interest rate swaps with caps in the notional amount of EUR 103.0 million.

In 2010, Erste Group accrued interest income of EUR 18.9 million receivable from and interest expenses of EUR 2.9 million payable to the foundation from accounts receivable and payable and from the derivative transactions outlined.

At the end of 2010, Criteria Caixa Corp S.A. with head office in Barcelona, Spain, held 38,170,433 Erste Group Bank shares, which is relating to 10.10% participation of Erste Group Bank AG's share capital. Juan Maria Nin, Deputy Chairman of Criteria Caixa Corp. S.A. is member of the supervisory board of Erste Group Bank AG.

Loans and advances to and amounts owed to related parties

in EUR million	2010	2009
Loans and advances to credit institutions		
Associates accounted for at equity	99	99
Other investments	5	1
Total	104	100
Loans and advances to customers		
Associates accounted for at equity	141	279
Other investments	1,127	874
Total	1,268	1,153
Financial assets - at fair value through profit or loss		
Associates accounted for at equity	3	3
Other investments	6	5
Total	9	8
Financial assets - available for sale		
Associates accounted for at equity	13	13
Other investments	53	16
Total	66	29
Financial assets - held to maturity		
Associates accounted for at equity	0	0
Other investments	6	4
Total	6	4
Deposits by banks		
Associates accounted for at equity	37	78
Other investments	0	0
Total	37	78
Customer deposits		
Associates accounted for at equity	23	25
Other investments	248	178
Total	271	203

Transactions with related parties are done on arm's length basis.

Compensations to Management and Supervisory Board Members

Breakdown of management board compensation:

in EUR thousand	2010	2009
Performance-related salaries	3,684	0
Fixed salaries	4,122	3,779
Other compensations	1,021	892
Total	8,827	4,671

In the year under review, management board members who held office in 2010 received remuneration (including compensation in kind) totalling EUR 8,827 thousand (2009: EUR 4,671 thousand). This represented 0.4% of the total personnel expenses of the Erste Group. In the 2010 financial year, EUR 924 thousand (2009: EUR 916 thousand) was paid to former members of the management board or their surviving dependants.

The item other compensation includes pension fund contributions (at severance payments – new) and various compensations.

In 2010, 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.

Breakdown of supervisory board compensation:

in EUR thousand	2010	2009
Supervisory Board compensation	350	325
Meeting fees	162	154
Total	512	479

In 2010, the members of the supervisory board of Erste Group Bank AG were paid a combined total of EUR 512 thousand (2009: EUR 479 thousand) in this capacity. Members of the supervisory board received the following compensation for board positions in fully consolidated subsidiaries of Erste Group Bank AG: Heinz Kessler: EUR 43,980; Friedrich Rödler: EUR 13,000; Werner Tessmar-Pfohl: EUR 24,000 and Georg Winckler: EUR 800.

There were no other transactions with members of the supervisory board.

Based on a resolution of the annual general meeting held on 12 May 2010, the supervisory board at its constituting meeting set out the following annual compensation structure for the fiscal year 2009:

in EUR	Number	Allowance per person	Total allowance
President	1	50,000	50,000
Vice Presidents	2	37,500	75,000
Members	9	25,000	225,000
Total	12		350,000

The supervisory board must consist of at least three and at most 12 members elected by the general meeting. DIE ERSTE österreichische Spar-Casse Privatstiftung, a foundation, has the right to delegate up to one-third of the members of the supervisory board, elected by the general meeting, as long as the foundation guarantees acc. to Section 92 (9) Austrian Banking Act all existing and future liabilities of the company in case of illiquidity. Participation in the supervisory board ends in case of death, recall, demission, or if a defined obstruction reason occurs. For recall, a majority of three quarters of the valid votes cast and a majority of at least three quarters of the attending members representing the ordinary share capital are necessary.

Loans and advances to related parties

At the end of 2010, loans and advances to members of the management board totalled EUR 166 thousand (2009: EUR 889 thousand). Loans and advances to persons related to members of the management board totalled EUR 26 thousand at 31 December 2010 (2009: EUR 24 thousand). Loans to members of the supervisory board totalled EUR 251 thousand (2009: EUR 259 thousand). Loans and advances to persons related to members of the supervisory board totalled EUR 11 thousand (2009: EUR 418 thousand). The applicable interest rates and other terms (maturity dates and collateral) represent market terms. In 2010 the repayments for loans and advances to members of the management board totalled EUR 429. As regards loans and advances to member of the supervisory board, there were no material loan repayments.

Other transactions with related parties

Companies related to members of the supervisory board invoiced the following amount from other transactions:

In 2010, DORA BRUGGER JORDIS Rechtsanwälte GmbH, a law firm in which Theresa Jordis is a partner, invoiced Erste Group Bank AG a total of EUR 348,775.69 for several mandates.

Friedrich Rödler is senior partner at PricewaterhouseCoopers Austria. Companies of this group invoiced in 2010 Erste Group Bank AG in total EUR 54,726.00 for consulting mandates.

The compensation of the supervisory board members depends on the individual's responsibilities, the business volume and the company's financial situation.

35) Collateral

The following assets were pledged as security for liabilities:

in EUR million	2010	2009
Loans and advances to credit institutions	894	740
Loans and advances to customers	6,480	4,824
Trading assets	92	920
Other financial assets ¹⁾	5,464	7,662
Total	12,930	14,146

¹⁾ Other financial assets mainly consist of financial assets held to maturity, available for sale, at fair value through profit or loss.

The specific compensation of each member is calculated by dividing the annual allowance by twelve and multiplying the result by the number of months, served in the respective position during the year.

Collaterals were pledged in connection with securities repurchase transactions, securities lending with cash collateral and other collateral agreements.

The fair value of collateral received that may be repledged or resold even without the security provider's default was EUR 4,470 million (2009: EUR 3,196 million). Of this total, collateral with a fair value of EUR 25 million (2009: EUR 78 million) was resold or repledged. The collateral comes from reverse repo transactions and securities borrowings.

36) Securities lending and repurchase transactions

in EUR million	2010		2009	
	Carrying amount of assets pledged as collateral	Carrying amount of liabilities	Carrying amount of assets pledged as collateral	Carrying amount of liabilities
Repurchase transactions	2,256	2,219	4,541	4,560
Securities lending agreement	450	0	432	0
Total	2,706	2,219	4,973	4,560

Assets received and transferred by Erste Group under sale and repurchase agreements are largely securities.

37) Risk management

37.1. Risk policy and strategy

It is a core function of every bank to take risks in a conscious and selective manner and to professionally manage such risks. Erste Group's proactive risk policy and strategy aims at achieving an optimal balance of risk and return in order to achieve a sustainable, high return on equity.

Erste Group uses a control and risk management system that is proactive and tailored to Erste Group's business and risk profile, which is based on a clear risk strategy consistent with the group's business strategy, focusing on early identification and management of risks and trends. In addition to meeting the internal goal of effective and efficient risk management, Erste Group's control and risk management system has been developed to fulfil external, and in particular, regulatory requirements.

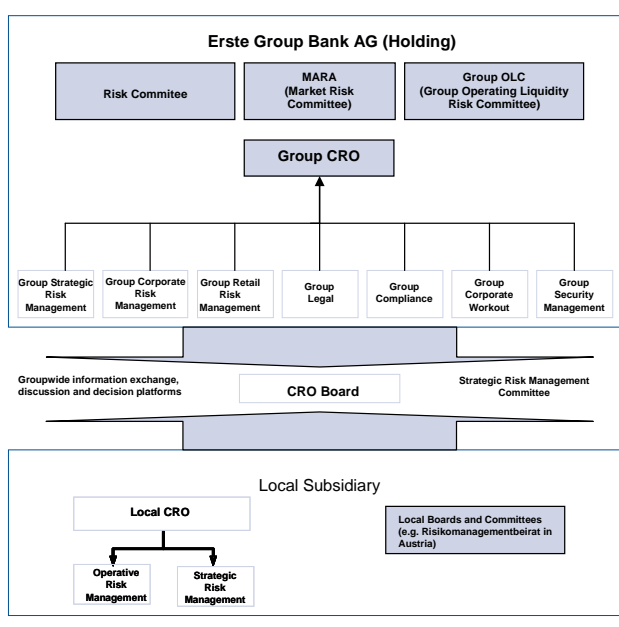
Given Erste Group's business strategy, the key risks for Erste Group are credit risk, market risk and operational risk. Erste Group also focuses on managing liquidity, concentration and business risks. In addition to managing these risks, Erste Group's control and risk management framework takes account of the range of other significant risks faced by Erste Group.

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

37.2. Risk management organisation

Risk monitoring and control is achieved through a clear organisational structure with defined roles and responsibilities, delegated authorities, and risk limits. The following diagram presents an overview of Erste Group's risk management and control governance and responsibility structure.

Risk Management – Organisation and decision bodies



Overview of Risk Management Structure

The Management Board, and in particular Erste Group's chief risk officer ("Group CRO"), has to perform its oversight function within Erste Group's risk management structure. Risk control and management functions within Erste Group are performed based on the business and risk strategies approved by the Management Board and the strategic risk framework. The Group CRO, working together with the chief risk officers of the subsidiaries, is responsible for the implementation of and adherence to the risk control and risk management strategies across all risk types and business lines. While the Management Board and, in particular, the Group CRO ensure the availability of appropriate infrastructure and staff as well as methods, standards and processes to that effect, the actual identification, measurement, assessment, approval, monitoring, steering, and setting limits for the relevant risks are performed at the operating entity level within Erste Group. At the group level, the Management Board is supported by several divisions established to perform operational risk control functions and exercise strategic management responsibilities:

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

Group Strategic Risk Management, which exercises the “risk control” function, is responsible for macro-managing the group’s risk portfolios and the provision of adequate risk measurement methodologies and tools as well as an appropriate risk policy and control framework. This unit is comprised of the departments “Group OpRisk and Credit Risk Control”, “Group Enterprise-wide Risk Management and Reporting” and “Group Market and Liquidity Risk Management” as well as the corporate function “Basel II”. See “Risk Control—Overview of Risk Control Governance Structure” for a further discussion of the risk control management structure of the Erste Group.

Group Corporate Risk Management is the operative credit risk management function for Erste Group’s divisionalised corporate business (GCIB). It is responsible for the formal and material verification, recommendation and approval of all credit risks of Erste Group Bank as a holding company. Group Corporate Risk Management is also responsible for credit risk management for the GCIB segment as well as all credit applications where the amount involved exceeds the approval limits granted to the respective subsidiary. This unit covers country risks, sovereigns, other credit institutions, securitisations (ABS and CDO), large corporates, and real estate risks. Group Corporate Risk Management provides specific credit risk reports on the aforementioned centrally managed portfolios of Erste Group Bank as a holding company and is in charge of process development for credit risk management and of the implementation of group standards for these asset classes. This department is also responsible for establishing and monitoring appropriate credit analysis processes and systems for corporate business at the subsidiary level and coordinating and reviewing corporate credit and project analysis adopted across the business.

Group Retail Risk Management focuses on retail business, which is Erste Group’s primary business. It coordinates at group level retail risk management processes and standards and also provides credit risk reports for Erste Group’s retail business. Operative risk management functions for retail operations are performed at the local level.

Group Corporate Workout is responsible for restructuring of accounts in the GCIB segment. An important additional task for the division is to draw up a uniform procedure and policy on restructurings and work-outs for the whole Erste Group.

Group Legal, in performing the function of the central legal department of Erste Group Bank, mitigates legal risk by providing legal support and counselling for the business and center functions and by taking care of dispute resolution and litigation. Group Legal has a group-wide focus on legal risk management and reporting aiming at identifying and minimizing, limiting or avoiding legal risk. Legal support for the business of the banking subsidiaries in the jurisdictions in which they operate is performed at the local level.

Group Compliance includes the departments Securities Compliance, Anti Money-Laundering (AML) and Fraud Management and is accountable for addressing compliance risks. Compliance risks are risks of legal or regulatory sanctions, material financial loss, or loss to reputation Erste Group may suffer as a result of failure to comply with laws, regulations, rules and standards. Group Security Management is in charge of the strategy, the definition of security standards, quality assurance, monitoring as well as the further development of issues of relevance for security at Erste Group.

In addition to the risk management activities performed at the Erste Group Bank level in its special role as a holding company, each subsidiary also has a risk control and management unit, the responsibilities of which are tailored to the applicable local requirements. Each subsidiary’s risk control and management unit is headed by the respective entity’s chief risk officer.

Group Coordination of Risk Management Activities

With the purpose of carrying out risk management activities within Erste Group, certain committees have been established, including the following:

- _ **Risk Committee;**
- _ **CRO Board;**
- _ **Strategic Risk Management Committee;**
- _ **Group Operational Liquidity Committee (Group OLC);**
- _ **Market Risk Committee (MARA).**

The Risk Committee, which consists of the Management Board and senior managers of Erste Group Bank, is the most senior committee in Erste Group Bank. It is responsible for the approval of methods and processes of risk control and management as well as for the risk infrastructure. The Risk Committee also monitors the capital base and allocates capital at the macro level and determines the risk framework on a group-level. As the central risk control body, the Risk Committee is frequently and regularly briefed on the risk status, both retrospectively and prospectively, and across all risk types. The Risk Committee analyses the then current status as well as any trends and makes management decisions at the highest level.

The CRO Board and the Strategic Risk Management Committee are responsible for consistent coordination and implementation of risk management activities within Erste Group, including the Sparkassen Haftungsverbund. The CRO Board is made up of the Group CRO and the chief risk officers of the subsidiaries in the Erste Group. Chaired by the Group CRO, the CRO Board has responsibility for the group-wide coordination of risk management and for ensuring uniformity of risk management standards across Erste Group. The Strategic Risk Management Committee, which is made up of the division heads of the strategic risk management department at each subsidiary, provides support to the CRO Board in decision-making on current risk-related topics.

Erste Group has established committees at the holding level that are specifically responsible for monitoring and managing two key risk categories:

- The Group Operating Liquidity Committee (“Group OLC”) is responsible for the day-to-day management of the global liquidity position of Erste Group. It analyses the liquidity situation of Erste Group on a regular basis and reports directly to the Group Asset Liability Committee (“Group ALCO”). It also proposes measures to the Group ALCO within the scope of the management policies and principles laid down in the Liquidity Risk Management Rule Book. Furthermore, members of the Group OLC are points of contact for other departments or Erste Group members for liquidity-related matters. Each local bank has its own local operational liquidity committee. The detailed roles and responsibilities of the Group OLC are described in the Liquidity Risk Management Rule Book. For additional information on the Group ALCO, see “Liquidity Risk - Organisation and reporting”.
- The Market Risk Committee (“MRC”) is the main steering body for all risks related to capital market trading operations in Erste Group. The MRC meets quarterly, approves group-wide market risk limits and elaborates on the current market situation. The members of the MRC are the Group CRO, the board member responsible for Group Capital Markets, the Head of Group Capital Markets, the Head of Group Strategic Risk Management, and the Head of Group Market and Liquidity Risk Management.

In addition, committees established at local level, e.g. the *Risiko-managementbeirat*, carry out a common risk approach in the Austrian savings banks.

As a result of the principle of segregation of risk origination and risk control, at every level of the risk management structure of Erste Group – particularly concerning market and credit risks – the risk management and control functions are exercised independently of the front office functions. Local operative risk management divisions carry out this control function.

37.3. Risk Control

Overview of Risk Control Governance Structure

The Group Risk Management unit performs the function of the central and independent risk control unit required by section 39 (2) of the Austrian Banking Act. One objective of Group Strategic Risk Management, a unit that is independent from the business units, is to ensure that all risks measured or taken are within the limits approved by the Management Board.

Group OpRisk and Credit Risk Control, which is a sub-unit of the Group Strategic Risk Management, is in charge of management of operational risks, key tasks regarding Erste Group’s credit risk methods and rating models and monitoring compliance with relevant credit risk limits. The Group Enterprise-wide Risk Management and Reporting department, which is also a sub-unit of the Group Strategic Risk Management, has responsibility for the Enterprise-wide Risk Management, the group data pool and the group-wide credit risk reporting. Enterprise-wide Risk Management, which is a sub-unit of the Group Enterprise-wide Risk Management and Reporting, is in charge of the essential elements of the risk management framework and Erste Group’s risk policy principles which ensure adequate guidance on all risk-related matters. Furthermore, this unit is responsible for Group’s Internal Capital Adequacy Assessment Process (ICAAP), planning of risk and risk costs, risk-weighted asset management as well as stress testing and risk simulation. The group-wide daily calculation, analysis and reporting of market and liquidity risks is provided by the Group Market and Liquidity Risk Management department of Group Strategic Risk Management. Ongoing risk calculations are performed using models, the quality of which is continually refined by this department.

Risk control process

Erste Group’s independent risk control process consists of five main steps:

Risk identification

Risk identification at Erste Group refers to the detection of all relevant existing and potential risks related to banking operations, with particular emphasis on the use of a systematic and structured approach towards risk identification. The aim of this process is the permanent, timely, rapid, complete and cost-effective identification of each individual risk that has a bearing on the achievement by Erste Group of its business targets. Risk identification process is concerned not only with the early detection of risks, but also with the recognition of all sources of risks in as comprehensive a manner as possible.

Risk measurement

Risk measurement at Erste Group refers to the valuation and analysis of all quantifiable risks using statistical methods. In addition, stress scenarios are defined, with the goal of quantifying the losses that may be triggered by extremely adverse, rare, however plausible events. The information gained from stress test scenarios complements Value-at-Risk (“VaR”) results, making it easier to predict the effects of potential extreme market movements on Erste Group.

Risk aggregation

Risk aggregation at Erste Group refers to the compilation of the results of risk measurement for each individual risk type to determine the aggregate potential loss based on the assumption of all of the relevant individual risks. The resulting aggregate measure for potential loss is known as economic capital (representing VaR at a confidence level of 99.95% over a one-year time period).

Risk limit-setting

Erste Group refers to the setting of a loss ceiling by the management through the Risk Committee based on the periodic determination of risk-bearing capacity, which takes into account the group’s equity base and profitability status.

Risk reporting

Risk reporting at Erste Group refers to the continuous reporting of the risk measurement results for each individual risk type to management.

Basel II / Basel III

Having passed the required audit conducted by the Austrian supervisory authority in 2006, Erste Group (including almost all Haftungsverbund savings banks and Česká spořitelna) successfully qualified for Basel II internal ratings based (IRB) approach to the measurement of credit risk, effective from the entry of the new regulations into force on 1 January 2007. For credit risk, Erste Group applies the Advanced IRB Approach in the retail segment and the Foundation IRB Approach in all other Basel segments. In 2008, these standards were also adopted by Erste Bank Hungary and Slovenská sporiteľňa and since 1 July 2009 by Erste Bank Croatia.

According to the current rollout plan for Erste Group, the transition from the Standardised Approach to the IRB Approach was made in 2010 for s-Wohnbaubank in Austria.

For the operational risk Erste Group received regulatory approval to use the AMA (Advanced Measurement Approach) at group level for five entities (Erste Group Bank AG, Erste Bank der oesterreichischen Sparkassen AG, Česká spořitelna a.s., Slovenská sporiteľňa a.s. and Erste Bank Hungary Nyrt) in the first half of 2009. Beginning of October 2010, additional three entities received the approval to use AMA (Banca Comerciala Roman S.A., Erste&Steiermärkische Bank d.d., Rijeka and Erste Leasing Hungary). Other major subsidiaries which are currently using the

Basic Indicator Approach intend to apply for the AMA in the future.

Planned regulatory changes for the coming years (commonly known as Basel III) are closely monitored by Erste Group. Erste Group participated in the Quantitative Impact Study (QIS) of Basel III in 2010 and has undertaken further analyses and preparation activities in order to ensure a timely implementation of those changes.

37.4. Group-wide risk and capital management

Overview

Erste Group’s risk management framework is continuously evolving and improving, and not just as a reaction to the recent turbulence on the financial markets; in particular the Group Strategic Risk Management and its Enterprise-wide Risk Management (ERM) has been developed into a comprehensive framework with ICAAP as its principal driver, as required under Pillar 2 of the Basel framework.

The ERM framework is designed to support the bank’s management in managing risk portfolios as well as the coverage potential to assure at all times an adequate capital capacity reflecting the nature and magnitude of the bank’s risk portfolio. ERM is tailored to the group’s business and risk profile, reflects the strategic goal of protecting share- and senior debt holders and ensuring sustainability of the organisation

ERM is a modular and comprehensive steering and management system within Erste Group and is integral to the bank’s / group’s overall steering and management system. The components necessary to ensure all aspects of ERM, regulatory requirements but particularly internal value adding needs, can be summarised as follows:

- _ **Risk Strategy and Risk Appetite**
- _ **Portfolio & Risk Analytics e.g.**
 - _ **Risk Materiality Assessment**
 - _ **Risk Modelling & Stress Testing**
 - _ **Concentration Risk Management**
 - _ **Risk-bearing Capacity Calculation**
 - _ **Emergency Response Plan**
- _ **Risk Planning & Forecasting e.g.**
 - _ **RWA Management**
 - _ **Capital Allocation**

Risk Strategy and Risk Appetite

A major focus of the risk strategy of Erste Group is to prevent excessive risks which could compromise the achievement of strategic goals.

Equally important is the Group Risk Limit Frame derived from the strategy of the Group and which consists of adequate top-down as well as bottom-up limits.

Portfolio and Risk Analytics

For the purpose of adequate management of the group's risk portfolios according to the strategy, risk are systematically analyzed within the scope of portfolio & risk analytics. Therefore Erste Group has developed adequate infrastructure, systems and processes with which it ensures extensive analysis. Risks are quantified, qualified and discussed in a consistent management process in order to decide on appropriate measures on time.

Risk Materiality Assessment

Its purpose is the systematic and continuous assessment of all relevant risk types and the identification of risks which are significant for the group. Erste Group has defined a clear and structured Risk Materiality Assessment approach which is based on defined quantitative and qualitative factors for each risk type.

This process constitutes the basis for the determination of material risk types to be included in the Risk-bearing Capacity Calculation. Insights generated by the assessment are also used to improve risk management practices per se to further mitigate risks within the group but also as an input for the design and definition of the group's Risk Appetite Statement.

Risk Modelling and Stress Testing

Modelling the existing risks and the detection of potential negative movements at an early stage as well as conducting Stress Tests is a major part of the ERM framework.

Erste Group performs besides the standardised Stress Tests also comprehensive, scenario-based Stress Tests. Due to a clearly defined governance and management process, scenarios and relevant stress parameters are shaped in that way that a maximum degree on information is derived for group steering.

The parameters applied for simulations are derived from the analysis of previous as well as current macroeconomic developments, forecast of the further development and potential stress events. Stress parameters are defined in especially for that purpose developed models and processes.

For stress testing Erste Group developed specific tools to support the process, which represents a combined bottom-up / top-down approach. In addition, Erste Group leverages the intimate knowledge of its professionals located in the different regions to further calibrate the model based stress parameters. Special attention is paid to consider adequate granularity and special characteristics

when defining the stress parameters e.g. to the particular developments in the respective region, industry, product type or segment. The adequacy of scenarios and stress parameters is reviewed on a quarterly basis.

Erste Group's most complex stress tests take comprehensive account of the impact of stress scenarios, including second round effects on all risk types (credit, market, operational and liquidity risks) and in addition impacts on the associated profit and loss sensitivities.

The findings from all Erste Group's stress tests are rigorously reviewed in order to decide on the most appropriate courses of action to take. Stress Test results are systematically reviewed in the contexts of the Risk-bearing Capacity and Maximum Risk Exposure Limit calculations for the group.

All stress tests performed in the reporting period clearly showed sufficient capital adequacy.

Erste Group additionally participated in a variety of stress test exercises, both at national (OeNB) and international (CEBS) level. The results of these stress tests showed as well that Erste Group's regulatory capital was adequate.

Concentration Risk Management

Erste Group has implemented an appropriate framework to identify, measure, control, report and manage concentration risks as this is essential to ensure the long-term viability of any financial institution, especially in case of stressed economic conditions.

Concentration risk management at Erste Group is based upon a comprehensive framework of processes, methodologies and reports covering both intra- and inter-concentrations. Erste Group regularly performs, qualifies and reports concentration analyses. Concentration risks are also integral part of stress tests analyses.

These analyses have not evidenced any material concentration risk in the group. This is the result of an efficient limit management as well as a consequence of the business strategy of Erste Group.

The group has a sovereign exposure of EUR 703 million to Greece which equals 2% of the group's total sovereign exposure or approx. 0.3% of the group's total credit risk exposure and hence does not form a concentration risk. The duration profile of this portfolio will lead to a substantial decrease (nearly 50%) until end of 2013 and is protected by the European measures put in place to prevent sovereign defaults. The group monitors public debt restructuring discussions and potential haircuts as well as includes the exposure in stress tests. Additionally, hedging opportunities are being observed and applied if deemed appropriate.

Risk-bearing Capacity Calculation

Within the Risk-bearing Capacity Calculation, Erste Group’s material risks are compared to the capital/coverage potential according to internal ICAAP standards. The quarterly capital adequacy calculation undertaken by Erste Group serves not only as a tool to assess the actual capital adequacy of the group but also to provide a forward-looking picture, make recommendations and start taking actions as may be necessary for a sustainable sound capitalisation.

The Management Board and the risk management committees are briefed regularly and at least on a quarterly basis in relation to the results of the capital adequacy calculation. The report includes movements in risks and available capital / coverage potential after consideration of potential losses in stress situations, the degree of utilisation of the risk limit and overall status of ICAAP according to the traffic light system. The ICAAP report also includes a comprehensive forecast of risk-weighted assets and capital adequacy.

Based on the business and risk profile of Erste Group, currently the three main types of banking risks, credit risk, market risk and operational risk, are considered in the Risk-bearing Capital Calculation. Credit risk accounts for approximate 80% of the total economic capital requirement. Reflecting what management believes is the conservative risk management policy and strategy of Erste Group, Erste Group does not offset diversification effects between these three risk types. The economic capital requirement for unexpected losses is computed on a one-year time horizon with 99.95% confidence level, which reflects the implied default risk consistent with a long-term credit rating of AA (double A).

Other risk types, in particular liquidity, concentration and business risks, are managed by means of a proactive management framework that includes forward-looking elements, stress testing, trigger levels and traffic light systems..

The capital or coverage potential required to cover economic risks and unexpected losses is sub-divided based on the characteristic of their components, such as the legal qualification of the source of capital and the tenor of subordinated debt. The coverage potential must be sufficient to absorb unexpected losses resulting from the group’s operations.

In addition to the credit limits set by the existing limit frame of the group, Erste Group has defined a Maximum Risk Exposure Limit (“MREL”) which, along with the signal system, serves to ensure that there is sufficient time (at least one year) for the management to plan and execute actions to ensure capital adequacy and sustainability going forward.

Emergency Response Plan

In case of unforeseeable events, such as a crisis, an Emergency Response Plan (“ERP”) has been defined by Erste Group. The ERP includes a predefined set of tools as well as processes, re-

sources, roles and responsibilities, with the goal of responding immediately and effectively to any such crisis. Measures take into account not only capital, but also the liquidity position and strategy of Erste Group.

Risk Planning and Forecasting

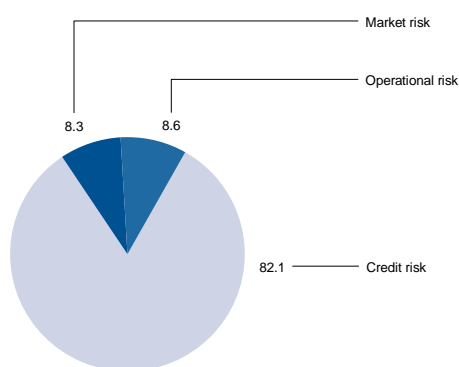
It lies within responsibility of Strategic Risk Management of the group and each subsidiary to ensure a sound risk planning and forecasting process. The relevant risk planning numbers flow directly into the group planning and steering process.

All insights from the ERM / ICAAP are taken into account in the process of allocating capital to entities and segments under risk / return considerations.

Erste Group’s Aggregate Capital Requirement by Risk Type

The following diagram presents the composition of the economic capital requirement as of 31 December 2010 according to the type of risk:

Economic Capital Allocation in %, 2010



37.5. Credit risk

Definition and overview

Credit risk arises in Erste Group’s traditional lending and investment business, comprising losses incurred as a result of default by the borrowers or by the need to set aside provisions as a result of the deteriorating credit quality of certain borrowers, as well as from trading in market risk instruments (counterparty risk). Country risks are also recognised implicitly in the calculation of credit risk. Operative credit decisions are made by the decentralised credit risk management units, namely, the Group Corporate Risk Management at group level and the credit risk management units at each of the banking subsidiaries. See ‘Risk Management Organisation—Overview of Risk Management Structure’ for a detailed explanation of the role and responsibilities of Group Corporate Risk Management.

The central database used for credit risk management is the group data pool. All data relevant to credit risk management, performance management and determination of risk-weighted assets and the regulatory capital requirement are regularly input into this database. Relevant subsidiaries not yet integrated into the GDP deliver regularly reporting packages.

The Group Enterprise-wide Risk Management and Reporting department uses the group data pool for centralised credit risk reporting. This ensures centralised analysis and application of ratios according to unified methods and segmentation across Erste Group. The credit risk reporting comprises of regular reports on Erste Group's credit portfolio for external and internal audiences and permits continuous monitoring of credit risk developments, enabling management to take control measures. In-house recipients of these reports include, above all, the Supervisory Board and Management Board of Erste Group Bank, as well as the risk managers, business unit directors and internal audit staff.

The organisational unit 'Credit Limit System' is in charge of the rollout and continual technical improvement of a group-wide online limit system for capping counterparty risk arising from treasury transactions, as well as for surveillance of credit risk from exposure to clients that fall into the asset segments 'financial institutions', 'sovereigns' and 'international large corporates' that work with several different members of Erste Group.

Internal rating system

Overview

Erste Group has business and risk strategies in place for lending policies and credit approval processes, which are reviewed and adjusted at least on a yearly basis. They cover the entire lending business, taking into account the nature, scope and risk level of the transactions and the counterparties involved. Credit approval is also based on the creditworthiness of the customer, the type of credit, collateral, covenant package and other risk mitigation factors involved.

The assessment of counterparty default risk within Erste Group is based on probability of default ('PD'). For each credit exposure and lending decision, Erste Group assigns an internal rating, which is a unique measure of counterparty default risk within each entity of the Erste Group (an 'Internal Rating'). Internal rating of each customer is updated at least on annual basis (Annual Rating Review). Rating of a customer in weaker rating classes is reviewed with higher frequency than the usual Annual Rating Review.

The main purpose of the Internal Ratings is to affect the decision-making for lending and the terms of the credit facility to be extended; however, Internal Ratings also determine the level of decision-making authority within Erste Group and the monitoring procedures for existing exposures. At a quantitative level, Internal Ratings drive the level of required risk pricing and risk provisions.

For IRB compliant entities of Erste Group, Internal Ratings are a key element of risk weighted assets' calculation and Internal Capital Adequacy Assessment Process ('ICAAP').

Internal Ratings take into account all available essential information for assessment of counterparty default risk. For non-retail borrowers, Internal Ratings take into account financial strength of the counterparty, possibility for external support, company information, and external credit history information, where available. For the wholesale segment, Internal Ratings also take into account market information such as access to capital markets linked to external ratings or credit spreads external rating or credit spreads. For retail clients, Internal Ratings are based mainly on behavioural and application scoring, but also utilise demographic and financial information, supplemented by credit bureau information, where available. Rating ceiling rules on credit quality are applied based on country domicile and membership in a group of economically related entities.

Internal Rating models and risk parameters are developed by internal teams of specialists. Rating development follows internal methodology formalised into a group wide methodology and documentation standard (White Paper). Rating models are developed based on relevant and most accurate data covering always the respective market. In such a way Erste Group established highly predictive rating models covering also the CEE region.

All scorecards, whether retail or non-retail, are regularly validated based on group-wide standard methodology. Validations are provided using statistical techniques in respect to default prediction performance, rating stability, data quality, completeness and relevancy and last but not least the review of documentation and user acceptance. The results of this validation process are reported to the management and regulatory bodies. In addition to the validation process, the Group applies monthly monitoring process on the performance of rating tools, reflecting the month-to-month new defaults and any early delinquencies.

A Holding Model Committee is established as an elementary steering and control body of the model development and maintenance process. The Holding Model Committee reports to the CRO Board. All new models (rating models and risk parameters) and methodology standards in the group are reviewed by the Holding Model Committee. Holding Model Committee ensures group-wide integrity and consistency of models and methodologies. Beside of review function of new models and methodologies, Holding Model Committee organises the group wide validation process, reviews validation results and approves remedy actions. All development and validation activities are coordinated by the organisational unit 'Group Rating Methods'.

Risk Grades and Categories

The classification of credit assets into risk grades is based on Erste Group's Internal Ratings. Erste Group uses two internal risk-scales for risk classification: for customers that have not defaulted, a risk scale of eight risk grades (for retail) and 13 risk

grades (for all other segments) is used. Defaulted customers are classified in one risk grade. For newly acquired subsidiaries of Erste Group, the respective local risk classification is mapped to group standard classifications until internal rating systems are introduced.

For the purpose of external reporting, Erste Group developed a framework to map the risk grades into four different risk categories, as follows:

Low risk: Typically regional customers with a well-established and rather long standing relationship with Erste Group or large internationally recognised customers. Strong and good financial health and no foreseeable financial difficulties. Retail clients with long relationship with the bank, or clients with a wide product pool use. No late payments currently or in the most recent twelve months. New business is generally with clients in this risk category.

Management attention: Vulnerable non-retail clients, which may have overdue payments/defaults in their credit history or which may encounter debt repayment difficulties in the medium-term. Retail clients with limited savings or probable past payment problems triggering early collection reminder. These clients typically have a good recent history and no current delinquency.

Substandard: The borrower is vulnerable to negative financial and economic developments; such loans are managed in specialised risk management departments.

Non-performing: One or more of the default criteria under Basel II are met: full repayment unlikely, interest or principal payments on a material exposure more than 90 days past due, restructuring resulting in a loss to the lender, realisation of a loan loss, or initiation of bankruptcy proceedings. For purposes of analysing non-performing loans, in Austria Erste Group applies the 'customer view'. Accordingly, if an Austrian customer defaults on one product then all of that customer's performing products are classified as non-performing. For corporate borrowers in CEE, the customer view is also applied. However, in the retail and SME segment in CEE, Erste Group uses the 'product view', so that only the product actually in default is counted as a NPL whereas the other products of the same customer are considered performing.

Erste Group assigns to each rating grade a distinct PD value within the calibration process. Calibration is performed individually for each rating method. PD values reflect the twelve month expectation of long term average default rates. Additionally to the PD values the bank assigns margin of conservatism dependent on the granularity of portfolios and relevant data history. Calibration of PD values are validated on yearly basis in line with all the rating methods validations. Any change in the calibration of the PD values must be approved in the Holding Model Committee together with all the model changes.

Credit Risk Review and Monitoring

Credit Monitoring

In order to manage the credit risk for large corporates, banks, sovereigns and country risk, credit limits are established to reflect the maximum exposure Erste Group is willing to take on that particular customer or the group of connected customers. All credit limits and the exposures booked within the limits are reviewed at least once a year. For small corporates and retail customers, monitoring and credit review is based on a rating model, which is updated monthly. For weaker small corporates (with a risk category of 'Management attention' or 'Substandard'), a continuous review process is undertaken.

Portfolio reports for asset classes and business lines are prepared on a regular basis. Watch-list meetings or remedial committee-meetings are held on a regular basis to discuss customers with weak ratings or to discuss pre-emptive measures to help a particular client avoid default. For retail business, local operational risk management is responsible to undertake these monitoring activities and fulfil the minimum requirements of Group Retail Risk Management.

Credit Exposure

Credit exposure relates to the following balance sheet items:

- _ **loans and advances to credit institutions**
- _ **loans and advances to customers;**
- _ **debt securities held in trading, at fair value through profit or loss, available for sale and held-to-maturity**
- _ **derivatives and**
- _ **credit risks held off-balance sheet (including undrawn credit commitments).**

The credit exposure comprises the gross amount without taking into account any collateral held, other credit enhancements or credit risk mitigating transactions. The total credit exposure of Erste Group increased by 1.5% or EUR 3.2 billion from EUR 220.3 billion at 31 December 2009 to EUR 223.5 billion at 31 December 2010.

Erste Group's total credit exposure is presented below divided into the following classes:

- _ **by industry and balance sheet positions**
- _ **by risk category,**
- _ **by industry and risk category,**
- _ **by region and risk category, and**
- _ **by business segment and risk category.**

Following this detailed breakdown of credit risk exposure, Erste Group presents a detailed breakdown

- _ **of its non-performing assets and risk provisions, and**
- _ **of its loans and advances to customers by business segment.**

Credit Risk Exposure by Industry and balance sheet positions

The following tables present Erste Group's credit risk exposure by industry, broken down by balance sheet positions, as of each period indicated.

Credit exposure by industry 2010

in EUR million	Loans and advances to credit institutions	Loans and advances to customers	Debt instruments				Positive fair value of derivative financial instruments	Off balance	Credit risk exposure
			Held to maturity	Trading assets	At fair value through profit or loss	Available for sale			
at amortised cost									
Agriculture and forestry	0	1,946	0	0	0	0	0	281	2,227
Mining	0	494	0	4	0	4	0	97	599
Manufacturing	0	10,619	32	70	1	113	89	4,034	14,958
Energy and water supply	0	2,330	50	13	0	82	16	872	3,363
Construction	0	6,252	224	3	0	88	4	3,002	9,572
Trade	0	9,299	15	9	0	48	58	2,752	12,182
Transport and communication	0	3,900	171	66	0	290	34	639	5,100
Hotels and restaurants	0	4,250	11	0	0	2	18	490	4,770
Financial and insurance services	12,492	7,214	3,936	1,366	827	7,699	7,780	6,435	47,749
Real estate and housing	0	20,035	95	8	3	207	137	2,340	22,826
Services	0	5,162	41	43	2	265	34	1,150	6,696
Public administration	0	6,872	9,623	3,370	1,180	5,548	183	5,251	32,027
Education, health and art	0	2,387	0	0	0	15	2	452	2,856
Private households	0	51,755	0	0	0	0	2	5,461	57,219
Other	5	215	37	4	15	375	116	616	1,384
Total	12,496	132,729	14,235	4,956	2,028	14,736	8,474	33,873	223,529

Credit exposure by industry 2009

in EUR million	Loans and advances to credit institutions	Loans and advances to customers	Debt instruments				Positive fair value of derivative financial instruments	Off balance	Credit risk exposure
			Held to maturity	Trading assets	At fair value through profit or loss	Available for sale			
at amortised cost									
Agriculture and forestry	0	1,932	0	0	0	0	0	244	2,176
Mining	0	558	21	1	0	22	0	145	747
Manufacturing	0	10,944	21	7	1	55	81	3,943	15,052
Energy and water supply	0	2,470	84	34	2	156	11	907	3,664
Construction	0	6,111	418	14	3	160	12	2,983	9,701
Trade	0	9,303	0	0	0	0	0	2,606	11,910
Transport and communication	0	4,137	220	31	11	258	31	889	5,578
Hotels and restaurants	0	4,265	14	0	0	2	20	532	4,833
Financial and insurance services	13,063	7,408	6,510	2,575	1,294	7,172	3,533	10,872	52,428
Real estate and housing	0	19,392	97	6	1	80	90	2,356	22,022
Services	0	5,219	130	53	1	1,002	134	1,235	7,773
Public administration	0	5,900	7,190	2,768	1,184	3,828	105	5,133	26,108
Education, health and art	0	2,292	0	0	0	5	2	386	2,686
Private households	0	48,739	0	24	0	0	0	4,898	53,662
Other	77	463	195	83	27	259	153	696	1,951
Total	13,140	129,134	14,899	5,597	2,524	13,000	4,171	37,826	220,291

Credit Exposure by Risk Category

The following table presents the total credit risk exposure of Erste Group by risk category as of 31 December 2010, compared with total credit exposure as of 31 December 2009.

Credit exposure by risk category

in EUR million	Low risk	Management attention	Sub-standard	Non-performing	Credit risk exposure
Total exposure at 31 Dec 2010	178,928	26,772	7,343	10,486	223,529
Share of credit risk exposure	80.0%	12.0%	3.3%	4.7%	100.0%
Total exposure at 31 Dec 2009	176,622	26,876	7,832	8,961	220,291
Share of credit risk exposure	80.2%	12.2%	3.6%	4.1%	100.0%
Change in credit risk exposure in 2010	2,306	(104)	(489)	1,524	3,238
Change	1.3%	(0.4)%	(6.2)%	17.0%	1.6%

From 31 December 2009 to 31 December 2010, the percentage of credit risk exposure in the low risk and non-performing categories increased, while exposure decreased in the other two categories. Non-performing loans as a share of total exposure (*i.e.*, 'NPL ratio') showed an increase from 4.1% to 4.7%. Of Erste Group's

total credit exposure, 80.0% constituted the best risk category and 12.0% was in the management attention category; the combined proportion of the two poorer risk categories rose slightly from 7.7% to 8.0% from 31 December 2009 to 31 December 2010

Credit Exposure by Industry and Risk Category

The following tables present the total credit risk exposure of Erste Group broken down by industry and risk category as of 31 December 2010 and 31 December 2009, respectively.

Credit exposure by industry and risk category in 2010

2010 in EUR million	Low risk	Management attention	Sub-standard	Non-performing	Credit risk exposure
Agriculture and forestry	1,169	697	148	213	2,227
Mining	410	96	8	85	599
Manufacturing	8,529	4,003	1,124	1,302	14,958
Energy and water supply	2,733	424	78	128	3,363
Construction	5,938	1,984	792	858	9,572
Trade	7,708	2,823	465	1,185	12,182
Transport and communication	3,254	1,137	276	434	5,100
Hotels and restaurants	2,240	1,540	315	676	4,770
Financial and insurance services	45,498	1,631	199	421	47,749
Real estate and housing	16,651	4,199	969	1,007	22,826
Services	4,555	1,320	213	608	6,696
Public administration	31,366	591	64	6	32,027
Education, health and art	2,213	443	61	139	2,856
Private households	46,227	5,681	1,910	3,401	57,219
Other	438	203	721	22	1,384
Total	178,928	26,772	7,343	10,486	223,529

Credit exposure by industry and risk category in 2009

2009 in EUR million	Low risk	Management attention	Sub- standard	Non-per- forming	Credit risk exposure
Agriculture and forestry	1,209	664	147	156	2,176
Mining	537	97	11	102	747
Manufacturing	8,734	4,006	1,184	1,128	15,052
Energy and water supply	2,810	651	83	119	3,664
Construction	6,371	2,117	617	595	9,701
Trade	7,399	2,870	644	997	11,910
Transport and communication	3,686	1,192	325	375	5,578
Hotels and restaurants	2,249	1,699	286	599	4,833
Financial and insurance services	50,350	1,294	327	457	52,428
Real estate and housing	15,961	4,308	950	803	22,022
Services	5,751	1,277	234	511	7,773
Public administration	25,555	522	28	4	26,108
Education, health and art	2,026	492	62	106	2,686
Private households	43,181	5,605	1,901	2,974	53,662
Other	800	81	1,034	36	1,951
Total	176,622	26,876	7,832	8,961	220,291

Credit Exposure by Region and Risk Category

The geographic analysis of credit exposure is based on the risk country of the borrower. Accordingly, the distribution among

Erste Group entities of the credit exposure by geography differs from the composition of credit risk in terms of reporting segments of Erste Group.

The following table presents the total credit risk exposure of Erste Group broken down by region as at 31 December 2010 and 31 December 2009, respectively.

Credit exposure by region and risk category in 2010

2010 in EUR million	Low risk	Management attention	Sub-standard	Non-performing	Credit risk exposure
Core market	140,857	24,186	6,891	9,718	181,652
Austria	74,954	9,728	1,804	3,565	90,052
Croatia	6,168	2,171	255	760	9,354
Romania	9,750	3,672	2,426	2,270	18,117
Serbia	434	360	10	61	865
Slovakia	10,001	868	362	505	11,736
Slovenia	1,599	328	125	207	2,258
Czech Republic	28,974	4,657	1,070	1,147	35,848
Ukraine	354	453	128	204	1,139
Hungary	8,623	1,950	711	999	12,283
Other EU	27,361	1,804	317	424	29,906
Other industrialised countries	5,384	352	43	201	5,981
Emerging markets	5,326	429	92	142	5,989
Southeastern Europe/CIS	1,314	273	28	123	1,738
Asia	1,900	22	56	4	1,983
Latin America	725	43	3	11	782
Middle East/Africa	1,386	91	5	4	1,486
Total	178,928	26,772	7,343	10,486	223,529

Credit exposure by region and risk category in 2009

2009 in EUR million	Low risk	Management attention	Sub-standard	Non-performing	Credit risk exposure
Core market	138,774	24,176	7,330	8,097	178,378
Austria	72,963	10,402	2,510	3,734	89,609
Croatia	6,868	2,047	299	361	9,575
Romania	9,634	3,625	2,195	1,617	17,072
Serbia	406	433	7	63	909
Slovakia	9,903	1,161	314	462	11,839
Slovenia	1,814	208	119	166	2,306
Czech Republic	26,584	4,301	1,132	930	32,946
Ukraine	197	550	206	116	1,069
Hungary	10,407	1,449	549	648	13,052
Other EU	27,170	1,673	237	468	29,548
Other industrialised countries	5,597	378	131	238	6,344
Emerging markets	5,080	649	133	158	6,021
Southeastern Europe/CIS	1,031	368	79	137	1,614
Asia	1,774	45	40	7	1,865
Latin America	747	46	9	11	814
Middle East/Africa	1,529	191	5	4	1,728
Total	176,622	26,876	7,832	8,961	220,291

The increase in credit risk exposure by EUR 3.2 billion from 31 December 2009 to 31 December 2010 reflected an increase of EUR 2.8 billion, or 3.1% in the CEE core markets and in Austria

an increase of EUR 443 million, or 0.5%, coupled with an increase of EUR 358 million, or 1.2% in the other EU member states (EU 27 excluding core markets), a decrease in other indus-

trialised countries of EUR 364 million, or 5.7%, and a decrease of EUR 32 million, or 0.5%, in the emerging markets. The exposure increase in CEE mainly resulted from increases in the Czech Republic.

The countries of Erste Group's core market and the EU accounted for 96.7% of credit exposure. At 1.4%, credit exposure in emerging markets remained of minor significance for the Group total.

Credit Risk Exposure by Business Segment and Risk Category

This Section describes the composition of credit exposure based on reporting segments. Exposure is classified into segments based on the domicile of the Group entities that carry the credit risk on their books.

The following tables present the total credit risk exposure of Erste Group broken down by reporting segment as at 31 December 2010 and 31 December 2009, respectively.

Credit Exposure by business Segment and Risk Category in 2010

2010 in EUR million	Low risk	Management attention	Sub-standard	Non-performing	Credit risk exposure
Retail & SME	123,209	20,962	5,703	9,191	159,065
Austria	73,268	10,621	1,746	3,957	89,591
EB Österreich	32,645	3,242	443	1,217	37,547
Savings Banks	40,624	7,379	1,303	2,739	52,044
CEE	49,941	10,341	3,958	5,234	69,474
Czech Republic	22,457	3,387	695	1,064	27,603
Romania	8,337	2,875	2,024	2,030	15,266
Slovakia	8,042	580	293	462	9,377
Hungary	5,049	1,548	615	937	8,149
Croatia	5,360	1,622	244	560	7,786
Serbia	358	156	9	44	568
Ukraine	337	174	76	138	725
Group Corporate & Investment Banking	29,998	5,319	1,190	1,244	37,751
Group Markets	19,302	238	25	6	19,570
Corporate Center	6,419	254	424	45	7,142
Total	178,928	26,772	7,343	10,486	223,529

Credit Exposure by business Segment and Risk Category in 2009

2009 in EUR million	Low risk	Management attention	Sub-standard	Non-performing	Credit risk exposure
Retail & SME	118,844	21,092	5,505	7,843	153,283
Austria	67,151	11,382	1,758	4,127	84,419
EB Österreich	29,900	3,491	514	1,316	35,221
Savings Banks	37,252	7,891	1,244	2,811	49,198
CEE	51,693	9,709	3,747	3,716	68,865
Czech Republic	22,204	3,221	693	812	26,929
Romania	8,290	2,659	1,901	1,492	14,342
Slovakia	8,472	882	267	427	10,048
Hungary	7,101	1,091	454	556	9,202
Croatia	5,079	1,336	255	297	6,967
Serbia	361	339	6	42	747
Ukraine	187	183	171	90	630
Group Corporate & Investment Banking	34,332	5,441	1,349	1,042	42,165
Group Markets	18,161	99	161	10	18,430
Corporate Center	5,285	244	817	66	6,413
Total	176,622	26,876	7,832	8,961	220,291

Non-performing assets and risk provisions

For the definition of non-performing (assets) please refer to the description of risk grades and categories.

Erste Group provisions for credit risk, with risk provisions divided into specific risk provisions, portfolio risk provisions and provisions for guarantees. Erste Group has established a common framework which defines minimum standards and principles for risk provisioning principles related to risk infrastructure, processes and quantification of risk provisioning. It also puts risk

provisioning into overall economic perspective in terms of financial planning and ratios relevant for the group's performance management. The policy describes also underlying methodological standards for specific risk provisions and portfolio risk provisions, respectively. Through a standardised process, risk provisions are created for the portion of exposure that is not covered by collateral or expected recoveries. This particularly includes methodologies, processes and guidance regarding necessary policies for operative risk management.

The following table shows the risk provisions divided into specific and portfolio provisions and provisions for guarantees:

in EUR million	2010	2009
Specific provisions	5,315	3,777
Portfolio provisions	804	1,177
Provision for guarantees	186	265
Total	6,305	5,219

Risk provisions covered 60.1% of reported NPL as of 31 December 2010. For the portion of NPL that is not covered by provisions, Erste Group believes there are sufficient levels of collateral and expected other recoveries.

In the twelve months ended 31 December 2010, NPL increased by EUR 1.5 billion, or 17.0%, from EUR 9 billion at 31 December 2009 to EUR 10.5 billion at 31 December 2010. Erste Group has experienced a declining growth rate of NPL formation during the second half of 2010. Risk provisions were increased by EUR 1.1 billion, or 20.8%, from EUR 5.2 billion at 31 December 2009 to EUR 6.3 billion at 31 December 2010. These movements resulted in a net increase of 1.8 percentage points in NPL provision coverage.

The following tables show the coverage of non-performing loans across the reporting segments by provisions (excluding collateral) as of 31 December 2010 and 31 December 2009, respectively. The differences in provisioning levels for the segments result from the risk situation in the respective markets, different levels of collateralisation as well as the local legal environment and regulatory requirements.

The NPL ratio is calculated by dividing non-performing exposure by total exposure. NPL coverage is calculated by dividing risk provisions by non-performing exposures. NPL coverage is calculated exclusive of any collateral and other recoveries.

Coverage of NPL by provisions

	Credit risk exposure				
2010					
in EUR million	Non-performing	Credit risk exposure	Risk provisions	NPL Ratio	NPL coverage
Retail & SME	9,191	159,065	5,569	5.8%	60.6%
Austria	3,957	89,591	2,350	4.4%	59.4%
Erste Bank Oesterreich	1,217	37,547	745	3.2%	61.2%
Savings Banks	2,739	52,044	1,605	5.3%	58.6%
Central and Eastern Europe	5,234	69,474	3,219	7.5%	61.5%
Czech Republic	1,064	27,603	731	3.9%	68.7%
Romania	2,030	15,266	1,102	13.3%	54.3%
Slovakia	462	9,377	383	4.9%	82.8%
Hungary	937	8,149	471	11.5%	50.2%
Croatia	560	7,786	340	7.2%	60.7%
Serbia	44	568	45	7.8%	102.4%
Ukraine	138	725	148	19.0%	107.6%
Group Corporate and Investment Banking	1,244	37,751	703	3.3%	56.5%
Group Markets	6	19,570	1	0.0%	10.5%
Corporate Center	45	7,142	33	0.6%	72.1%
Total	10,486	223,529	6,305	4.7%	60.1%

Coverage of NPL by provisions

2009 in EUR million	Credit risk exposure				
	Non-performing	Credit risk exposure	Risk provisions	NPL Ratio	NPL coverage
Retail & SME	7,843	153,283	4,558	5.1%	58.1%
Austria	4,127	84,419	2,256	4.9%	54.7%
Erste Bank Oesterreich	1,316	35,221	734	3.7%	55.8%
Savings Banks	2,811	49,198	1,522	5.7%	54.1%
Central and Eastern Europe	3,716	68,865	2,303	5.4%	62.0%
Czech Republic	812	26,929	510	3.0%	62.8%
Romania	1,492	14,342	857	10.4%	57.4%
Slovakia	427	10,048	316	4.3%	73.9%
Hungary	556	9,202	260	6.0%	46.7%
Croatia	297	6,967	236	4.3%	79.3%
Serbia	42	747	44	5.6%	104.9%
Ukraine	90	630	81	14.2%	90.9%
Group Corporate and Investment Banking	1,042	42,165	687	2.5%	65.9%
Group Markets	10	18,430	2	0.1%	19.0%
Corporate Center	66	6,413	(27)¹⁾	1.0%	(40.8)%
Total	8,961	220,291	5,220	4.1%	58.3%

1) Negative amount due to consolidation effect

Erste Group focuses on early identification of customers who are facing difficulties with payments or other loan-related obligations with the aim of restructuring their loans if the mid- to long-term outlook is positive. Erste Group believes that this can help to build customer loyalty for long-term relationships and cooperation. In principle, Erste Group follows a policy of restructuring by

lengthening maturity and/or by deferring capital repayment but insisting on payment of interest.

Collateral obtained in foreclosure procedures are made available for sale in an orderly fashion, with the proceeds used to reduce or repay the outstanding claim. Generally, Erste Group does not occupy repossessed properties for its own business use.

Credit exposure and collateral

2010 in EUR million	Credit risk exposure	Basel II collaterals total	Collaterals and other credit risk mitigation		
			Guarantees	Real estate	Other
Central governments and central banks	30,990	3,841	99	0	3,742
Regional governments and local authorities	6,577	1,320	115	91	1,115
Administrative bodies and non-commercial undertakings	1,811	812	808	1	4
Multilateral development banks	159	0	0	0	0
International organisations	5	0	0	0	0
Institutions	26,239	1,659	1,227	99	332
Corporates	81,367	25,342	3,076	18,797	3,469
Retail & SME	72,007	39,253	455	34,034	4,764
Securitisation positions	2,741	0	0	0	0
Covered Bonds	1,633	1	1	0	0
Total	223,529	72,227	5,781	53,022	13,424

Credit exposure and collateral

2009 in EUR million	Credit risk exposure	Basel II collaterals total	Collaterals and other credit risk mitigation		
			Guaran- tees	Real estate	Other
Central governments and central banks	26,682	87	84	0	4
Regional governments and local authorities	6,002	1,194	61	81	1,052
Administrative bodies and non-commercial undertakings	1,567	365	356	2	7
Multilateral development banks	130	0	0	0	0
International organisations	5	0	0	0	0
Institutions	31,111	1,193	278	85	830
Corporates	81,785	24,923	2,667	18,644	3,613
Retail & SME	68,448	36,191	210	31,925	4,056
Securitisation positions	3,218	0	0	0	0
Covered Bonds	1,343	0	0	0	0
Total	220,291	63,955	3,657	50,736	9,562

The major types of collateral are mortgages on residential and commercial real estate, as well as guarantees. Among the other types of collaterals, financial collateral is the most common. The valuation of security takes into account the requirements for risk mitigation under Basel II.

The carrying amount of assets for which during the year 2010 new terms were negotiated because they would otherwise have fallen into arrears or been impaired was EUR 2,650 million.

At 31 December 2010 and 31 December 2009, the balances of assets which were past due but for which specific provisions had not yet been established were as follows:

2010 in EUR million	Credit risk exposure			thereof collateralised		
	Total loans and advances past due	thereof 91-180 days past due	thereof more than 180 days past due	Total loans and advances past due	thereof 91-180 days past due	thereof more than 180 days past due
Regional governments and local authorities	5	1	4	0	0	0
Administrative bodies and non-commercial undertakings	0	0	0	0	0	0
Institutions	0	0	0	0	0	0
Corporates	221	57	164	137	35	101
Retail & SME	199	63	136	148	32	116
Total	425	121	304	285	67	218

2009 in EUR million	Credit risk exposure			thereof collateralised		
	Total loans and advances past due	thereof 91-180 days past due	thereof more than 180 days past due	Total loans and advances past due	thereof 91-180 days past due	thereof more than 180 days past due
Regional governments and local authorities	4	1	3	0	0	0
Administrative bodies and non-commercial undertakings	2	2	0	0	0	0
Institutions	9	6	3	0	0	0
Corporates	290	61	229	138	34	104
Retail & SME	295	104	191	174	47	127
Total	600	173	427	312	81	231

At 31 December 2010 and 31 December 2009, specific provisions existed for the following exposures:

2010			
in EUR million	Total loans under specific provisions	thereof 91-180 days past due	thereof more than 180 days past due
Loans and advances to credit institutions	46	0	46
Loans and advances to customers	8,201	948	5,425
Total	8,248	948	5,471

2009			
in EUR million	Total loans under specific provisions	thereof 91-180 days past due	thereof more than 180 days past due
Loans and advances to credit institutions	63	0	59
Loans and advances to customers	6,024	696	3,508
Total	6,087	696	3,566

All loans and other advances presented in the tables above were classified as non-performing. Provisions are as a rule established for loans and other advances that are more than 90 days past due. However, specific provisions are not established if the loans and other advances are covered by portfolio provisions or by adequate collateral.

Loans and advances to customers by business segment

The following tables present the customer loan book as at 31 December 2010 and 31 December 2009, excluding loans to financial institutions and commitments, by reporting segments, broken down by risk category, risk provisions, the non-performing loan coverage and NPL ratio. For the purpose of this section, 'NPL ratio' and 'NPL coverage' only relate to customer loans.

Loans and advances to customers by business segment

2010								
in EUR million	Low risk	Management attention	Sub-standard	Non-performing	Total loans	Risk provisions	NPL Ratio¹	NPL coverage
Retail & SME	81,200	18,109	5,030	8,985	113,324	5,446	7.9%	60.6%
Austria	50,133	9,444	1,337	3,792	64,706	2,251	5.9%	59.4%
EB Österreich	23,147	2,860	295	1,136	27,438	696	4.1%	61.3%
Savings Banks	26,986	6,584	1,042	2,656	37,268	1,554	7.1%	58.5%
CEE	31,067	8,665	3,693	5,193	48,618	3,195	10.7%	61.5%
Czech Republic	12,978	2,816	652	1,040	17,486	728	6.0%	70.0%
Romania	5,186	2,216	1,826	2,020	11,248	1,099	18.0%	54.4%
Slovakia	4,460	513	284	460	5,716	376	8.0%	81.9%
Hungary	4,749	1,468	611	935	7,763	467	12.0%	50.0%
Croatia	3,294	1,401	235	557	5,487	332	10.2%	59.6%
Serbia	301	78	9	44	431	44	10.2%	99.5%
Ukraine	98	174	76	138	486	148	28.3%	107.6%
Group Corporate & Investment Banking	12,249	4,416	1,047	1,032	18,745	556	5.5%	53.8%
Group Markets	258	72	0	0	331	0	0.0%	1762.4%
Corporate Center	154	129	15	32	330	33	9.7%	101.5%
Total	93,861	22,727	6,093	10,049	132,729	6,034	7.6%	60.0%

1) NPL ratio in the loan to customer section is based on non-performing loans of the customer loan book divided by total loans and hence might deviate from the section credit exposure.

Loans and advances to customers by business segment

2009 in EUR million	Low risk	Management attention	Sub-standard	Non-performing	Total loans	Risk provisions	NPL Ratio ¹	NPL coverage
Retail & SME	77,484	18,512	5,018	7,570	108,584	4,417	7.0%	58.3%
Austria	46,429	10,115	1,504	3,943	61,990	2,160	6.4%	54.8%
EB Österreich	21,447	3,083	371	1,237	26,137	688	4.7%	55.6%
Savings Banks	24,982	7,032	1,133	2,706	35,853	1,472	7.5%	54.4%
CEE	31,056	8,397	3,514	3,627	46,594	2,256	7.8%	62.2%
Czech Republic	12,546	2,751	658	766	16,721	507	4.6%	66.2%
Romania	5,761	2,235	1,728	1,466	11,190	832	13.1%	56.8%
Slovakia	4,214	775	258	423	5,670	310	7.5%	73.2%
Hungary	5,316	986	448	552	7,301	255	7.6%	46.2%
Croatia	2,889	1,255	252	289	4,684	228	6.2%	79.0%
Serbia	237	234	6	41	518	42	8.0%	102.1%
Ukraine	92	161	167	89	509	81	17.5%	91.3%
Group Corporate & Investment Banking	12,977	4,284	1,280	918	19,458	394	4.7%	42.9%
Group Markets	224	4	32	0	260	0	0.0%	> 1,000.0%
Corporate Center	632	143	6	50	831	70	6.0%	139.3%
Total	91,317	22,944	6,335	8,537	129,134	4,880	6.6%	57.2%

1) NPL ratio in the loan to customer section is based on non-performing loans of the customer loan book divided by total loans and hence might deviate from the section credit exposure.

ABS and CDO portfolio

At 31 December 2010, Erste Group had a conservative portfolio of securitised assets and their derivatives. In compliance with internal risk standards before investing in such products Erste Group undertakes a fundamental analysis of the market environment, the economic conditions, the profitability and the related risk characteristics. In 2010 Erste Group did not make any investments in securitisations, all repayments were made as scheduled.

As at 31 December 2010, the carrying amount of Erste Group's total securitised asset portfolio was EUR 2.9 billion and so by EUR 0.3 billion lower than as of 31 December 2009. Changes in the carrying amount were caused by repayments, currency effects, changes in prices and disposals of assets. Although the proportion of the portfolio which was rated investment-grade decreased from 90% as of year-end 2009 to 84.6% as at 31 December 2010, the overall quality of the portfolio of securitised assets is still within satisfactory limits. Only 3.9% of the assets are rated CCC or below.

At 31 December 2010 and 31 December 2009 the composition of the total portfolio of securitised assets according to products and balance sheet line items is as follows:

2010	Loans and advances to CI and NCI		Financial assets					Total	
			Held to maturity		At fair value through profit or loss	Available for sale	Trading assets		
in EUR million	Carrying amount	Fair value	Carrying amount	Fair value	Fair Value ¹⁾	Fair Value ¹⁾	Fair Value ¹⁾	Carrying amount	Fair value
Prime RMBS	45.5	44.5	329.7	256.8	5.6	199.0	23.7	603.5	529.7
European CMBS			106.0	67.5	10.3	103.4	2.0	221.7	183.2
SME ABS			36.5	22.1	0.7	33.7		70.9	56.5
Leasing ABS			31.3	27.0	0.4	5.8		37.5	33.2
Other ABS			78.6	72.6	16.9	73.7	11.0	180.2	174.2
CLOs					106.5	752.8	5.3	864.6	864.6
Other CDOs			12.0	11.7	0.1	11.8		23.9	23.6
Total ABS / CDO	45.5	44.5	594.1	457.8	140.5	1,180.2	42.0	2,002.3	1,865.0
CMOs						643.0		643.0	643.0
SL					1.1	267.5		268.6	268.6
Total securitizations	45.5	44.5	594.1	457.8	141.6	2,090.7	42.0	2,913.9	2,776.6

1) Carrying amount is equal to Fair Value

2009	Loans and advances to CI and NCI		Financial assets					Total	
			Held to maturity		At fair value through profit or loss	Available for sale	Trading assets		
in EUR million	Carrying amount	Fair value	Carrying amount	Fair value	Fair Value ¹⁾	Fair Value ¹⁾	Fair Value ¹⁾	Carrying amount	Fair value
Prime RMBS	53.5	44.3	390.1	266.7	2.6	191.7	12.6	650.5	517.9
European CMBS			117.3	49.2	4.5	60.7		182.5	114.4
SME ABS			41.0	23.3		21.4		62.4	44.7
Leasing ABS			55.2	41.9		4.3		59.5	46.2
Other ABS			121.2	109.8	24.4	57.9	3.3	206.8	195.4
CLOs					169.7	702.1	6.6	878.4	878.4
Other CDOs			11.1	9.1	8.3	20.6	23.9	63.9	61.9
Total ABS / CDO	53.5	44.3	735.9	500.0	209.5	1,058.7	46.4	2,104.0	1,858.9
CMOs						830.8		830.8	830.8
SL						270.2		270.2	270.2
Total securitizations	53.5	44.3	735.9	500.0	209.5	2,159.7	46.4	3,205.0	2,959.9

European and US collateralised loan obligations (CLOs)

CLOs are securitisations which are secured by a pool of corporate loans. The major part of CLOs held by Erste Group is still rated investment grade although rating-agencies significantly downgraded this kind of products. Moreover, according to Moody's the global speculative-grade default rate for these assets decreased steadily in 2010 and stood at 6.1% in June 2010 after reaching the highest level with 13% in December 2009. Moody's expects that the global speculative-grade default rate will decline further to 1.8% until second quarter 2011.

European prime residential mortgage backed securities (RMBS)

This portfolio consists primarily of British securitisations, which were strongly affected by the global economic crisis with an average decrease of prices by 21% during third quarter 2007, reaching the lowest level in first quarter 2009. From that time on prices slightly recovered by 6%. However, as in this market there is also the possibility to recourse to other assets of the debtor, Moody's expects the decrease of prices for residential property will have only a moderate negative impact on the credit rating of British prime RMBS

Commercial mortgage backed securities (CMBS)

CMBS are securitisations which are secured by pools of mortgages on commercial property (i.e. offices, retail and others). Erste Group mainly invested in British CMBS. Between July 2007 and July 2009 prices of commercial property fell sharply by 45%, showing a recovery by 15% afterwards. For 2011 a stabilization of the market is expected.

Other asset backed securities (ABS)

Other ABSs mainly comprise securitisations where the underlying assets are leases and loans to small and medium enterprises and other CDOs.

In addition, Erste Group has also invested in US collateralised mortgage obligations (CMOs) issued by Ginnie Mae, Fannie Mae and Freddie Mac. These issuers are considered US government-sponsored or US government-guaranteed institutions and have stable AAA ratings. Erste Group also holds investments in student loan securitisations, all of which are triple-A tranche securities. These securitisations are 97% guaranteed by the US Department of Education, while the remaining 3% are covered by subordination. Credit risk is therefore considered very remote.

37.6. Market risk

Definition and overview

Market risk is the risk of loss that may arise due to adverse changes in market prices and to the parameters derived therefrom. At Erste Group, market risk is divided into interest rate risk, currency risk, equity risk, commodity risk and volatility risk. This concerns both, trading as well as bank book positions.

Employed methods and instruments

At Erste Group, potential losses that may arise from market movements are assessed by using the 'value-at-risk' method. The calculation is done according to the method of historic simulation with a unilateral confidence level of 99%, a holding period of one to ten days and a simulation period of two years. Value-at-risk describes which losses may be expected as a maximum at a defined probability – the confidence level – within a certain holding period of the positions under normal market conditions.

Backtesting is used to constantly monitor the validity of the statistical methods. This process is conducted with a one-day delay to monitor if the model projections regarding losses have actually materialized. At a confidence level of 99% the actual loss on a single day should exceed the value-at-risk statistically only twice to three times a year (1% of around 250 workdays).

This shows one of the limits of the value-at-risk approach: On the one hand, the confidence level is limited to 99%, and on the other hand, the model takes into account only those market scenarios observed respectively within the simulation period of two years, and calculates the value-at-risk for the current position of the bank on this basis. In order to investigate any extreme market situations beyond this, stress tests are conducted at Erste Group.

These events include mainly market movements of low probability.

The stress tests are carried out according to several methods: The 'historical worst case' is derived from the value-at-risk calculation, but a confidence level of 100% is assumed, i.e., the absolutely worst value of the simulation time series is used as result. In the 'extreme value theory', a Pareto distribution is adjusted to the extreme end of the loss distribution. In this manner a continuous function is created from which extreme confidence levels such as 99.95% can be evaluated. Finally, standard scenarios are calculated in which the individual market factors are exposed to extreme movements. Such scenarios are calculated at Erste Group for interest rates, stock prices, exchange rates and volatilities. Furthermore, since 2009, combination scenarios have been calculated in which the current position of the trading book is subjected to a historical worst case calculation over an interesting historical period. These analyses are made available to the management board and the supervisory board within the scope of the monthly market risk reports.

The value-at-risk model was approved by the Financial Market Authority (FMA) as an internal market risk model to determine the capital requirements of Erste Group pursuant to the Austrian Banking Act. The best possible multiplier of three is used in this case that was assigned by the Financial Market Authority (FMA) on the basis of an appraisal by Austrian National Bank.

Methods and instruments of risk mitigation

At Erste Group, market risks are controlled in the trading book by setting several layers of limits. The overall limit on the basis of value-at-risk for the trading book is decided by the board in the Risk Committee taking into account the risk-bearing capacity and projected earnings. A further breakdown is done on the basis of a proposal by the Risk Management Unit, 'Group Market & Liquidity Risk Management' in the Market Risk Committee (MARA).

All market risk activities of the trading book are assigned risk limits that are statistically consistent in their entirety with the value-at-risk overall limit. The value-at-risk limit is assigned in a top-down procedure to the individual trading units. This is done up to the level of the individual trading groups or departments. Additionally, in a bottom-up procedure, sensitivity limits are assigned to even smaller units all the way down to the individual traders. These are then aggregated upwards and applied as a second limit layer to the value-at-risk limits. The consistency between the two limit approaches are verified regularly.

Limit compliance is verified at two levels: by the appropriate local decentralised risk management unit and by Group Market & Liquidity Risk Management. The monitoring of the limits is done within the course of the trading day based on sensitivities. This can also be carried out by individual traders or chief traders on an ad hoc basis.

The value-at-risk is calculated every day at the Group level and made available to the individual trading units as well as to the superior management levels all the way up to the management board.

Within the course of the calculation, the trading book positions are valued independently of trading. This means that, on the one hand, the market data is collected by risk controlling itself, and on the other, that the valuation procedures and models are developed and validated independently of the trading units.

Analysis of market risk

Value at Risk of banking book and trading book

The following tables show the VaR amounts as of 31 December 2010 and 31 December 2009 at 99% confidence level, with a holding period of one day:

2010	Total	Interest	Currency	Shares	Commodity	Volatility
Erste Group	37,667	33,679	1,756	6,228	257	2,118
Banking book	30,767	30,076	1	1,274	0	0
Trading book	8,789	4,298	1,755	5,406	257	2,118

2009	Total	Interest	Currency	Shares	Commodity	Volatility
Erste Group	39,498	35,798	1,812	9,104	397	1,717
Banking book	36,559	36,134	18	1,899	0	0
Trading book	8,940	4,748	1,812	7,981	397	1,717

The method used is subject of limitations that may result in the information not fully reflecting the fair value of the assets and liabilities involved.

Interest rate risk of banking book

Interest rate risk is the risk of adverse change in the fair value of financial instruments caused by movement in market interest rates. This type of risk arises when mismatches exist between assets and liabilities (including off-balance-sheet items) in respect of their maturities or of the timing of interest rate adjustments.

In order to identify interest rate risk, all financial instruments, including transactions not recognised in the balance sheet, are grouped into maturity bands based on their remaining term to maturity or term to an interest rate adjustment.

The following tables list the open fixed-income positions held by Erste Group in the four currencies that carry significant interest rate risk: EUR, CZK, HUF and RON, as of 31 December 2010 and 31 December 2009.

Only the open fixed-income positions that are not allocated to the trading book are presented. Positive values indicate fixed-income risks on the asset side, i.e., a surplus of asset items; negative values represent a surplus on the liability side.

Open fixed-income positions not assigned to the trading book

2010	1-3 years	3-5 years	5-7 years	7-10 years	over 10 years
in EUR million					
Fixed-interest gap in EUR positions at 31 December 2010	(1,266.4)	725.0	(350.1)	588.1	2,354.6
Fixed-interest gap in CZK positions at 31 December 2010	(3,768.9)	(1,930.6)	(46.6)	968.7	1,421.4
Fixed-interest gap in HUF positions at 31 December 2010	(576.7)	584.7	222.9	49.9	0.1
Fixed-interest gap in RON positions at 31 December 2010	(297.4)	445.1	457.8	61.2	3.9

2009					
in EUR million	1-3 years	3-5 years	5-7 years	7-10 years	over 10 years
Fixed-interest gap in EUR positions at 31 December 2009	(1,297.3)	(146.2)	601.6	1,781.8	1,019.8
Fixed-interest gap in CZK positions at 31 December 2009	(2,317.5)	(518.4)	372.7	405.3	1,194.7
Fixed-interest gap in HUF positions at 31 December 2009	94.4	338.0	76.1	51.3	0.0
Fixed-interest gap in RON positions at 31 December 2009	203.6	315.5	72.2	155.8	4.7

Exchange rate risk

The bank is exposed to the several types of exchange rate-related risks.

Risk from open currency position

Risk from open currency positions is the exchange rate-related risk that derives from the mismatch between assets and liabilities, or from currency-related financial derivatives. These risks might originate from customer-related operations or proprietary trading and are monitored and managed on daily basis. Foreign currency exposure is subject to regulatory and internal limits. The internal limits are set by the Market Risk Committee.

Other exchange rate- related risks

Erste Group separately measures and manages other types of risks relating to the group's balance sheet and earnings structure. The translation risk related to the valuation of the balance sheet positions, earnings, dividends, participations/net investments in local currency or foreign exchange has an impact on consolidated

earnings and consolidated capital. Erste Group is also reducing the negative impact relating to volatility of foreign exchange on asset's performance (for example as a result of foreign exchange lending in the CEE countries).

In order to manage multi-currency earnings structure, Erste Group regularly discusses hedging opportunities and takes decision in the Group Asset Liability Committee (Group ALCO). The Asset Liability Management (ALM) uses as the usual source of information the current financial results and the financial budget prepared for the upcoming period to get as much information as possible on the future foreign cash flows. The proposal, which includes mainly the volume, the hedging level, the hedge ratio and the timeline of the hedging, is submitted by the ALM to the Group ALCO. The impact of translation on consolidated capital is monitored and reported to the Group ALCO. Group ALCO decisions are then implemented by the ALM and the implementation status is reported on monthly basis to Group ALCO.

The following tables shows the exchange rate open positions of Erste Group as of the dates indicated, respectively.

Exchange rate open positions

in EUR thousand	2010	2009
US Dollar (USD)	(71,319)	11,656
Japanese Yen (JPY)	(17,125)	(40,993)
Swiss Franc (CHF)	(14,328)	(30,239)
Czech Koruna (CZK)	2,709	1,793
Polish Zloty (PLN)	(1,426)	(5,267)
Hungarian Forint (HUF)	4,679	(7,375)
Romanian Lei (RON)	8,132	(54,632)

Hedging

Banking book market risk management consists of optimizing Erste Group's risk position by finding the proper trade-off between the economic value of the balance sheet and forecasted earnings. Decisions are based on the balance sheet development, the economic environment, competitive landscape, fair value of risk, effect on net interest income and appropriate liquidity position. The steering body responsible for interest rate risk management is the Group ALCO. The ALM submits proposals for actions to steer the interest rate risk to the Group ALCO and implements Group ALCO's decisions.

In order to achieve the goals of risk management, hedging activities focus on the two main control variables: net interest income and market value of equity risk. In a broader sense, hedging means an economic activity that mitigates risk, but does not necessarily qualify for IFRS hedge accounting. In a more narrow sense, hedging is the hedge accounting according to IFRS requirements. For economic fair value, hedging fair value option is used where it is applicable. For IFRS hedge accounting cash flow hedges, fair value hedges and hedges of a net investment are recognised. Most of the hedging within Erste Group concerns hedging of interest rate risk; the remaining is used to hedge foreign exchange rate risk. IFRS hedge accounting is one of the tools of steering the risk.

37.7. Liquidity risk

Definition and overview

The liquidity risk is defined in Erste Group in line with the principles set by the Basel Committee on Banking Supervision. Accordingly, a distinction is made between market liquidity risk, which is the risk that the Group entities cannot easily offset or eliminate a position at the market price because of inadequate market depth or market disruption, and funding liquidity risk, which is the risk that the banks in the Group will not be able to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the Group members.

Funding liquidity risk is further divided into insolvency risk and structural liquidity risk. The former is the short-term risk that current or future payment obligations cannot be met in full, on time in an economically justified way, while structural liquidity risk is the long-term risk of losses due to a change in the Group's own refinancing cost or spread.

In early 2009 a liquidity project was started in order to review the governance, policy and measurement of the already established liquidity risk management. In this Group-wide project all local Risk Management and Asset-Liability Management as well Money Market Departments were involved. As one of the results of the project, the liquidity risk stress testing methodology was improved and linked to the countermeasures in the contingency plan.

There has been no need to change the process of intraday liquidity management, and the access to the available facilities was enlarged due to increased collateral base.

Employed methods and instruments

The maturity profile of short-term funding on a currency level has been monitored on a detailed basis to ensure that they have been within the short-term liquidity limits. The short-term liquidity position is monitored on a daily basis. As the primary funding source for Erste Group is the stable customer deposit base, the share of short-term funding is relatively low. Erste Group is particularly focusing on the net cash outflow projection and its coverage by collateral. In 2010, the focus was set on further improvement of the collateral structure, which resulted in a stable amount of central bank eligible collateral in Erste Group.

Erste Group steers long-term (structural) liquidity risk through a multiple scenario approach, which is limited on both group and individual subsidiary level. Dynamic aspects of the renewal of existing balance sheet items are incorporated through certain set of assumptions describing the going concern situation besides crisis situations. Similarly, the modelling of customer business is adjusted according to the respective scenario. The purpose of the analysis is to determine the ability of Erste Group to withstand distressed situations before they actually occur. Additionally, the traditional liquidity gaps (depicting the going concern maturity mismatches on a currency level) of the subsidiaries and the whole group are reported and monitored regularly. Funding concentration risk is continuously analyzed in respect to counterparties. Erste Group's fund transfer pricing (FTP) system also proved to be an efficient steering tool for structural liquidity risk management.

Methods and instruments of risk mitigation

General standards of liquidity risk controlling and management (standards, limits and analysis) have been defined and are continuously reviewed and improved by Erste Group Bank.

Both short- and long-term liquidity risk are limited by a traffic light system taking entities and currencies into account. Limit breaches are reported to ALCO. Another important channel for steering the liquidity risk within Erste Group Bank and towards its subsidiaries is the above mentioned FTP system and prices of intra-group funding. As the process of planning of funding needs provides important data for liquidity management, a detailed overview of funding needs is prepared for the planning horizon across Erste Group on quarterly basis.

The Comprehensive Contingency Plan ensures the necessary coordination of all involved parties in the liquidity management process in case of crisis and it is reviewed on a regular basis. The contingency plans of the subsidiaries are coordinated as part of the plan for the Erste Group.

Analysis of liquidity risk

Liquidity gap

The long-term liquidity position is managed using liquidity gaps, on the basis of expected cash flows. This liquidity position is calculated for each currency with material volume and based on the assumption of ordinary business activity.

The table shows contractual payments of principal - as they fall due at maturity or according to the amortisation schedule. For

products without contractual maturities (like demand deposits and overdrafts), modelled principal cash flows are assumed - the modelling relies on statistical analysis of historical volumes for such products.

The following table shows liquidity gaps as of 31 December 2010 and 31 December 2009:

in EUR million	< 1 month		1-12 months		1-5 years		> 5 years	
	2010	2009	2010	2009	2010	2009	2010	2009
Liquidity GAP	23,426	20,477	(34,607)	(25,325)	(5,424)	(17,955)	16,605	22,696

Excess of assets over liabilities is disclosed with a positive algebraic sign, while excess of liabilities over assets is disclosed with a negative algebraic sign.

Liquidity buffer

Erste Group holds securities eligible at central banks to manage liquidity risk. Maturities of contractual, not discounted cash flows of these financial assets as of 31 December 2010 and 31 December 2009 are shown in the table below:

2010				
in EUR million	< 1 month	1-12 months	1-5 years	> 5 years
Eligible securities	412	5,300	13,323	10,832
2009				
in EUR million	< 1 month	1-12 months	1-5 years	> 5 years
Eligible securities	1,223	4,907	12,837	8,669

Financial liabilities

Maturities of contractual, not discounted cash flows of financial liabilities were as follows:

2010						
in EUR million	Carrying amount	Contractual cash flows	< 1 month	1-12 months	1-5 years	> 5 years
Non-derivative liabilities	174,307	184,321	70,622	51,950	39,145	22,604
Deposits by banks	20,154	21,004	11,545	3,869	3,311	2,279
Customer deposits	117,016	119,568	55,418	42,386	16,229	5,535
Debt securities in issue	31,299	35,556	3,643	5,115	17,600	9,199
Subordinated liabilities	5,838	8,193	16	580	2,006	5,591
Derivative liabilities	1,902	1,481	57	374	597	453
Derivatives banking book	1,902	1,481	57	374	597	453
Total	176,209	185,802	70,679	52,324	39,742	23,057

2009						
in EUR million	Carrying amount	Contractual cash flows	< 1 month	1-12 months	1-5 years	> 5 years
Non-derivative liabilities	174,097	185,168	73,196	44,931	45,897	21,144
Deposits by banks	26,295	27,182	12,636	9,363	3,572	1,611
Customer deposits	112,042	115,336	57,185	28,631	24,649	4,871
Debt securities in issue	29,612	33,888	3,343	6,398	15,249	8,898
Subordinated liabilities	6,148	8,762	32	539	2,427	5,764
Derivative liabilities	1,313	500	25	231	507	(263)
Derivatives banking book	1,313	500	25	231	507	(263)
Total	175,410	185,668	73,221	45,162	46,404	20,881

The volume of customer deposits due on demand is EUR 45.3 billion, observation of the customer behaviour has shown that during ordinary course of business 93% of this volume is stable. This means that only a minor part of the on demand portfolio is withdrawn by the customer, whereas the major part remains generally in the bank.

37.8. Operational risk

Definition and overview

In line with Section 2 No 57d Banking Act, Erste Group defines operational risk as ‘the risk of loss resulting from inadequacy or failure of internal processes, people or systems, or from external events including legal risks’. Both quantitative and qualitative methods are used to identify operational risks. Consistent with international practice, the responsibility for managing operational risk rests with the line management.

Employed methods and instruments

The quantitative measurement methods are based on internal loss experience data, which is collected across Erste Group using a standard methodology and entered in a central data pool. Additionally, in order to be able to model losses that have not occurred in the past but are nonetheless possible, scenarios and external data are also used. Erste Group sources external data from the Operational Riskdata eXchange Association (ORX), a non-profit industry association and leading risk-loss data consortium.

Erste Group received regulatory approval for the AMA approach in 2009. AMA is a sophisticated approach to measure operational risk. Pursuant to AMA, the required capital is calculated using an internal VaR model, taking into account internal data, external data, scenario analysis, business environment and internal risk control factors.

Methods and instruments of risk mitigation

In addition to quantitative methods, qualitative methods are also used to determine operational risk, such as risk assessment surveys (Risk Control and Self Assessments). The results of and suggestions for risk control in these surveys taken by experts are reported to line management and thus help to reduce operational risks. Erste Group also reviews certain key indicators periodically to ensure early detection of changes in risk potential that may lead to losses.

Erste Group uses a group-wide insurance programme, which, since its establishment in 2004, has reduced the cost of meeting Erste Group’s traditional property insurance needs and made it possible to buy additional insurance for previously uninsured banking-specific risks. This programme uses a captive reinsurance entity as vehicle to share losses within the group and access the external market.

To further enforce the management of security risks, the functions IT Security, Physical Security, and Business-Continuity Management have been combined in July 2010 to the new service unit “Group Security Management” which reports directly to the CRO. In December 2010 the new division “Group Compliance” has been created under the CRO which is responsible to deal with compliance risks and the group-wide coordination of anti-fraud measures. The existing units “Group Securities Compliance”, “AML Compliance”, and “Group Fraud Management” are part of this new division.

The quantitative and qualitative methods used, together with the insurance strategy and the modelling approaches described above form the operational risk framework of Erste Group. Information on operational risk is periodically communicated to the Management Board via various reports, including the quarterly top management report, which includes recent loss history, loss development, qualitative information from risk assessments and key risk indicators as well as the operational VaR for Erste Group.

Distribution of operational risk events

Detailed below is the percentage composition by type of event of operational risk sources as defined by the New Basel Capital Accord. The observation period lasts from 1 January 2006 to 31 December 2010.

The event type categories are as follows:

Internal fraud:

Losses due to acts of a type intended to defraud, misappropriate property or circumvent regulations, the law or company policy, excluding diversity/discrimination events, which involves at least one internal party.

External fraud:

Losses due to acts of a type intended to defraud, misappropriate property or circumvent the law, by a third party.

Employment practices and workplace safety:

Losses arising from acts inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims, or from diversity/discrimination events.

Clients, products and business practices:

Losses arising from an unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements), or from the nature or design of a product.

Damage to physical assets:

Losses arising from loss or damage to physical assets from natural disaster or other events.

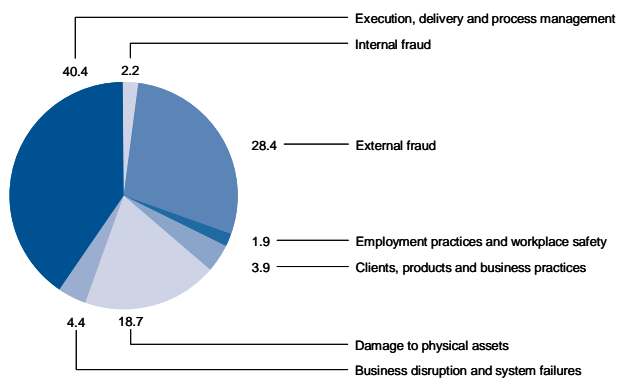
Business disruption and system failures:

Losses arising from disruption of business or system failures.

Execution, delivery and process management:

Losses from failed transaction processing or process management, from relations with trade counterparties and vendors.

Event type categories (in %)



38) Derivative financial instruments

Fair value hedges are employed to reduce market risk. They are used to turn fixed-income or structured transactions into variable-income transactions. Erste Group's policy is to convert all substantial fixed single transactions bearing interest rate risk into variable transactions in order to separate the interest rate risk from such transactions. This policy is applied primarily to fixed or structured issued bonds, but also to the material fixed purchased bonds and generally, any material fixed transactions in the balance sheet. Group ALM is steering interest rate risk. Steering of interest rate risk is undertaken through issuance of bonds, loans or derivatives, whereas for derivatives IFRS hedge accounting is usually applied. Interest rate swaps are the main instruments used for fair value hedges. In connection with issuance, fair value is also hedged by means of cross-currency swaps, swaptions, caps, floors and other types of instruments.

Cash flow hedges are used to eliminate uncertainty in future cash flows in order to stabilise net interest income. Floors or caps are used to lock in levels of interest income in a changing interest rate environment. Interest rate swaps, caps and floors are used to hedge interest rate risk. Currency risk is hedged with spot transactions as well as currency swaps, FX forwards or balance sheet items denominated in a hedged currency.

In the reporting period, EUR 26 million (2009: EUR 5 million) was removed from the cash flow hedge reserve and recognised as income in the consolidated income statement; EUR (102) million (2009: EUR 13 million) was recognised directly in equity. The majority of the hedged cash flows is likely to occur within the next five years and will then be recognised in the consolidated income statement. Inefficiencies from cash flow hedges amounting to EUR 0.9 million (2009: EUR (10.6) million) are reported in the net trading result.

in EUR million	2010		2009	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Hedging instrument - fair value hedge	1,570	783	1,041	728
Hedging instrument - cash flow hedge	135	97	114	32

39) Fair value of financial instruments

Financial instruments for which fair value is determined on the basis of quoted market prices are mainly listed securities and derivatives as well as liquid OTC bonds.

Erste Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Financial instruments which are valued based on quoted (unadjusted) prices in active market for identical assets or liabilities. This includes financial instruments which are traded with a sufficient volume on an exchange, debt instrument quoted by several market participants with a sufficient depth or liquid derivatives which are traded on an exchange.

Level 2: Financial instruments which are valued based on quoted prices (in non-active markets or in active markets for similar assets or liabilities) and inputs other than quoted prices that are observable. This includes yield curves derived from liquid underlyings or prices from similar instruments.

Level 3 inputs are inputs which are not observable. This includes extrapolation of yield curves or volatilities, usage of historical volatilities, significant adjustment of quoted CDS spreads or equity prices.

The table below details the valuation methods used to determine the fair value of financial instruments (excl. derivatives in banking book) measured at fair value:

2010	Quoted market prices in active markets Level 1	Marked to model based on observable marked data Level 2	Marked to model based on non-observable inputs Level 3	Total
in EUR million				
Financial assets - available for sale	10,704	6,385	160	17,249
Financial assets - at fair value through profit or loss	1,039	1,286	78	2,403
Trading assets - securities	2,905	2,619	0	5,524
Positive market value - derivatives	1	8,473	0	8,474
Total assets	14,649	18,763	238	33,650
Negative market value - derivatives	1	7,993	2	7,996
Other trading liabilities	105	111	0	216
Total liabilities and equity	106	8,104	2	8,212

2009	Quoted market prices in active markets Level 1	Marked to model based on observable marked data Level 2	Marked to model based on non-observable inputs Level 3	Total
in EUR million				
Financial assets - available for sale	8,930	6,769	175	15,874
Financial assets - at fair value through profit or loss	1,252	1,620	95	2,967
Trading assets - securities	2,307	3,705	0	6,012
Positive market value - derivatives	2	4,709	2	4,713
Total assets	12,491	16,803	272	29,566
Negative market value - derivatives	0	3,746	3	3,749
Other trading liabilities	594	127	0	721
Total liabilities and equity	594	3,873	3	4,470

The volume of products whose fair values are determined using valuation models based on non-observable market data is driven in large part by illiquid bonds and securities not quoted in an active market.

Movements in Level 3 of financial instruments measured at fair value

The following tables show the development of fair value of securities for which valuation models are based on non observable inputs:

in EUR million	2009	Gain/loss in profit or loss	Gain/loss in other compre- hensive income	Pur- chases	Sales/ Settle- ments	Transfer into Level 3	Transfers out of Level 3	Currency trans- lation	2010
Financial assets - available for sale	175	(3)	1	10	(18)	3	(8)	0	160
Financial assets - at fair value through profit or loss	95	(4)	0	0	(20)	2	0	5	78
Trading assets	0	(1)	0	1	0	0	0	0	0
Trading liabilities	0	0	0	0	0	0	0	0	0
Total	270	(8)	1	11	(38)	5	(8)	5	238

in EUR million	2008	Gain/loss in profit or loss	Gain/loss in other compre- hensive income	Pur- chases	Sales/ Settle- ments	Transfer into Level 3	Transfers out of Level 3	Currency trans- lation	2009
Financial assets - available for sale	1,510	(19)	1	15	(92)	110	(1,348)	(2)	175
Financial assets - at fair value through profit or loss	267	(6)	0	1	(47)	80	(200)	0	95
Trading assets	62	(2)	0	2	(41)	0	(21)	0	0
Trading liabilities	0	0	0	0	0	0	0	0	0
Total	1,839	(27)	1	18	(180)	190	(1,569)	(2)	270

Gains or losses on level 3 securities held at the end of the reporting period, which are included in comprehensive income are as follows:

in EUR million	2010		2009	
	Gain/loss in profit or loss	Gain/loss in other comprehensive income	Gain/loss in profit or loss	Gain/loss in other comprehensive income
Financial assets - available for sale	(4.0)	1.0	(1.0)	0.3
Financial assets - at fair value through profit or loss	(3.0)	0.0	(14.0)	0.0
Trading assets	(1.0)	0.0	(3.8)	0.0
Trading liabilities	0.0	0.0	0.0	0.0
Total	(8.0)	1.0	(18.8)	0.3

Movements between Level 1 and Level 2

Generally, the liquidity of the financial instruments held in the portfolio was excellent. For that reason the valuation for some financial instruments was changed to a price based valuation. Furthermore, reinvestment was mainly done in liquid instruments which resulted in an increase in level 1.

Movements in Level 3 financial instruments measured at fair value

As the portfolio quality in 2010 remained stable there was no material change in the level 3 category.

Sensitivity analysis of unobservable parameters

If the value of financial instruments is dependent on unobservable input parameters, the precise level for these parameters could be drawn from a range of reasonably possible alternatives. In preparing the financial statements, levels for the parameters are chosen from these ranges using judgment consistent with prevailing

market evidence. If all these unobservable parameters are moved simultaneously to the extremes of these ranges as of December 31, 2010, it could have increased fair value by as much as EUR 12 million or decreased fair value by as much as EUR 19.7 million. In estimating these impacts, mainly PDs (probability of default) and market values for equities were stressed.

The following table shows fair values of financial instruments not measured at fair value:

in EUR million	2010		2009	
	Fair value	Carrying amount	Fair value	Carrying amount
ASSETS				
Cash and balances with central banks	5,839	5,839	5,996	5,996
Loans and advances to credit institutions	12,464	12,412	13,118	13,067
Loans and advances to customers	128,736	126,695	123,767	124,253
Financial assets - held to maturity	14,355	14,235	14,810	14,899
LIABILITIES				
Deposits by banks	20,289	20,154	26,352	26,295
Customer deposits	116,912	116,648	111,821	112,042
Debt securities in issue	31,573	31,210	29,643	29,612
Subordinated liabilities	5,346	5,838	5,778	6,148

The fair value of loans and advances to customers and credit institutions has been calculated by discounting future cash flows taking into consideration interest and risk effects. Loans and advances were grouped into homogeneous portfolios based on maturity and internal rating. The reduction in fair values compared to the carrying amount is driven by an adverse change in the risks of the assets.

For liabilities without contractual maturities, the carrying amount is recorded at fair value. The fair value of the other liabilities is estimated without assumed credit risk, but with changes in interest rates.

40) Financial instruments per category according to IAS 39

At 31 December 2010								
in EUR million	Loans and receivables	Held to maturity	Trading	Designated at fair value	Available for sale	Financial assets and financial liabilities at amortised cost	Derivatives designated as hedging instruments	Total
ASSETS								
Cash and balances with central banks						5,839		5,839
Loans and advances to credit institutions	12,496							12,496
Loans and advances to customers	132,729							132,729
Risk provisions for loans and advances	(6,119)							(6,119)
Derivative financial instruments			6,769				1,705	8,474
Trading assets			5,536					5,536
Financial assets - at fair value through profit or loss				2,434				2,434
Financial assets - available for sale					17,751			17,751
Financial assets - held to maturity		14,235						14,235
Accruals ¹⁾						1,204		1,204
Total financial assets	139,106	14,235	12,305	2,434	17,751	7,043	1,705	194,579
LIABILITIES								
Deposits by banks						20,154		20,154
Customer deposits				368		116,648		117,016
Debt securities in issue				89		31,210		31,299
Derivative financial instruments			7,116				880	7,996
Trading liabilities			216					216
Subordinated liabilities						5,838		5,838
Accruals ²⁾						1,839		1,839
Total financial liabilities	0	0	7,332	457	0	175,689	880	184,358

1) Accruals are reported in other assets.

2) Accruals are reported in other liabilities.

At 31 December 2009

in EUR million	Loans and receivables	Held to maturity	Trading	Designated at fair value	Available for sale	Financial assets and liabilities at amortised cost	Derivatives designated as hedging instruments	Total
ASSETS								
Cash and balances with central banks						5,996		5,996
Loans and advances to credit institutions	13,140							13,140
Loans and advances to customers	129,134							129,134
Risk provisions for loans and advances	(4,954)							(4,954)
Derivative financial instruments			2,971				1,742	4,713
Trading assets			6,013					6,013
Financial assets - at fair value through profit or loss				2,997				2,997
Financial assets - available for sale					16,390			16,390
Financial assets - held to maturity		14,899						14,899
Accruals ¹⁾						1,775		1,775
Total financial assets	137,320	14,899	8,984	2,997	16,390	7,771	1,742	190,103
LIABILITIES								
Deposits by banks						26,295		26,295
Customer deposits				155		111,887		112,042
Debt securities in issue				74		29,538		29,612
Derivative financial instruments			2,929				820	3,749
Trading liabilities			721					721
Subordinated liabilities						6,148		6,148
Accruals ²⁾						2,310		2,310
Total financial liabilities	0	0	3,650	229	0	176,178	820	180,877

1) Accruals are reported in other assets.
2) Accruals are reported in other liabilities.

41) Audit fees and tax consultancy fees

The following table contains fundamental audit fees and tax fees charged by the auditors (of Erste Group Bank AG and subsidiaries; the auditors primarily being Sparkassen-Prüfungsverband, Ernst & Young and Deloitte) in the fiscal years 2010 and 2009:

in EUR million	2010	2009
Audit fees	15.0	17.5 ¹⁾
Tax consultancy fees	1.9	2.5
Total	16.9	20.0

1) Fees for capital increase and participation capital amounted to EUR 4.2 million

For auditing services provided by the Group auditors EUR 7.2 million (2009: EUR 10.2 million) was paid by Erste Group. The Group auditors also performed tax consultancies for Erste Group with a value of EUR 0.5 million (2009: EUR 1.1 million).

42) Contingent liabilities

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other undrawn commitments to lend amounting to EUR 33,873 million (2009: EUR 37,826 million). Even though these obligations may not be recognised on the balance sheet, they do contain credit risk and are therefore part of the overall risk of the Bank (see Note 37 credit exposure).

Legal proceedings

Erste Group Bank and some of its subsidiaries are involved in legal disputes, most of which have arisen in the course of its ordinary banking business. These proceedings are not expected to have a significant negative impact on the financial position or profitability of Erste Group and/or Erste Group Bank. Erste Group is also subject to the following ongoing proceedings:

Haftungsverbund

In 2002, Erste Group Bank formed the Haftungsverbund with the majority of the Austrian savings banks. The purpose of the Haftungsverbund is to establish a joint early-warning system as well as a cross-guarantee for certain liabilities of member savings banks and to strengthen the group's cooperation in the market.

In competition proceedings before the Austrian cartel court, both a competitor of Erste Group Bank and the Austrian federal competition authority requested the court to set aside the Haftungsverbund agreements because of an alleged infringement of Article 81 of the EC Treaty (now Article 101 of The Treaty of the functioning of the European Union/TFEU).

In March 2007, the Supreme Court issued a decision confirming that the agreements that constitute the Haftungsverbund are for the most part in compliance with Article 81 of the EC Treaty.

However, the Supreme Court held certain provisions to be anti-competitive on their merits. In its findings, the Supreme Court did not cite any explicit measures that needed to be implemented by Erste Group Bank and the other parties. In April 2008, Erste Group Bank and the Cartel Court reached an understanding on the necessary adjustments to be made. This understanding (commitments within the meaning of section 27 Cartel Act relating primarily to the sharing of data that might have competitive value) was challenged by Erste Group Bank's competitor before the Supreme Court. In October 2008, the Supreme Court set aside the decision of the Cartel Court due to a procedural error and remanded the case to the Cartel Court for reconsideration. Neither the commitments (assuming they are upheld) nor the preceding decision of the Supreme Court affect the consolidation of the Qualifying Capital of the savings banks nor their inclusion as subsidiaries in the consolidated financial statements in accordance with IFRS of Erste Group Bank.

Stockholm Arbitration proceedings

In 2009 a former corporate borrower has initiated arbitration proceedings in Stockholm against a group of lenders, including Erste Group Bank. The plaintiff alleges that arrangements entered into at the peak of the financial crisis between the borrower and the lenders, following the borrower's default, which resulted in the forgiving of the loan - loan amount Erste Group Bank: SEK 400 million - and the transfer of ownership to the lenders of shares in a listed Swedish company should be declared null and void and that the total current value of the shares and compensation for further alleged losses following from such transfer are due to it. With regard to Erste Group Bank, the claimant requested payment in the region of SEK 1 bn, and has since varied its claims in different ways. Erste Group Bank rejects the claim in its entirety as unfounded.

Hungarian Holocaust litigation

In 2010 a group of attorneys has filed a complaint with a U.S. court on behalf of victims of the Holocaust or their heirs against several Hungarian banks in relation to the persecution of Jews in Greater Hungary in 1944. Also Erste Group Bank is named as a defendant. The plaintiffs essentially claim that Hungarian banks improperly benefited from wartime Jewish assets and held on to these assets until today. The assets claimed total \$2 billion in 1944 dollars. The plaintiffs allege that Erste Group Bank is the legal successor to a number of banks that were active during that time in Greater Hungary. Erste Group Bank rejects the claim. Neither Erste Group Bank nor its Hungarian subsidiary bank, which was founded only decades after the end of World War II, view themselves as legal successors to any of the banks mentioned in the complaint. Erste Group Bank does not see any basis for a U.S. court having jurisdiction in this matter.

43) Analysis of remaining maturities

2010				
in EUR million				
	2010		2009	
	< 1 year	> 1 year	< 1 year	> 1 year
Cash and balances with central banks	5,839	0	5,996	0
Loans and advances to credit institutions	9,930	2,566	10,360	2,780
Loans and advances to customers	35,317	97,412	34,168	94,966
Risk provisions for loans and advances	(1,812)	(4,307)	(1,511)	(3,443)
Derivative financial instruments	1,290	7,184	1,562	3,151
Trading assets	3,263	2,273	2,792	3,221
Financial assets - at fair value through profit or loss	609	1,826	524	2,473
Financial assets - available for sale	3,290	14,461	3,096	13,294
Financial assets - held to maturity	2,444	11,791	4,160	10,739
Other assets	1,699	10,863	2,043	11,339
Total	61,869	144,069	63,190	138,520
Deposits by banks	13,915	6,239	19,687	6,608
Customer deposits	91,322	25,694	91,493	20,549
Debt securities in issue	8,028	23,270	7,242	22,370
Derivative financial instruments	1,497	6,499	1,407	2,342
Trading liabilities	170	46	0	721
Subordinated liabilities	361	5,477	754	5,394
Other liabilities	1,235	5,056	1,732	5,289
Total	116,528	72,281	122,315	63,273

44) Own funds and capital requirement

Erste Group as a group of credit institutions is subject to the Banking Act and has to follow the capital requirements set out therein. Own funds and capital requirements are as follows:

in EUR million	Dec 2010	Dec 2009
Subscribed capital	2,520	2,520
Share capital	756	756
Participation capital	1,764	1,764
Reserves	8,944	8,240
Deduction of Erste Group Bank shares held within the group	(758)	(622)
Consolidation difference	(2,437)	(2,467)
Non-controlling interests (excluding hybrid tier-1 capital pursuant to section 23 (4a) and (4b) Banking Act)	3,430	3,330
Intangible assets	(500)	(498)
50% deduction for non consolidated credit and financial institutions pursuant to section 23 (13) 3 and 4 Banking Act	(153)	(161)
50% deduction of IRB-shortfall pursuant to section 23 (13) 4c Banking Act	0	(30)
50% deduction of securitisations pursuant to section 23 (13) 4d Banking Act	(27)	(36)
Core tier(1) capital	11,019	10,276
Hybrid tier(1) capital pursuant to section 23 (4a) and (4b) Banking Act	1,200	1,174
Tier'-1 capital	12,219	11,450
Eligible subordinated liabilities	3,909	4,159
Revaluation reserve	0	167
Excess risk provisions	74	0
Qualifying supplementary capital (Tier 2)	3,983	4,326
50% deduction for non consolidated credit and financial institutions pursuant to section 23 (13) 3 and 4 Banking Act	(153)	(161)
50% deduction of IRB-shortfall pursuant to section 23 (13) 4c Banking Act	0	(30)
50% deduction of securitisations pursuant to section 23 (13) 4d Banking Act	(27)	(36)
100% deductions of holdings in insurances pursuant to section 23 (13) 4a Banking Act	(176)	(183)
Short-term subordinated capital (Tier 3)	374	406
Total eligible qualifying capital	16,220	15,772
Capital requirement	9,587	9,911
Surplus capital	6,633	5,861
Cover ratio (in %)	169.2	159.1
Tier-1 ratio – credit risk (in %) ²⁾	11.8	10.8
Core tier-1 ratio – total risk (in %) ³⁾	9.2	8.3
Tier-1 ratio – total risk (in %) ⁴⁾	10.2	9.2
Solvency ratio (in %) ⁵⁾	13.5	12.7

1) Tier-1 ratio - credit risk is the ratio of tier-1 capital (including hybrid capital pursuant to section 23 (4a) and (4b) Banking Act) to the risk weighted assets pursuant to section 22 (2) Banking Act.

2) Core tier-1 ratio – total risk is the ratio of core tier-1 capital to the calculation base for the capital requirement pursuant to section 22 (1) Banking Act.

3) Tier-1 ratio – total risk is the ratio of tier-1 capital to the calculation base for the capital requirement pursuant to section 22 (1) Banking Act.

4) Solvency ratio is the ratio of total qualifying capital to the calculation base for the capital requirement pursuant to section 22 (1) Banking Act.

The minimum capital requirement as determined under the Austrian Banking Act was fulfilled at all times during the year under review and the prior year.

The risk-weighted basis pursuant to section 22 (1) of the Banking Act and the resulting capital requirement are as follows:

in EUR million	2010		2009	
	Calculation base/ total risk ¹⁾	Capital requirement ²⁾	Calculation base/ total risk ¹⁾	Capital requirement ²⁾
Risk pursuant to section 22 (1) 1 Banking Act ³⁾	103,950	8,316	106,383	8,510
a) Standardized approach	27,412	2,193	29,940	2,395
b) Internal ratings based approach	76,538	6,123	76,443	6,115
Risk pursuant to section 22 (1) 2 Banking Act ⁴⁾	4,668	373	5,048	404
Risk pursuant to section 22 (1) 3 Banking Act ⁵⁾	11	1	22	2
Risk pursuant to section 22 (1) 4 Banking Act ⁶⁾	11,215	897	12,438	995
Total	119,844	9,587	123,891	9,911

1) Internal calculation base used for calculation of the tier-1 ratio, core tier-1 ratio and the solvency ratio (capital requirement multiplied by 12.5).

2) Capital requirement pursuant to the Banking Act.

3) Risk weighted assets – credit risk.

4) Market risk (trading book).

5) Commodities risk and foreign exchange-risk, including the risk arising from gold positions, each for positions outside the trading book.

6) Operational risk.

45) Events after the balance sheet date

There were no significant events after the balance sheet date.

46) Details of the companies wholly or partly-owned by Erste Group at 31 December 2010

The tables below present material, fully-consolidated subsidiaries, associates accounted for at equity and other investments.

Since IMMORENT Aktiengesellschaft is disclosed here as a sub-group, the single subsidiaries are not listed separately.

Company name, registered office	Interest of Erste Group in %
Fully consolidated subsidiaries	
Credit institutions	
Sparkasse der Stadt Amstetten AG	Amstetten 0.0
Sparkasse Baden	Baden 0.0
Sparkasse Haugsdorf	Haugsdorf 0.0
Sparkasse Herzogenburg-Neulengbach	Herzogenburg 0.0
Weinviertler Sparkasse AG	Hollabrunn 99.5
Sparkasse Horn-Ravelsbach-Kirchberg Aktiengesellschaft	Horn 0.0
Sparkasse Kirchschatz AG	Kirchschatz in der buckligen Welt 0.0
Sparkasse Korneuburg AG	Korneuburg 0.0
KREMSER BANK UND SPARKASSEN AKTIENGESELLSCHAFT	Krems an der Donau 0.0
Sparkasse Langenlois	Langenlois 0.0
Sparkasse Neunkirchen	Neunkirchen 0.0
Sparkasse Pottenstein N.Ö.	Pottenstein/Triesting 0.0
Sparkasse Poysdorf AG	Poysdorf 0.0
SPARKASSE NIEDERÖSTERREICH MITTE WEST AKTIENGESELLSCHAFT	St. Pölten 0.0
Sparkasse Scheibbs AG	Scheibbs 0.0
Waldviertler Sparkasse von 1842 AG	Waidhofen an der Thaya 0.0
Wiener Neustädter Sparkasse	Wiener Neustadt 0.0
Sparkasse Waldviertel-Mitte Bank AG	Zwettl 0.0
Stadtparkasse Traiskirchen AG	Traiskirchen 0.0
Sparkasse Frankenmarkt Aktiengesellschaft	Frankenmarkt 0.0
Sparkasse Bad Ischl AG	Bad Ischl 0.0
Sparkasse Lambach Bank Aktiengesellschaft	Lambach 0.0
Sparkasse Neuhofen Bank Aktiengesellschaft	Neuhofen 0.0
Sparkasse Eferding-Peuerbach-Waizenkirchen	Eferding 0.0
Sparkasse Pregarten - Unterweißenbach AG	Pregarten 0.0
Sparkasse Ried im Innkreis-Haag am Hausruck	Ried im Innkreis 0.0
Sparkasse Mittersill Bank AG	Mittersill 0.0
Sparkasse Imst AG	Imst 0.0
Sparkasse der Stadt Kitzbühel	Kitzbühel 0.0
Sparkasse Kufstein, Tiroler Sparkasse von 1877	Kufstein 0.0
Lienzer Sparkasse AG	Lienz 0.0
Sparkasse Rattenberg Bank AG	Rattenberg 0.0
Sparkasse Reutte AG	Reutte 0.0
Sparkasse Schwaz AG	Schwaz 0.0
Dornbirner Sparkasse Bank AG	Dornbirn 0.0
Sparkasse der Gemeinde Egg	Egg 0.0
Sparkasse der Stadt Feldkirch	Feldkirch 0.0
Sparkasse Bludenz Bank AG	Bludenz 0.0
Sparkasse Feldkirchen/Kärnten	Feldkirchen 0.0
Sparkasse Mürzzuschlag Aktiengesellschaft	Mürzzuschlag 0.0
Sparkasse Pöllau AG	Pöllau 0.0
Salzburger Sparkasse Bank Aktiengesellschaft	Salzburg 98.7
Sparkasse Mühlviertel-West Bank Aktiengesellschaft	Rohrbach 40.0
Erste Bank (Malta) Limited	Sliema 100.0
Erste Asset Management GmbH	Wien 100.0
Stavebni sporitelna Ceske sporitelny, a.s.	Prag 97.8

Company name, registered office		Interest of Erste Group in %
Sparkasse Hainburg-Bruck-Neusiedl Aktiengesellschaft	Hainburg	75.0
Bausparkasse der österreichischen Sparkassen Aktiengesellschaft	Wien	95.0
Sparkasse Kremstal-Pyhrn Aktiengesellschaft	Kirchdorf a.d. Krems	30.0
Sparkasse Bregenz Bank Aktiengesellschaft	Bregenz	0.0
Sparkasse Voitsberg-Köflach Bankaktiengesellschaft	Voitsberg	5.0
Kärntner Sparkasse Aktiengesellschaft	Klagenfurt	25.0
Erste Bank Hungary Nyrt	Budapest	100.0
Slovenska sporitelna, a. s.	Bratislava	100.0
Allgemeine Sparkasse Oberösterreich Bankaktiengesellschaft	Linz	26.9
Ceska sporitelna, a.s.	Prag	98.0
ERSTE BANK AD NOVI SAD	Novi Sad	80.5
Banca Comerciala Romana SA	Bukarest	69.4
Banca Comerciala Romana Chisinau S.A.	Chisinau	69.4
Anglo Romanian Bank Ltd.	London	69.4
Tiroler Sparkasse Bankaktiengesellschaft Innsbruck	Innsbruck	75.0
Public Company "Erste Bank"	Kiev	100.0
s Wohnbaubank AG	Wien	90.9
Steiermärkische Bank und Sparkassen Aktiengesellschaft	Graz	25.0
Erste & Steiermärkische bank d.d., Rijeka	Rijeka	69.3
ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H.	Wien	86.5
Sparkasse Oberösterreich Kapitalanlagegesellschaft m.b.H.	Linz	27.2
Tirolinvest Kapitalanlagegesellschaft mbH.	Innsbruck	77.9
ecetra Central European e-Finance AG	Wien	100.0
Erste Bank der oesterreichischen Sparkassen AG	Wien	100.0
Die Zweite Wiener Vereins-Sparcasse	Wien	0.0
Sparkasse Bank Malta Public Limited Company	Sliema	0.0
BCR Banca pentru Locuinte SA	Bukarest	74.5
SPARKASSE BANK MAKEDONIJA AD SKOPJE	Skopje	24.8
ERSTE BANK AD PODGORICA	Podgorica	69.3
RINGTURM Kapitalanlagegesellschaft m.b.H.	Wien	95.0
Bankhaus Krentschker & Co. Aktiengesellschaft	Graz	25.0
Sparkasse Bank dd	Sarajevo	24.1
Banka Sparkasse d.d.	Laibach	28.0

Company name, registered office	Interest of Erste Group in %
Other financial institutions	
Sparkassenbeteiligungs und Service AG für Oberösterreich und Salzburg	Linz 69.3
EB-Malta-Beteiligungen Gesellschaft m.b.H.	Wien 100.0
NÖ-Sparkassen Beteiligungsgesellschaft m.b.H.	Wien 4.5
EGB e-business Holding GmbH	Wien 100.0
AVS Beteiligungsgesellschaft m.b.H.	Innsbruck 75.0
Erste Bank Beteiligungen GmbH	Wien 100.0
EB Erste Bank Internationale Beteiligungen GmbH	Wien 100.0
Sparkasse (Holdings) Malta Ltd.	Sliema 0.0
EGB Ceps Holding GmbH	Wien 100.0
EGB Ceps Beteiligungen GmbH	Wien 100.0
SPK Immobilien- und Vermögensverwaltungs GmbH	Graz 25.0
Sieben-Tiroler-Sparkassen Beteiligungsgesellschaft m.b.H.	Kufstein 0.0
Immorent-Süd Gesellschaft m.b.H.	Graz 51.3
Immorent - Süd Gesellschaft m.b.H., S - Leasing KG	Graz 46.4
IMMORENT-TOPAS Grundverwertungsgesellschaft m.b.H.	Wien 62.5
Immorent-Smaragd Grundverwertungsgesellschaft m.b.H.	Schwaz 0.0
IMMORENT-RAMON Grundverwertungsgesellschaft m.b.H.	Wien 62.5
Asset Management Slovenskej sporitelne, správ. spol., a. s.	Bratislava 100.0
brokerjet Ceske sporitelny, a.s.	Prag 99.0
Investicni spolecnost Ceske sporitelny, a.s.	Prag 100.0
Erste Securities Zagreb d.o.o.	Zagreb 84.9
Erste Securities Polska S.A.	Warschau 100.0
Erste Befektetesi Zrt.	Budapest 100.0
Portfolio Kereskedelmi, Szolgáltató és Számítástechnikai Kft.	Budapest 100.0
Erste Alapkezelő Zrt.	Budapest 100.0
Factoring Ceske sporitelny a.s.	Prag 98.0
Erste Invest d.o.o.	Zagreb 100.0
Factoring Slovenskej sporitelne, a.s.	Bratislava 100.0
Erste Faktor Penzügyi Szolgáltató Zrt.	Budapest 100.0
BCR Asset Management SA - under liquidation procedure	Bukarest 56.4
BCR Securities SA - under liquidation procedure	Bukarest 61.9
Erste & Steiermärkische S-Leasing društvo s ograniceonom odgovornoscju za leasing vozila i strojeva	Zagreb 59.4
S-IMMORENT nepremicnine d.o.o.	Laibach 50.0
IMMORENT leasing nepremicnin d.o.o.	Laibach 44.2
SPARKASSEN LEASING družba za financiranje d.o.o.	Laibach 50.0
RUTAR INTERNATIONAL trgovinska d.o.o.	Laibach 62.5
IMMORENT ALFA leasing družba, d.o.o.	Laibach 50.0
IMMORENT BETA, leasing družba, d.o.o.	Laibach 62.5
IMMORENT DELTA, leasing družba, d.o.o.	Laibach 50.0
ERSTE DELTA DRUSTVO S OGRANICENOM ODGOVORNOSCJU ZA POSLOVANJE NEKRETNINAMA	Zagreb 69.3
S IMMORENT ZETA društvo s ograniceonom odgovornoscju za poslovanje nekretninama	Zagreb 84.9
PREDUZECE ZA LIZING NEKRETNINA, VOZILA I MASINA S-LEASING DOO BEOGRAD	Belgrad 62.5
Društvo za lizing nekretnina, vozila, plovila i masina "S-Leasing" doo Podgorica	Podgorica 12.5
S-RENT DOO BEOGRAD	Belgrad 62.5
EBV - Leasing Gesellschaft m.b.H. & Co. KG.	Wien 100.0
IMMORENT Aktiengesellschaft	Wien 100.0
s Autoleasing GmbH	Wien 100.0
s Autoleasing a.s.	Prag 98.0
Leasing Slovenskej sporitelne, a.s.	Bratislava 100.0
Erste Leasing Autofinanzierungs Penzügyi Szolgáltató Zrt.	Budapest 100.0
Erste Leasing Berlet Szolgáltató Kft. (vm. Erste Leasing Szolgáltató Kft.)	Budapest 100.0

Company name, registered office		Interest of Erste Group in %
Erste Leasing Eszközfinanszírozási Pénzügyi Szolgáltató Zrt. (vm. Erste S Leasing Pénzügyi Szolgáltató Rt.)	Budapest	100.0
BCR Leasing IFN SA	Bukarest	69.3
ERSTE FACTORING d.o.o.	Zagreb	86.4
REICO investicni společnost Ceske sporitelny, a.s.	Prag	98.0
ERSTE CARD CLUB d.d.	Zagreb	69.2
S-Factoring, faktoring družba d.d.	Laibach	26.9
brokerjet Sparkasse d.d.	Laibach	63.3
BCR Partener IFN SA	Bukarest	69.4
SAI Erste Asset Management S.A.	Bukarest	100.0
Sparkasse Leasing S, družba za financiranje d.o.o.	Laibach	28.0
Synergy Capital a.d. in Liqu.	Belgrad	100.0
Erste Securities Istanbul Menkul Degerler AS	Istanbul	100.0
Kärntner Sparkasse Vermögensverwaltungsgesellschaft m.b.H.	Klagenfurt	25.0

Company name, registered office	Interest of Erste Group in %
Other	
CS Property Investment Limited	Nikosia 98.0
CEE Property Development Portfolio B.V.	Amsterdam 19.6
Czech and Slovak Property Fund B.V.	Amsterdam 10.0
ERSTE DMD d.o.o.	Zagreb 69.3
Realitas Grundverwertungsgesellschaft m.b.H.	Wien 66.3
Smichov Real Estate, a.s.	Prag 10.0
Solitaire Real Estate, a.s.	Prag 10.0
Atrium Center s.r.o.	Bratislava 10.0
Penzijni fond Ceske sporitelny, a.s.	Prag 98.0
Erste Penztárszervező Kft.	Budapest 100.0
Jegeho Residential s.r.o.	Bratislava 10.0
s REAL Immobilienvermittlung GmbH	Wien 96.1
CPDP 2003 s.r.o.	Prag 19.6
Gallery MYSAK a.s.	Prag 19.6
Real-Service für steirische Sparkassen Realitätenvermittlungsgesellschaft m.b.H.	Graz 59.7
Sparkassen-Real-Service für Kärnten und Osttirol Realitätenvermittlungs-Gesellschaft m.b.H.	Klagenfurt 55.6
Real-Service für oberösterreichische Sparkassen Realitätenvermittlungsgesellschaft m.b.H.	Linz 65.8
Sparkassen-Real-Service -Tirol Realitätenvermittlungs-Gesellschaft m.b.H.	Innsbruck 66.8
BGA Czech, s.r.o.	Prag 10.0
S Tourismus Services GmbH	Wien 100.0
CSPF Residential B.V.	Amsterdam 10.0
IT Centrum s.r.o.	Prag 98.0
ERSTE NEKRETNINE d.o.o. za poslovanje nekretninama	Zagreb 69.3
CPDP Polygon s.r.o.	Prag 19.6
CPDP Prievozska a.s.	Bratislava 19.6
TAVARESA a.s.	Prag 19.6
BECON s.r.o.	Prag 19.8
Realitna spolocnost Slovenskej sporitelne, a.s.	Bratislava 100.0
SATPO Jeseniova, s.r.o.	Prag 5.0
EGB Capital Invest GmbH	Wien 100.0
EBB Beteiligungen GmbH	Wien 100.0
Trencin Retail Park a.s.	Bratislava 9.0
Trencin Property a.s.	Bratislava 10.0
CPDP Jungmannova s.r.o.	Prag 19.6
SATPO Kralovska vyhlidka, s.r.o.	Prag 5.0
CPDP Shopping Mall Kladno, a.s.	Prag 19.6
SATPO Sacre Coeur II, s.r.o.	Prag 5.0
CPP Lux S. 'ar.l.	Luxemburg 19.6
CP Praha s.r.o.	Prag 19.6
BCR PENSII, SOCIETATE DE ADMINISTRARE A FONDURILOR DE PENSII PRIVATE SA	Bukarest 69.4
Nove Butovice Development s.r.o.	Prag 10.0
CPDP Logistics Park Kladno I a.s.	Prag 38.0
CPDP Logistics Park Kladno II a.s.	Prag 19.6
s BAU Holding GmbH	Wien 95.0
Sio Ingatlan Invest Kft.	Budapest 100.0
CASIOPEA VISION, A.S.	Brünn 10.0
BELBAKA a.s.	Prag 10.0
Investicni spolocnost Ceske sporitelny, a.s., PF1-otvreny podilovy fond	Prag 98.0
BCR Fleet Management SRL	Bukarest 69.3
Investicni spolocnost Ceske sporitelny, a.s., PF2-otvreny podilovy fond	Prag 98.0
HEBRA Holding GmbH	Wien 100.0
Capexit Private Equity Invest GmbH	Wien 100.0
Capexit Beteiligungs Invest GmbH	Wien 100.0
Procurement Services RO srl	Bukarest 99.9

Company name, registered office		Interest of Erste Group in %
Erste Finance (Jersey) Limited III	St. Helier	100.0
Czech TOP Venture Fund B.V.	Groesbeek	82.6
Erste Finance (Jersey) Limited V	St. Helier	100.0
Erste Finance (Jersey) Limited IV	St. Helier	100.0
Erste Finance (Jersey) 6 Limited	St. Helier	100.0
Erste Capital Finance (Jersey) PCC	St. Helier	100.0
EBV-Beteiligungen GmbH	Wien	100.0
s Wohnbauträger GmbH	Wien	90.9
Erste Kereskedohaz Kft.	Budapest	100.0
"Sparkassen-Haftungs Aktiengesellschaft"	Wien	43.0
LANED a.s.	Bratislava	100.0
Informatika Ceske sporitelny, a.s.	Prag	98.0
Beta-Immobilienvermietung GmbH	Wien	100.0
DIE ERSTE Immobilienvermietungsgesellschaft m.b.H.	Wien	100.0
s IT Solutions AT Spardat GmbH	Wien	82.1
EB-Beteiligungsservice GmbH	Wien	99.9
Erste Ingatlan Fejlesztó, Hasznosító és Mernoki Kft. (vm. PB Risk Befektetési és Szolgáltató Kft).	Budapest	100.0
Dezentrale IT-Infrastruktur Services GmbH	Wien	82.1
ERSTE-DAT Informatikai Tanácsadó és Szolgáltató Kft.	Budapest	100.0
CSSC Customer Sales Service Center GmbH	Wien	57.2
s Haftungs- und Kundenabsicherungs GmbH	Wien	63.4
s Wohnfinanzierung Beratungs GmbH	Wien	75.5
CS Investment Limited	St. Peter Port	98.0
OM Objektmanagement GmbH	Wien	100.0
s IT Solutions SK, spol. s r.o.	Bratislava	99.5
MBU d.o.o.	Zagreb	67.4
ÖCI-Unternehmensbeteiligungsgesellschaft m.b.H.	Wien	99.2
Procurement Services GmbH	Wien	99.9
Derop B.V.	Amsterdam	100.0
Sparkassen Zahlungsverkehrsabwicklungs GmbH	Linz	57.6
EB-Restaurantsbetriebe Ges.m.b.H.	Wien	100.0
S-Tourismusfonds Management Aktiengesellschaft	Wien	100.0
Erste Finance (Delaware) LLC	City of Wilmington	100.0
Financiara SA	Bukarest	67.6
SC Bucharest Financial Piazza SRL	Bukarest	69.4
Erste Ingatlanlízing Penzügyi Szolgáltató Zrt.	Budapest	100.0
Procurement Services CZ s.r.o.	Prag	99.1
Procurement Services SK s.r.o.	Bratislava	99.9
Procurement Services HU Kft.	Budapest	99.9
Procurement Services Zagreb d.o.o.	Zagreb	99.9
Informations-Technologie Austria SK, spol. s r.o.	Bratislava	100.0
s IT Solutions CZ, s.r.o.	Prag	99.2
s IT Solutions HR društvo s ograničenom odgovornošću za usluge informacijskih tehnologija	Bjelovar	93.9
s IT Solutions Holding GmbH	Wien	100.0
GRANTIKA Ceske sporitelny, a.s.	Brünn	98.0
Euro Dotacie, a.s.	Zilina	64.7
Flottenmanagement GmbH	Wien	51.0
Gladiator Leasing Limited	Sliema	99.9
good.bee Service RO SRL	Bukarest	69.4
BCR Real Estate Management SRL	Bukarest	69.4
Sparkasse Kufstein Immobilien GmbH & Co KG	Kufstein	0.0
BCR Finance BV	Amsterdam	69.4
BCR Procesare SRL	Bukarest	69.4
s ASG Sparkassen Abwicklungs- und Servicegesellschaft mbH	Graz	25.0
Erste GCIB Finance I B.V.	Amsterdam	100.0

Company name, registered office		Interest of Erste Group in %
Erste Group Services GmbH	Wien	100.0
PARTNER CESKE SPORITELNY, A.S.	Prag	98.0
SUPPORT COLECT SRL	Bukarest	69.4
Erste Lakaslizing Zrt.	Budapest	100.0
Erste Group Shared Services (EGSS), s.r.o.	Hodorun	99.2
Haftungsverbund GmbH	Wien	63.4
AWEKA - Kapitalverwaltungsgesellschaft m.b.H.	Graz	25.0
LIEGESA Immobilienvermietung GmbH Nfg OHG	Graz	25.0
BRS Büroreinigungsgesellschaft der Steiermärkischen Bank und Sparkassen Aktiengesellschaft Gesellschaft m.b.H.	Graz	25.0
SVD-Sparkassen-Versicherungsdienst Versicherungsbörse Nachfolge GmbH & Co. KG	Innsbruck	75.0
KS-Beteiligungs- und Vermögens-Verwaltungsgesellschaft m.b.H.	Klagenfurt	25.0
"Die Kärntner" Trust-Vermögensberatungsgesellschaft m.b.H.	Villach	25.0
KS - Dienstleistungsgesellschaft m.b.H.	Klagenfurt	25.0
Immobilienverwertungsgesellschaft m.b.H.	Klagenfurt	25.0
Sparkasse S d.o.o.	Laibach	25.0
Erste Reinsurance S.A.	Howald	100.0
Quest Investment Services Limited	Sliema	0.0

Company name, registered office		Interest of Erste Group in %
Associates accounted for at equity		
Credit institutions		
"Spar - Finanz" - Investitions- und Vermittlungs-Aktiengesellschaft	Wien	50.0
Prvá stavebná sporiteľna, a.s.	Bratislava	35.0
NÖ Bürgschaften GmbH	Wien	25.0
Intermarket Bank AG	Wien	25.2
PayLife Bank GmbH (vorm. Europay Austria Zahlungsverkehrssysteme GmbH)	Wien	18.4
NÖ Beteiligungsfinanzierungen GmbH	Wien	30.0
Other financial institutions		
E-C-A-Holding Gesellschaft m.b.H.	Wien	65.5
E-C-B Beteiligungsgesellschaft m.b.H.	Wien	24.7
Eurolease Immorent Grundverwertungsgesellschaft m.b.H.	Wien	46.3
Steirische Leasing für öffentliche Bauten Gesellschaft m.b.H.	Graz	50.0
IMMORENT-HUBI Grundverwertungsgesellschaft m.b.H.	Wien	31.3
Tiroler Kommunalgebäudeleasing Gesellschaft m.b.H.	Innsbruck	33.3
TKL II. Grundverwertungsgesellschaft m.b.H.	Innsbruck	33.3
TKL III Grundverwertungsgesellschaft m.b.H.	Innsbruck	33.3
TKL IV Grundverwertungsgesellschaft m.b.H.	Innsbruck	33.3
Quirinal Grundstücksverwaltungs Gesellschaft m.b.H.	Wien	33.3
AVION-Grundverwertungsgesellschaft m.b.H.	Wien	50.0
Esquilin Grundstücksverwaltungs Gesellschaft m.b.H.	Wien	25.0
Viminal Grundstücksverwaltungs Gesellschaft m.b.H.	Wien	25.0
IMMORENT-APOLLO Grundverwertungsgesellschaft m.b.H.	Wien	31.2
Steirische Gemeindegebäude Leasing Gesellschaft m.b.H.	Graz	50.0
Epsilon - Grundverwertungsgesellschaft m.b.H.	Wien	50.0
Vorarlberger Kommunalgebäudeleasing Gesellschaft m.b.H.	Dornbirn	33.3
VKL II Grundverwertungsgesellschaft m.b.H.	Dornbirn	33.3
VKL III Gebäudeleasing-Gesellschaft m.b.H.	Dornbirn	33.3
Steirische Kommunalgebäudeleasing Gesellschaft m.b.H.	Graz	50.0
CALDO Grundstücksverwertungsgesellschaft m.b.H.	Wien	31.2
Schul- und Amtsgebäude Grundstücksverwaltungsgesellschaft m.b.H.	Graz	33.3
Schulerrichtungsgesellschaft m.b.H.	Wien	41.3
Steirische Leasing für Gebietskörperschaften Gesellschaft m.b.H.	Graz	50.0
SWO Kommunalgebäudeleasing Gesellschaft m.b.H.	Wien	50.0
ILION-IMMORENT Grundverwertungsgesellschaft m.b.H.	Wien	28.8
VALET-Grundstückverwaltungs Gesellschaft m.b.H.	Wien	25.0
"SELIMMO" - Sparkasse Mühlviertel-West - DIE ERSTE Leasing - Immobilienvermietung GmbH	Rohrbach	69.4
DIE ERSTE Leasing & VKB Immobilien Vermietungsgesellschaft m.b.H.	Wien	50.0
TRABITUS Grundstückvermietungs Gesellschaft m.b.H.	Wien	25.0
Adoria Grundstückvermietungs Gesellschaft m.b.H.	Wien	25.0
ALTOS-Immorent Immobilienleasing GmbH	Wien	33.3
N.Ö. Kommunalgebäudeleasing Gesellschaft m.b.H.	Wien	28.4
Aventin Grundstücksverwaltungs Gesellschaft m.b.H.	Horn	25.0
N.Ö. Gemeindegebäudeleasing Gesellschaft m.b.H.	Wien	33.4
O.Ö. Gemeindegebäude-Leasing Gesellschaft m.b.H.	Linz	50.0
SUPRIA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H.	Wien	50.0
O.Ö. Kommunalgebäude-Leasing Gesellschaft m.b.H.	Linz	40.0
TKL V Grundverwertungsgesellschaft m.b.H.	Innsbruck	33.3
Rembra Leasing Gesellschaft m.b.H.	Wien	50.0
NÖ-KL Kommunalgebäudeleasing Gesellschaft m.b.H.	Wien	28.4
Immorent-Hypo-Rent Grundverwertungsgesellschaft m.b.H.	Innsbruck	50.0
Immoconsult "Citycenter" Leasinggesellschaft m.b.H.	Wien	24.5
RL DANTE Mobilien-Leasing GmbH	Wien	20.0
MELIKERTES Raiffeisen-Mobilien-Leasing Gesellschaft m.b.H.	Wien	20.0

Company name, registered office		Interest of Erste Group in %
WASHINGTON PROEKT OOD	Sofia	50.0
IMMOKIK SRL	Bukarest	49.0
Other		
Garage Eisenstadt Betriebsgesellschaft m.b.H.	Wien	50.0
OSTRE Infrastruktur Entwicklungs- und Beteiligungs GmbH	Wien	33.3
ISP Immobilienentwicklungs- und -verwertungsgesellschaft m.b.H.	Wien	42.3
Bio-Wärme Scheifling GmbH	Scheifling	49.0
Budapark Estate 2005 Kft.	Budaörs	42.0
Sparkassen Immobilien AG	Wien	9.0
Immobilien West Aktiengesellschaft	Salzburg	49.3
ASC Logistik GmbH	Wien	24.0
VERMREAL Liegenschaftserwerbs- und -betriebs GmbH	Wien	25.6
ERSTE d.o.o.	Zagreb	34.7
RSV Beteiligungs GmbH	Wien	33.3
LTB Beteiligungs GmbH	Wien	25.0
FINEP Jegeho alej a.s.	Bratislava	3.3
SATPO Sacre Coeur, s.r.o.	Prag	5.0
VBV - Betriebliche Altersvorsorge AG	Wien	26.9
SATPO Na Malvazinkach, a.s.	Prag	5.0
SATPO Svedska s.r.o.	Prag	5.0
Gelup GesmbH	Wien	31.7
KWC Campus Errichtungsgesellschaft m.b.H.	Klagenfurt	12.5
Office Center Stodulky GAMA a.s.	Prag	39.2
STRAULESTI PROPERTY DEVELOPMENT SRL	Bukarest	50.0
TRGOVINSKI CENTAR ZADAR - FAZA 2 d.o.o.	Zadar	50.0
APHRODITE Bauträger Aktiengesellschaft	Wien	45.5
Slovak Banking Credit Bureau, s.r.o.	Bratislava	33.3
Informations-Technologie Austria GmbH	Wien	42.2

Company name, registered office		Interest of Erste Group in %
Other investments		
Other financial institutions		
good.bee Holding GmbH	Wien	60.0
WIEPA-Vermögensverwaltungsgesellschaft m.b.H.	Dornbirn	0.0
Vorarlberger Sparkassen Beteiligungs GmbH	Dornbirn	0.0
SPKB Beteiligungs- und Verwaltungsgesellschaft m.b.H.	Bregenz	0.0
Sparkasse Niederösterreich Mitte West Beteiligungsgesellschaft m.b.H.	St. Pölten	0.0
Aviso Gamma GmbH	Wien	23.8
IMMORENT-NÖ Sparkassen-Leasing Gesellschaft m.b.H.	Wien	42.7
Sapor Beteiligungsverwaltungs GmbH	Wien	100.0
KERES-Immorent Immobilienleasing GmbH	Wien	25.0
HOSPES-Grundstückverwaltungs Gesellschaft m.b.H.	St. Pölten	15.0
IMMORENT Ostrava I. s.r.o.	Prag	100.0
CTP Hespicka spol. s.r.o.	Prag	100.0
DINESIA a.s.	Prag	98.0
Karasita s.r.o. v likvidácii (vm. CF Danube Leasing, s.r.o.)	Bratislava	98.0
SPARKASSE Bauholding Gesellschaft m.b.H.	Salzburg	98.7
IMMORENT West Gesellschaft m.b.H.	Innsbruck	100.0
Sparkasse Bauholding Leasing I GmbH	Salzburg	98.7
Sparkasse Bauholding Leasing II GmbH	Salzburg	98.2
Sparkasse Bauholding Leasing III GmbH	Salzburg	98.2
Sparkasse Bauholding Leasing V GmbH	Salzburg	98.7
Österreichisches Volkswohnungswerk, Gemeinnützige Gesellschaft mit beschränkter Haftung	Wien	100.0
S-Leasing d.o.o., Sarajevo	Sarajevo	24.9
Waldviertler Sparkasse von 1842 Leasing GmbH	Waidhofen an der Thaya	0.0
Waldviertler Leasing s.r.o.	Jindrichuv Hradec	0.0
S-Leasing d.o.o., Skopje	Skopje	25.0
Company for Investment Funds Management "Erste Invest" a.d. Belgrade	Belgrad	100.0
Allgemeine Sparkasse Mobilienleasing Gesellschaft m.b.H.	Wien	26.9
AS-WECO 4 Grundstückverwaltung Gesellschaft m.b.H.	Salzburg	27.2
WEST CONSULT Grundstückverwaltung IV Gesellschaft m.b.H.	Salzburg	20.2
Allgemeine Sparkasse Immobilienleasing Projekt Volkshaus Keferfeld/Oed Gesellschaft m.b.H.	Salzburg	26.9
S - Leasing und Vermögensverwaltung - Gesellschaft m.b.H.	Peuerbach	0.0
ILGES - Immobilien- und Leasing - Gesellschaft m.b.H.	Rohrbach	40.0
Lorit Immobilien Leasing Gesellschaft m.b.H.	Wien	56.2
Grema - Grundstückverwaltung Gesellschaft m.b.H.	Innsbruck	75.0
S MORAVA Leasing, a.s.	Znaim	99.5
WNI Wiener Neustädter Immobilienleasing Ges.m.b.H.	Wiener Neustadt	0.0
S Slovensko s.r.o.	Bratislava	99.5
VKL IV Leasinggesellschaft mbH	Dornbirn	23.3
C.I.M. Unternehmensbeteiligungs- und Anlagenvermietungs GmbH	Wien	33.3
TKL VI Grundverwertungsgesellschaft m.b.H.	Innsbruck	28.2
TKL VII Grundverwertungsgesellschaft m.b.H.	Innsbruck	28.4
O.Ö. Leasing für Gebietskörperschaften Ges.m.b.H.	Linz	33.3
O.Ö. Leasing für öffentliche Bauten Gesellschaft m.b.H.	Linz	33.3
TKL VIII Grundverwertungsgesellschaft m.b.H.	Innsbruck	33.3
VKL V Immobilien Leasinggesellschaft m.b.H.	Dornbirn	23.3
Objekt-Lease Grundstücksverwaltungs-Gesellschaft m.b.H.	Wien	50.0
O.Ö. Kommunal-Immobilienleasing GmbH	Linz	40.0
CULINA Grundstücksvermietungs Gesellschaft m.b.H.	St. Pölten	25.0
UNDA Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	25.0
FORIS Grundstücksvermietungs Gesellschaft m.b.H.	St. Pölten	25.0
CONATUS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	25.0
LITUS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	25.0

Company name, registered office		Interest of Erste Group in %
Tiroler Landesprojekte Grundverwertungs GmbH	Innsbruck	33.3
VOLUNTAS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	35.0
UNIQA Immobilien-Projektentwicklungs GmbH	Wien	33.3
Seilbahnleasing GmbH	Innsbruck	33.3
IMMORENT Deutschland GmbH	Pöcking	50.0
EFH-Beteiligungsgesellschaft m.b.H.	Wien	50.0
Neue Eisenstädter gemeinnützige Bau-, Wohn- und Siedlungsgesellschaft m.b.H.	Eisenstadt	50.0
STUWO Gemeinnützige Studentenwohnbau Aktiengesellschaft	Wien	50.3
Fondul de Garantare a Creditului Rural IFN SA	Bukarest	23.1
VISA INC.	Wilmington	0.0
"Wohnungseigentum", Tiroler gemeinnützige Wohnbaugesellschaft m.b.H.	Innsbruck	19.1
NÖ. HYPO LEASING - Sparkasse Region St. Pölten Grundstücksvermietungs Gesellschaft m.b.H.	St. Pölten	0.0

Company name, registered office		Interest of Erste Group in %
IMMORENT S-Immobilienmanagement GesmbH	Wien	100.0
Immorent-Delta-Grundstücksverwertungsgesellschaft m.b.H.	Wien	92.5
AWEKA-Beteiligungsgesellschaft m.b.H.	Wien	25.0
CITY REAL Immobilienbeteiligungs- und Verwaltungsgesellschaft mbH & Co KG	Graz	25.8
Innovationspark Graz-Puchstraße GmbH	Graz	51.0
HBF Eins Holding GmbH	Wien	100.0
HBF Eins Alpha Projektentwicklungs GmbH	Wien	100.0
HBF Zwei Beta Projektentwicklungs GmbH	Wien	100.0
HBF Drei Gamma Projektentwicklungs GmbH	Wien	100.0
HBF Vier Delta Projektentwicklungs GmbH	Wien	100.0
ML-Mobilienleasing Gesellschaft m.b.H.	Wien	100.0
Immorent-Mobilienvermietungsgesellschaft m.b.H. & Co Leasing 89 KG	Wien	100.0
"Immo - Rent" Liegenschaftsanlage und Verwaltung Gesellschaft m.b.H. & Co.KG.	Wien	100.0
IBF-Anlagenleasing 93 Gesellschaft m.b.H.	Wien	100.0
GZ-Finanz Leasing Gesellschaft m.b.H.	Wien	100.0
Immorent Beteiligungs- und Mobilienleasing GmbH	Wien	100.0
IBF 96 Beteiligungs- und Leasinggesellschaft m.b.H.	Wien	100.0
DIE ERSTE Mobilienleasing- und Beteiligungsgesellschaft m.b.H.	Wien	100.0
Sporthotel Wagrain Betriebs- und Leasinggesellschaft m.b.H.	Wien	100.0
Hotel- und Sportstätten Beteiligungs-, Errichtungs- und Betriebsgesellschaft m.b.H. Leasing KG	St. Pölten	54.5
UGRON Vermietung GmbH	Klagenfurt	90.0
Genesis Private Equity Fund 'B' L.P.	St. Peter Port	98.0
Sparkassen IT Holding AG	Wien	29.3
Erste Private Equity Limited	London	100.0
F&S Finance and Service Leasing GmbH	Fellbach-Schmidlen	90.0
ÖVW-Bauträger GmbH	Wien	100.0
MEG-Liegenschaftsverwaltungsgesellschaft m.b.H.	Wien	100.0
Dolomitencenter Verwaltungs GmbH	Lienz	50.0
Luitpoldpark-Hotel Betriebs- und Vermietungsgesellschaft mbH	Füssen	71.2
Realitni spolocnost Ceske sporitelny, a.s.	Prag	98.0
AGRI-BUSINESS Kft. (in Konkurs)	Hegyeshalom	100.0
Kleinkraftwerke Betriebsgesellschaft m.b.H.	Wien	100.0
Kraftwerksmanagement GmbH	Wien	100.0
Planung und Errichtung von Kleinkraftwerken Aktiengesellschaft	Wien	82.7
Unzmarkter Kleinkraftwerk-Aktiengesellschaft	Wien	81.4
SZG-Dienstleistungsgesellschaft m.b.H.	Salzburg	98.7
LINEA Beteiligungs-Gesellschaft m.b.H.	Wien	100.0
Erste Corporate Finance GmbH	Wien	100.0
PARAGON Hotelbetriebs GmbH (vm. REMACO)	Wien	87.4
S-Vermögensanlagegesellschaft m.b.H.	Linz	26.9
EB-Grundstücksbeteiligungen GmbH	Wien	100.0
SPV - Druck Gesellschaft m.b.H	Wien	99.9
Erste Group Beteiligungen GmbH	Wien	100.0
EBSPK-Handelsgesellschaft m.b.H.	Wien	29.3
MUNDO FM & S GmbH	Wien	100.0
Sparkassen - Betriebsgesellschaft mbH.	Linz	27.0
Balance Resort AG (vm. Wellness Hotel Stegersbach)	Stegersbach	72.9
Hotel Corvinus Gesellschaft m.b.H. & Co KG	Wien	100.0
Hochkönig Bergbahnen Ges.m.b.H	Mühlbach am Hochkönig	54.9
EBB Hotelbetriebs GmbH	Imst	100.0
Vasudvar Hotel Kft.1	Budapest	100.0
Latifundium Holding Ges.m.b.H.	Wien	100.0
UBG-Unternehmensbeteiligungsgesellschaft m.b.H.	Wien	100.0
Sparkasse Imst Immobilienverwaltung GmbH	Imst	0.0
Erste Finance Malta Limited	Sliema	100.0

Company name, registered office		Interest of Erste Group in %
Bad Leonfelden Hotelbetriebs Gesellschaft mbH	Wien	63.4
BL Hotel Beteiligungs GmbH	Rohrbach	69.4
Sparkasse Reutte Liegenschaftsverwertungs GmbH	Reutte	0.0
Respa GmbH	Kempten	0.0
RVG Czech, s.r.o.	Prag	10.0
Frankenmarkter Errichtungs- und Finanzierungsgesellschaft m.b.H.	Frankenmarkt	0.0
SN - Biogas GmbH	St. Pölten	0.0
HV-Veranstaltungsservice GmbH	Wien	100.0
EGB Property Holding GmbH	Wien	100.0
Argentum Immobilienverwertungs Ges.m.b.H.	Linz	26.9
Koflergasse 10 Liegenschaftsbesitz GmbH	St. Pölten	0.0
Fejer- Kondor Immobilienverwaltungsgesellschaft m.b.H.	Budapest	4.6
Baut auf Werbe GmbH	St. Pölten	0.0
S Servis, s.r.o.	Znaim	99.5
BioEnergie Stainach GmbH	Stainach	25.0
BioEnergie Stainach GmbH & Co KG	Stainach	25.0
Erste Campus Mobilien GmbH & Co KG	Wien	100.0
ESB Holding GmbH	Wien	69.3
Erste Campus Mobilien GmbH	Wien	100.0
EH-Beta Holding GmbH	Wien	100.0
EBB-Delta Holding GmbH	Wien	100.0
CTP Infrastruktura, spol.s.r.o.	Prag	100.0
Beteiligungs- Vermögensverwaltungs- und Treuhand- Gesellschaft m.b.H.	Graz	25.0
Schauersberg Immobilien Gesellschaft m.b.H.	Graz	25.0
Kreco Realitäten Aktiengesellschaft	Wien	19.7
Seniorenresidenz "Am Steinberg" GmbH	Graz	25.0
RTG Tiefgaragenerrichtungs und -vermietungs GmbH	Graz	25.0
BVT Immobilien GmbH	Graz	25.0
SBS Beteiligungs GmbH	Graz	25.0
Sparkasse Hartberg-Vorau Vermögensverwaltungs-Gesellschaft m.b.H.	Hartberg	25.0
CITY REAL Immobilienbeteiligungs- und Verwaltungsgesellschaft mbH	Graz	25.0
Realitäten und Wohnungsservice Gesellschaft m.b.H.	Köflach	4.8
"SIMM" Liegenschaftsverwertungsgesellschaft m.b.H.	Graz	25.0
Sparkassen - Reisebüro Gesellschaft m.b.H.	Linz	26.9
AS LEASING Gesellschaft m.b.H.	Linz	26.9
Sport- und Freizeitanlagen Gesellschaft m.b.H.	Schwanenstadt	8.9
LV Holding GmbH	Linz	44.0
TYROLTRADE Handelsgesellschaft m.b.H.	Innsbruck	75.0
LBH Liegenschafts- und Beteiligungsholding GmbH	Innsbruck	75.0
ISPA-Beteiligungsgesellschaft m.b.H.	Kempten	75.0
SPAKO Holding GmbH	Innsbruck	75.0
Schmied von Kochel Beteiligungsverwaltungs-GmbH	München	75.0
JM Seebensee Baugesellschaft mbH & Co KG	Innsbruck	74.2
TIRO Bauträger GmbH	Innsbruck	75.0
Fuselage Finance Ltd.	Hamilton	75.0
Grundstücksverwertungsgesellschaft mbH Objekt Oggenhof	München	75.0
Rätikon-Center Errichtungs- und Betriebsgesellschaft m.b.H.	Bludenz	0.0
Sparkassen Bankbeteiligungs GmbH	Dornbirn	0.0
WBV Beteiligungs- und Vermögensverwaltungsgesellschaft m.b.H.	Feldkirch	0.0
Sparkasse Bludenz Beteiligungsgesellschaft mbH	Bludenz	0.0
Sparkasse Bludenz Immobilienverwaltungsgesellschaft mbH	Bludenz	0.0
Camping- und Freizeitanlagen Betriebsgesellschaft m.b.H.	St. Pölten	0.0
Sparkasse Niederösterreich Mitte West Stadtentwicklungs GmbH	St. Pölten	0.0
S-Haugsdorf s.r.o.	Hodonice	0.0
SM-Immobilien-gesellschaft m.b.H.	Melk	0.0

Company name, registered office		Interest of Erste Group in %
S-Commerz Beratungs- und Handelsgesellschaft m.b.H.	Neunkirchen	0.0
S-Real, Realitätenvermittlungs- und -verwaltungs Gesellschaft m.b.H.	Wiener Neustadt	0.0
Thayatal Hotel- und Golfanlagen Errichtungs- und Betriebsgesellschaft m.b.H.	Waidhofen an der Thaya	0.0
S IMMOKO Holding GesmbH	Korneuburg	0.0
BTV-Beteiligungs-, Treuhand-, Vermögens-Verwaltungsgesellschaft m.b.H.	Klagenfurt	25.0
C.I.M. Beteiligungen 1998 GmbH	Wien	41.1
C.I.M. Verwaltung und Beteiligungen 1999 GmbH	Wien	26.7
SALIX-Grundstückserwerbs Ges.m.b.H.	Eisenstadt	50.0
EBG Europay Beteiligungs-GmbH	Wien	22.4
AREALIS Liegenschaftsmanagement GmbH	Wien	50.0
Darius Handels-, Produktions- u. Dienstleistungs(gesellschaft) Aktiengesellschaft in Liquidation	Tatabanya	27.1
Kisvállalkozás-fejlesztő Penzügyi Zrt.	Budapest	1.1
Finance New Europe B.V.	KJ Groesbeek	40.4
FINTEC-Finanzierungsberatungs- und Handelsgesellschaft m.b.H.	Wien	25.0
GIRO Elszámolásforgalmi Zrt.	Budapest	8.3
Gemdat Niederösterreichische Gemeinde-Datenservice Gesellschaft m. b. H.	Korneuburg	1.5
Garantiqa Hitelgarancia Zrt.	Budapest	3.5
SVI-EDV-Programmentwicklungsgesellschaft m. b. H.	Wien	23.5
Tellerrand Zukunftsförderung GesbR mit Anteilshaftung	Wien	14.3
Agentia bursiera SIS & Co. SA i.Liqu.	Bukarest	13.9
Newstin, a.s.	Prag	17.5
Öhlnknecht-Hof Errichtungs- und Verwaltungsgesellschaft m.b.H.	Horn	0.0
All in Red Hotelbetrieb GmbH & Co KG in Liqu.	Lutzmannsburg	38.9
Reuttener Seilbahnen GmbH & CO KG	Höfen	0.0
Reuttener Seilbahnen GmbH	Höfen	0.0
ÖKO-Heizkraftwerk GmbH	Pöllau	0.0
ÖKO-Heizkraftwerk GmbH & Co KG	Pöllau	0.0
students4excellence GmbH	Wien	20.0
SJESEN s.r.o. v likvidaci	Prag	5.0
ländleticket marketing gmbh	Bregenz	0.0
GEMDAT Oberösterreichische Gemeinde-Datenservice Gesellschaft m.b.H.	Linz	13.2
GEMDAT Oberösterreichische Gemeinde-Datenservice Gesellschaft m.b.H. & Co.KG	Linz	14.7
ROMANIAN EQUITY PARTNERS COÖPERATIEF U.A.	Amsterdam	33.3
Gewerbe- und Dienstleistungspark der Gemeinde Bad Radkersburg und Radkersburg-Umgebung Kommanditgesellschaft	Bad Radkersburg	4.6
Kabel-TV MITTLERES MÜRZTAL Gesellschaft m.b.H.	Kindberg	6.3
GWS Gemeinnützige Alpenländische Gesellschaft für Wohnungsbau und Siedlungswesen m.b.H.	Graz	7.5

Company name, registered office	Interest of Erste Group in %
Weizer Energie-Innovations-Zentrum GmbH	Weiz 6.0
Technologiezentrum Deutschlandsberg GmbH	Deutschlandsberg 7.3
Erz und Eisen Regional Entwicklungs GmbH	Eisenerz 6.5
AU-VISION Entwicklungs-GmbH	Leoben 28.4
RegioZ Regionale Zukunftsmanagement und Projektentwicklung Ausseerland Salzkammergut GmbH	Bad Aussee 5.0
Technologiezentrum Kapfenberg Vermietungs-GmbH	Kapfenberg 6.0
Steirischer Technologie- und Wachstumsfonds Beteiligungen AG	Graz 7.4
Tiefgaragen GmbH	Wels 5.7
Golf Ressort Kremstal Gesellschaft m.b.H. & Co. KG.	Kematen an der Krems 0.0
Golf Ressort Kremstal Gesellschaft m.b.H.	Kematen an der Krems 0.0
B.A.O. Immobilienvermietungs GmbH	Wien 9.0
Fidelio Beteiligungs AG	Wien 10.8
Lantech Innovationszentrum GesmbH	Landeck 0.0
S-Immobilien Gesellschaft m.b.H.	Bregenz 0.0
P3-Kabel-news GmbH	St. Pölten 0.0
Musikkonservatoriumserrichtungs- und vermietungsgesellschaft m.b.H.	St. Pölten 0.0
Geschützte Werkstätte St. Pölten Gesellschaft m.b.H.	St. Pölten-Hart 0.0
Hollawind - Windkraftanlagenerrichtungs- und Betreibergesellschaft mit beschränkter Haftung	Göllersdorf 24.9
Langenloiser Liegenschaftsverwaltungs-Gesellschaft m.b.H.	Langenlois 0.0
S-City Center Wirtschaftsgütervermietungsgesellschaft m.b.H.	Wiener Neustadt 0.0
E-H Liegenschaftsverwaltungs-GmbH	Etsdorf am Kamp 0.0
Erste Corporate Finance, a.s.	Prag 98.5
ESPA- Financial Advisors GmbH	Wien 84.2
ERSTE-SPARINVEST Deutschland Ges.m.b.H.	Zorneding 100.0
EGB-Service CEE GmbH	Wien 100.0
good.bee credit I.F.N. S.A.	Bukarest 29.4
Sparkasse Kufstein Immobilien GmbH	Kufstein 0.0
s Real Sparkasse nepremicnine d.o.o.	Laibach 51.5
Sparkasse Lambach Versicherungsmakler GmbH	Lambach 0.0
Sparkasse Mühlviertel-West Holding GmbH	Rohrbach 40.0
ILGES - Liegenschaftsverwaltung G.m.b.H.	Rohrbach 40.0
Sparkassen Facility Management GmbH	Innsbruck 75.0
Sparkasse Imst Immobilienverwaltung GmbH & Co KG	Imst 0.0
S-Finanzservice Gesellschaft m.b.H.	Baden 0.0
S-Real Morava spol. s.r.o.	Znaim 99.5
SK - Betriebsgesellschaft m.b.H.	Krems an der Donau 0.0
SK - Immobiliengesellschaft m.b.H.	Krems an der Donau 0.0
SK - Betriebsgesellschaft m.b.H. & Co KG	Krems an der Donau 0.0
Sparfinanz-, Vermögens-, Verwaltungs- und Beratungs- Gesellschaft m.b.H.	Wiener Neustadt 0.0
ZWETTLER LEASING Gesellschaft m.b.H.	Zwettl 0.0
S-Immobilien Weinviertler Sparkasse GmbH	Hollabrunn 99.5
"Die Kärntner" - Förderungsgesellschaft für das Gurktal Gesellschaft m.b.H.	Gurk 25.0
"Die Kärntner"-Förderungs- und Beteiligungsgesellschaft für den Bezirk Wolfsberg Gesellschaft m.b.H.	Wolfsberg 25.0
"Die Kärntner"-BTWF-Beteiligungs- und Wirtschaftsförderungsgesellschaft für die Stadt St. Veit/Glan Gesellschaft m.b.H.	St. Veit a. d. Glan 25.0
"Die Kärntner - Förderungs- und Beteiligungsgesellschaft für die Stadt Friesach Gesellschaft m.b.H.	Friesach 25.0
Die Kärntner Sparkasse - Förderungsgesellschaft für den Bezirk Hermagor Gesellschaft m.b.H.	Hermagor 25.0
MasterCard Incorporated	Purchase 0.0
EBV-Leasing Gesellschaft m.b.H.	Wien 50.0
CBCB-Czech Banking Credit Bureau, a.s.	Prag 19.6
Prvni certifikacni autorita, a.s.	Prag 22.8
Österreichische Wertpapierdaten Service GmbH	Wien 32.7
Visa Europe Limited	London 0.0

Biroul de credit SA	Bukarest	16.8
Aldebaran Leasing Limited	Road Town, Tortola	50.0
Finanzpartner GmbH	Wien	50.0
Egg Investment GmbH	Egg	0.0
ERSTE Vienna Insurance Group Biztosito Zrt.	Budapest	5.0

Vienna, 1 March 2011

The Management Board

Andreas Treichl mp
Chairman

Franz Hochstrasser mp
Vice Chairman

Herbert Juranek mp
Member

Gernot Mittendorfer mp
Member

Martin Škopek mp
Member

Bernhard Spalt mp
Member

Manfred Wimmer mp
Member

AUDITOR'S REPORT (REPORT OF THE INDEPENDENT AUDITORS)¹⁾

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Sparkassen-Prüfungsverband and Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna, have audited the accompanying consolidated financial statements of Erste Group Bank AG, Wien and its subsidiaries (hereinafter referred to as "the Company"), for the financial year from 1 January 2010 to 31 December 2010. These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year ended 31 December 2010, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements and for the Group Accounting

The management of Erste Group Bank AG is responsible for the group accounting as well as the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. 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; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility and Description of the Type and Extent of the Statutory Audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and in accordance with International Standards on Auditing, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with ethical requirements and 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, 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 entity's preparation and fair presentation of the consolidated 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 the entity'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 consolidated financial statements.

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

Opinion

Our audit did not give rise to any objections. Based on the results of our audit in our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as of 31 December 2010, and of its financial performance and its cash flows for the financial year from 1 January 2010 to 31 December 2010 in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Statement on the Consolidated Management Report

Laws and regulations applicable in Austria require us to perform audit procedures to determine whether the consolidated management report is consistent with the consolidated financial statements and whether the other disclosures made in the consolidated management report are misleading to the group's position. The audit report must also include a statement as to whether the consolidated management report is consistent with the consolidated financial statements and if the disclosures pursuant to section 243a UGB are appropriate. In our opinion, the consolidated management report for the group is consistent with the consolidated financial statements. The disclosures pursuant to section 243a UGB are appropriate.

Vienna, 1 March 2011

Sparkassen-Prüfungsverband
(Prüfungsstelle)
(Austrian Savings Bank Auditing Association)
(Audit Agency)
(Bank auditor)

Gerhard Margetich mp
Certified Public Accountant

Herwig Hierzer mp
Revisor

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

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Certified Public Accountant

1) The report (in the German language, or translations into another language, including shortened or amended versions) may not be made public or used by third parties, when reference is made in part or in whole to the auditor's report, without the express written consent of the auditors.

STATEMENT OF ALL MEMBERS OF THE MANAGEMENT BOARD

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

Vienna, 1 March 2011

The Management Board

Andreas Treichl mp
Chairman

Franz Hochstrasser mp
Vice Chairman

Herbert Juranek mp
Member

Gernot Mittendorfer mp
Member

Martin Škopek mp
Member

Bernhard Spalt mp
Member

Manfred Wimmer mp
Member

Glossary

Average total shareholder return

Average of the annual total shareholder returns since the IPO in 1997.

Book value per share

Total equity attributable to owner of the parent, of a public company divided by the number of shares outstanding excluding treasury shares.

Cash return on equity

Also referred to as cash-ROE. Calculated as return on equity, but excluding the impact of non-cash items on net profit for the year attributable to owners of the parent such as goodwill impairment and amortisation of customer relationships.

Cash earnings per share

Calculated as earnings per share, but excluding the impact of non-cash items on net profit for the year attributable to owners of the parent, such as goodwill impairments and amortisation of customer relationships.

CEE (Central and Eastern Europe)

Covers the new member states of the EU that joined in 2004 and 2007 as well as the CIS countries and the states that evolved from the former Yugoslavia.

Core tier-1 ratio (total risk in %)

The ratio of tier-1 capital (excluding hybrid capital pursuant to section 23 (4a) and (4b) Banking Act) after regulatory deductions to the calculation base for the capital requirement pursuant to Section 22 (1) Banking Act.

Cost/Income Ratio

General administrative expenses as a percentage of operating income.

Coverage ratio (risk provisions)

Risk provisions as a percentage of non-performing loans excluding collateral.

Dividend yield

Dividend payment of the fiscal year as a percentage of the year-end closing price or the most recent price of the share.

Earnings per share

Net profit for the year attributable to owners of the parent, divided by average shares outstanding.

Interest-bearing assets

Total assets less cash, trading assets, tangible and intangible fixed assets, tax assets and other assets.

Net interest margin

Net interest income as a percentage of average interest-bearing assets, calculated on a monthly basis.

Operating income

Consists of net interest income, net commission income and trading result.

Operating result

Operating income less operating expenses (=general administrative expenses).

Price/earnings ratio

Closing share price of the fiscal year divided by earnings per share. Usually used for valuation comparisons.

Market capitalisation

Overall value of a company calculated by multiplying the share price by the number of shares outstanding.

NPL ratio

Non-performing loans as a percentage of total credit exposure.

Return on equity

Also referred to as ROE – net profit for the year attributable to owners of the parent, as a percentage of average equity. Average equity is calculated on the basis on month-end values.

Risk categories

The classification of credit assets into the risk classes is based on Erste Group's internal rating of customers. Erste Group employs internal rating systems that, for private individuals, have eight rating grades for customers not in default and one grade for customers in default; for all other clients, the internal rating systems have 13 rating grades for customers not in default and one rating grade for those in default.

Risk category – low risk

The borrower demonstrates a strong repayment capacity; new business generally involves clients in this risk class.

Risk category – management attention

The borrower's financial situation is rather good, but his/her repayment ability may be negatively affected by unfavourable economic conditions. New business with clients in this risk class requires adequate structuring of the credit risks, e.g. by way of collateral.

Risk category – substandard

The borrower is vulnerable to negative financial and economic impacts; such loans are managed in specialised risk management departments.

Risk category – non-performing

Non-performing: at least one of the default criteria under Basel II, e.g. total repayment unlikely, interest or principal payment more than 90 days past due, restructuring resulting in a loss to lender, realisation of a loan loss, or opening of bankruptcy proceedings.

Share capital

Total equity attributable to owners of the parent of a company, subscribed by the shareholders at par.

Solvency ratio

The ratio of the sum of tier-1, tier-2 and tier-3 capital, after regulatory deductions, to the calculation base for the capital requirement pursuant to section 22 (1) Banking Act.

Tax rate

Taxes on income as a percentage of pre-tax profit from continuing operations.

Tier-1 ratio (credit risk)

The ratio of tier-1 capital (including hybrid capital pursuant to section 23 (4a) and (4b) Banking Act) after regulatory deductions, to risk-weighted assets (pursuant to section 22 (2) Banking Act).

Tier-1 ratio (total risk)

The ratio of tier-1 capital (including hybrid capital pursuant to section 23 (4a) and (4b) Banking Act) after regulatory deductions, to the calculation base for the capital requirement pursuant to section 22 (1) Banking Act.

Total shareholder return

Annual performance of an investment in Erste Group Bank AG shares including all income streams, such as dividends.

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