ERSTE
ERSTE GROUP

INVESTOR INFORMATION Vienna, 23 July 2010

Erste Group – solid capitalisation confirmed by stress test results

- **Calculated Tier 1 ratio[1] (total risk) of 8.0% in 2011 in worst case scenario (including additional sovereign risk) compared to 9.2% at year-end 2009**

Erste Group Bank AG has been part of the 2010 EU-wide stress testing exercise coordinated by the Committee of European Banking Supervisors (CEBS), in cooperation with the European Central Bank, and the Austrian National Bank. This stress test complements the regular stress testing programmes conducted by Erste Group and the Austrian National Bank in order to assess the potential impact of negative economic developments on the bank's capital adequacy.

The present exercise was conducted based on scenarios, methodology and key assumptions provided by CEBS (aggregate report published on the CEBS website[2]). These assumptions have been adjusted by the Austrian National Bank to better reflect the particular situation in the eastern part of the European Union. This modification resulted in a more conservative approach compared to the proposed CEBS parameters. As a consequence, the estimated Tier 1 ratio calculated according to CEBS parameters would have been significantly higher than in the scenario used by Erste Group.

As a result of the assumed shock under the adverse scenario, the calculated consolidated Tier 1 ratio would change to 8.1% in 2011, compared to 9.2% as of end-2009. An additional sovereign risk scenario would have a further impact of 0.1 percentage points on the calculated Tier 1 ratio, bringing it to 8.0% at the end of 2011, compared with the regulatory minimum of 4%.

"We are very pleased with the results of the stress test," commented Andreas Treichl, CEO of Erste Group, "particularly as the parameters used by the Austrian banks have been more stringent compared to the CEBS guidelines. With a calculated Tier 1 ratio of 8.0% in 2011 in the worst case scenario, our bank has passed the tests with a capital buffer of EUR 2,822m, comfortably above the minimum requirement of 6% which has been defined as the threshold solely for the purpose of this exercise. This was of particular importance for Erste Group as our Tier 1 ratio of 9.2% at year-end of 2009 was not the highest in a European context. Whereas we have in principle no problem with rankings, it should be noted, that in general retail banks with a substantially higher percentage of risk weighted assets than other financial institutions tend to have lower capital ratios which in our view does by no means point to a riskier business model. It is a simple fact, that at present, loans to the SME segment require up to 10 times more capital than any sovereign exposures within the European Union. Catering to the retail and SME segment in the eastern part of the European Union remains at the very core of Erste Group's retail banking strategy."

[1] Tier 1 ratio used in this communication always refers to Tier 1 ratio based on total risk, including hybrid capital and participation capital.
[2] See http://www.c-ebs.org/EU-wide-stress-testing.aspx

Overview of stress test assumptions and procedure

Stress tests, by nature, are designed to simulate plausible but drastic and rare events.

- **Macroeconomic assumptions:**
  In accordance with the Austrian National Bank modified GDP growth assumptions have been used for CEE, resulting in a more conservative approach compared to the proposed CEBS parameters.

Annualized Y-o-Y GDP Growth Rates	OENB				CEBS			
	Benchmark		Adverse		Benchmark		Adverse	
	2010	2011	2010	2011	2010	2011	2010	2011
Czech Republic	1.3%	2.6%	-0.2%	-2.8%	1.4%	1.8%	0.9%	0.6%
Hungary	-0.2%	2.5%	-2.2%	-3.9%	0.9%	3.2%	-0.2%	1.6%
Romania	0.8%	3.1%	-1.2%	-3.3%	-0.7%	3.6%	-1.8%	2.1%
Slovak Republic	4.1%	4.5%	2.8%	-0.1%	1.9%	2.6%	0.8%	-0.6%
Croatia	-0.1%	1.8%	-1.6%	-3.6%	4.4%*	4.8%*	3.6%*	3.5%*
Serbia	2.0%	3.0%	-0.1%	-3.4%	4.4%*	4.8%*	3.6%*	3.5%*
Ukraine	3.7%	4.1%	1.7%	-2.3%	4.4%*	4.8%*	3.6%*	3.5%*

* Rest of world in CEBS

- **P&L and balance sheet assumptions:**
  All calculations were based on year-end 2009 actual results. Both the benchmark scenario 2010 – 2011, as well as the adverse scenario 2010 – 2011, were founded on a number of common key assumptions, and the provided macroeconomic scenarios.

  For example, no volume growth was assumed in our core business segments, except for the rollover of maturing loans.
  Operating income was affected by a reduction in net interest income as a result of margin pressure, lack of new business generation, a continued low interest rate environment and the maturing of high yielding assets. Declining fee income due to a lower level of transactions and a lower trading result were also assumed to negatively impact operating income.
  Although a certain level of cost control was assumed, no extraordinary cost savings initiatives were added.

  Systematically applied severe shifts of the actual probabilities of default of banking book assets led to increased risk costs which in turn reduced the capital base under the adverse scenario. The resulting significant increase in risk weighted assets was an additional driver of the result. This was mainly a consequence of adopting a more conservative approach, leading to an accumulation of assets in the worst rating class.

- **Assumptions for additional sovereign shock:**
  As a result of the high levels of sovereign debt recorded in 2010, the entire banking sector was subject to an additional stress test which assumed a further adverse impact of the high levels of sovereign debt on EU economies that was not factored into the design of the original stress test scenario. Consequently, additional severe haircuts of between 4.7% (Germany) and 23.1% (Greece) were applied to sovereign exposure in the trading book in this scenario, leading to additional losses. The assumed haircut for Austria was 5.6%.

  Although the sovereign exposure in the banking book was not subject to a haircut, the entire rest of the banking book was stressed again reflecting the assumed further worsening of the macroeconomic environment.

  Net exposure takes account of hedges and guarantees and collateral, where applicable.

- **Definitions:**
    - Pre-impairment income = Operating result before risk costs
    - Impairment losses = Risk provisions
    - Loss rate = Risk costs on average customer loans in %
    - The banking book comprises balance sheet items such as loans to banks, loans to customers as well as all three financial assets line items (FV, AfS and HTM), while the trading book is by and large identical to the "trading assets" line on the balance sheet
    - Sovereign exposure consists of all on-balance sheet exposure (including securities, loans and advances) to European Union sovereigns (i.e. central and local government bodies, including municipalities), excluding central banks

For more information, please contact:
Erste Group, Investor Relations, Graben 21, 1010 Vienna, Austria, Fax: +43 (0) 5 0100 9 13112

Gabriele Werzer,	Tel. +43 (0) 5 0100 Ext. 11286,	E-mail: gabriele.werzer@erstegroup.com
Thomas Sommerauer,	Tel. +43 (0) 5 0100 Ext. 17326,	E-mail: thomas.sommerauer@erstegroup.com
Peter Makray,	Tel. +43 (0) 5 0100 Ext. 16878,	E-mail: peter.makray@erstegroup.com

This release is also available on our website at http://www.erstegroup.com/investorrelations in the news section.

Stress Test in detail

Actual results

At 31 December 31 2009	EUR m
Total Tier 1 capital	11,486
Total regulatory capital	15,845
Total risk weighted assets	125,486
Pre-impairment income (including operating expenses)	3,771
Impairment losses on financial assets in the banking book	-2,057
1 yr Loss rate on Corporate exposures (%)[1]	1.22%
1 yr Loss rate on Retail exposures (%)[1]	2.12%
Tier 1 ratio (%)	**9.2 %**

Outcomes of stress test scenarios

The stress test was carried out under a number of key common simplifying assumptions (e.g. constant balance sheet, uniform treatment of securitisation exposures). Therefore, the information relative to the benchmark scenarios is provided only for comparison purposes. Neither the benchmark scenario nor the adverse scenario should in any way be construed as a forecast.

Benchmark scenario at 31 December 2011[2]	EUR m
Total Tier 1 capital after the benchmark scenario	12,798
Total regulatory capital after the benchmark scenario	17,218
Total risk weighted assets after the benchmark scenario	122,982
Tier 1 ratio (%) after the benchmark scenario	**10.4 %**

Adverse scenario at December 31, 2011[2]	EUR m
Total Tier 1 capital after the adverse scenario	11,968
Total regulatory capital after the adverse scenario	16,388
Total risk weighted assets after the adverse scenario	147,179
2 year cumulative pre-impairment income after the adverse scenario (including operating expenses)[2]	7,010
2 year cumulative impairment losses on financial assets in the banking book after the adverse scenario[2]	-5,185
2 year cumulative losses on the trading book after the adverse scenario[2]	-116
2 year Loss rate on Corporate exposures (%) after the adverse scenario[1, 2]	3.07%
2 year Loss rate on Retail exposures (%) after the adverse scenario[1, 2]	4.78%
Tier 1 ratio (%) after the adverse scenario	**8.1 %**

Additional sovereign shock on the adverse scenario at December 31, 2011	**EUR m**
Additional impairment losses on the banking book after the sovereign shock[2]	-171
Additional losses on sovereign exposures in the trading book after the sovereign shock[2]	-346
2 yr Loss rate on Corporate exposures (%) after the adverse scenario and sovereign shock[1, 2, 3]	3.21%
2 yr Loss rate on Retail exposures (%) after the adverse scenario and sovereign shock[1, 2, 3]	4.90%
Tier 1 ratio (%) after the adverse scenario and sovereign shock	**8.0 %**
Additional capital needed to reach a 6 % Tier 1 ratio under the adverse scenario + additional sovereign shock, at the end of 2011	0

1. Impairment losses as a % of corporate/retail exposures in AFS, HTM, and loans and receivables portfolios
2. Cumulative for 2010 and 2011
3. On the basis of losses estimated under both the adverse scenario and the additional sovereign shock

ERSTE GROUP

Break down of sovereign exposure
as of 31 March 2010

EUR m	Gross exposures (net of impairment)	of which Banking book	of which Trading book	Net exposures (net of impairment)
Austria	5,795	5,473	322	5,348
Belgium	212	212	0	212
Bulgaria	151	126	25	151
Cyprus	12	12	0	12
Czech Republic	5,334	4,156	1,179	5,230
Denmark	22	22	0	22
Estonia	2	0	2	2
Finland	88	88	0	88
France	342	308	34	342
Germany	1,142	1,057	85	1,141
Greece	757	748	8	757
Hungary	2,864	2,500	364	2,732
Iceland	41	0	41	41
Ireland	105	105	0	105
Italy	1,223	1,223	0	1,223
Latvia	77	33	44	77
Liechtenstein	0	0	0	0
Lithuania	44	44	0	44
Luxembourg	0	0	0	0
Malta	28	28	0	28
Netherlands	93	89	4	93
Norway	0	0	0	0
Poland	692	570	121	692
Portugal	270	270	0	270
Romania	2,492	1,950	542	2,488
Slovakia	3,880	2,955	925	3,878
Slovenia	131	129	2	125
Spain	233	208	25	233
Sweden	33	22	11	33
United Kingdom	67	67	0	67
TOTAL	**26,129**	**22,394**	**3,736**	**25,434**