

ZAGREB STOCK EXCHANGE

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CROATIAN FINANCIAL SERVICES**SUPERVISORY AGENCY (HANFA)**

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OTS HINA

Zagreb, October 10, 2011

SUBJECT: Erste Group substantially reduces euro zone peripheral exposure; takes extraordinary charges with limited impact on core capital;

The management board of Erste Group has decided on a number of measures that affect the presentation of its CDS portfolio, its Hungarian and Romanian operations, and result in the uniform application of the effective interest rate method across the group.

- Erste Group has cut its sovereign exposure to Greece, Portugal, Spain, Ireland and Italy from EUR 1.9 billion at year-end 2010 to EUR 0.6 billion at 30 September 2011.
- Erste Group will write down its entire Hungary-related goodwill and will partially write down its Romania-related goodwill to reflect the slower than expected economic recovery.
- In anticipation of IFRS 9 implementation, Erste Group will align the effective interest rate models used across the group.
- Based on the above, Erste Group is set to report a net loss of about EUR 920-970 million in 1-9 2011. Erste Group is expected to post a net loss of about EUR 700-800 million in 2011. Adjusted for extraordinary charges (excluding the banking taxes in Austria and Hungary) Erste Group expects to post a net profit of about EUR 700 million in 1-9 2011. Due to the continued strong underlying operating profitability, Erste Group's core tier 1 ratio (total risk) at year-end 2010 of 9.2% is expected to be unchanged at year-end 2011.

"Our hopes that we will see a solution to the sovereign debt crisis in Europe in the near future have decreased considerably over the last couple of weeks. We now assume that this will increasingly also have an impact on the real economy and will also affect our region, albeit less severely. We have therefore taken radical action in our balance sheet to prepare Erste Group for a prolonged period of uncertainty", announced **Andreas Treichl**, CEO of Erste Group Bank AG after the board meeting on October 10, 2011. *"The measures taken today will turn a profit of around EUR 700 million for the first three quarters of 2011 into a loss. But all of these measures are exclusively one-off charges which will prepare us as a bank for this situation ahead. Our core tier 1 ratio and our strong liquidity situation, which are key indicators of our strength in these times, will not be affected. Supported by a continuous strong operating performance our core tier 1 ratio at the end of this year will remain unchanged versus the end of 2010",* concluded **Treichl**.

No effect on Business Operations of the Bank in Croatia

This decision will not affect business operations of Erste&Steiermärkische Bank d.d. („Erste bank“). Erste bank will continue doing business as usual, taking account of the good practice and the objectives set for the current year. Erste bank in Croatia runs business smoothly and continuously achieves favourable operating results. Besides the fact that the bank is highly capitalized, its operations quality is best reflected in an ongoing increase of the business performance and solid profitability level, regardless numerous challenges the Croatian economy, but global economy as well, is coping with.

**Erste&Steiermärkische Bank d.d.
Management Board**