ERSTE BANK

The Bank for Central and Eastern Europe

HALF YEARLY
FINANCIAL REPORT

FIRST HALF 2008

KEY FINANCIAL AND SHARE DATA*

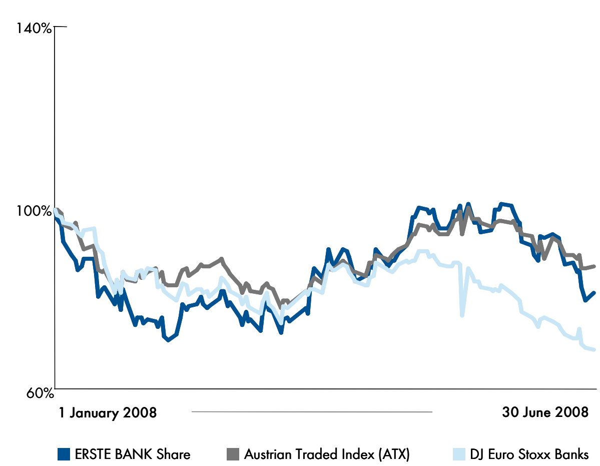
in EUR million	1-6 08	1-6 07
Income statement		
Net interest income	2,306.0	1,857.5
Risk provisions for loans and advances	-384.1	-239.3
Net fee and commission income	1,002.2	884.9
Net trading result	184.4	219.6
General administrative expenses	-2,001.6	-1,791.8
Other result (incl. discountinued operations)	-158.5	-28.0
Pre-tax profit	948.4	902.9
Net profit after minorities	636.6	566.0
Profitability ratios		
Net interest margin	2.7%	2.4%
Cost/income ratio	57.1%	59.9%
Return on equity	14.7%	13.8%
Earnings per share	2.03	1.82
	Jun 08	**Dec 07**
Balance sheet		
Loans and advances to credit institutions	19,253	14,937
Loans and advances to customers	121,684	113,956
Risk provisions for loans and advances	-3,574	-3,296
Trading and other financial assets	43,968	44,214
Other assets	32,827	30,708
Total assets	**214,158**	**200,519**
Deposits by banks	35,915	35,165
Customer accounts	108,842	100,116
Debt securities in issue	30,770	31,078
Other liabilities	20,540	17,168
Subordinated liabilities	6,045	5,589
Total equity	12,046	11,403
Total liabilities and equity	**214,158**	**200,519**
Changes in total qualifying capital		
Risk-weighted assets pursuant to section 22 (2) Austrian Banking Act	102,331	95,091
Tier 1 ratio	6.9%	7.0%
Solvency ratio	10.1%	10.5%
	1-6 08	**1-6 07**
Stock market data (Vienna Stock Exchange)		
High (EUR)	49.20	61.50
Low (EUR)	34.35	56.16
Closing price (EUR)	39.54	57.80
Market capitalisation (EUR billion)	12.53	18.28
Trading volume (EUR billion)	8.11	5.13

* Starting 1 January 2007 Basel II methodology is applied in solvency calculations.

RATINGS

Fitch	
Long-term	A
Short-term	F1
Outlook	Positive
Moody's Investors Service	
Long-term	Aa3
Short-term	P-1
Outlook	Stable
Standard & Poor's	
Long-term	A
Short-term	A-1
Outlook	Stable

PERFORMANCE OF THE ERSTE BANK SHARE (INDEXED)



Highlights

- **Operating profit growth remains at high level – 25.3% in H1 08.** Record operating income in Q2 08 and an excellent performance of the CEE businesses contributed strongly to operating profit of EUR 1,503.6 million in H2 08. Correspondingly, despite unfavourable financial market conditions, net profit after minority interests also jumped by 12.5% to EUR 636.6 million.

- **Continuing convergence of Romanian economy supports strong performance of BCR.** Real GDP recorded growth of 8.2% in Q1 08; at the same time trade dynamics improved, leading to a downward revision of the current account deficit forecast for 2008; appreciation of the RON and higher local interest rates helped to contain inflation. Moderate deceleration of loan growth to sustainable levels of about 30% pa as a result of base effect and Central Bank policy measures is anticipated and fully in line with BCR's business plan. **2008 and 2009 profit guidance for Romania is confirmed.**

- **Stable ABS/CDO portfolio.** Despite turbulent market conditions in June negative mark-to-market valuation impact on pre-tax profit limited to EUR 10.7 million. Due to the quality of the underlying assets **no impairment** is anticipated for 2008.

- **Erste Bank confirms guidance for 2008 (net income growth of at least +20%) and 2009 (at least 25%) on the back of robust economic growth outlook for Central and Eastern Europe, despite higher risk costs.** Current 2008 expectations for economic growth range between 7% on the upper end (Romania, Slovakia, Ukraine and Serbia) and 2% at the lower end (recovering Hungary). The Czech Republic and Croatia are expected to grow between 4% and 5% in real terms. **Rise in risk provisions reflects one-off effects, accounting changes as well as proactive and cautious provisioning policy: risk provisions as a percentage of average customer loans not to exceed 70bps in 2008.**

- **Strong capital base and liquidity position:** tier 1 ratio at 6.9% almost unchanged vs year-end 2007 level of 7.0%. This value does not take into account retained earnings for the first half or the sale of the insurance business. Year-end 2008 tier 1 ratio expected at above 8%. Sustained strengthening of liquidity position thanks to dynamic growth in customer deposits: accordingly, 2008 refinancing requirement declines to below EUR 5 billion; refinancing costs to fall to below 35 bps (compared to 2008 guidance of 40 bps).

Please note:
The following tables and texts may contain rounding differences.

Letter from the CEO

Dear shareholders,

In the second quarter of 2008 we maintained the fast pace of operating profit growth at 25%, while net income growth accelerated markedly thanks to lower revaluation requirements in the fair value portfolio and despite one-off effects impacting risk provisions. Overall, operating profit reached a record EUR 1.5 billion in the first half of 2008, while net income came in at EUR 637 million, equally an all-time high. Continued strong economic growth across Central and Eastern Europe as well as a favourable interest rate environment, most notably in the key Czech and Romanian markets, were the key contributors. These positive trends translated into healthy asset side growth. Importantly, however, customer deposits rose at an even faster rate, helping push down funding costs as well as funding volumes, once again proving the strength and resilience of Erste Bank's retail business model.

In the face of increased uncertainty about the global economic outlook, the growth environment in Central and Eastern Europe held up well in the first half of 2008. While the region was not unaffected by global inflation trends, strong currencies, rising interest rates and an expected better harvest should help stabilise inflation going forward. External imbalances, which are not a major issue in the more developed CEE countries, were showing positive trends in countries like Romania, where exports have been growing faster than imports since the start of the year and foreign direct investment inflows remained at robust levels. While rapid economic development in Central and Eastern Europe is clearly taking place in a global context, convergence is and will continue to be a powerful growth driver for years to come.

At bank level, our CEE subsidiaries showed positive performances across the board. In Romania, annualised loan growth of above 40% and a higher share of sight deposits contributed to strongly growing net interest income as well as margin expansion. In the Czech Republic, net interest income also enjoyed strong growth on the back of strong margins; this was complemented by double-digit growth in fee income. Hungary performed equally well, especially when accounting for the difficult economic environment. Croatia turned in another excellent result thanks to substantial, double-digit growth in the key revenue line items. Serbia made a positive contribution, while in the Ukraine results were still burdened with the costs of rapid network expansion. The recent acquisition of a minority stake in southern Russian CenterInvest Bank should be viewed as an exploratory financial investment.

The rise in group risk provisions was mainly a result of one-off effects and accounting changes as well as a proactive and cautious provisioning approach in light of global economic uncertainties. The additional consolidation of six savings banks in Austria, an extraordinary write-off related to a takeover within the Austrian savings bank sector and the "unwinding effect" - discounted future cash flows from non-performing loans are added to both net interest income and risk provisions - were the major contributors. Second quarter risk costs therefore do not represent the run rate, which will rather be within the 60-70 bps range in 2008.

In times of high funding costs and stressed credit markets it is especially pleasing to report lower than expected funding costs and funding requirements. Thanks to strong customer deposit inflows - so strong in fact that growth exceeded that of customer loans in the first half of 2008 - Erste Bank's funding volume will fall below EUR 5 billion in 2008, at a cost that - at 35bps - is also lower than guided. This is a direct result of customer confidence, a 16 million strong client base and of our consistent retail focus which presents us with a distinct competitive advantage in times of tight liquidity. Accordingly, we are confident of achieving our full year guidance for 2008 of least 20% annual net income growth and are also confirming our net profit growth target of at least 25% for 2009.

Andreas Treichl

Erste Bank share

EQUITY MARKET REVIEW

In the second quarter, international stock markets continued to be driven by the further rises in energy prices, the strong euro and high inflation. In addition, persistent insecurity stemming from the ongoing financial crisis led to additional price falls. As a consequence of continuing high commodities prices, particularly the oil price which reached a new record high of over USD 140 per barrel, inflation worries have increased considerably worldwide in spite of flagging economic growth. On the part of the central banks, the US Federal Reserve cut base rates for the fourth time this year to 2% while the European Central Bank (ECB) left the prime rate unchanged. The reporting season for the first quarter was marked by the announcement of further significant profit declines and renewed financial write-offs at a EUR billion level as well as negative forecasts for the current year. Due to the poor general setting, all of the American and European stock markets under review have posted losses in the double-digit percentage range since the beginning of the year. The Dow Jones Index closed the first half of the year down 14.4%. The European FTSE 300 Index even lost 20.3% because of the strong euro.

In spite of the negative stock market environment, the Austrian Traded Index (ATX) was able to pull away from the international downward trend and recorded a rise of 4.7%. The most important reason for this was, apart from the heavy weighting of energy shares in the index which profited from the high oil and electricity prices, the good reporting season. However, similarly to other European stock markets, the ATX has seen a fall of 12.6% to 3,943.15 points since the start of the year.

Due to the effects of the worldwide mortgage crisis, bank shares continued to be the focal point of investor interest in Europe. A number of major European banks again announced considerable losses in the first quarter of 2008 due to further massive write-offs of assets. Additional burdens were the capital increases of some European banks (UBS, RBS and HBOS), which were accompanied by short sales by hedge funds, and rating downgradings of some other financial institutions by S&P and Moody's. Due to the continuing international credit crisis and uncertainties about the need for further write-offs at European banks, the Dow Jones Euro Stoxx Bank Index, which represents the most important European bank shares, fell by 15.5.% in the second quarter and thus 31.1% over the first half of the year, and stood at 280.81 points on 30 June 2008.

PERFORMANCE OF THE ERSTE BANK SHARE

The Erste Bank share continued to be influenced by the international stock market environment, particularly the European bank index. After the share price recovered temporarily to a level of around EUR 49 due to positive reactions by analysts to the publication of a record operating result for the first quarter of 2008, the Erste Bank share suffered renewed setbacks. Against the background of renewed fears about the extent of the international mortgage crisis towards the end of the period under review, Erste Bank's share price decreased markedly after the rises in April and May. As at 30 June 2008 the closing price of the Erste Bank share was EUR 39.54. The share thus lost 3.7% in the second quarter and 18.5% in the first half of the year.

INVESTOR RELATIONS

The management together with the Investor Relations team at Erste Bank held its spring road show following the presentation of the results for the first quarter of 2008. Erste Bank's strategy was also presented at international banking and investment conferences organised by Morgan Stanley, Merrill Lynch, UBS and Goldman Sachs.

On 14 April 2008, the internet chat with the CEO of Erste Bank took place for the eighth consecutive time. This enabled numerous retail investors and other interested parties to communicate directly with the chairman of the board, Andreas Treichl.

Business performance – (Interim management report)

As a result of the intended sale of the insurance division and of two other investments in Romania, the profit & loss statement (the previous “Profit from insurance business” item has now been renamed as “Profit from discontinued operations”) and the balance sheet (a correspondingly identified new line item has been introduced) have been adapted in line with IFRS 5.

Two savings banks joined the cross-guarantee system (Haftungsverbund) in December 2007 and four additional savings banks joined in January 2008 and are therefore being incorporated in the consolidated financial statement from this point in time. Furthermore, Diners Club Adriatic Croatia (DCA) and ABS Banka, Bosnia, (acquired by Steiermärkische Sparkasse), have been part of the consolidated financial statements since 2 and 3 April 2007, respectively, and were therefore not yet included in the report on the first half of 2007 (Sparkassen) or only partially for the entire reporting period (DBA, ABS Banka). This results in an – albeit minor – distortion of the rates of change compared with the comparative periods for the previous year.

SUMMARY OF BUSINESS PERFORMANCE

Operating income increased by 17.2% to EUR 3,505.2 million. This was despite the slight decrease in the net trading result (-16.0% to EUR 184.4 million) in the first half of 2008 which was no surprise given the developments in the capital markets, and above all due to the strong net interest income (+24.1% to EUR 2,306.0 million). General administrative expenses rose by 11.7% to EUR 2,001.6 million. The operating result was up 25.3% to EUR 1,503.6 million, the cost/income ratio improved to 57.1% (total for 2007: 58.8%). Net profit after minorities rose by 12.5% to EUR 636.6 million.

The return on equity (cash, i.e. without the linear amortisation of customer relationships and distribution networks from acquisitions made), increased from 14.6% (reported value 14.1%) in the full year 2007 to 15.2% (reported value 14.7%).

Earnings per share (cash) were EUR 2.10 in the first half of 2008 (reported value EUR 2.03). This was 11.1% higher than the comparable figure in the previous year (EUR 1.89; reported value EUR 1.82).

Compared to the end of 2007, total assets in the first half of 2008 expanded by 6.8% to EUR 214.2 billion.

The solvency ratio with respect to credit risk decreased slightly due to the growth in loan volume, from 10.5% at year-end 2007 to 10.1% as of 30 June 2008. This remains significantly above the statutory minimum requirement of 8%. The tier 1 ratio in relation to the credit risk was 6.9% as at 30 June 2008.

Outlook

Erste Bank continues to anticipate a positive business performance for the full year of 2008 and confirms its existing targets: annual growth in net profit after minorities of at least 20% for 2008 and 25% for 2009. Thanks to the sale of the insurance division and the related strengthening of the capital base (positive effect on the core capital ratio: +70 basis points) a tier 1 ratio of over 8% is now anticipated for 2009. As a result return on equity should exceed 16% in 2009. The cost/income ratio is expected to improve below 55%.

Reorganisation of Erste Bank

Following Erste Bank’s expansion into Central and Eastern Europe during the last ten years the executive management and supervisory board decided in December 2006 to implement a new organisational structure. Over the past months preparations have been made to implement a holding structure – notably the spin-off of the Austrian business into a wholly-owned subsidiary. The goal was, on one hand, to achieve a clear separation of responsibilities between the holding company and its subsidiary banks and, on the other, to allow full concentration on the local retail business. The Austrian subsidiary will be run by a three-person management board headed by Elisabeth Bleyleben-Koren and will bear the name "Erste Bank der oesterreichischen Sparkassen AG”. The holding function will be performed by “Erste Group Bank AG” after entry into the commercial register, which is expected to take place in early August. This reorganisation will have no impact on the listing of the shares or the ownership structure.

Austrian Savings Banks

On 29 May 2008 the Austrian Federal Competition Authority approved the application for a merger with Steiermärkische Sparkasse. Of the 55 Austrian savings banks, 53 are now in the “Haftungsverbund Neu", the “new cross-guarantee system of the Austrian savings banks”. The expansion of the scope of consolidation by 6 savings banks since December 2007 is also a result of this.

PERFORMANCE IN DETAIL

Net interest income

The first half of 2008 saw strong credit growth, higher than expected customer deposit inflows and a positive interest rate environment in Central and Eastern Europe. Correspondingly, net interest income trended positively, increasing on a year on year basis by 24.1% from EUR 1,857.5 million to EUR 2,306.0 million.

Net interest margin (net interest income as a percentage of average interest-bearing assets) increased from 2.49% in 2007 to 2.73% in the first six months of 2008. Net interest margin rose in the CEE countries (from 4.1% to 4.5%) as well as in the Austrian business (from 1.6% to 1.7%).

in EUR million	1-6 08	1-6 07	Change
Net interest income	2,306.0	1,857.5	24.1%
Risk provisions for loans and advances	-384.1	-239.3	60.5%
Net fee and commission income	1,002.2	884.9	13.3%
Net trading result	184.4	219.6	-16.0%
General administrative expenses	-2,001.6	-1,791.8	11.7%
Profit from discontinued operations	12.6	29.5	-57.3%
Other result	-171.1	-57.5	na
Pre-tax profit	**948.4**	**902.9**	**5.0%**
Net profit after minorities	**636.6**	**566.0**	**12.5%**

Net commission income

in EUR million	1-6 08	1-6 07	Change
Lending business	187.4	152.7	22.7%
Payment transfers	421.4	341.5	23.4%
Card business	83.1	71.0	17.1%
Securities transactions	244.4	258.3	-5.4%
Investment fund transactions	113.3	117.5	-3.6%
Custodial fees	27.6	27.8	-0.7%
Brokerage	103.5	113.0	-8.4%
Insurance business	44.8	33.6	33.3%
Building society brokerage	18.4	14.4	27.8%
Foreign exchange transactions	17.7	17.7	0.0%
Investment banking business	7.8	13.7	-43.1%
Other	60.3	53.0	13.8%
Total	**1,002.2**	**884.9**	**13.3%**

Net fee and commission income topped one billion euros (+13.3% from EUR 884.9 million to EUR 1,002.2 million) for the first time. The increase took place particularly in the lending business (+22.7% to EUR 187.4 million) as well as in payment transactions (+23.4% to EUR 421.4 million). The credit card segment also grew markedly (+17.1% to EUR 83.1 million). In contrast, the securities business declined slightly

(-5.4% to EUR 244.4 million) as was to be expected in view of the current market situation.

Trading result

The continuing turbulence in financial markets had an impact on the trading result of the first half of 2008. As expected, the exceptional results of the first half of 2007 could not be achieved. The 16.0% decrease from EUR 219.6 million to EUR 184.4 million can be viewed as moderate in light of the difficult market environment and affected mainly securities transactions.

Profit from discontinued operations (insurance business)

The difficult situation in financial markets also had an impact on the insurance business, leading to weaker results from financial investments. The result from insurance business at EUR 12.6 million was significantly below that from the same period a year earlier (EUR 29.5 million).

General administrative expenses – Erste Bank Group

in EUR million	1-6 08	1-6 07	Change
Personnel expenses	1,160.6	1,039.8	11.6%
Other administrative expenses	652.9	557.8	17.0%
Subtotal	1,813.5	1,597.6	13.5%
Depreciation and amortisation	188.1	194.2	-3.1%
Total	**2,001.6**	**1,791.8**	**11.7%**

General administrative expenses – Austria (incl. Corporate Center and International Business)

in EUR million	1-6 08	1-6 07	Change
Personnel expenses	689.4	615.1	12.1%
Other administrative expenses	254.3	237.8	7.0%
Subtotal	943.7	852.9	10.6%
Depreciation and amortisation	73.7	72.9	1.1%
Total	**1,017.2**	**925.8**	**9.9%**

General administrative expenses – Central and Eastern Europe

in EUR million	1-6 08	1-6 07	Change
Personnel expenses	471.2	424.7	10.9%
Other administrative expenses	398.6	320.0	24.5%
Subtotal	869.8	744.7	16.8%
Depreciation and amortisation	114.4	121.3	-5.7%
Total	**984.2**	**866.0**	**13.6%**

General administrative expenses increased by 11.7% from EUR 1,791.8 million to EUR 2,001.6 million. Some two percentage points of this increase were due to the expansion of the scope of consolidation since July 2007 (above all an additional 6 savings banks were included in the Haftungsverbund). For the full year and including all one-off effects as well as overall higher inflation, general administrative expenses are expected to grow by 10-11% in 2008.

A 3.5% expansion of the headcount level and wage increases were reflected in personnel expenses with an 11.6% rise from EUR 1,039.8 million to EUR 1,160.6 million.

Headcount in Austria was impacted by the inclusion of four additional savings banks into the Haftungsverbund (cross-guarantee system) in the first half of 2008 (+383 new employees).

The rate of increase in personnel expenses was, at 10.9%, slightly lower in the CEE countries than in the rest of the group (11.6%).

During the first half of 2008, other administrative expenses rose by 17.0% from EUR 557.8 million to EUR 652.9 million. The CEE subsidiaries in particular showed an above-average increase of 24.5% (rest of the group: +7.0%). This increase is explained, among other things, by the costs related to the conversion of the core banking system, the planned introduction of the euro in Slovakia as well as branch network expansion in Romania and the Ukraine. There was also an above-average rise in IT costs (+22.0% to EUR 155.6 million, particularly in CEE) as well as in expenses related to the reorganisation of Erste Bank Group and the implementation of group projects.

Continuing the trend of the previous quarters the depreciation of fixed assets also fell slightly in the first half of 2008 (-3.1% from EUR 194.2 million to EUR 188.1 million).

Restructuring and transformation costs at BCR in Q2 08 amounted to EUR 8.7 million (EUR 8.3 million in Q2 07 and EUR 11.4 million in H1 07). For the full year of 2008 transformation expenses of EUR 40 million are still targeted at BCR.

Headcount at 30 June 2008

	Jun 08	Dec 07	Change
Employed by Erste Bank Group	**54,286**	**52,442**	**3.5%**
Austria incl. Haftungsverbund savings banks	16,405	15,658	4.8%
Erste Bank AG incl. Austrian subsidiaries	8,669	8,452	2.6%
Haftungsverbund savings banks	7,736	7,206	7.4%
Central and Eastern Europe / International	**37,881**	**36,784**	**3.0%**
Česká spořitelna Group	10,971	10,842	1.2%
Banca Comercială Română Group	11,794	12,224	-3.5%
Slovenská sporiteľňa Group	4,934	4,763	3.6%
Erste Bank Hungary Group	3,163	3,056	3.5%
Erste Bank Croatia Group	2,009	1,886	6.5%
Erste Bank Serbia	962	958	0.4%
Erste Bank Ukraine	1,682	1,130	48.8%
Other subsidiaries and foreign branch offices	2,367	1,925	23.0%

Operating result
As the 17.2% rise in operating income from EUR 2,991.5 million to EUR 3,505.2 million was clearly above the rise in general administrative expenses (+11.7% from EUR 1,791.8 million to EUR 2,001.6 million), the operating result also improved in the first half of 2008, by 25.3% from EUR 1,199.7 million to EUR 1,503.6 million.

Risk provisions
On balance, this line item increased by 60.5% from EUR 239.3 million to EUR 384.1 million (impact of allocation and release of provisions for credit business, costs from writing off loans and income from the receipt of loans already written off). The rise is partly due to strong credit expansion – particularly in the CEE countries – and a conservative provisioning strategy. However it has also been influenced by three other significant factors: the consolidation of additional savings banks in Austria, write-offs related to the takeover of a savings bank within the Austrian savings banks sector (EUR +27.4 million in H1 08), the effects of "unwinding" (EUR +29.8 million in H1 08) and the change in the way risk provisions for private unsecured loans are booked at BCR. As of May 2007, these loans are provisioned for by BCR, and no longer insured with the insurance subsidiary.

These effects, along with a cautious and proactive provisioning policy are the basis for the above-mentioned increase in expected risk costs to a maximum of 70 basis points in 2008.

Other operating result
The other operating result, which mainly comprises the linear depreciation of intangible assets gained in the course of various acquisitions (customer stock and distribution network) of EUR 38.3 million and deposit insurance contributions, improved from EUR -89.4 million to EUR -84.8 million.

Results from financial assets
The balance of all categories of financial assets deteriorated significantly. In the first six months of 2007 – prior to the outbreak of the credit crisis on the financial markets – a positive result of EUR 31.9 million was posted, whereas the balance in the first half of 2008 was distinctly negative at EUR -86.3 million. In addition to losses from securities sales from the available-for-sale portfolio, revaluation requirements of structured products and shares in the fair value portfolio were mainly responsible for this decline.

The fair value of the Erste Bank Group's ABS/CDO portfolio, including that of the savings banks, amounted to some EUR 2.9 billion, down from EUR 3.4 billion at year-end 2007. In the second quarter of 2008, the fair value portfolio saw only a minor revaluation: the overall impact on the profit and loss account was EUR -10.7 million (first quarter of 2008: EUR -32.8 million). In the available-for-sale portfolio, mark-to-market valuations in the second quarter of 2008 resulted in a decline of EUR 20.0 million (first quarter 2008: EUR 75.3 million), booked against equity. As there was no deterioration in the quality of the underlying assets, no impairment was required.

Pre-tax profit and net profit after minority interests

Pre-tax profit rose by 5.0% from EUR 902.9 million to EUR 948.4 million. This was mainly a result of a weaker performance by the Austrian savings banks.

Net profit after minority interests rose despite the difficult market conditions by 12.5%, from EUR 566.0 million to EUR 636.6 million.

FINANCIAL RESULTS IN THE SECOND QUARTER OF 2008

In the second quarter net interest income grew from EUR 1,151.1 million in the first quarter to EUR 1,154.9 million.

Net commission income increased by 3.7% from EUR 491.9 million to EUR 510.3 million, with the strongest growth recorded in the Czech Republic.

Net trading result improved considerably, from EUR 82.3 million to EUR 102.1 million.

At EUR 6.9 million, profit from discontinued operations (insurance business) improved slightly compared to the first quarter (EUR 5.7 million).

General administrative expenses in the second quarter were 7.5% higher than in the previous quarter at EUR 1,036.8 million. At 6.7%, the rise in personnel expenses from EUR 561.4 million to EUR 599.2 million was below the increase in other administrative expenses (10.8% from EUR 309.8 million to EUR 343.1 million). The rise can partly be explained by the restructuring and transformation expenses booked in Q2 08 at BCR. Depreciation of fixed assets was virtually stable (up 1.0% from EUR 93.6 million to EUR 94.5 million).

In the second quarter of 2008, the operating result of EUR 737.4 million was slightly (-3.8%) below the result of the first quarter of EUR 766.2 million.
The cost/income ratio rose from 55.7% in the first quarter to 58.4% - particularly due to the rise in general administrative expenses from EUR 964.8 million in the first quarter to EUR 1,036.8 million in the quarter under review.

Risk provisions for loans and advances increased from EUR 163.1 million in the first quarter to EUR 221.0 million – mainly caused by write-offs in relation to the takeover of a savings bank within the Austrian savings bank sector and strong credit growth in the CEE countries.

Other operating result saw a considerable deterioration from EUR -22.9 million in the previous quarter to EUR -61.9 million. Among other things, this was due to changes in the valuation of other financial assets.

Pre-tax profit for the second quarter, at EUR 453.9 million, was 8.2% below the level achieved in the first quarter of EUR 494.5 million.

At EUR 321.0 million, net profit after minority interests in the second quarter of 2008 exceeded the first quarter by 1.7% and was only marginally below the record high in Q4 07.

DEVELOPMENT OF THE BALANCE SHEET

in EUR million	Jun 08	Dec 07	Change
Loans and advances to credit institutions	19,253	14,937	28.9%
Loans and advances to customers	121,684	113,956	6.8%
Risk provisions for loans and advances	-3,574	-3,296	8.4%
Trading and other financial assets	43,968	44,214	-0.6%
Other assets	32,827	30,708	6.9%
Total assets	**214,158**	**200,519**	**6.8%**

in EUR million	Jun 08	Dec 07	Change
Deposits by banks	35,915	35,165	2.1%
Customer accounts	108,842	100,116	8.7%
Debt securities in issue	30,770	31,078	-1.0%
Other liabilities	20,540	17,168	19.6%
Subordinated liabilities	6,045	5,589	8.2%
Total equity	12,046	11,403	5.6%
Shareholder's equity	8,911	8,452	5.4%
Minority interests	3,135	2,951	6.2%
Total liabilities and equity	**214,158**	**200,519**	**6.8%**

Total assets of Erste Bank Group increased by 6.8% in the first half of 2008 from EUR 200.5 billion at the end of 2007 to EUR 214.2 billion. Around EUR 2.5 billion of the growth was attributable to the expansion of the bank's scope of consolidation through the addition of a further four savings banks to the cross-guarantee system (Haftungsverbund).

Loans and advances to credit institutions rose thanks to strong growth of customer accounts. The excess liquidity generated by these inflows was deposited with central banks on a short-term basis.

Loans and advances to customers increased by a moderate 6.8% from EUR 114.0 billion to EUR 121.7 billion. In the CEE countries, they rose by 13.3% to EUR 47.6 billion (of which private customers +17.1%).

Due to new allocations as a result of credit growth, the level of risk provisions increased from EUR 3.3 billion to EUR 3.6 billion. Non-performing loans as a percentage of risk assets were stable at 2.4% in the second quarter.

Securities investments in the various categories of financial assets declined – mainly as a result of the current market situation – by 3.0% from EUR 37.6 billion at the end of 2007 to EUR 36.5 billion.

As previously noted, in accordance with IFRS 5, as of 30 June 2008 investments of the insurance companies are grouped together with other assets of these companies, including assets from the two BCR Group investments for sale, in the separate line "Assets held for sale and discontinued operations".

Customer accounts grew by 8.7% from EUR 100.1 billion to EUR 108.8 billion, above the rate of customer loans. Growth was particularly pronounced in the CEE countries, at 13.6%. The 1.0% decline in debt securities in issue from EUR 31.1 billion to EUR 30.8 billion resulted mainly from redemptions of certificates of deposit.

Total equity increased by 5.6% from EUR 11.4 billion to EUR 12.0 billion, including the effect of the expansion of the scope of consolidation by four additional savings banks on minority interests.

Risk-weighted assets (RWA) rose in the first half of 2008 from EUR 95.1 billion to EUR 102.3 billion, whereby the four newly added savings banks contributed around EUR 1.3 billion to that increase.

Total own funds of Erste Bank Group according to the Austrian Banking Act amounted to some EUR 11.5 billion as of 30 June 2008 (31 December 2007: EUR 11.1 billion). The cover ratio in relation to the statutory minimum requirement on this date (EUR 9.3 billion) was 123% (year-end 2007: 127%).

After deductions in accordance with the Austrian Banking Act, tier 1 capital stood at EUR 7.1 billion (year-end 2007: EUR 6.7 billion).

The tier 1 ratio based on credit risk (tier 1 capital after deductions under the Austrian Banking Act, in relation to the assessment basis for the credit risk pursuant to Article 22 sec. 2 Austrian Banking Act) recorded a value of 6.9% almost unchanged compared with year-end 2007. By the end of 2008 it is expected to be above 8%. The core tier 1 ratio (adjusted for hybrid capital) amounted to 5.7%; allowing additionally for operational and market risk the ratio would have stood at 5.2% at H1 08.

The solvency ratio in respect of credit risk (total regulatory capital less the non-credit risk capital requirements – especially settlement risks, operational risks and position risks in the trading book and foreign currency positions – as a percentage of risk-weighted assets pursuant to Article 22 sec. 2 of the Austrian Banking Act) was 10.1% (year-end 2007: 10.5%) as of 30 June 2008, considerably above the statutory minimum requirement of 8%.

Financial statements

I. Consolidated income statement from 1 January to 30 June 2008

in EUR million	(Notes)	1-6 08	1-6 07	Change
Interest and similar income		5,832.1	4,748.6	22.8%
Interest and similar expenses		-3,536.9	-2,904.0	21.8%
Income from associates accounted for at equity		10.8	12.9	-16.3%
Net interest income	**(1)**	**2,306.0**	**1,857.5**	**24.1%**
Risk provisions for loans and advances	(2)	-384.1	-239.3	60.5%
Fee and commission income		1,189.2	1,077.5	10.4%
Fee and commission expenses		-187.0	-192.6	-2.9%
Net fee and commission income	**(3)**	**1,002.2**	**884.9**	**13.3%**
Net trading result	(4)	184.4	219.6	-16.0%
General administrative expenses	(5)	-2,001.6	-1,791.8	11.7%
Profit from discontinued operations	(6)	12.6	29.5	-57.3%
Other operating result	(7)	-84.8	-89.4	5.1%
Result from financial assets - FV		-79.9	4.0	na
Result from financial assets - AfS		-6.5	27.4	na
Result from financial assets - HtM		0.1	0.5	-80.0%
Pre-tax profit		**948.4**	**902.9**	**5.0%**
Taxes on income		-189.7	-194.1	-2.3%
Net profit before minority interests		**758.7**	**708.8**	**7.0%**
Minority interests		-122.1	-142.8	-14.5%
Net profit after minorities		**636.6**	**566.0**	**12.5%**

Earnings per share

Earnings per share constitute net profit after minority interests divided by the average number of ordinary shares outstanding. Diluted earnings per share represent the maximum potential dilution (increase in the average number of shares) which would occur if all issued subscription and conversion rights-were exercised.

in EUR	1-6 08	1-6 07	Change
Diluted earnings per share	2.03	1.81	12.0%
Diluted cash earnings per share	2.10	1.89	11.3%
Earnings per share	2.03	1.82	11.8%
Cash earnings per share	2.10	1.89	11.1%

II. Consolidated balance sheet at 30 June 2008

in EUR million	(Notes)	Jun 08	Dec 07	Change
ASSETS				
Cash and balances with central banks		6,854	7,615	-10.0%
Loans and advances to credit institutions	(8)	19,253	14,937	28.9%
Loans and advances to customers	(9)	121,684	113,956	6.8%
Risk provisions for loans and advances	(10)	-3,574	-3,296	8.4%
Trading assets	(11)	7,502	6,637	13.0%
Financial assets - at fair value through profit or loss	(12)	4,397	4,534	-3.0%
Financial assets - available for sale	(13)	16,147	16,200	-0.3%
Financial assets - held to maturity		15,922	16,843	-5.5%
Investments of insurance companies		0	8,054	na
Equity holdings in associates accounted for at equity		239	285	-16.1%
Intangible assets		5,915	5,962	-0.8%
Property and equipment		2,529	2,289	10.5%
Tax assets		446	446	0.0%
Assets held for sale and discontinued operations	(14)	9,582	0	na
Other assets		7,262	6,057	19.9%
Total assets		**214,158**	**200,519**	**6.8%**
LIABILITIES AND EQUITY				
Deposits by banks	(15)	35,915	35,165	2.1%
Customer accounts	(16)	108,842	100,116	8.7%
Debt securities in issue		30,770	31,078	-1.0%
Trading liabilities		2,575	1,756	46.6%
Underwriting provisions		0	8,638	na
Other provisions	(17)	1,762	1,792	-1.7%
Tax liabilities		262	329	-20.4%
Liabilities associated with assets held for sale and discontinued operations	(18)	9,526	0	na
Other liabilities		6,415	4,653	37.9%
Subordinated liabilities		6,045	5,589	8.2%
Total equity		12,046	11,403	5.6%
Shareholder's equity		8,911	8,452	5.4%
Minority interests		3,135	2,951	6.2%
Total liabilities and equity		**214,158**	**200,519**	**6.8%**

III. Consolidated statement of changes in equity

in EUR million	Subscribed capital	Additional paid-in capital	Retained earnings	Total share-holders' equity	Minority interests	Total capital
Equity at 1 January 2008	**630**	**4,514**	**2,835**	**7,979**	**2,925**	**10,904**
Changes in own shares	0	0	-80	-80	0	-80
Dividends	0	0	-202	-202	-120	-322
Capital increases	2	40	0	42	0	42
Net profit before minority interests	0	0	566	566	143	709
Income and expenses recognised directly in equity	0	0	178	178	-75	103
Currency translation	0	0	301	301	51	352
Change in interest in subsidiaries	0	0	0	0	12	12
Equity at 30 June 2008	**632**	**4,554**	**3,297**	**8,483**	**2,885**	**11,368**
Cash flow hedge reserve at 30 June 2008				-49	-27	-76
Available for sale reserve at 30 June 2008				-122	-202	-324
Actuarial gains/losses from long-term employee provisions at 30 June 2008				-237	-110	-347
Deferred tax reserve at 30 June 2008				96	86	182
Equity at 1 January 2008	**632**	**4,557**	**3,263**	**8,452**	**2,951**	**11,403**
Changes in own shares	0	0	-39	-39	0	-39
Dividends	0	0	-235	-235	-66	-301
Capital increases	1	27	0	28	0	28
Net profit before minority interests	0	0	637	637	122	759
Income and expenses recognised directly in equity	0	0	68	68	-116	-48
Currency translation	0	0	345	345	9	354
Change in interest in subsidiaries	0	0	0	0	244	244
Equity at 30 June 2008	**633**	**4,584**	**3,694**	**8,911**	**3,135**	**12,046**
Cash flow hedge reserve at 30 June 2008				-38	-18	-56
Available for sale reserve at 30 June 2008				-699	-438	-1,137
Actuarial gains/losses from long-term employee provisions at 30 June 2008				-256	-116	-372
Deferred tax reserve at 30 June 2008				270	143	413

Income and expenses recognised directly in equity

in EUR million	1-6 08	1-6 07
Net profit before minority interests	**759**	**709**
Available for sale - reserve (including currency translation)	-541	-285
Cash flow hedge - reserve (including currency translation)	-11	-45
Actuarial gains and losses	0	0
Deferred taxes on items recognised directly in equity	150	81
Currency translation	354	352
Total gains and losses recognised directly in equity	**-48**	**103**
Total	**711**	**812**
Shareholder's equity	705	744
Minority interests	6	68

IV. Cash flow statement

in EUR million	1-6 08	1-6 07	Change
Cash and cash equivalents at end of the previous year	7,615	7,378	3.2%
Cash flow from operating activities	-1,033	-386	>100.0%
Cash flow from investing activities	-24	-620	-96.1%
Cash flow from financing activities	222	113	96.3%
Effect of currency translation	74	268	-72.4%
Cash and cash equivalents at the end of period	**6,854**	**6,753**	**1.5%**

V. Notes

The consolidated financial statements of Erste Bank were prepared in compliance with the applicable International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) published by the International Accounting Standards Board (IASB) and with their interpretations as issued by the International Financial Reporting Interpretations Committee (IFRIC), formerly Standing Interpretations Committee (SIC). The interim report for the period from 1 January to 30 June 2008 is consistent with IAS 34 (Interim Reports). No audit or audit-like inspection of the interim report was done by an auditor.

Due to the planned sale of the insurance business, IFRS 5 ("Assets held for sale and discontinued operations") was applied in the Erste Bank Group as of 30 June 2008. According to IFRS 5, assets held for sale, including assets that are attributable to discontinued operations, are to be written off at the lower value of book value and attributable current market value, less selling costs. This does not currently result in a devaluation requirement for the Erste Bank Group and the book value is carried over. Assets held for sale and the associated liabilities, including those assets and liabilities that are attributable to a business division to be discontinued are stated in the balance sheet according to IFRS as a separate item. There shall be no retroactive changes to the balance sheet. Furthermore, the result of the discontinued operation is stated in a separate line on the income statement. In the Erste Bank Group, this corresponds to the profit from the insurance business, which has been reported on a separate line in the income statement anyway and is now reported as profit from discontinued operations. A corresponding change to the description shall take place retroactively.

There were no further changes in the accounting and valuation methods during the reporting period.

SIGNIFICANT BUSINESS EVENTS IN THE REPORTING PERIOD

With effect from 12 January 2008, the following savings banks joined the cross guarantee system of Austrian Savings Banks: Sparkasse Mittersill Bank AG, Sparkasse der Stadt Kitzbühel, Sparkasse Reutte AG and Sparkasse Schwaz AG. With this reference date, all four savings banks were incorporated into the Erste Bank Group accounts for the first time.

On 26 March 2008, the contract was signed for the sale of the sVersicherungs Group and the insurance subsidiaries of Banca Comercială Română (BCR) and Česká spořitelna a.s. by Erste Bank to the Vienna Insurance Group (VIG). In addition to the sale of the insurance subsidiaries, a mutual sales cooperation agreement was concluded for a period of 15 years. For the sale of the insurance subsidiaries and from the sale cooperation, Erste Bank will receive an amount of EUR 1,445 million. The conclusion of the full transaction is scheduled – subject to the approval of the responsible authorities – for the third quarter of 2008.

In April 2008, under the management share option plan (MSOP) launched in 2002, a total of 76,716 shares were subscribed for at an exercise price of EUR 16.50 per share (which took into account the stock split performed in 2004). This resulted in issue proceeds of EUR 1,265,814, of which EUR 153,432 was allocated to share capital and EUR 1,112,382 to additional paid-in capital. The difference between the exercise price (EUR 16.50) and the closing price of the Erste Bank share at the value date (EUR 46.60) was EUR 30.10. Additionally, under the MSOP launched in 2005, a total of 2,098 shares were subscribed for in May 2008 at an exercise price of EUR 43.00 per share. This resulted in issue proceeds of EUR 90,214, of which EUR 4,196 was allocated to share capital and EUR 86,018 to additional paid-in capital. The difference between the exercise price (EUR 43.00) and the closing price of the Erste Bank share at the value date (EUR 46.60) was EUR 3.60.

Additionally, under the 2008 Employee Share Ownership Plan (ESOP), 644,104 shares were purchased from 5 May to 16 May 2008 (compared to 663,349 shares in 2007). The exercise price, set at 20% below the average quoted price in April 2008, was EUR 34.50 per share. The resulting issue proceeds of EUR 22,221,588.00 plus EUR 1,798,689.20 (from the difference between the exercise price of EUR 34.50 and the quoted price of EUR 46.60 on the value date 27 May 2008 for 148,652 shares subscribed by employees of Erste Bank AG, charged to personnel expenses) amounted to a total of EUR 24,020,277. This amount was assigned to the share capital (which received EUR 1,288,208 of the total) and to additional paid-in capital (which received EUR 22,732,069). The shares under both plans are subject to a holding period of one year.

A total of 722,918 new shares were issued in a capital increase from contingent capital. This raised the number of Erste Bank shares from 316,288,945 to 317,011,863 and expanded the share capital from EUR 632,577,890 to EUR 634,023,726.

Personnel expenses include MSOP, ESOP and policyholder bonuses totalling EUR 11.5 million (mid-year 2007 EUR 17.3 million).

EVENTS AFTER THE BALANCE SHEET DATE

During the course of implementing the new group structure, the organisational separation of the holding company and the Austrian business was implemented. However, the “factual” separation has no external legal effect. The legal separation, with corresponding entry in the commercial register is planned for the third quarter of 2008 and will have external effects.

On 1 July 2008 Erste Bank signed a contract concerning the acquisition of a 9.8% per cent holding in the Russian Bank Center-Invest. The completion of the transaction and the transfer of the shares are scheduled for the third quarter of this year.

B. INFORMATION ON THE CONSOLIDATED INCOME STATEMENT OF ERSTE BANK

1) Net interest income

in EUR million	1-6 08	1-6 07	Change
Interest income			
Lending and money market transactions with credit institutions	1,045.9	838.4	24.7%
Lending and money market transactions with customers	3,834.4	2,958.2	29.6%
Fixed-income securities	720.3	636.7	13.1%
Other interest and similar income	13.4	7.5	78.7%
Current income			
Shares and other variable-yield securities	66.9	61.3	9.1%
Investments	12.2	8.6	41.9%
Investment properties	41.4	35.5	16.6%
Interest and similar income	**5,734.5**	**4,546.2**	**26.1%**
Interest income from financial assets - at fair value through profit or loss	97.6	202.4	-51.8%
Total interest and similar income	**5,832.1**	**4,748.6**	**22.8%**
Interest expenses			
Deposits by banks	-1,259.9	-1,038.5	21.3%
Customer accounts	-1,472.2	-1,117.6	31.7%
Debt securities in issue	-605.7	-563.4	7.5%
Subordinated liabilities	-191.7	-179.6	6.7%
Other	-7.4	-4.9	51.0%
Interest and similar expenses	**-3,536.9**	**-2,904.0**	**21.8%**
Interest expenses from financial assets - at fair value through profit or loss	0.0	0.0	na
Total interest and similar expenses	**-3,536.9**	**-2,904.0**	**21.8%**
Income from associates accounted for at equity	10.8	12.9	-16.3%
Total	**2,306.0**	**1,857.5**	**24.1%**

2) Risk provisions for loans and advances

in EUR million	1-6 08	1-6 07	Change
Net allocation to risk provisions for loans and advances	-393.0	-235.1	67.2%
Direct write-offs of loans and advances and amounts received against written-off loans and advances	8.9	-4.2	na
Total	**-384.1**	**-239.3**	**60.5%**

3) Net fee and commission income

in EUR million	1-6 08	1-6 07	Change
Lending business	187.4	152.7	22.7%
Payment transfers	421.4	341.5	23.4%
Card business	83.1	71.0	17.1%
Securities transactions	244.4	258.3	-5.4%
Investment fund transactions	113.3	117.5	-3.6%
Custodial fees	27.6	27.8	-0.7%
Brokerage	103.5	113.0	-8.4%
Insurance business	44.8	33.6	33.3%
Building society brokerage	18.4	14.4	27.8%
Foreign exchange transactions	17.7	17.7	0.0%
Investment banking business	7.8	13.7	-43.1%
Other	60.3	53.0	13.8%
Total	**1,002.2**	**884.9**	**13.3%**

4) Net trading result

in EUR million	1-6 08	1-6 07	Change
Securities and derivatives trading	70.9	104.2	-32.0%
Foreign exchange transactions	127.0	115.4	10.1%
Total	**197.9**	**219.6**	**-9.9%**

5) General administrative expenses

in EUR million	1-6 08	1-6 07	Change
Personnel expenses	-1.160,6	-1.039,8	11,6%
Other administrative expenses	-652,9	-557,8	17,0%
Depreciation and amortisation	-188,1	-194,2	-3,1%
Total	**-2.001,6**	**-1.791,8**	**11,7%**

6) Profit from discontinued operations

in EUR million	1-6 08	1-6 07	Change
Pre-tax profit	948.4	902.9	5.0%
Profit from discontinued operations	-12.6	-29.5	-57.3%
Subtotal	935.8	873.4	7.1%
Income tax on continuing operations	-187.2	-187.8	-0.3%
Income tax on discontinued operations	-2.5	-6.3	-60.3%
Net profit before minorities from continuing operations	**748.6**	**685.6**	**9.2%**
Minority interests	-122.1	-142.8	-14.5%
Net profit after minorities	626.5	542.8	15.4%

7) Other operating result

in EUR million	1-6 08	1-6 07	Change
Other operating income	109.4	63.7	71.7%
Other operating expenses	-194.2	-153.1	26.8%
Total	**-84.8**	**-89.4**	**5.1%**
Result from real estate/properties	-3.2	6.2	na
Allocation/release of other provisions/risks	3.0	1.7	76.5%
Expenses for deposit insurance contributions	-22.0	-18.3	20.2%
Amortisation of intangible assets (customer relationships)	-38.3	-39.7	-3.5%
Other taxes	-12.0	-19.4	-38.1%
Result from other operating expenses/income	-12.3	-19.9	38.2%
Total	**-84.8**	**-89.4**	**5.1%**

C. INFORMATION ON THE CONSOLIDATED BALANCE SHEET OF ERSTE BANK

8) Loans and advances to credit institutions

in EUR million	Jun 08	Dec 07	Change
Loans and advances to domestic credit institutions	3,281	1,556	na
Loans and advances to foreign credit institutions	15,972	13,381	19.4%
Total	**19,253**	**14,937**	**28.9%**

9) Loans and advances to customers

in EUR million	Jun 08	Dec 07	Change
Loans and advances to domestic customers			
Public sector	2,858	2,934	-2.6%
Commercial customers	33,264	31,357	6.1%
Private customers	22,384	21,463	4.3%
Unlisted securities	0	20	na
Other	111	114	-2.6%
Total loans and advances to domestic customers	**58,617**	**55,888**	**4.9%**
Loans and advances to foreign customers			
Public sector	1,970	1,978	-0.4%
Commercial customers	34,453	32,932	4.6%
Private customers	25,575	21,878	16.9%
Unlisted securities	969	1,084	-10.6%
Other	100	196	-49.0%
Total loans and advances to foreign customers	**63,067**	**58,068**	**8.6%**
Total	**121,684**	**113,956**	**6.8%**

10) Risk provisions for loans and advances

in EUR million	1-6 08	1-6 07	Change
Risk provisions for loans and advances			
At start of reporting period	**3,296**	**3,133**	**5.2%**
Reclassification	45	0	na
Use	-219	-150	46.0%
Net allocation to risk provisions for loans and advances	393	235	67.2%
Currency translation	59	21	> 100%
At end of reporting period	**3,574**	**3,239**	**10.3%**
Provision for off-balance-sheet and other risks	186	155	20.0%
Total	**3,760**	**3,394**	**10.8%**

11) Trading assets

in EUR million	Jun 08	Dec 07	Change
Bonds and other fixed-income securities	3,941	4,021	-2.0%
Shares and other variable-yield securities	586	806	-27.3%
Positive fair value of derivative financial instruments	2,975	1,810	64.4%
Total	**7,502**	**6,637**	**13.0%**

12) Financial assets – at fair value through profit or loss

in EUR million	Jun 08	Dec 07	Change
Bonds and other fixed-income securities	3,566	3,651	-2.3%
Shares and other variable-yield securities	831	883	-5.9%
Total	**4,397**	**4,534**	**-3.0%**

13) Financial assets – available for sale

in EUR million	Jun 08	Dec 07	Change
Bonds and other fixed-income securities	12,524	12,855	-2.6%
Shares and other variable-yield securities	3,295	2,989	10.2%
Equity holdings	328	356	-7.9%
Total	**16,147**	**16,200**	**-0.3%**

14) Assets held for sale and discontinued operations

in EUR million	Jun 08	Dec 07	Change
Assets held for sale	503	0	na
Discontinued operations	9,079	0	na
Total	**9,582**	**0**	**na**

15) Deposits by banks

in EUR million	Jun 08	Dec 07	Change
Amounts owed to domestic credit institutions	10,572	10,497	0.7%
Amounts owed to foreign credit institutions	25,343	24,668	2.7%
Total	**35,915**	**35,165**	**2.1%**

16) Customer accounts

in EUR million	Jun 08	Dec 07	Change
Savings deposits	48,008	45,203	6.2%
Sundry	60,834	54,913	10.8%
Total	**108,842**	**100,116**	**8.7%**

17) Provisions

in EUR million	Jun 08	Dec 07	Change
Long-term employee provisions	1,455	1,448	0.5%
Sundry provisions	307	344	-10.8%
Total	**1,762**	**1,792**	**-1.7%**

18) Liabilities associated with assets held for sale and discontinued operations

in EUR million	Jun 08	Dec 07	Change
Assets held for sale	335	0	na
Discontinued operations	9,191	0	na
Total	**9,526**	**0**	**na**

D. ADDITIONAL INFORMATION

19) Contingent liabilities and other obligations

in EUR million	Jun 08	Dec 07	Change
Contingent liabilities	**20,547**	**19,194**	**7.0%**
Guarantees and warranties	20,173	18,765	7.5%
Other	374	429	-12.8%
Other obligations	**22,285**	**21,500**	**3.7%**
Undrawn credit and loan commitments, promissory notes	21,726	21,193	2.5%
Other	559	307	82.1%

20) Related party transactions

As of 30 June 2008, Erste Bank AG had outstanding liabilities of EUR 57.3 million and loans of EUR 7.3 million vis-à-vis DIE ERSTE österreichische Spar-Casse Privatstiftung. Furthermore, conventional derivatives transactions existed between Erste Bank and DIE ERSTE österreichische Spar-Casse Privatstiftung as of 30 June 2008 for hedging purposes in particular; these were interest rate swaps in a nominal volume of EUR 75.0 million and interest rate swaps with cap and floor agreements of EUR 247.4 million.

Legal proceedings

Haftungsverbund/Savings Banks

In 2002 Erste Bank formed the Haftungsverbund on the basis of a set of agreements with the majority of the Austrian savings banks. Purpose of the Haftungsverbund was 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 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.

In March 2007 the Supreme Court handed down a resolution and confirmed that the agreements which constitute the Haftungsverbund are for the most part in compliance with Article 81 of the EC Treaty. However, the Supreme Court also held that certain aspects of the agreements could be critical under competition aspects.

The Supreme Court did not stipulate any explicit consequences. Rather, in order to specify the conclusions to be drawn from the court ruling, the proceeding will now be continued at the court of first instance.

The Supreme Court's decision does not yet affect the consolidation of the Qualifying Capital of the savings banks as part of Erste Bank's balance sheet.

In December 2004, Erste Bank, together with some other members of the Haftungsverbund, filed an application with the Austrian Cartel Court for a declaratory decision that the Haftungsverbund qualifies as a "Zusammenschluss" (merger) within the meaning of the Austrian Cartel Act. This application was widened in November 2005 to also encompass a Supplementary Agreement to the Haftungsverbund, which includes the granting of extended management rights to Erste Bank.

In March 2007, in parallel with the above mentioned ruling in the competition proceedings, the Supreme Court handed down its respective ruling, which is legally binding. In this ruling, which was welcomed by Erste Bank as being very favourable, the Supreme Court determined that the Supplementary Agreement of November 2005 qualifies as a Zusammenschluss (merger) within the meaning of the Austrian Cartel Act.

Erste Bank has since entered into similar agreements with all Austrian savings banks with the exception of two. Following the filing of the official applications the formal authorisations were granted for these Zusammenschlüsse (mergers) by the competition authorities in October 2007, in January and in May 2008.

As a consequence of the formal approval for the Zusammenschluss the participating members will qualify as a Group under competition law, to the effect that (according to the ruling of the European courts in the Viho case) the internal relationship between Erste Bank and the respective savings bank will no longer be subject to anti-trust rules.

21) Headcount at 30 June 2008 (weighted by degree of employment)

	Jun 08	Dec 07	Change
Employed by Erste Bank Group	**54,286**	**52,442**	**3.5%**
Austria incl. Haftungsverbund savings banks	16,405	15,658	4.8%
Erste Bank AG incl. Austrian subsidiaries	8,669	8,452	2.6%
Haftungsverbund savings banks	7,736	7,206	7.4%
Central and Eastern Europe / International	37,881	36,784	3.0%
Česká spořitelna Group	10,971	10,842	1.2%
Banca Comercială Română Group	11,794	12,224	-3.5%
Slovenská sporiteľňa Group	4,934	4,763	3.6%
Erste Bank Hungary Group	3,163	3,056	3.5%
Erste Bank Croatia Group	2,009	1,886	6.5%
Erste Bank Serbia	962	958	0.4%
Erste Bank Ukraine	1,682	1,130	48.8%
Other subsidiaries and foreign branch offices	2,367	1,925	23.0%

E. SEGMENT REPORTING

Austria

Despite the difficult market environment, the operating result in Austria (EUR 533.4 million) was maintained at last year's level (EUR 536.9 million). At EUR 470.3 million, net commission income was – despite a market-related decline in securities fees – also comparable to the level of the first two quarters of 2007. The anticipated decline in net trading result (from EUR 95.6 million to EUR 51.8 million) was more than offset by the much stronger net interest income, up by EUR 99.3 million to EUR 906.5 million in the first half of 2008 from EUR 807.2 million at mid-2007. The inclusion of six additional savings banks in the cross-guarantee system (Haftungsverbund) led to a 5.9% rise in operating expenses (EUR +50.1 million). The rise in risk provisions from EUR 146.0 million to EUR 182.1 million (+24.7%) was due to the higher need for provisions resulting from a savings bank takeover in the cross-guarantee system (Haftungsverbund). The decline in other result was related to revaluation requirements for securities outside the trading portfolio. The cost/income ratio was 62.8%; return on equity stood at 17.1%.

Savings Banks

As of the first quarter of 2008, six new savings banks joined the cross guarantee system, somewhat distorting comparisons with half-year results of 2007.

Net interest income improved noticeably compared to the previous year, from EUR 420.0 million (+9.8%) to EUR 461.0 million. This increase was primarily due to the inclusion of the new savings banks. One major factor behind the rise in risk provisions from EUR 82.5 million to EUR 110.7 million was the extraordinary write-off in the course of the takeover of one savings bank by another member of the cross guarantee system. General administrative expenses rose by 9.9% from EUR 422.9 million to EUR 464.7 million. Adjusted for the new savings banks the increase in this line item was only 2.1% or EUR 8.8 million. The EUR 5.5 million decline in net trading result to EUR 10.1 million was offset by the growth in net fee and commission income (from EUR 187.9 million in the previous year to EUR 196.5 million). At EUR 202.8 million, the operating result was 1.1% ahead of the level of the previous year. Negative revaluation requirements of securities outside the trading portfolio brought the other result down from EUR -0.1 million to EUR -22.2 million. Return on equity stood at 4.2%.

Retail and Mortgage

The market-related decline in securities transactions led to a substantial reduction in fee and commission income (from EUR 186.6 million in the first two quarters of the previous year to the current EUR 166.0 million). On the other hand, net interest income improved - above all due to the higher volume of lending and noticeable growth of savings products – by 6.6% from EUR 272.6 million to EUR 290.6 million. Despite declining administrative expenses (EUR 313.0 million compared to last year's EUR 320.3 million), the operating result was, at EUR 154.4 million, slightly below the level of the previous year (EUR 156.2 million). Negative revaluations in the fair-value portfolio of the savings banks where Erste Bank has a majority holding led to a EUR 1.5 million deterioration of the other result to EUR -11.1 million. Net profit after minority interests of EUR 75.1 million was 0.6% above the level of the previous year (EUR 74.6 million). The cost/income ratio stood at 67.0%. Return on equity rose from 19.6% in the previous year to 20.0%.

Large Corporates

Net profit after minority interests increased by EUR 4.3 million (8.2 %) from EUR 53.1 million to EUR 57.4 million. The siginificant increase in net interest income of EUR 28.7 million (up 34.5% from the previous year) to EUR 111.7 million was due both to business expansion in large corporate business and the ongoing expansion of the real estate leasing subsidiary, Immorent. Net commission income contributed EUR 52.5 million (compared to EUR 45.3 million in the previous year) to the operating result of EUR 100 million, 28.2% above the level of the previous year (EUR 78.0 million). The noticeable rise in risk provisions was mainly linked to business expansion and conservative risk policies and served the provisioning of the overall portfolio. This notwithstanding, the portfolio is of excellent quality. The 25.9% rise in operating expenses to EUR 64.9 million (EUR 51.5 million in the comparable period last year) resulted for the most part from the expansion in CEE leasing. The cost/income ratio stood at 39.4%, while return on equity was 13.9%.

in EUR million	Austria		CEE		Int'l Business		Corp. Center	
	1-6 08	1-6 07	1-6 08	1-6 07	1-6 08	1-6 07	1-6 08	1-6 07
Net interest income	906.5	807.2	1,335.5	989.5	83.3	73.6	-19.3	-12.8
Risk provisions	-182.1	-146.0	-162.0	-88.1	-11.0	-5.2	-29.0	0.0
Net fee and commission income	470.3	473.5	511.6	410.3	21.6	15.2	-1.4	-14.1
Net trading result	51.8	95.6	137.3	111.5	0.0	-0.1	-4.8	12.6
General administrative expenses	-900.6	-850.5	-982.5	-863.8	-17.3	-16.4	-101.2	-61.1
Profit from discontinued operations	5.3	11.1	7.2	18.4	0.0	0.0	0.0	0.0
Other result	-54.3	9.0	-58.1	-25.4	0.8	0.3	-59.5	-41.5
Pre-tax profit	**297.0**	**399.9**	**789.0**	**552.4**	**77.5**	**67.4**	**-215.1**	**-116.8**
Taxes on income	-82.5	-91.0	-150.0	-105.5	-19.5	-18.1	62.4	20.4
Minority interests	-32.8	-91.9	-98.9	-63.8	0.0	0.0	9.6	12.9
Net profit after minorities	**181.7**	**217.1**	**540.1**	**383.2**	**58.0**	**49.3**	**-143.2**	**-83.5**
Average risk-weighted assets	52,745.4	48,295.0	37,489.2	33,525.6	6,983.0	6,777.4	1,249.5	1,220.1
Average attributed equity	2,121.5	1,942.8	2,297.9	2,040.6	454.2	440.8	3,766.7	3,777.9
Cost/income ratio	**62.8%**	**61.3%**	**49.3%**	**56.5%**	**16.5%**	**18.5%**	**n.a.**	**n.a.**
ROE based on net profit	**17.1%**	**22.3%**	**47.0%**	**37.6%**	**25.5%**	**22.4%**	**n.a.**	**n.a.**

in EUR million	Savings Banks		Retail & Mortgage		Large Corporates		Treasury & IB	
	1-6 08	1-6 07	1-6 08	1-6 07	1-6 08	1-6 07	1-6 08	1-6 07
Net interest income	461.0	420.0	290.6	272.6	111.7	83.0	43.2	31.6
Risk provisions	-110.7	-82.5	-46.3	-48.7	-25.1	-14.8	0.0	0.0
Net fee and commission income	196.5	187.9	166.0	186.6	52.5	45.3	55.3	53.7
Net trading result	10.1	15.6	5.4	6.1	0.7	1.2	35.7	72.7
General administrative expenses	-464.7	-422.9	-313.0	-320.3	-64.9	-51.5	-58.0	-55.8
Profit from discontinued operations	0.0	0.0	5.3	11.1	0.0	0.0	0.0	0.0
Other result	-22.2	-0.1	-11.1	-1.5	-0.5	9.4	-20.4	1.3
Pre-tax profit	**69.9**	**117.9**	**97.0**	**105.9**	**74.3**	**72.6**	**55.7**	**103.4**
Taxes on income	-35.5	-28.6	-20.7	-23.3	-15.0	-16.3	-11.3	-22.8
Minority interests	-29.7	-80.5	-1.2	-8.1	-1.9	-3.3	0.0	0.0
Net profit after minorities	**4.7**	**8.8**	**75.1**	**74.6**	**57.4**	**53.1**	**44.5**	**80.5**
Average risk-weighted assets	24,200.9	22,745.5	11,525.8	11,514.4	12,698.7	10,766.6	4,320.0	3,268.4
Average attributed equity	223.4	225.6	751.2	760.0	827.8	701.7	319.1	255.5
Cost/income ratio	**69.6%**	**67.8%**	**67.0%**	**67.2%**	**39.4%**	**39.8%**	**43.2%**	**35.3%**
ROE based on net profit	**4.2%**	**7.8%**	**20.0%**	**19.6%**	**13.9%**	**15.1%**	**27.9%**	**63.0%**

in EUR million	Czech Republic 1-6 08	Czech Republic 1-6 07	Romania 1-6 08	Romania 1-6 07	Slovakia 1-6 08	Slovakia 1-6 07	Hungary 1-6 08	Hungary 1-6 07
Net interest income	533.1	387.0	380.8	256.1	164.4	145.5	137.8	116.1
Risk provisions	-50.8	-32.6	-44.7	-8.3	-22.4	-16.3	-28.1	-22.1
Net fee and commission income	211.1	169.2	134.2	105.4	54.0	46.0	68.4	59.4
Net trading result	48.4	24.9	34.8	52.7	18.5	9.5	19.7	20.3
General administrative expenses	-390.8	-322.2	-231.9	-235.5	-126.1	-111.5	-125.2	-118.7
Profit from discontinued operations	9.3	5.7	-2.1	12.6	0.0	0.0	0.0	0.0
Other result	-53.2	-9.0	-3.7	-4.5	-6.7	-3.7	1.2	-10.9
Pre-tax profit	**307.0**	**222.9**	**267.5**	**178.6**	**81.6**	**69.3**	**73.8**	**44.1**
Taxes on income	-63.4	-52.8	-44.0	-30.5	-13.2	-5.9	-19.8	-8.3
Minority interests	-7.3	-4.8	-71.1	-46.9	0.0	0.0	0.0	-0.1
Net profit after minorities	**236.4**	**165.4**	**152.4**	**101.1**	**68.3**	**63.5**	**54.0**	**35.7**
Average risk-weighted assets	12,793.1	12,043.5	10,018.5	9,464.0	4,833.5	4,207.7	4,907.4	4,372.3
Average attributed equity	895.6	827.5	477.4	449.9	338.5	295.8	340.9	306.2
Cost/income ratio	**48.7%**	**54.9%**	**42.3%**	**55.2%**	**53.3%**	**55.5%**	**55.4%**	**60.6%**
ROE based on net profit	**52.8%**	**40.0%**	**63.8%**	**45.0%**	**40.4%**	**42.9%**	**31.7%**	**23.3%**

in EUR million	Croatia 1-6 08	Croatia 1-6 07	Serbia 1-6 08	Serbia 1-6 07	Ukraine 1-6 08	Ukraine 1-6 07	Total group 1-6 08	Total group 1-6 07
Net interest income	92.5	74.2	14.6	7.0	12.3	3.6	2,306.0	1,857.5
Risk provisions	-10.7	-5.9	-2.9	-0.3	-2.3	-2.5	-384.1	-239.3
Net fee and commission income	39.0	28.0	3.4	2.2	1.6	0.2	1,002.2	884.9
Net trading result	10.7	3.4	1.1	1	4.1	0.1	184.4	219.6
General administrative expenses	-66.6	-53.8	-16.3	-13.5	-25.5	-8.6	-2,001.6	-1,791.8
Profit from discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0	12.6	29.5
Other result	-0.1	1.3	4.4	1.4	0.1	0.1	-171.0	-57.5
Pre-tax profit	**64.6**	**47.2**	**4.3**	**-2.6**	**-9.8**	**-7.1**	**948.4**	**902.9**
Taxes on income	-13.0	-9.6	0.4	0.2	3.0	1.3	-189.7	-194.1
Minority interests	-19.3	-12.2	-1.2	0.2	0.0	0.0	-122.1	-142.8
Net profit after minorities	**32.3**	**25.4**	**3.5**	**-2.2**	**-6.8**	**-5.8**	**636.6**	**566.0**
Average risk-weighted assets	3,674.5	2,965.0	789.0	351.1	473.2	122.0	98,467.1	89,818.0
Average attributed equity	164.8	130.2	43.9	20.8	36.8	10.0	8,640.3	8,202.0
Cost/income ratio	**46.9%**	**50.9%**	**85.0%**	**n.a.**	**n.a.**	**n.a.**	**57.1%**	**59.9%**
ROE based on net profit	**39.2%**	**39.0%**	**16.1%**	**n.a.**	**n.a.**	**n.a.**	**14.7%**	**13.8%**

Treasury and Investment Banking

The performance of this segment reflected the situation in the financial markets: net profit after minority interests was EUR 44.5 million, versus EUR 80.5 million after the first half of 2007. At EUR 43.2 million (up 37% from EUR 31.6 million) net interest income was significantly above the result of the first two quarters of 2007. The decline in profit from asset liability management caused by the general interest rate environment was offset by exceptionally good results from money market business. Net fee and commission income rose by 2.9% to EUR 55.3 million compared to the previous year, despite the expected decline in income from securities – particularly from structured products and capital market transactions. The decline in other result (EUR -20.4 million compared to EUR +1.3 million in the same period of the previous year) was mainly linked to market-related revaluation requirements in the fair value portfolio. The cost/income ratio reached 43.2%; while return on equity stood at 27.9%.

Central and Eastern Europe

Czech Republic

In the first half of 2008 Česká spořitelna increased its operating result by 55.4% (currency-adjusted: 39.8%) from EUR 264.6 million to EUR 411.1 million. This was mainly due to an improvement in net interest income, but also to considerable contributions from net fee and commission income and the trading result. The higher lending volume and rising market interest rates helped raise interest income by 37.7% (currency-adjusted 24.0%) from EUR 387.0 million in the first half of 2007 to EUR 533.1 million. The significant improvement in the net trading result (EUR 48.4 million after EUR 24.9 million in the previous year) was essentially due to increases in foreign exchange trading. The favourable trends in payment transfers and the lending business were reflected in the 24.8% rise in net fee and commission income (currency-adjusted 12.3%) from EUR 169.2 million to EUR 211.1 million. Risk provisions for loans and advances grew by EUR 18.2 million or 55.6% (currency-adjusted 40.1%) against the backdrop of noticeable growth in the loan portfolio and a sales drive for higher-margin consumer loans launched earlier this year. The increase in general administrative expenses from EUR 322.2 million to EUR 390.8 million (+21.3%, currency-adjusted 9.2%) was, other than the 7.1% inflation rate, due to the expenses in conjunction with the expansion of business activities and group projects, as well as general currency trends. The strong growth in operating income resulted in a cost/income ratio of 48.7%.

Market-related revaluation requirements in the fair value portfolio along with revaluation requirements of other financial investments linked to trends in the Czech Crown were the cause of the decrease of the other result from EUR -9.0 million to EUR -53.2 million. Net profit after minority interests, at EUR 236.4 million, was 42.9% (currency-adjusted 28.8%) ahead of the comparable figure for the previous year (EUR 165.4 million). Return on equity amounted to 52.8% (compared to 40.0% in the previous year).

Romania

BCR's net profit after minority interests rose by 50.7% (currency-adjusted 66.6%), from EUR 101.1 million to EUR 152.4 million against the comparable level of the previous year. In addition to the successful business performance, the considerable growth in net interest income (EUR 380.8 million from EUR 256.1 million) was due to the required reclassification of interest-like commission income of EUR 38.4 million from net fee and commission income. Net fee and commission income (above all in the area of lending and payment transfers) rose from EUR 105.4 million to EUR 134.2 million. The operating result was up by 65.1% (currency-adjusted 82.5%) to EUR 315.9 million (compared to EUR 191.3 million in the first half of 2007).

Higher risk provisions for loans and advances (up from EUR 8.3 million to EUR 44.7 million) were a result of the increase in customer loans and the change in the way risk provisions are booked for private unsecured loans at BCR effective from May 2007. As of May 2007, these are provisioned within BCR, rather than being insured with the group's insurance subsidiary. Operating expenses declined by 1.5% to EUR 231.9 million, helped by the exchange rate trend (currency-adjusted costs increased by 8.9%). The cost/income ratio reached 42.3% (compared to 55.2% of the previous year). This included restructuring expenses for the first half of 2008 amounting to EUR 8.7 million (first half of 2007: EUR 11.4 million). Return on equity rose to 63.8%, which was a clear improvement over the previous year (45.0%).

Slovakia

Slovenská sporiteľňa improved its net profit after minority interests by 7.6% (currency-adjusted 1.5%) to EUR 68.3 million compared to the previous year (EUR 63.5 million). Net interest income rose by 13.0% (currency-adjusted 6.6%) or EUR 18.9 million to EUR 164.4 million – mainly due to the greater volume of customer loans. At EUR 18.5 million, the net trading result was nearly double that of the previous year; the most important contributors to this were foreign exchange trading and derivative transactions. The 17.4% (currency-adjusted 10.8%) rise in net commission income to EUR 54.0 million (compared to EUR 46.0 million in the previous year) was mainly driven by fees from lending and payment transfers.

The rise in general administrative expenses from EUR 111.5 million to EUR 126.1 million (+13.1%) was due, on the one hand, to system changes in IT in conjunction with the introduction of the euro and to the costs of a new core banking system and, on the other, to the exchange rate. The operating result increased by almost 24% (currency-adjusted 16.9%) to EUR 110.7 million (compared to EUR 89.4 million in the previous year). Revaluation requirements in the fair value portfolio were behind the fall in other result from EUR -3.7 million in the previous year to EUR -6.7 million. Return on equity was 40.4% (42.9% in the previous year), and the cost/income ratio improved – despite the major projects mentioned above – from 55.5% to the current 53.3%.

Hungary

Despite difficult macroeconomic trends, net profit after minority interests at Erste Bank Hungary rose to EUR 54.0 million, 51.0% (currency-adjusted 52.1%) ahead of the comparable figure for the first half of 2007 (EUR 35.7 million). The 18.7% rise (currency-adjusted 19.5%) in net interest income from EUR 116.1 million to EUR 137.8 million was mainly related to the expansion of customer loans, although the first half year of 2007 was burdened by a correction of interest accrued amounting to EUR -8.0 million. Adjustment for this technical effect resulted in an increase of 11.0%. The rise in net fee and commission income by EUR 9.0 million (+15.1%) to EUR 68.4 million was mainly driven by the growth in the lending business.

The positive revenue performance and the moderate rise in operating expenses of 5.5% (currency-adjusted 6.2%) to EUR 125.2 million produced an operating result up 30.6% to EUR 100.7 million (currency-adjusted 31.5%) , against the comparable figure of the previous year (EUR 77.1 million.) The EUR 6.0 million rise in risk provisions for loans and advances to EUR 28.1 million was a reflection, on the one hand, of growth in lending and on the other of the general economic situation. The improvement in the other result (EUR 1.2 million compared to EUR -10.9 million in 2007) was due to an allocation shift of local tax items to tax expenses (“municipal tax” and “innovation tax”). Return on equity rose from 23.3% to 31.7%; the cost/income ratio was 55.4%.

Croatia

As a result of Diners Club Adriadic d.d. not being included in the Croatian result until the second quarter of 2007, a comparison with the previous year is only partially possible.

Erste Bank Croatia increased net profit after minority interests compared to the first half of 2007 by EUR 6.9 million (or 27.3%), from EUR 25.4 million to EUR 32.3 million. The main reason for this was the considerable growth in net interest income, net fee and commission income and net trading result. Net interest income rose from EUR 74.2 million to EUR 92.5 million. This 24.7% increase was due to the expansion of the volume of customer loans and the successful expansion of customer deposits observed since last year. Positive trends in payment transfers, investment fund transactions and the credit card business (DCA) led to an improvement in net fee and commission income of 39% (from EUR 28.0 million in H1 07 to EUR 39.0 million). Higher income from the foreign exchange and securities business were the main growth drivers of the net trading result, which rose from EUR 3.4 million to EUR 10.7 million. The growth in risk provisions from EUR 5.9 million in the previous year to EUR 10.7 million was a reflection of increased loan volumes and the inclusion of the credit card business (DCA). Return on equity was 39.2%.The cost/income ratio improved from 50.9% to 46.9%.

Serbia

Net profit after minority interests rose by EUR 5.7 million, from EUR -2.2 million to EUR 3.5 million.

Higher customer loan and deposit volumes led to a doubling of net interest income (EUR 14.6 million compared to EUR 7.0

million in 2007). The positive change in net fee and commission income, up 58.2% over the previous year to EUR 3.4 million, and the growth in net trading result caused by higher income from foreign exchange transactions, resulted in a considerable rise in operating income from EUR 9.9 million in the previous year to EUR 19.2 million. Despite the growth in general administrative expenses from EUR 13.5 million to EUR 16.3 million, the operating result improved from EUR -3.6 million to EUR 2.9 million.

Ukraine

Since the takeover in 2007 Erste Bank Ukraine's focus has been on building the bank's position in the local market. The goal is to increase market share to 4% and expand the branch network to approximately 400 by 2010. The bank currently employs 1,729 staff and operates 98 branches.

The increase in net interest income from EUR 3.6 million in the first half of 2007 by EUR 8.7 million to EUR 12.3 million was due to the tripling in customer loans compared to the same period in the previous year. In addition, the prevailing market situation with its high demand for short-term liquidity produced a number of good business opportunities.

Net fee and commission income was, at EUR 1.6 million, clearly above the level of the previous year (EUR 0.2 million) and was achieved above all through increased income from payment transfers. The growth in net trading result from EUR 0.1 million to EUR 4.1 million was mainly due to the securities business. The rise in general administrative expenses from EUR 8.6 million to EUR 25.5 million went hand-in-hand with the expansion of the business including, in line with building up the branch network, a considerable increase in the number of employees. Net profit after minority interests was EUR -6.8 million.

International Business

In the International Business segment, net profit after minority interests grew by 17.6% from EUR 49.3 million to EUR 58.0 million. Supported by solid spreads in the period concerned, net interest income rose to EUR 83.3 million compared to EUR 73.6 million after the first half of 2007. Net commission income rose by 42.4% to EUR 21.6 million (compared to EUR 15.2 million last year). The operating result improved by 21.2% from EUR 72.3 million in 2007 to EUR 87.6 million. The cost/income ratio was 16.5%. Return on equity rose from 22.4% to 25.5%.

Corporate Center

The Corporate Center segment includes results from companies not directly assigned to a specific business segment, profit consolidation between the segments, the linear depreciation of the customer base at BCR and DCA and one-off effects which, in order to ensure comparability, were not assigned to a specific business segment. Thus, in H1 08 the unwinding effect (compounded interest effect from anticipated cash flows on non-performing loans to customers) amounting to EUR 29.8 million was allocated to this segment. This unwinding effect does not affect the profit and loss account because the positive effect on net interest income is compensated by higher risk provisions. In addition, net interest income was negatively impacted by the effects of hedging profit contributions from the central European subsidiaries by EUR -10 million.

The development of net commission income and general administrative expenses was mainly due to profit consolidation of banking support operations. General administrative expenses were particularly impacted by group projects and costs in relation to the reorganisation of Erste Bank Group. The substantial decline in the net trading result was due to valuation gains in the first half of 2007 that did not recur in the period under review. The other result included the required linear depreciation of the customer bases of BCR and Diners Club Adriatic d.d. amounting to EUR 38.0 million.

F. CHANGES IN TOTAL QUALIFYING CAPITAL

in EUR million	Jun 08	Dec 07	Change
Subscribed capital (less own shares)	634	633	0.2%
Reserves and minority interests	7,104	6,655	6.7%
Intangible assets	-497	-485	2.5%
Core capital (Tier 1) before deductions	**7,241**	**6,802**	**6.5%**
Deductions from core capital (Tier 1) pursuant to section 23 (13/3) Austrian Banking Act	-151	-128	18.0%
Core capital (Tier 1) after deductions	**7,090**	**6,674**	**6.2%**
Eligible subordinated liabilities	4,002	3,875	3.3%
Revaluation reserve	131	130	0.8%
Excess risk provisions	146	250	-41.6%
Qualifying supplementary capital (Tier 2)	**4,279**	**4,255**	**0.6%**
Short-term subordinated capital (Tier 3)	**395**	**386**	**2.3%**
Deductions from qualifying supplementary capital (50% pursuant to section 23 (13/3) and deduction according to section 23 (13/4a) Austrian Banking Act	-223	-201	10.9%
Total eligible qualifying capital	**11,541**	**11,114**	**3.8%**
Capital requirement	9,349	8,769	6.6%
Surplus capital	2,192	2,345	-6.5%
Cover ratio	123.4%	126.7%	
Tier 1 ratio	**6.9%**	**7.0%**	
Solvency ratio	**10.1%**	**10.5%**	
Risk-weighted assesment basis pursuant to section 22 (2) Austrian Banking Act	**102,331**	**95,091**	**7.6%**
8% minimum capital requirement	8,186	7,607	7.6%
Standard approach	3,519	3,706	-5.1%
Internal ratings based approach	4,667	3,901	19.6%
Capital requirement for bond, FX and commodity exposure	395	394	0.3%
Capital requirement for operational risk	768	768	0.0%
Total required own funds	**9,349**	**8,769**	**6.6%**

Quarterly financial data

CONSOLIDATED INCOME STATEMENT OF ERSTE BANK

in EUR million	Q2 07	Q3 07	Q4 07	Q1 08	Q2 08
Net interest income	953.8	986.6	1,101.7	1,151.1	1,154.9
Risk provisions for loans and advances	-110.9	-96.6	-118.8	-163.1	-221.0
Net fee and commission income	446.0	469.3	503.7	491.9	510.3
Net trading result	94.8	72.4	59.1	82.3	102.1
General administrative expenses	-921.2	-918.1	-932.2	-964.8	-1,036.8
Profit from discontinued operations	13.9	2.8	2.7	5.7	6.9
Other operating result	-56.1	-43.9	-36.0	-22.9	-61.9
Result from financial assets - FV	-7.1	-42.3	-9.5	-72.9	-7.0
Result from financial assets - AfS	13.1	17.5	6.1	-12.8	6.3
Result from financial assets - HtM	0.0	0.1	0.1	0.0	0.1
Pre-tax profit	426.3	447.8	576.9	494.5	453.9
Net profit after minorities	**263.9**	**271.9**	**336.8**	**315.6**	**321.0**

CONSOLIDATED BALANCE SHEET OF ERSTE BANK

in EUR million	Q2 07	Q3 07	Q4 07	Q1 08	Q2 08
Loans and advances to credit institutions	21,405	21,261	14,937	15,938	19,253
Loans and advances to customers	104,389	107,218	113,956	115,828	121,684
Risk provisions for loans and advances	-3,239	-3,314	-3,296	-3,447	-3,574
Trading and other financial assets	45,066	45,292	44,214	43,598	43,968
Other assets	29,732	30,115	30,708	32,550	32,827
Total assets	**197,353**	**200,572**	**200,519**	**204,467**	**214,158**
Deposits by banks	40,989	40,400	35,165	35,073	35,915
Customer accounts	93,235	98,184	100,116	103,863	108,842
Debt securities in issue	29,128	27,834	31,078	28,681	30,770
Other liabilities	17,149	17,424	17,168	19,186	20,540
Subordinated liabilities	5,484	5,423	5,589	5,776	6,045
Total equity	11,368	11,307	11,403	11,888	12,046
Shareholder's equity	8,483	8,438	8,452	8,586	8,911
Minority interests	2,885	2,869	2,951	3,302	3,135
Total liabilities and equity	**197,353**	**200,572**	**200,519**	**204,467**	**214,158**

Statement of all Legal Representatives

We confirm to the best of our knowledge that the interim 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 important events that have occurred during the first six months of the financial year and their impact on the interim financial statements, of the principal risks and uncertainties for the remaining six months of the financial year and of the major related party transactions to be disclosed.

Vienna, 30 July 2008

Andreas Treichl
Chairman of the Board

Elisabeth Bleyleben-Koren
Deputy Chairwoman of the Board

Peter Bosek
Member of the Board

Franz Hochstrasser
Member of the Board

Herbert Juranek
Member of the Board

Bernhard Spalt
Member of the Board

Thomas Uher
Member of the Board

SHAREHOLDER EVENTS

30 October 2008	Results for the first three quarters of 2008
12 December 2008	6th Capital Markets Day
28 February 2009	Full-year preliminary results 2008

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