



Interim Report Third Quarter 2010

KEY FINANCIAL AND SHARE DATA

in EUR million	1-9 10	1-9 09
Income statement		
Net interest income	4,075.5	3,840.9
Risk provisions for loans and advances	-1,588.4	-1,449.2
Net fee and commission income	1,440.7	1,313.3
Net trading result	383.9	503.0
General administrative expenses	-2,871.7	-2,880.3
Other result	-271.9	-249.8
Pre-tax profit from continuing operations	1,168.1	1,077.9
Post-tax profit from discontinuing operations	0.0	0.0
Attributable to owners of the parent	736.8	720.1
Profitability ratios		
Net interest margin	3.1%	3.0%
Cost/income ratio	48.7%	50.9%
Return on equity	7.5%	10.3%
Earnings per share	1.68	1.96
Balance sheet		
Loans and advances to credit institutions	14,464	13,140
Loans and advances to customers	131,514	129,134
Risk provisions for loans and advances	-6,210	-4,954
Trading and other financial assets	45,764	42,884
Other assets	20,996	21,506
Total assets	206,528	201,710
Deposits by banks	22,714	26,295
Customer deposits	115,329	112,042
Debt securities in issue	32,013	29,612
Other liabilities	13,503	11,490
Subordinated liabilities	5,956	6,148
Total equity	17,013	16,123
Total liabilities and equity	206,528	201,710
Changes in total qualifying capital		
Risk weighted assesment basis pursuant to section 22 (1/1) Austrian Banking Act	103,460	106,383
Tier 1 ratio - credit risk	11.4%	10.8%
Tier 1 ratio - total risk	9.7%	9.2%
Solvency ratio	13.0%	12.7%
Stock market data (Vienna Stock Exchange)		
High (EUR)	35.08	30.54
Low (EUR)	25.10	7.00
Closing price (EUR)	29.37	30.54
Market capitalisation (EUR billion)	11.11	9.71

Ratings at 30 September 2010

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

Performance of the Erste Group share (indexed)



Highlights

- Erste Group sustained its strong performance of the previous quarters and posted an excellent operating result of EUR 3,028.4 million in the first three quarters of 2010, up 9.1% on the corresponding period of 2009. Net profit rose by 2.3% to EUR 736.8 million in the first nine months of 2010. The cost/income ratio improved to 48.7%, from 50.9% in the first three quarters of 2009.
- The operating result was driven by record operating income, which rose by 4.3% to EUR 5,900.1 million, and a decline in operating expenses, which fell by 0.3% to EUR 2,871.7 million. Net interest income grew by 6.1% to EUR 4,075.5 million on the back of an improving net interest margin, which rose to 3.08%, from 2.98% in the first three quarters of 2009. Net commission income performed strongly, growing by 9.7% to EUR 1,440.7 million in the first nine months of 2010, due to increased fees from securities business and payment transfers. The net trading result declined by 23.7% to EUR 383.9 million compared to an exceptional result in the first three quarters of 2009.
- Risk costs increased by 9.6% to EUR 1,588.4 million or 162 basis points of average customer loans (1-9 09: EUR 1,449.2 million and 152 bps, respectively), confirming the significant deceleration in the growth rate already seen in the previous quarters.
- Following strong deceleration in NPL growth seen in the second half of 2009, quarterly new NPL formation in the first nine months of 2010 remained at this lower level. As a result, the NPL ratio in relation to customer loans reached 7.6%, following 6.6% at 31 December 2009. The NPL coverage ratio improved significantly to 60.9%, compared to 57.2% at 31 December 2009.
- Net profit after minorities¹ advanced by 2.3%, from EUR 720.1 million to EUR 736.8 million in the first three quarters of 2010, as the record operating result was offset by a weaker other operating result and increased net profit attributable to minorities. Cash return on equity decreased from 10.7% to 7.8% as a result of the significantly enlarged capital base.
- Total assets increased by 2.4% year-to-date to EUR 206.5 billion. This was mainly due to solid growth in customer deposits (+2.9% year-to-date to EUR 115.3 billion), which drove interbank and financial asset volumes higher. The loan-to-deposit ratio was 114.0% (year-end 2009: 115.3%).
- Erste Group's shareholders' equity² continued to improve in the first nine months of 2010, driven by rising quarterly earnings and a positive change in the AfS reserve. In the first three quarters of 2010, Erste Group's equity therefore rose by EUR 0.7 billion to EUR 13.4 billion. Alongside stagnant loan volumes, total risk-weighted assets declined from EUR 123.9 billion at year-end 2009 to EUR 121.7 billion. Prior to the inclusion of retained earnings, this resulted in a tier 1 ratio (total risk) of 9.7%, compared to 9.2% at year-end 2009 and a core tier 1 ratio (total risk) of 8.7%, up from 8.3% at year-end 2009.

¹ The term "net profit after minorities" corresponds to the term "net profit attributable to owners of the parent".

² The term "shareholders' equity" corresponds to the term "total equity attributable to owners of the parent".

Letter from the CEO

Dear shareholders,

Erste Group sustained its strong performance of the previous quarters, supported by an excellent operating result, a reduction in risk costs and a further gradual improvement of economic fundamentals in Central and Eastern Europe. In the first nine months of 2010 operating profit rose by 9.1% year-on-year to EUR 3,028.4 million. This development was all the more satisfactory as it was primarily driven by record revenues and to a lesser extent by declining operating expenses; at the same time the cost/income ratio improved to 48.7%. Risk costs still rose year-on-year – albeit at a declining rate of 9.6%. Due to a more negative other operating result and higher net profit attributable to the savings banks minorities, net profit rose by only 2.3% to EUR 736.8 million. As a consequence of solid profitability our capital position continued to strengthen significantly compared with year-end 2009, putting us in a comfortable position to comply with the new Basel III capital requirements.

The macroeconomic environment in Central and Eastern Europe stabilised further in the first nine months of 2010. While domestic demand only improved gradually, a faster than expected recovery in external demand underpinned the turnaround in industrial production and, over time, should also have a dampening effect on unemployment. Of our core markets, Austria, the Czech Republic and Slovakia have moved along furthest on the economic recovery path. Romania is expected to return to growth mode in 2011 only, but has reached an agreement with the IMF about structural reforms in the public sector. In Hungary the new government has adopted an economic reform programme, featuring tax cuts for SMEs and salaried employees, which should reduce tax evasion and increase revenue intake; unfortunately, Hungary has also enacted a banking tax, which – at 50 basis points of total assets – will place a disproportionate burden on the banking sector in 2010 and 2011.

In light of the continued economic stabilisation, Erste Group again posted record quarterly revenues in the third quarter of 2010. This was due to strong net interest income and an excellent net trading result, which more than offset a small quarter-on-quarter decline in net commission income. Net interest income benefited from an increase in margins, while loan volumes were broadly unchanged. Net commission income declined compared to the second quarter, due to seasonally weaker securities and lending business. The net trading result rose substantially on the back of a resurgence in revenues from securities trading. At the same time operating expenses rose compared to the second quarter, but were still down year-to-date. Despite a deterioration in the other operating result, quarterly net profit rose to its best level since the third quarter of 2008.

On an operating level, our retail & SME business performed well in the first nine months of 2010. Our Austrian operations, led by Erste Bank Oesterreich, turned in an excellent performance, supported by a pick-up in fee income, declining operating expenses and lower risk costs. The Czech Republic remained the most important profit contributor in Central and Eastern Europe. While year-to-date results were slightly flattered by currency appreciation, operating profit reached a new high; quarterly net profit was negatively impacted by substantial property portfolio revaluations and increasing risk costs. In Romania, the improvement in operating profit in the first nine months of 2010 almost offset the increase in risk provisions; but could not compensate for the additional deterioration in the other result; overall, this led to a year-on-year decline in net profit. In Slovakia our business returned to pre-crisis profitability on the back of an outstanding operating performance and a decline in risk costs. In Hungary we also coped well with substantially increased risk costs thanks to significantly higher operating income and lower expenses.

The development of asset quality and risk costs continued to be a key determinant of profitability. Quarterly new NPL formation halved in the second half of 2009, after peaking in the second quarter of 2009. This trend was confirmed in the first nine months of 2010 and meant that the NPL ratio rose to 7.6%. This increase was mainly driven by a deterioration in selected CEE countries, while Austrian non-performing loan volumes declined. Risk costs decreased compared to the second quarter of 2010 due to substantially lower provisions in the GCIB segment. At the same time, the NPL coverage excluding collateral improved significantly to 60.9% from 57.2% at year-end 2009.

The continued strong operating performance in the first nine months of 2010 once again underlined the strength and sustainability of our real economy-focused business model. Notwithstanding the fact that 2010 will be a year of consolidation both in terms of loan volume and risk cost development, we are in better shape now than we were before the economic downturn: our capital ratios have continuously strengthened over the past quarters, enabling us to retire participation capital with no need to raise equity; operating efficiency has improved significantly and our funding mix is also more favourable. Accordingly, we feel very comfortable with operating in the eastern part of the European Union, a region that has better long-term growth prospects than Western Europe.

Andreas Treichl mp

Erste Group Share

EQUITY MARKET REVIEW

After the decline in share prices in the second quarter, international stock markets closed the third quarter with gains thanks to rising prices in July and September. Year-to-date only few markets were in positive territory at the end of September. This mixed picture resulted from a sideways movement that lasted that affected many markets for the better part of a year. The predominant themes for stock markets remained the economic development, government debt, and the measures taken by governments and central banks. The American Index Dow Jones Industrials closed the third quarter with a gain of 10.3% hitting 10,778 points, a gain of 3.4% year-to-date. The European EuroStoxx 50 Index advanced in the third quarter by 6.8%, but declined by 7.4% year-to-date closing the third quarter of 2010 at 2,748 points.

In spite of the largely good reporting season in the US and Europe, investors continued to anticipate the risk of a global economic contraction as a result of widespread government spending cuts.

In the US, these fears were confirmed by the macroeconomic indicators – the highest trade deficit since 2008, downward revision of second quarter GDP, persistently high levels of unemployment, weak consumer confidence – as well as by the economic outlook presented by the Open Market Committee of the US Federal Reserve. As a result of the slower economic recovery, the US Fed announced that it would continue to pursue its “zero interest policy” for a longer period and would increase the application of “quantitative easing” if the economy were to contract further. The key lending rates in the US stayed at 0% to 0.25%.

In Europe as well, the economy was recovering only gradually, but some of the macroeconomic data – higher-than-expected second quarter growth in the euro zone, highest level of the Ifo business climate index in 20 years, increases in order intake in industry and in the retail sector – were very encouraging. Countries such as Italy and Spain are profiting to a lesser extent from the upswing than Central and Western Europe. The ECB (European Central Bank) revised its forecasts for economic growth in the euro zone in 2010 upwards from 1.0% to 1.6%, and for 2011 from 1.2% to 1.4%, but retained its monetary policy of unchanged low interest rates, due to the lack of strength of the European recovery, just like the US central bank (key lending rates at 1% since May 2009).

Following the drop of the DJ Euro Stoxx Bank Index by more than 20% caused by liquidity and financing fears in the first half-year, banking stocks posted gains in the third quarter. This was triggered, among others things, by the announcement of the ECB to prolong its policy of unrestricted liquidity for the European banking sector, i.e., full allocation of European Central Bank funds at a fixed interest rate tracking the key lending rate until 2011. Despite the increase in the third quarter by 8.9% to 183 points, the year-to-date performance of the DJ Euro Stoxx Bank

Index, which represents the most important European banking stocks, was negative at -16.9%.

The Austrian stock market benefited from positive international momentum in July and September as well as a positive domestic reporting season. While the announcement of a number of capital increases weighed on the market, the Austrian key index posted an increase of 11.5% in the third quarter. Due to the losses suffered in the preceding quarters, the ATX (Austrian Traded Index) rose by only 1.8% to 2,542 points since the start of the year.

PERFORMANCE OF THE ERSTE GROUP SHARE

After publication of the financial results at the end of July, the Erste Group share rose from EUR 26.36 at the end of the second quarter to over EUR 32.00. Afterwards, the stock declined slightly and traded within a range of EUR 28 to EUR 30. The Erste Group share rose past the mark of EUR 30 again only after the positive feedback of analysts following the Capital Markets Day on 4 October 2010.

Analysts and investors focused on credit growth, the expected development of risk costs and non-performing loans, the effects of Basle III on capitalisation and the repayment of participation capital. In their research, analysts stressed that their assessment of the Erste Group share has been confirmed by the detailed information on Erste Group's business. Currently, buy recommendations for the Erste Group share strongly outnumber hold and sell recommendations.

In the past quarter the Erste Group share rose by 11.4%. At a price of EUR 29.37 at the end of September, the Erste Group share was trading 12.7% higher than at year-end 2009. Thus it clearly outperformed both the ATX and DJ Euro Stoxx Bank Index.

INVESTOR RELATIONS

On 4 October 2010, Erste Group held its 7th Capital Market Day in Dubrovnik, Croatia. The management of Erste Group gave an overview of current developments in the various business segments in Austria and in the eastern part of the European Union. The presentations focused on the influence of the macroeconomic environment in the region on local banks and on the effects of the changed regulatory framework on the overall strategy and the balance sheet structure.

The management and the investor relations team of Erste Group attended numerous one-on-one and group meetings at international banking and investor conferences organised by Nomura, Unicredit, KBW and Bank of America Merrill Lynch.

Interim Management Report

In the interim management report, financial results of the first nine months of 2009 are compared with those of the first nine months of 2010. Unless stated otherwise, terms such as “in the previous year”, “in 2009” or “as of the third quarter of 2009” accordingly relate to the first nine months of 2009, and terms such as “this year”, “in 2010” or “as of the third quarter of 2010” relate to the first nine months of 2010. The term “net profit after minority interests” corresponds with “net profit attributable to owners of the parent”.

EARNINGS PERFORMANCE IN BRIEF

During the first nine months of 2010, the **operating result** increased to EUR 3,028.4 million (+9.1% compared to EUR 2,776.9 million in the first nine months of 2009). This was driven mainly by higher net interest income and net commission income as well as decreasing general administrative expenses. At the same time, the net trading result declined.

Overall, **operating income** rose by 4.3% to EUR 5,900.1 million (versus EUR 5,657.2 million in the first nine months of 2009). This was primarily the result of the increase in net interest income (+6.1% to EUR 4,075.5 million) and improved net commission income (+9.7% to EUR 1,440.7 million). The net trading result fell by 23.7% to EUR 383.9 million. The reduction in **general administrative expenses** by 0.3%, from EUR 2,880.3 million to EUR 2,871.7 million also influenced this result. Accordingly, the **cost/income ratio** continued to improve to 48.7% (1-9 2009: 50.9%).

Net profit after minorities was up by 2.3%, from EUR 720.1 million to EUR 736.8 million.

Cash return on equity, i.e. return on equity adjusted for non-cash expenses such as goodwill impairments and the linear depreciation of customer relationships declined from 10.7% (reported value: 10.3%) in 2009 to 7.8% (reported value: 7.5%). The main reason for this development was broadening of the capital base by more than 40% in the last year (average shareholders' equity in the first nine months of 2009: EUR 9.3 billion; in the first nine months of 2010: EUR 13.2 billion).

Cash earnings per share equalled EUR 1.77 (reported value: EUR 1.68) in the first nine months of 2010, down on the first nine months of 2009 (EUR 2.06; reported value: EUR 1.96). This indicator was also impacted by the broader capital base.

Total assets rose by 2.4% to EUR 206.5 billion since year-end 2009. On the liability side, this was mainly due to the steep increase in customer deposits and debt securities in issue, which triggered a rise in investment securities and customer loans on the asset side. Overall, the rise in total assets was largely due to currency movements in Central and Eastern Europe.

Alongside a decline in risk-weighted assets, the **solvency ratio** improved from 12.7% at year-end 2009 to 13.0% as of 30 September 2010. Therefore, the level remained well above the

statutory minimum requirement of 8.0%. The **Tier 1 ratio** in relation to total risk was 9.7% as of 30 September 2010 (versus 9.2% at year-end 2009).

OUTLOOK

Erste Group's most developed markets in Central and Eastern Europe, such as Austria, the Czech Republic, Slovakia and Hungary, have successfully emerged from recession and are expected to record moderate growth in 2010. In 2011, economic growth is also expected to return to Romania and Croatia, in line with the recovery in domestic demand. Accordingly, Erste Group expects that the strong year-to-date operating performance will be sustained in the final quarter of this year. This trend is expected to continue in 2011 on the back of mid-single digit loan growth and resilient margins as well as strict cost management. In line with the economic recovery, risk costs in the second half of 2010 are expected to be below those recorded in the first half of 2010 and should remain at the level of 2009 for the current financial year. The declining risk cost trend is expected to continue in 2011. In addition, Erste Group's continued strong ability to generate retained earnings will enable it to retire participation capital with no need to raise equity.

PERFORMANCE IN DETAIL

in EUR million	1-9 10	1-9 09	Change
Net interest income	4,075.5	3,840.9	6.1%
Risk provisions for loans and advances	-1,588.4	-1,449.2	9.6%
Net fee and commission income	1,440.7	1,313.3	9.7%
Net trading result	383.9	503.0	-23.7%
General administrative expenses	-2,871.7	-2,880.3	-0.3%
Other result	-271.9	-249.8	-8.8%
Pre-tax profit from continuing operations	1,168.1	1,077.9	8.4%
Post-tax profit from discontinuing operations	0.0	0.0	na
Net profit for the period attributable to	899.4	808.3	11.3%
non-controlling interests	162.6	88.2	84.4%
owners of the parent	736.8	720.1	2.3%

Net interest income

Net interest income rose by 6.1%, from EUR 3,840.9 million in the first three quarters of 2009 to EUR 4,075.5 million. This was mainly driven by an improved net interest margin (net interest income as a percentage of average interest-bearing assets), which rose from 2.98% during the first nine months of 2009 to 3.08% in the first nine months of 2010 – primarily in Austria (from 1.93% to 2.04%); the margin in Central and Eastern Europe remained virtually unchanged (4.59% in the first nine months of 2010 versus 4.63%).

Net commission income

in EUR million	1-9 10	1-9 09	Change
Lending business	233.6	220.1	6.1%
Payment transfers	635.4	603.0	5.4%
Card business	140.4	137.9	1.8%
Securities transactions	332.6	280.6	18.5%
Investment fund transactions	142.1	121.1	17.3%
Custodial fees	32.2	23.9	34.7%
Brokerage	158.3	135.6	16.7%
Insurance brokerage business	82.2	63.6	29.2%
Building society brokerage	30.2	30.1	0.3%
Foreign exchange transactions	19.9	20.4	-2.5%
Investment banking business	24.0	10.2	>100.0%
Other	82.8	85.3	-2.9%
Total	1,440.7	1,313.3	9.7%

Net fee and commission income grew by 9.7% from EUR 1,313.3 million to EUR 1,440.7 million in the first nine months of 2010. This development was driven mainly by the Austrian subsidiaries' and the cross-guarantee system savings banks' securities business, as well as fees from payment transfers in the CEE subsidiaries. As in previous periods, the insurance brokerage business continued to perform well. The result from investment banking business more than doubled because of, inter alia, exceptional contributions from Erste Bank Croatia and Erste Group Bank AG.

Net trading result

As the decline in income from securities trading (by 33.2 % to EUR 149.6 million) and foreign exchange trading (by 22.6% to EUR 179.3 million) was not offset by higher income from derivatives trading (up 15.6% to EUR 55.0 million), the **net trading result** of EUR 383.9 million for the first nine months of 2010 remained below the exceptional level of the previous year of EUR 503.0 million.

General administrative expenses

in EUR million	1-9 10	1-9 09	Change
Personnel expenses	-1,657.5	-1,662.9	-0.3%
Other administrative expenses	-928.7	-945.2	-1.7%
Depreciation and amortisation	-285.5	-272.2	4.9%
Total	-2,871.7	-2,880.3	-0.3%

General administrative expenses decreased by 0.3% (currency-adjusted: -1.4%) from EUR 2,880.3 million to EUR 2,871.7 million.

Personnel expenses declined by 0.3% (currency-adjusted: -1.2%) from EUR 1,662.9 million to EUR 1,657.5 million. Efficiency improvements that were initiated in 2009 and which led to a decline in headcount – especially at the savings banks, Erste Bank Oesterreich and in Central and Eastern Europe (in particular in Slovakia) – had a positive effect on this development. On the whole, however, the headcount increased by 0.6% since year-end due to integration of IT companies, which were not fully consolidated previously.

Other administrative expenses declined by 1.7% in the first nine months of 2010 (currency-adjusted: -3.2%) from EUR 945.2 million to EUR 928.7 million. This was achieved mainly through cost savings in the area of legal and consulting fees, as well as in staff-related expenses.

Depreciation and amortisation rose by 4.9% in the first nine months of 2010 (currency-adjusted: +3.3%) versus the same period in the previous year, from EUR 272.2 million to EUR 285.5 million.

Headcount at 30 September 2010

	Sep 10	Dec 09	Change
Employed by Erste Group	50,775	50,488	0.6%
Austria incl. Haftungsverbund savings banks	16,087	16,107	-0.1%
Erste Group, EB Oesterreich and subsidiaries	8,512	8,359	1.8%
Haftungsverbund savings banks	7,575	7,748	-2.2%
Central and Eastern Europe / International	34,688	34,381	0.9%
Česká spořitelna Group	10,759	10,698	0.6%
Banca Comercială Română Group	9,185	9,012	1.9%
Slovenská sporiteľňa Group	4,103	4,238	-3.2%
Erste Bank Hungary Group	3,134	3,181	-1.5%
Erste Bank Croatia Group	2,315	2,265	2.2%
Erste Bank Serbia	924	909	1.7%
Erste Bank Ukraine	1,710	1,727	-1.0%
Other subsidiaries and foreign branch offices	2,558	2,351	8.8%

Operating result

The rise in **operating income** by 4.3% from EUR 5,657.2 million to EUR 5,900.1 million and the reduction in **general administrative expenses** by 0.3%, from EUR 2,880.3 million to EUR 2,871.7 million, led to a higher **operating result**, which rose by 9.1%, from EUR 2,776.9 million in the first nine months of 2009 to EUR 3,028.4 million.

Risk provisions

Risk provisions, i.e., the balance of the allocation/release of provisions for lending business and the costs of direct loan write-offs and income from the recovery of loans already written off, increased year-on-year by 9.6%, from EUR 1,449.2 million to EUR 1,588.4 million. In the first nine months of 2010, risk costs in relation to average customer loans were 162 basis points (1-9 2009: 152 basis points).

Other operating result

The **other operating result** deteriorated from EUR -201.8 million in the first nine months of 2009 to EUR -283.4 million. Generally, this item includes the linear depreciation of intangible assets (customer relationships) of EUR 52.6 million (1-9 of 2009: EUR 53.0 million), as well as deposit insurance contributions of EUR 48.1 million (1-9 of 2009: EUR 42.0 million). Furthermore, in the first nine months of 2010, the item was impacted by impairments relating to IT projects, Czech real estate and BCR's leasing portfolio, as well as provisions for litigation totalling about EUR 100 million. The increase in other taxes, from EUR 19.2 million to EUR 52.3 million, was the result of the banking tax in Hungary.

Results from financial assets

The overall result from all categories of financial assets developed positively, as the negative result of the first nine months of 2009 (EUR -48.0 million) swung into a profit of EUR 11.5 million for the first nine months of 2010. The main drivers were gains on sales of shares and government bonds in the AfS portfolio, as well as considerably fewer impairments in the AfS portfolio.

As of 30 September 2010, the market value of the **ABS/CDO portfolio** of Erste Group, including the savings banks, was around EUR 1.8 billion, equating to a EUR 0.1 billion decline in comparison to year-end 2009. In the first nine months of 2010, a positive revaluation of EUR 14.3 million in the fair value portfolio was recognised in income (1-9 of 2009: EUR -3.5 million). Impairments were necessary not only in the AfS portfolio, to the sum of EUR 14.3 million (1-9 2009: EUR 22.5 million as well as realised losses of EUR 30.9 million), but also in the HtM portfolio to the sum of EUR 3.6 million. In the first nine months of 2010, this had a negative overall effect on pre-tax profit of EUR 3.6 million (1-9 2009: EUR 56.9 million). In the available for sale portfolio, the mark-to-market valuation in the first nine months of 2010 resulted in a gain – recognised in equity – of EUR 53.7 million (1-9 2009: EUR 136.7 million).

Pre-tax profit and net profit attributable to owners of the parent

The **pre-tax profit from continuing operations** showed an improvement of 8.4%, from EUR 1,077.9 million to EUR 1,168.1 million compared to the same period last year.

Net profit attributable to owners of the parent³ was up by 2.3%, from EUR 720.1 million to EUR 736.8 million compared to the first nine months of 2009.

³ The term "net profit attributable to owners of the parent" corresponds to the term "net profit after minorities".

FINANCIAL RESULTS – QUARTER-ON-QUARTER COMPARISON

Net interest income rose quarter-on-quarter by 2.2%, from EUR 1,361.2 million to EUR 1,390.7 million, based on increased margins in Austria, as well as in Central and Eastern Europe.

Net fee and commission income fell by 3.6% in the third quarter of 2010, from EUR 493.5 million in the previous quarter, to EUR 475.7 million and was therefore somewhat above that for the first quarter. This seasonal development was mainly driven by lower fees from securities and lending business, as well as a decrease in building society brokerage fees.

In comparison to the previous quarter the **net trading result** rose by 45.6%, from EUR 98.8 million to EUR 143.9 million. Trading income from foreign exchange transactions remained stable at EUR 68.5 million and therefore above the first quarter (EUR 42.0 million). The result from securities and derivatives trading improved significantly from EUR 30.0 million to EUR 75.4 million, but was still lower than that for the first quarter (EUR 99.2 million).

General administrative expenses increased by 3.0% in the third quarter of 2010, from EUR 945.3 million to EUR 973.3 million. The rise in **personnel expenses** by 3.9%, from EUR 545.3 million to EUR 566.5 million in the third quarter, was driven on the one hand by the integration of IT companies that were not previously consolidated and, on the other, by increases in the CEE subsidiaries (BCR, SLSP). **Other administrative expenses** also showed an increase of 3.2%, from EUR 302.6 million to EUR 312.3 million, which was particularly due to higher legal and consulting costs in Austria. After an increase in the second quarter, **depreciation and amortisation** fell by 3.0%, from EUR 97.4 million to EUR 94.5 million in the third quarter.

The **operating result** grew by 2.9%, from EUR 1,008.2 million in the previous quarter, to EUR 1,037.0 million in the third quarter of 2010, a new record in Erste Group's history.

At 48.4%, the **cost/income ratio** remained unchanged compared to the previous quarter.

At EUR 504.2 million, **risk provisions for loans and advances** were 8.8% lower than in the second quarter (EUR 553.0 million) – mainly due to a higher releases in the large corporate business – and were also down on the first quarter (EUR 531.2 million).

The balance reported under **other operating result** deteriorated by 36.8%, from EUR -91.1 million in the previous quarter, to EUR -124.6 million. This was mainly due to impairments on Czech real estate, write-downs on IT projects and additional expenses related to the Hungarian banking tax amounting to EUR 6.3 million.

The **result** from all categories of **financial assets** deteriorated from EUR -1.4 million in the second quarter to EUR -4.9 million in the third quarter of 2010. Increased impairments in the AfS and HtM portfolios were not offset by valuation gains in the FV portfolio.

Pre-tax profit from continuing operations increased by 11.2%, from EUR 362.7 million in the second quarter to EUR 403.3 million in the third quarter of 2010.

Net profit attributable to owners of the parent improved by 22.2%, from EUR 216.7 million in the second quarter to EUR 264.9 million in the third quarter of 2010.

DEVELOPMENT OF THE BALANCE SHEET

in EUR million	Sep 10	Dec 09	Change
Loans and advances to credit institutions	14,464	13,140	10.1%
Loans and advances to customers	131,514	129,134	1.8%
Risk provisions for loans and advances	-6,210	-4,954	25.4%
Trading and other financial assets	45,764	42,884	6.7%
Other assets	20,996	21,506	-2.4%
Total assets	206,528	201,710	2.4%
in EUR million	Sep 10	Dec 09	Change
Deposits by banks	22,714	26,295	-13.6%
Customer deposits	115,329	112,042	2.9%
Debt securities in issue	32,013	29,612	8.1%
Other liabilities	13,503	11,490	17.5%
Subordinated liabilities	5,956	6,148	-3.1%
Total equity	17,013	16,123	5.5%
attributable to			
non-controlling interests	3,620	3,414	6.0%
owners of the parent	13,393	12,709	5.4%
Total liabilities and equity	206,528	201,710	2.4%

Loans and advances to credit institutions increased as of 30 September 2010 by 10.1%, to EUR 14.5 billion from EUR 13.1 billion at year-end 2009. This was due mainly to the increase in repo transactions with the Czech central bank (EUR +2.5 billion).

Loans and advances to customers rose by 1.8%, from EUR 129.1 billion to EUR 131.5 billion, driven mainly by limited growth in the retail banking segment of the savings banks and the CEE subsidiaries – but also to some extent by currency shifts.

Risk provisions increased from EUR 5.0 billion to EUR 6.2 billion due to new allocations. The ratio of non-performing loans to customer loans grew as of 30 September 2010 from 6.6% to 7.6%. In contrast, the NPL coverage ratio continued its positive trend and increased from 57.2% at year-end 2009 to 60.9%.

Investment securities in the various categories of financial assets rose by 5.1% since year-end 2009, from EUR 34.3 billion to EUR 36.0 billion. The decline of 4.7% in the FV portfolio to EUR 2.9 billion and of 2.8% to EUR 14.5 billion in the HtM portfolio was more than offset by an increase of 14.1% in the AfS portfolio, to EUR 18.7 billion.

Customer deposits grew by 2.9%, from EUR 112.0 billion to EUR 115.3 billion, and therefore at a much faster rate than loans and advances to customers. This development was driven mainly by increases in the Czech Republic, especially by savings deposits and public sector deposits, but also to some extent by currency appreciation. In Austria, moderate growth was recorded amongst corporate customers. The loan-to-deposit ratio improved to 114.0% as of 30 September 2010 and was therefore below that of 31 December 2009 (115.3%).

New issues (inter alia covered bonds) triggered an 8.1% rise in **debt securities in issue**, from EUR 29.6 billion to EUR 32.0 billion.

Total risk-weighted assets (RWA) fell to EUR 121.7 billion as of 30 September 2010 (31 December 2009: EUR 123.9 billion).

Total eligible **qualifying capital** of the Erste Group credit institution according to the Austrian Banking Act remained virtually the same as of 30 September 2010 at EUR 15.8 billion. The cover ratio with respect to the statutory minimum requirement at the reporting date (EUR 9.7 billion) was 162% (year-end 2009: 159%).

Tier 1 capital after the deductions defined in the Austrian Banking Act was EUR 11.8 billion (year-end 2009: EUR 11.5 billion).

The **tier 1 ratio** in relation to total risk (tier 1 capital after deductions pursuant to the Austrian Banking Act as a percentage of the assessment base for credit risk pursuant to §22 paragraph 2 of the Austrian Banking Act including capital requirements for market and operational risk) increased to 9.7% (year-end 2009: 9.2%). After adjusting for hybrid capital, the core tier 1 ratio improved to 8.7% as of 30 September 2010 (year-end 2009: 8.3%).

The **solvency ratio** in relation to total risk (total eligible qualifying capital as a percentage of the assessment base for total risk pursuant to §22 paragraph 1 of the Austrian Banking Act) was 13.0% (year-end 2009: 12.7%) and therefore significantly higher than the statutory minimum requirement of 8.0%.

Condensed Consolidated Financial Statements

I. Statement of comprehensive income – 1 January to 30 September 2010

INCOME STATEMENT

in EUR million	(Notes)	1-9 10	1-9 09	Change
Interest and similar income		6,590.9	7,102.2	-7.2%
Interest and similar expenses		-2,532.5	-3,273.8	-22.6%
Income from associates accounted for at equity		17.1	12.5	36.8%
Net interest income	(1)	4,075.5	3,840.9	6.1%
Risk provisions for loans and advances	(2)	-1,588.4	-1,449.2	9.6%
Fee and commission income		1,810.7	1,687.4	7.3%
Fee and commission expenses		-370.0	-374.1	-1.1%
Net fee and commission income	(3)	1,440.7	1,313.3	9.7%
Net trading result	(4)	383.9	503.0	-23.7%
General administrative expenses	(5)	-2,871.7	-2,880.3	-0.3%
Other operating result	(6)	-283.4	-201.8	-40.4%
Result from financial assets - FV		-7.8	56.4	na
Result from financial assets - AfS		18.5	-106.4	na
Result from financial assets - HtM		0.8	2.0	-60.0%
Pre-tax profit from continuing operations		1,168.1	1,077.9	8.4%
Taxes on income		-268.7	-269.6	-0.3%
Post-tax profit from continuing operations		899.4	808.3	11.3%
Post-tax profit from discontinuing operations		0.0	0.0	na
Net profit for the period		899.4	808.3	11.3%
attributable to				
non-controlling interests		162.6	88.2	84.4%
owners of the parent		736.8	720.1	2.3%

EARNINGS PER SHARE

Earnings per share constitute net profit attributable to owners of the parent adjusted for the dividends related to the participation capital divided by the average number of 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	1-9 10	1-9 09	Change
Earnings per share	1.68	1.96	-14.3%
Diluted earnings per share	1.68	1.96	-14.3%
Cash earnings per share	1.77	2.06	-14.1%
Diluted cash earnings per share	1.76	2.06	-14.6%

STATEMENT OF COMPREHENSIVE INCOME

in EUR million	1-9 10	1-9 09	Change
Net profit before minorities	899.4	808.3	11.3%
Available for sale - reserve (including currency translation)	321.0	799.9	-59.9%
Cash flow hedge - reserve (including currency translation)	-53.1	34.3	na
Actuarial gains and losses	0.0	0.0	na
Currency translation	82.8	-39.4	na
Deferred taxes on items recognised directly in equity	-70.7	-320.1	77.9%
Other comprehensive income – total	280.0	474.7	-41.0%
Total comprehensive income	1,179.4	1,283.0	-8.1%
attributable to			
non-controlling interests	248.4	355.9	-30.2%
owners of the parent	931.0	927.1	0.4%

II. Balance sheet at 30 September 2010

in EUR million	(Notes)	Sep 10	Dec 09	Change
ASSETS				
Cash and balances with central banks		5,030	5,996	-16.1%
Loans and advances to credit institutions	(7)	14,464	13,140	10.1%
Loans and advances to customers	(8)	131,514	129,134	1.8%
Risk provisions for loans and advances	(9)	-6,210	-4,954	25.4%
Trading assets	(10)	9,731	8,598	13.2%
Financial assets - at fair value through profit or loss	(11)	2,855	2,997	-4.7%
Financial assets - available for sale	(12)	18,701	16,390	14.1%
Financial assets - held to maturity		14,477	14,899	-2.8%
Equity holdings in associates accounted for at equity		231	241	-4.1%
Intangible assets		4,762	4,867	-2.2%
Property and equipment		2,388	2,344	1.9%
Tax assets		461	577	-20.1%
Assets held for sale		51	58	-12.1%
Other assets		8,073	7,423	8.8%
Total assets		206,528	201,710	2.4%
LIABILITIES AND EQUITY				
Deposits by banks	(13)	22,714	26,295	-13.6%
Customer deposits	(14)	115,329	112,042	2.9%
Debt securities in issue		32,013	29,612	8.1%
Trading liabilities		3,564	3,157	12.9%
Provisions	(15)	1,568	1,670	-6.1%
Tax liabilities		363	361	0.6%
Liabilities associated with assets held for sale		0	0	na
Other liabilities		8,008	6,302	27.1%
Subordinated liabilities	(16)	5,956	6,148	-3.1%
Total equity		17,013	16,123	5.5%
attributable to				
non-controlling interests		3,620	3,414	6.0%
owners of the parent		13,393	12,709	5.4%
Total liabilities and equity		206,528	201,710	2.4%

III. Statement of changes in equity

in EUR million	Subscribed capital	Additional paid-in capital	Retained earnings	Total owners of the parent	Non-controlling interests	Total capital
Equity at 1 January 2009	634	4,583	2,862	8,079	3,016	11,095
Changes in own shares			93	93		93
Dividends			-203	-203	-95	-298
Capital increases	2	9		11		11
Participation capital	1,760			1,760		1,760
Total comprehensive income			927	927	356	1,283
Net profit before minorities			720	720	88	808
Other comprehensive income			207	207	268	475
Currency translation			-11	-11	-28	-39
Change in interest in subsidiaries					139	139
Equity at 30 September 2009	2,396	4,592	3,679	10,667	3,416	14,083
Cash flow hedge reserve at 30 September 2009				94	31	125
Available for sale reserve at 30 September 2009				-655	-24	-679
Actuarial gains/losses from long-term employee provisions at 30 September 2009				-254	-112	-366
Deferred tax reserve at 30 September 2009				157	28	185
Total equity at 1 January 2010	2,517	6,171	4,021	12,709	3,414	16,123
Changes in own shares			137	137		137
Changes in own participation certificates	-5*			-5		-5
Dividends			-385	-385	-42	-427
Capital increases		6		6		6
Total comprehensive income			931	931	248	1,179
Net profit before minorities			737	737	162	899
Other comprehensive income			194	194	86	280
Currency translation			113	113	-30	83
Change in interest in subsidiaries						
Equity at 30 September 2010	2,512	6,177	4,704	13,393	3,620	17,013
Cash flow hedge reserve at 30 September 2010				30	16	46
Available for sale reserve at 30 September 2010				-214	180	-34
Actuarial gains/losses from long-term employee provisions at 30 September 2010				-238	-90	-328
Deferred tax reserve at 30 September 2010				49	-20	29

* Capital tax

IV. Condensed cash-flow statement

in EUR million	1-9 10	1-9 09	Change
Cash and cash equivalents at end of the previous year	5,996	7,556	-20.6%
Cash flow from operating activities	-584	-3,268	-82.1%
Cash flow from investing activities	137	-487	na
Cash flow from financing activities	-572	1,701	na
Effect of currency translation	53	-44	na
Cash and cash equivalents at the end of period	5,030	5,458	-7.8%

V. Notes to the financial statements of Erste Group for the period from 1 January to 30 September 2010

The consolidated financial statements of Erste Group were prepared in compliance with the applicable International Financial Reporting Standards (IFRS) and International Accounting Standards published by the International Accounting Standards Board (IASB) and with their interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC), as applicable in the European Union. The interim report for the period from 1 January to 30 September 2010 is prepared in accordance with IAS 34 ("Interim Reporting"). The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements. Therefore, the interim report should be read in conjunction with Erste Group's financial statements as at 31 December 2009.

This interim report was neither audited nor reviewed by an auditor.

The reporting period brought no changes in accounting policies.

SIGNIFICANT BUSINESS EVENTS IN THE REPORTING PERIOD

Within the context of the Employee Share Ownership Plan (ESO), the employees of Erste Group subscribed to 251,635 shares between 3 and 14 May 2010 (2009: 912,323 shares). The exercise price, set at 20% below the average quoted price in April 2010, was EUR 26.50 per share. The resulting issue proceeds of EUR 6,668,327.50 plus EUR 92,931.75 (from the difference between the exercise price of EUR 26.50 and quoted price of EUR 29.59 on value date 27.05.10 for 30,075 shares subscribed by employees of Erste Group Bank AG, charged to personnel expenses) amounted to a total of EUR 6,761,259.25. This amount was assigned to the share capital (which received EUR 503,270.00 of the total) and additional paid-in capital (which received EUR 6,257,989.25). The shares under this plan are subject to a holding period of one year.

251,635 new shares were issued in a capital increase from contingent capital. This raised the number of Erste Group Bank shares from 377,925,086 to 378,176,721 and expanded the share capital 755,850,172 auf EUR 756,353,442.

Personnel expenses for the first nine months of 2010 include ESOP of EUR 0.7 million (September 2009 EUR 4.7 million).

A. INFORMATION ON THE INCOME STATEMENT OF ERSTE GROUP

1. Net interest income

in EUR million	1-9 10	1-9 09	Change
Interest income			
Lending and money market transactions with credit institutions	859.9	601.8	42.9%
Lending and money market transactions with customers	4,699.0	5,332.1	-11.9%
Bonds and other interest-bearing securities	855.2	873.5	-2.1%
Other	6.6	20.5	-67.8%
Current income			
Equity-related securities	71.6	82.5	-13.2%
Investments	18.7	17.9	4.5%
Investment properties	58.8	60.6	-3.0%
Interest and similar income	6,569.8	6,988.9	-6.0%
Interest income from financial assets - at fair value through profit or loss	21.1	113.3	-81.4%
Total interest and similar income	6,590.9	7,102.2	-7.2%
Interest expenses			
Deposits by banks	-383.6	-251.4	52.6%
Customer deposits	-1,248.3	-1,961.6	-36.4%
Debt securities in issue	-656.6	-765.4	-14.2%
Subordinated liabilities	-232.7	-289.1	-19.5%
Other	-8.7	-2.2	>100.0%
Interest and similar expenses	-2,529.9	-3,269.7	-22.6%
Interest expenses from financial assets - at fair value through profit or loss	-2.6	-4.1	-36.6%
Total interest and similar expenses	-2,532.5	-3,273.8	-22.6%
Income from associates accounted for at equity	17.1	12.5	36.8%
Total	4,075.5	3,840.9	6.1%

2. Risk provisions for loans and advances

in EUR million	1-9 10	1-9 09	Change
Net allocation to risk provisions for loans and advances	-1,550.6	-1,423.2	9.0%
Direct write-offs of loans and advances and amounts received against written-off loans and advances	-37.8	-26.0	45.4%
Total	-1,588.4	-1,449.2	9.6%

3. Net fee and commission income

in EUR million	1-9 10	1-9 09	Change
Lending business	233.6	220.1	6.1%
Payment transfers	635.4	603.0	5.4%
Card business	140.4	137.9	1.8%
Securities transactions	332.6	280.6	18.5%
Investment fund transactions	142.1	121.1	17.3%
Custodial fees	32.2	23.9	34.7%
Brokerage	158.3	135.6	16.7%
Insurance brokerage business	82.2	63.6	29.2%
Building society brokerage	30.2	30.1	0.3%
Foreign exchange transactions	19.9	20.4	-2.5%
Investment banking business	24.0	10.2	>100.0%
Other	82.8	85.3	-2.9%
Total	1,440.7	1,313.3	9.7%

4. Net trading result

in EUR million	1-9 10	1-9 09	Change
Securities and derivatives trading	204.6	271.4	-24.6%
Foreign exchange transactions	179.3	231.6	-22.6%
Total	383.9	503.0	-23.7%

5. General administrative expenses

in EUR million	1-9 10	1-9 09	Change
Personnel expenses	-1,657.5	-1,662.9	-0.3%
Other administrative expenses	-928.7	-945.2	-1.7%
Depreciation and amortisation	-285.5	-272.2	4.9%
Total	-2,871.7	-2,880.3	-0.3%

6. Other operating result

in EUR million	1-9 10	1-9 09	Change
Other operating income	103.4	131.9	-21.6%
Other operating expenses	-386.8	-333.7	15.9%
Total	-283.4	-201.8	-40.4%
Result from real estate/property/movable property and software	-82.3	-42.4	-94.1%
Allocation/release of other provisions/risks	-9.8	-2.8	na
Expenses for deposit insurance contributions	-48.1	-42.0	14.5%
Amortisation of intangible assets (customer relationships)	-52.6	-53.0	-0.8%
Other taxes	-52.3	-19.2	>100.0%
Result from other operating expenses/income	-38.3	-42.4	9.7%
Total	-283.4	-201.8	-40.4%

B. INFORMATION ON THE BALANCE SHEET OF ERSTE GROUP

7. Loans and advances to credit institutions

in EUR million	Sep 10	Dec 09	Change
Loans and advances to domestic credit institutions	1,596	1,337	19.4%
Loans and advances to foreign credit institutions	12,868	11,803	9.0%
Total	14,464	13,140	10.1%

8. Loans and advances to customers

in EUR million	Sep 10	Dec 09	Change
Loans and advances to domestic customers			
Public sector	2,787	2,758	1.1%
Commercial customers	35,606	35,610	0.0%
Private customers	24,348	23,285	4.6%
Unlisted securities	250	250	0.0%
Other	191	153	24.8%
Total loans and advances to domestic customers	63,182	62,056	1.8%
Loans and advances to foreign customers			
Public sector	3,081	2,802	10.0%
Commercial customers	34,350	34,686	-1.0%
Private customers	29,705	28,417	4.5%
Unlisted securities	932	944	-1.3%
Other	264	229	15.3%
Total loans and advances to foreign customers	68,332	67,078	1.9%
Total	131,514	129,134	1.8%

9. Risk provisions for loans and advances

in EUR million	1-9 10	1-9 09	Change
Risk provisions for loans and advances			
At start of reporting period	4,954	3,783	31.0%
Acquisition of subsidiaries	0	53	na
Use	-290	-446	-35.0%
Net allocation to risk provisions for loans and advances	1,551	1,423	9.0%
Interest income from impaired loans	-81	-86	-5.8%
Currency translation	76	-14	na
At end of reporting period	6,210	4,713	31.8%
Provision for off-balance-sheet and other risks	299	301	-0.7%
Total	6,509	5,014	29.8%

10. Trading assets

in EUR million	Sep 10	Dec 09	Change
Bonds and other interest-bearing securities	5,804	5,597	3.7%
Equity-related securities	544	415	31.1%
Positive fair value of derivative financial instruments	3,383	2,586	30.8%
Total	9,731	8,598	13.2%

11. Financial assets – At Fair Value through profit or loss

in EUR million	Sep 10	Dec 09	Change
Bonds and other interest-bearing securities	2,427	2,524	-3.8%
Equity-related securities	428	473	-9.5%
Total	2,855	2,997	-4.7%

12. Financial assets – available for sale

in EUR million	Sep 10	Dec 09	Change
Bonds and other interest-bearing securities	15,515	13,000	19.3%
Equity-related securities	2,690	2,874	-6.4%
Equity holdings	496	516	-3.9%
Total	18,701	16,390	14.1%

13. Deposits by bank

in EUR million	Sep 10	Dec 09	Change
Deposits by domestic credit institutions	4,914	9,239	-46.8%
Deposits by foreign credit institutions	17,800	17,056	4.4%
Total	22,714	26,295	-13.6%

14. Customer deposits

in EUR million	Sep 10	Dec 09	Change
Savings deposits	54,294	53,368	1.7%
Sundry	61,035	58,674	4.0%
Total	115,329	112,042	2.9%

15. Provisions

in EUR million	Sep 10	Dec 09	Change
Long-term employee provisions	1,157	1,171	-1.2%
Sundry provisions	411	499	-17.6%
Total	1,568	1,670	-6.1%

16. Subordinated liabilities

in EUR million	Sep 10	Dec 09	Change
Subordinated issues and deposits	2,780	3,013	-7.7%
Supplementary capital	1,990	1,955	1.8%
Hybrid issues	1,186	1,180	0.5%
Total	5,956	6,148	-3.1%

C. ADDITIONAL INFORMATION

17. Contingent liabilities – legal proceedings

There have not been any material changes since year-end 2009 in the assessment of the influence of the outcome of the litigation cases in which Erste Group Bank and some of its subsidiaries are involved with respect of the financial and/or earnings situation of Erste Group.

The changes to the procedures described in Note 46 of the financial statements 2009 may be summarised as follows:

In May 2010 the agreements that grant Erste Group Bank, on a contractual basis, a decisive influence also on Allgemeine Sparkasse Oberösterreich Bankaktiengesellschaft and that lead to the establishment of an economic unit (merger) within the meaning of the EC Merger Regulation and the Cartel Act were approved by the European competition authority.

A group of attorneys has filed a complaint with a U.S. court on behalf of victims of the Holocaust or their heirs against several Hungarian banks in relation to the persecution of Jews in Greater Hungary in 1944. Also Erste Group Bank AG is named as a defendant. The plaintiffs essentially claim that Hungarian banks improperly benefited from wartime Jewish assets and held on to these assets until today. The assets claimed total \$2 billion in

1944 dollars. The plaintiffs allege that Erste Group Bank AG is the legal successor to a number of banks that were active during that time in Greater Hungary. Erste Bank AG rejects the claim. Neither Erste Group Bank AG nor its Hungarian subsidiary bank, which was founded only decades after the end of World War II, are legal successors to any of the banks mentioned in the complaint. Erste Group Bank AG does not see any basis for a U.S. court having jurisdiction in this matter.

18. Related party transactions

As of 30 September 2010, Erste Group had outstanding liabilities of EUR 216.6 million (31 December 2009: EUR 33.1 million) and amount receivable of EUR 276.2 million (31 December 2009: EUR 283.4 million) in relation to DIE ERSTE österreichische Spar-Casse Privatstiftung. Furthermore, as of 30 September 2010 there existed between Erste Group and DIE ERSTE österreichische Spar-Casse Privatstiftung standard derivative transactions for hedging purposes on usual market terms. These were interest rate swaps with caps and floors in a notional amount of EUR 347.4 million (31 December 2009: EUR 247.4 million).

19. Headcount at 30 September 2010

(weighted by degree of employment)

	Sep 10	Dec 09	Change
Employed by Erste Group	50,775	50,488	0.6%
Austria incl. Haftungsverbund savings banks	16,087	16,107	-0.1%
Erste Group, EB Oesterreich and subsidiaries	8,512	8,359	1.8%
Haftungsverbund savings banks	7,575	7,748	-2.2%
Central and Eastern Europe / International	34,688	34,381	0.9%
Česká spořitelna Group	10,759	10,698	0.6%
Banca Comercială Română Group	9,185	9,012	1.9%
Slovenská sporiteľňa Group	4,103	4,238	-3.2%
Erste Bank Hungary Group	3,134	3,181	-1.5%
Erste Bank Croatia Group	2,315	2,265	2.2%
Erste Bank Serbia	924	909	1.7%
Erste Bank Ukraine	1,710	1,727	-1.0%
Other subsidiaries and foreign branch offices	2,558	2,351	8.8%

D. SEGMENT REPORTING

As of the fourth quarter 2009, the so-called “unwinding effect” pursuant to IAS 39 (compounded interest effect due to expected cash flow recoveries from non-performing loans) – which does not alter net profit, but impacts net interest income and risk provisions in equal measure – is no longer reported as a lump sum in the Corporate Center, but rather in the respective segments. The periods of comparison of 2009 have been adapted accordingly.

Retail & SME

Erste Bank Oesterreich

The segment Erste Bank Oesterreich comprises the retail and SME business of Erste Bank Oesterreich and its subsidiaries, above all, the savings banks in which Erste Bank Oesterreich holds majority stakes (savings banks Salzburg, Tirol, Hainburg, Weinviertel as of May 2009), and s Bausparkasse.

The operating result rose by EUR 46.9 million or 19.3% from EUR 243.6 million to EUR 290.5 million in the first nine months of 2010. This was due to a sharp rise in net commission income and a decrease in general administrative expenses. Net commission income improved by EUR 36.9 million or 16.8% from EUR 218.9 million in the first three quarters of 2009 to EUR 255.8 million, driven by higher income from securities as well as SME business. Despite higher volumes, the customer deposit business suffered from narrowing margins, which led to a drop in net interest income of EUR 3.1 million or 0.7% from EUR 484.9 million to EUR 481.8 million. The net trading result rose from EUR 6.9 million by EUR 2.8 million or 39.9% to EUR 9.7 million. Operating expenses decreased from EUR 467.2 million in the first nine months of 2009 by EUR 10.5 million or 2.2% to EUR 456.7 million. The cost/income ratio improved to 61.1%, following 65.7%. The increase in risk provisions from EUR 113.4

million by EUR 10.8 million or 9.5% to EUR 124.2 million in the first three quarters of 2010 was mainly due to the corporate business. The other result, which was impacted by write-downs on securities not held in the trading portfolio in the second quarter 2010, dropped by EUR 25.8 million from EUR 19.2 million to EUR -6.6 million in the first nine months of 2010. Net profit after minorities rose from EUR 106.7 million by EUR 11.2 million or 10.5% to EUR 117.9 million. Return-on-equity equalled 13.6%, following 12.6% in the previous year.

Haftungsverbund/Savings Banks

Net interest income declined versus the first nine months of 2009 by 0.7% or EUR 4.8 million to EUR 712.5 million. This was a result of narrowing margins as a consequence of market interest rate trends. Net commission income rose by EUR 23.7 million or 8.4% to EUR 306.6 million following EUR 282.9 million in the previous year. This was due to higher fees from securities business and payment transfers. The decrease in net trading result from EUR 45.3 million in the first nine months of 2009 by EUR 23.0 million or 50.9% to EUR 22.3 million was largely due to the income earned on interest rate derivatives in the previous year, which did not recur in the current period. Operating expenses decreased by 0.3% from EUR 704.1 million to EUR 701.9 million.

The reason for the clear improvement in the other result from EUR -114.4 million in the first three quarters of 2009 by EUR 115.3 million to EUR 0.9 million was attributable mostly to last year’s write-downs on securities not held in the trading portfolio. Risk provisions decreased from EUR 240.7 million by EUR 31.2 million or 12.9% to EUR 209.5 million. Net profit after minorities improved from EUR -10.7 million in the first three quarters of 2009 by EUR 13.0 million to EUR 2.3 million. The cost/income ratio was 67.4% or nearly unchanged compared to the previous year.

	Retail & SME ⁴		GCIB		Group Markets		Corporate Center	
in EUR million	1-9 10	1-9 09	1-9 10	1-9 09	1-9 10	1-9 09	1-9 10	1-9 09
Net interest income	3,459.8	3,372.2	445.5	414.7	86.6	158.8	83.6	-104.8
Risk provisions	-1,390.2	-1,225.7	-198.1	-223.5	0.0	0.0	0.0	0.0
Net fee and commission income	1,234.7	1,127.3	124.2	113.1	116.9	90.2	-35.2	-17.3
Net trading result	141.8	146.4	2.6	0.4	225.4	342.7	14.1	13.5
General administrative expenses	-2,458.4	-2,491.1	-135.4	-126.1	-169.9	-144.9	-107.9	-118.2
Other result	-168.6	-172.4	-8.2	-32.7	7.5	0.4	-102.6	-45.1
Pre-tax profit	819.0	756.8	230.6	145.8	266.5	447.1	-148.0	-271.8
Taxes on income	-193.1	-166.2	-50.7	-34.0	-57.9	-83.5	33.0	14.1
Post-tax profit from continuing operations	625.9	590.6	179.9	111.8	208.6	363.7	-115.0	-257.7
Post-tax profit from discontinuing operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit for the period	625.9	590.6	179.9	111.8	208.6	363.7	-115.0	-257.7
attributable to								
non-controlling interests	145.1	74.0	15.5	-3.6	10.6	23.5	-8.6	-5.7
owners of the parent	480.8	516.6	164.4	115.4	198.0	340.1	-106.4	-252.0
Average risk-weighted assets	75,126.5	74,437.1	25,772.1	26,208.2	2,977.6	3,250.8	1,469.4	3,011.8
Average attributed equity	4,133.9	4,109.7	2,062.9	2,058.9	325.2	331.7	6,624.1	2,823.2
Cost/income ratio	50.8%	54.6%	23.7%	24.2%	39.6%	24.5%	n.a.	n.a.
ROE based on net profit	15.5%	16.8%	10.6%	7.5%	81.2%	136.7%	n.a.	n.a.

	Savings Banks		EB Oesterreich		Austria	
in EUR million	1-9 10	1-9 09	1-9 10	1-9 09	1-9 10	1-9 09
Net interest income	712.5	717.3	481.8	484.9	1,194.3	1,202.2
Risk provisions	-209.5	-240.7	-124.2	-113.4	-333.8	-354.1
Net fee and commission income	306.6	282.9	255.8	218.9	562.4	501.8
Net trading result	22.3	45.3	9.7	6.9	31.9	52.2
General administrative expenses	-701.9	-704.1	-456.7	-467.2	-1,158.6	-1,171.3
Other result	0.9	-114.4	-6.6	19.2	-5.7	-95.2
Pre-tax profit	130.9	-13.7	159.7	149.3	290.5	135.6
Taxes on income	-33.7	-0.1	-37.4	-34.1	-71.0	-34.2
Post-tax profit from continuing operations	97.2	-13.8	122.3	115.2	219.5	101.4
Post-tax profit from discontinuing operations	0.0	0.0	0.0	0.0	0.0	0.0
Net profit for the period	97.2	-13.8	122.3	115.2	219.5	101.4
attributable to						
non-controlling interests	94.9	-3.1	4.4	8.5	99.3	5.4
owners of the parent	2.3	-10.7	117.9	106.7	120.2	96.0
Average risk-weighted assets	23,989.7	24,425.6	14,536.6	13,977.4	38,526.3	38,403.1
Average attributed equity	291.7	297.6	1,154.3	1,130.8	1,446.0	1,428.4
Cost/income ratio	67.4%	67.3%	61.1%	65.7%	64.8%	66.7%
ROE based on net profit	1.1%	n.a.	13.6%	12.6%	11.1%	9.0%

⁴ The Retail & SME segment comprises the subsegments Austria (which is further subdivided into Erste Bank Oesterreich and Savings Banks) Czech Republic, Romania, Slovakia, Hungary, Croatia, Serbia and Ukraine.

	Czech Republic		Romania		Slovakia		Hungary	
in EUR million	1-9 10	1-9 09	1-9 10	1-9 09	1-9 10	1-9 09	1-9 10	1-9 09
Net interest income	810.8	821.9	621.8	590.4	317.4	286.7	287.7	263.0
Risk provisions	-284.1	-203.1	-386.0	-332.4	-97.5	-110.7	-180.0	-126.8
Net fee and commission income	348.2	310.3	108.5	113.4	76.2	76.9	73.5	61.4
Net trading result	48.1	33.1	20.4	18.2	2.2	7.0	19.4	22.8
General administrative expenses	-532.3	-530.5	-281.3	-286.7	-172.7	-194.6	-152.7	-158.6
Other result	-62.9	-74.6	-30.0	25.3	-20.2	-29.8	-46.6	8.6
Pre-tax profit	327.8	357.1	53.5	128.3	105.4	35.5	1.3	70.4
Taxes on income	-66.6	-71.9	-10.6	-21.8	-21.3	-7.1	-10.4	-17.3
Post-tax profit from continuing operations	261.2	285.2	42.9	106.5	84.1	28.4	-9.0	53.0
Post-tax profit from discontinuing operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit for the period	261.2	285.2	42.9	106.5	84.1	28.4	-9.0	53.0
attributable to								
non-controlling interests	8.5	7.5	15.7	37.2	0.2	0.4	-0.1	0.0
owners of the parent	252.6	277.8	27.2	69.2	83.9	28.0	-9.0	53.0
Average risk-weighted assets	12,379.4	11,207.7	9,111.5	9,756.5	5,302.6	5,423.3	4,769.1	4,734.0
Average attributed equity	1,021.8	997.3	519.3	552.8	438.4	452.0	392.9	390.8
Cost/income ratio	44.1%	46.1%	37.5%	40.4%	43.6%	53.2%	40.1%	46.9%
ROE based on net profit	33.0%	37.1%	7.0%	16.7%	25.5%	8.3%	n.a.	18.1%

	Croatia		Serbia		Ukraine		Total group ⁵	
in EUR million	1-9 10	1-9 09	1-9 10	1-9 09	1-9 10	1-9 09	1-9 10	1-9 09
Net interest income	182.8	165.5	20.0	22.0	25.0	20.5	4,075.5	3,840.9
Risk provisions	-78.9	-45.4	-6.6	-6.1	-23.5	-47.0	-1,588.4	-1,449.2
Net fee and commission income	54.8	54.8	8.3	8.1	2.9	0.6	1,440.7	1,313.3
Net trading result	7.9	6.2	1.6	2	10.2	4.6	383.9	503.0
General administrative expenses	-103.9	-98.9	-23.0	-23.1	-33.8	-27.3	-2,871.7	-2,880.3
Other result	-2.9	-4.9	-0.1	-0.9	-0.1	-1.0	-271.9	-249.8
Pre-tax profit	59.7	77.4	0.1	2.1	-19.3	-49.6	1,168.1	1,077.9
Taxes on income	-12.4	-15.3	0.0	-0.3	-0.8	1.8	-268.7	-269.6
Post-tax profit from continuing operations	47.3	62.1	0.1	1.9	-20.1	-47.8	899.4	808.3
Post-tax profit from discontinuing operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit for the period	47.3	62.1	0.1	1.9	-20.1	-47.8	899.4	808.3
attributable to								
non-controlling interests	21.2	23.0	0.3	0.6	0.0	0.0	162.6	88.2
owners of the parent	26.1	39.2	-0.1	1.2	-20.1	-47.8	736.9	720.1
Average risk-weighted assets	3,725.6	3,600.1	663.7	741.8	648.2	570.7	105,345.6	106,907.9
Average attributed equity	213.8	190.8	44.2	49.1	57.5	48.5	13,146.1	9,323.5
Cost/income ratio	42.3%	45.7%	77.1%	71.7%	88.7%	106.4%	48.7%	50.9%
ROE based on net profit	16.3%	27.4%	n.a.	3.4%	n.a.	n.a.	7.5%	10.3%

⁵ Total group, which reflects Erste Group's consolidated results, is divided into four segments: Retail & SME, Group Corporate and Investment Banking (GCIB), Group Markets (GM) and Corporate Center (CC).

Central and Eastern Europe

The segment Central and Eastern Europe includes primarily results from the retail and SME business of Česká spořitelna, Slovenská sporiteľňa, Erste Bank Hungary, Banca Comercială Română, Erste Bank Croatia, Erste Bank Serbia and Erste Bank Ukraine. Contributions from the divisionalised business units Group Markets and Group Corporate and Investment Banking are reported in the respective segments.

Czech Republic

The operating result of Česká spořitelna rose from EUR 634.8 million in the first three quarters of 2009 by EUR 40.0 million or 6.3% (currency-adjusted: +1.6%) to EUR 674.8 million driven by improvements in net commission income and net trading result. Net commission income rose in the first nine months of 2010 from EUR 310.3 million by EUR 37.9 million or 12.2% (currency-adjusted: +7.3%) to EUR 348.2 million, driven mainly by higher fees in the retail segment, as well as in the insurance brokerage and securities business. Influenced by favourable currency trends, the net trading result rose by EUR 15.0 million or 45.2% (currency-adjusted: +38.8%) from EUR 33.1 million to EUR 48.1 million. Net interest income in the Czech retail and SME business dropped by EUR 11.1 million or 1.4% from EUR 821.9 million to EUR 810.8 million in the first three quarters of 2010. Currency-adjusted, this corresponds to a decline of 5.7%. The reasons were declining market interest rates (e.g. the two-week repo rate dropped from 1.25% in the previous year to a low of 0.75%) as well as low new business volumes. Operating expenses rose slightly in comparison to the previous year by EUR 1.8 million or 0.3% to EUR 532.3 million. Currency-adjusted, operating expenses were reduced by 4.1% thanks to the consistent implementation of efficiency measures.

The increase in risk provisions from EUR 203.1 million in 2009 by EUR 81.0 million (+39.8% or currency-adjusted: +33.7%) to EUR 284.1 million reflected the higher risk provisioning requirements in all business segments. The other result improved by EUR 11.7 million from EUR -74.6 million to EUR -62.9 million. This was an increase of 15.6% (currency-adjusted: +19.3%) which resulted from the negative result in the third quarter of 2009 caused by the high revaluations required on real estate investments. In the third quarter of 2010, revaluations for real estate investments amounted EUR 44.4 million. Net profit after minorities dropped by EUR 25.2 million or 9.0% (currency-adjusted: 13.0%) from EUR 277.8 million to EUR 252.6 million. The cost/income ratio was 44.1% after 45.5% in the first nine months of 2009; return-on-equity was 33.0% (previous year: 37.1%).

Romania

Net interest income in the Romanian retail and SME business rose by 31.4 million or 5.3% (currency-adjusted: +4.2%) from EUR 590.4 million to EUR 621.8 million in the first three quarters of 2010. This improvement was achieved primarily in the corporate business. At the same time net commission income

declined by EUR 4.9 million or 4.4% (currency-adjusted: -5.4%) to EUR 108.5 million. The net trading result improved by EUR 2.2 million or 12.1% (currency-adjusted: +10.9%) from EUR 18.2 million to EUR 20.4 million. Higher expenses caused by the network expansion (+10 new branches year-on-year) were more than offset by lower personnel costs, therefore, pushing down operating expenses by 1.9% (currency-adjusted: -2.9%) from EUR 286.7 million in the first nine months of 2009 to EUR 281.3 million. This resulted in a cost/income ratio of 37.5% after 39.7% in the previous year.

The operating result of EUR 469.4 million following EUR 435.3 million in the previous year – an increase of EUR 34.1 million or 7.8% (currency-adjusted: +6.6%) – contrasted with a rise in risk provisions of EUR 53.6 million or 16.1% (currency-adjusted: +14.8%) from EUR 332.4 million in the first three quarters of 2009 to EUR 386.0 million. Higher risk provisions were required due to the sustained adverse macroeconomic situation, which was felt primarily in the SME business.

The drop in other result by EUR 55.3 million from EUR 25.3 million to EUR -30.0 million was caused, on the one hand, by the positive one-time effects in the second quarter of 2009 but also by negative revaluation requirements – primarily in the leasing business – in the current financial year. Net profit after minorities decreased by EUR 42.0 million (-60.8% or currency-adjusted: -61.2%) from EUR 69.2 million to EUR 27.2 million. Return on equity was 7.0%, following 16.7% in the first three quarters of 2009.

Slovakia

Net interest income in the Slovak retail and SME business improved over the first nine months of 2009 by EUR 30.7 million or 10.7% from EUR 286.7 million to EUR 317.4 million. The main factor driving this development – apart from a consistent pricing policy – was the increase in new loan volumes in the retail segment. At EUR 76.2 million, net commission income was almost unchanged versus the previous year (EUR 76.9 million). The net trading result declined from EUR 7.0 million to EUR 2.2 million. The reduction in operating expenses by EUR 21.9 million or 11.3% from EUR 194.6 million to EUR 172.7 million was the result of efficiency measures implemented as of the second quarter of 2009. This improved the cost/income ratio from 52.5% in the first nine months of 2009 to 43.6%.

A significantly improved net interest income and lower operating expenses led to an operating result of EUR 223.1 million, a gain of EUR 47.1 million or 26.8% vs. EUR 176.0 million in the first three quarters of 2009. Risk provisions decreased in the current financial year by EUR 13.2 million or 12.0% from EUR 110.7 million to EUR 97.5 million. Net profit after minorities tripled from EUR 28.0 million in the first three quarters of 2009 to EUR 83.9. Return-on-equity was 25.5% after 8.3%.

Hungary

In the Hungarian retail and SME business, net interest income improved from EUR 263.0 million in the first nine months of 2009 to EUR 287.7 million (+9.4% or currency-adjusted: +11.6%) as a result of a consistent pricing policy and currency trends. The increase in net commission income of EUR 12.1 million from EUR 61.4 million to EUR 73.5 million (+19.7% or currency-adjusted: +22.2%) in the first three quarters of 2010 was due mostly to higher fee income from lending business. The decline in the net trading result from EUR 22.8 million in the previous year by EUR 3.4 million to EUR 19.4 million was mainly due to the decline in foreign currency income from lending business. Operating expenses decreased from EUR 158.6 million in the previous year by EUR 5.9 million (-3.7% or currency-adjusted: -1.7%) to EUR 152.7 million. As a consequence, the operating result rose from EUR 188.6 million by 20.9% (currency-adjusted: +23.4%) to EUR 228.0 million.

The cost/income ratio improved from 45.7% in the first three quarters of 2009 to 40.1%. The effects of the economic contraction and currency developments translated into higher risk provisions at Erste Bank Hungary; risk costs were up by 41.9% (currency-adjusted: +44.9%) from EUR 126.8 million in the previous year to EUR 180.0 million. The other result was influenced heavily in the third quarter by the introduction of the bank tax (pro rata amount for first three quarters of 2010: EUR -37.8 million). This caused a deterioration by EUR 55.2 million from EUR 8.6 million in the previous year to EUR -46.6 million. As a consequence, net profit after minorities declined from EUR 53.0 million in the first three quarters of 2009 to EUR -9.0 million.

Croatia

Net interest income from the retail and SME business in Croatia rose from EUR 165.5 million in the first nine months of 2009 to EUR 182.8 million (+10.4% or currency-adjusted: +8.9%). Erste Bank Podgorica contributed EUR 6.0 million to net interest income during the current financial year. At EUR 54.8 million, net commission income was almost unchanged versus the previous year (EUR -0.1% or currency-adjusted: -1.4%). The increase in net trading result from EUR 6.2 million in the first nine months of 2009 by EUR 1.7 million to EUR 7.9 million was primarily the result of positive contributions by credit card company Erste Card Club.

Operating expenses increased by EUR 5.0 million from EUR 98.9 million to EUR 103.9 million in the current financial year. This was mainly due to the new value added tax law for other financial services providers, such as credit card companies, which must include value added tax for operating expenses as of 2010. The operating result rose by 10.9% or currency-adjusted by 9.4% from EUR 127.6 million to EUR 141.5 million in the first three quarters of 2010. The cost/income ratio improved to 42.3% from 43.9% in the previous year. The rise in risk provisions from EUR 45.4 million in the first three quarters of 2009 by EUR 33.5 million to EUR 78.9 million was due to the generally higher provi-

sioning requirements in the corporate and real estate business. Net profit after minorities decreased from EUR 39.2 million in the previous year by EUR 13.1 million (-33.4% or currency-adjusted: -34.3%) to EUR 26.1 million. Return on equity was 16.3%, following 27.4% in the first nine months of 2009.

Serbia

Net interest income of Erste Bank Serbia decreased from EUR 22.0 million in the first nine months of 2009 to EUR 20.0 million (-8.9% or currency-adjusted: -1.2%). This was caused by the decline in market interest rates, which declined from 13% in the previous year to 9.5%. Net commission income rose from EUR 8.1 million by 2.4% (currency-adjusted: +11.1%) to EUR 8.3 million. The net trading result decreased due to lower income from foreign exchange business by EUR 0.6 million or 27.2% (currency-adjusted: -21.0%) to EUR 1.6 million in the first three quarters of 2010. Operating expenses were practically unchanged at EUR 23.0 million (1-9 2009: EUR 23.1 million); currency-adjusted this was an increase of 8.1%. The cost/income ratio was 77.1% after 71.7% in the first nine months of 2009.

The operating result deteriorated from EUR 9.1 million in the first three quarters of 2009 by EUR 2.3 million to EUR 6.8 million. Risk costs increased as a consequence of the difficult market situation from EUR 6.1 million by EUR 0.5 million to EUR 6.6 million. The other result rose from EUR -0.9 million in the previous year by EUR 0.8 million to EUR -0.1 million as a result of the release of provisions no longer needed. Net profit after minorities declined from EUR 1.2 million in the first three quarters of 2009 to EUR -0.1 million.

Ukraine

The operating result of Erste Bank Ukraine improved by EUR 5.9 million from EUR -1.6 million in the previous year to EUR 4.3 million. This was mainly due to positive developments in net interest income and in the net trading result. Lower lending volumes were offset by higher income from securities business, leading to an increase in net interest income by EUR 4.5 million (+22.1%, currency-adjusted: +16.5%) from EUR 20.5 million in the first nine months of 2009 to EUR 25.0 million. Higher income from foreign exchange business pushed net commission income up by EUR 2.3 million to EUR 2.9 million in the first three quarters of 2010. The net trading result more than doubled to EUR 10.2 million in the current financial year (1-9 2009: EUR 4.6 million).

Operating expenses rose from EUR 27.3 million in the previous year by EUR 6.5 million or 23.7% (currency-adjusted: +18.0%) to EUR 33.8 million. The substantial decrease in risk provisions by EUR 23.5 million or 50.0% (currency-adjusted: -52.3%) from EUR 47.0 million to EUR 23.5 million was due to the large write-downs required in 2009, while 2010 benefited from continued portfolio stabilisation. Net profit after minorities improved by EUR 27.7 million from EUR 47.8 million to EUR -20.1 million in the first nine months of 2009.

Group Corporate & Investment Banking (GCIB)

The Group Corporate & Investment Banking segment includes the large corporate business, the real estate business of Erste Group with large corporate customers, equity capital markets and international business (excluding treasury activities). The leasing subsidiary Immorent is also allocated to this segment.

The increase in net interest income from EUR 414.7 million in 2009 by EUR 30.8 million or 7.4% to EUR 445.5 million was achieved primarily by consistent pricing and by being selective in relation to new business on both the asset and liability side. Net commission income rose from EUR 113.1 million by 9.9% to EUR 124.2 million. General administrative expenses amounted to EUR 135.4 million in the first nine months of 2010; this was an increase of 7.3% (1-9 2009: EUR 126.1 million). The operating result rose from EUR 402.0 million to EUR 436.9 million (+8.7% vs. the first three quarters of 2009). Risk provisions declined by 11.4% from EUR 223.5 million to EUR 198.1 million, with an improvement being seen in the third quarter of this year mainly in the large corporate business. Net profit after minorities rose by EUR 42.4% from EUR 115.4 million to EUR 164.4 million. The improvement in the other result from EUR -32.7 million in the previous year by EUR 24.5 million to EUR -8.2 million was due mainly to the lower securities write-downs. The cost/income ratio stayed nearly unchanged at 23.7% (1-9 2009: 23.9%); return-on-equity was 10.6%.

Group Markets

The segment Group Markets comprises the divisionalised business areas Group Treasury and Debt Capital Markets and includes the treasury activities of Erste Group Bank AG, the CEE subsidiaries, the foreign branch offices in Hong Kong and New York as well as the investment banking subsidiaries; furthermore, it also includes the results of Erste Asset Management (formerly Sparinvest KAG).

The operating result decreased by 42.0% from EUR 446.8 million in the first nine months of 2009 to EUR 259.0 million. This was mainly related to a weak result from money market transactions due to interest rate trends and a lower net trading result caused by significant individual events (Greece and strong HUF fluctuations). Net interest income dropped by EUR 72.2 million or 45.4% to EUR 86.6 million. The increase in net commission

income from EUR 90.2 million in the first three quarters of 2009 by EUR 26.7 million or 29.7% to EUR 116.9 million was the result of very positive developments in asset management and the steady improvement in commissions from treasury sales activities. The exceptionally good net trading result of EUR 342.7 million in the previous year was not repeated this year; it decreased to EUR 225.7 million (-34.2%). Operating expenses rose from EUR 144.9 million in the previous year by 17.3% to EUR 169.9 million. This was due mainly to the inclusion of additional asset management companies and IT projects. The cost/income ratio rose accordingly from 24.5% to 39.6%. Net profit after minorities decreased from EUR 340.1 million in the first nine months of 2009 by EUR 142.1 million or 41.8% to EUR 198.0 million. After 136.7% in the first three quarters of 2009, return-on-equity was 81.2%.

Corporate Center

The Corporate Center segment includes the results of those companies that cannot be directly allocated to a business segment, profit consolidation between the segments, the linear depreciation/amortisation of customer relationships especially for BCR, Erste Card Club and Ringturm KAG as well as one-time effects that were not allocated to any business segment to preserve comparability.

Furthermore, the asset/liability management of Erste Group Bank AG (Holding) is allocated to this segment. The results of local asset/liability management continue to be allocated to the corresponding business segments.

The improvement in net interest income was achieved by positive contributions from assets/liability management and higher income from allocated capital (especially from participation capital issued in the first half-year 2009 and the proceeds of the capital increase in November 2009). The development of net commission income and general administrative expenses was driven mainly by the profit consolidation of banking support operations.

The other result includes the required linear depreciation/amortisation of customer relationships of BCR, Erste Card Club and Ringturm KAG in an amount of EUR 52.6 million as well as write-downs for IT projects and revaluations of other assets.

E. RISK REPORT *

LOAN BOOK BY REPORTING SEGMENT OF ERSTE GROUP

in EUR million	Low risk		Mgmt attention		Substandard		Non-performing		Total loan book		Risk provisions		NPL coverage		NPL ratio	
	Sep 10	Dec 09	Sep 10	Dec 09	Sep 10	Dec 09	Sep 10	Dec 09	Sep 10	Dec 09	Sep 10	Dec 09	Sep 10	Dec 09	Sep 10	Dec 09
Retail & SME	80,103	77,484	18,464	18,512	4,987	5,018	8,986	7,570	112,540	108,584	5,463	4,417	60.8%	58.3%	8.0%	7.0%
Austria	48,971	46,429	9,676	10,115	1,369	1,504	3,845	3,943	63,860	61,990	2,271	2,160	59.1%	54.8%	6.0%	6.4%
EB Oesterreich	22,553	21,447	2,865	3,083	335	371	1,198	1,237	26,950	26,137	742	688	62.0%	55.6%	4.4%	4.7%
Savings Banks	26,418	24,982	6,811	7,032	1,034	1,133	2,647	2,706	36,911	35,853	1,528	1,472	57.7%	54.4%	7.2%	7.5%
CEE	31,132	31,056	8,788	8,397	3,617	3,514	5,141	3,627	48,679	46,594	3,192	2,256	62.1%	62.2%	10.6%	7.8%
Czech Republic	13,042	12,546	3,085	2,751	607	658	1,177	766	17,911	16,721	772	507	65.6%	66.2%	6.6%	4.6%
Romania	5,298	5,761	2,204	2,235	1,768	1,728	1,954	1,466	11,224	11,190	1,128	832	57.7%	56.8%	17.4%	13.1%
Slovakia	4,407	4,214	519	775	300	258	476	423	5,702	5,670	390	310	82.1%	73.2%	8.3%	7.5%
Hungary	4,864	5,316	1,315	986	582	448	833	552	7,594	7,301	416	255	50.0%	46.2%	11.0%	7.6%
Croatia	3,139	2,889	1,435	1,255	249	252	517	289	5,339	4,684	314	228	60.7%	79.0%	9.7%	6.2%
Serbia	271	237	90	234	8	6	48	41	417	518	47	42	98.7%	102.1%	11.5%	8.0%
Ukraine	111	92	141	161	105	167	136	89	492	509	124	81	91.4%	91.3%	27.6%	17.5%
GCIB	11,603	12,977	4,485	4,284	1,283	1,280	1,026	918	18,397	19,458	625	394	60.9%	42.9%	5.6%	4.7%
Group Markets	280	224	5	4	0	32	0	0	285	260	0	0	>100.0%	>100.0%	0.0%	0.0%
Corporate Center	155	632	90	143	15	6	32	50	292	831	33	70	100.6%	>100.0%	11.1%	6.0%
Total group	92,142	91,317	23,044	22,944	6,284	6,335	10,044	8,537	131,514	129,134	6,120	4,880	60.9%	57.2%	7.6%	6.6%

*) Key definitions

Low risk: The borrower demonstrates a strong repayment capacity. New business is generally with clients in this risk class.

Management attention: The borrower's financial situation is in effect good, but his repayment ability may be negatively affected by unfavourable economic conditions. New business with clients in this risk class requires adequate structuring (securing) of the credit risks.

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

Non-performing: One or more of the default criteria under Basel II are met: full repayment unlikely, interest or principal payments on a material exposure more than 90 days past due, restructuring resulting in a loss to the lender, realisation of a loan loss, or opening of bankruptcy proceedings.

NPL ratio: non-performing loans as a percentage of customer loans outstanding (total loan book).

NPL coverage ratio: risk provisions as a percentage of non-performing loans.

LOAN BOOK BY COUNTRY OF ORIGINATION OF ERSTE GROUP

in EUR million	Low risk		Mgmt attention		Substandard		Non-performing		Total loan book			
	Sep 10	Dec 09	Sep 10	Dec 09	Sep 10	Dec 09	Sep 10	Dec 09	Sep 10 Share of total		Dec 09 Share of total	
Core market	85,461	85,141	21,044	20,937	5,918	5,910	9,419	7,809	121,843	92.6%	119,796	92.8%
Austria	49,333	47,819	8,801	9,209	1,186	1,428	3,408	3,556	62,727	47.7%	62,011	48.0%
Croatia	4,004	4,303	2,025	1,926	298	296	687	353	7,013	5.3%	6,879	5.3%
Romania	5,830	6,452	2,853	3,014	2,033	1,969	2,160	1,598	12,876	9.8%	13,033	10.1%
Serbia	361	283	251	316	24	7	64	59	701	0.5%	665	0.5%
Slovakia	4,947	4,908	804	1,009	333	304	512	451	6,597	5.0%	6,673	5.2%
Slovenia	1,143	1,325	277	185	138	116	177	163	1,735	1.3%	1,789	1.4%
Czech Republic	14,343	13,917	4,001	3,482	1,025	1,080	1,285	880	20,654	15.7%	19,359	15.0%
Hungary	5,351	6,007	1,681	1,298	699	519	954	636	8,686	6.6%	8,460	6.6%
Ukraine	148	127	353	498	182	191	172	112	855	0.7%	928	0.7%
Other EU	4,015	3,849	1,302	1,310	262	221	361	423	5,940	4.5%	5,803	4.5%
Other industrialised countries	1,408	1,441	338	317	45	118	125	168	1,916	1.5%	2,044	1.6%
Emerging markets	1,258	886	359	381	60	87	139	137	1,815	1.4%	1,491	1.2%
Southeastern Europe / CIS	796	682	233	226	18	70	121	119	1,168	0.9%	1,098	0.8%
Asia	295	91	19	21	37	5	7	6	357	0.3%	123	0.1%
Latin America	105	84	33	46	4	6	7	8	150	0.1%	144	0.1%
Middle East / Africa	61	29	74	88	1	5	4	4	140	0.1%	126	0.1%
Total	92,142	91,317	23,044	22,944	6,284	6,335	10,044	8,537	131,514	100.0%	129,134	100.0%
Share of total	70.1%	70.7%	17.5%	17.8%	4.8%	4.9%	7.6%	6.6%	100.0%		100.0%	
Risk provisions									6,120		4,880	

LOAN BOOK BY INDUSTRY SECTOR OF ERSTE GROUP

in EUR million	Low risk		Mgmt attention		Substandard		Non-performing		Total loan book			
	Sep 10	Dec 09	Sep 10	Dec 09	Sep 10	Dec 09	Sep 10	Dec 09	Sep 10 Share of total		Dec 09 Share of total	
Agriculture and forestry	1,015	1,040	592	596	133	142	186	155	1,927	1.5%	1,932	1.5%
Mining	324	381	69	72	8	11	79	94	481	0.4%	558	0.4%
Manufacturing	5,218	5,565	3,442	3,271	1,005	1,089	1,257	1,019	10,922	8.3%	10,944	8.5%
Energy and water supply	1,752	1,749	390	535	57	72	114	115	2,314	1.8%	2,470	1.9%
Construction	3,363	3,436	1,556	1,566	638	543	767	566	6,324	4.8%	6,111	4.7%
Development of building projects	1,255	1,222	436	495	296	248	213	120	2,200	1.7%	2,085	1.6%
Trade	5,104	5,284	2,528	2,468	472	608	1,115	963	9,218	7.0%	9,322	7.2%
Transport and communication	2,188	2,510	1,099	977	255	284	474	365	4,017	3.1%	4,137	3.2%
Hotels and restaurants	1,763	1,870	1,445	1,547	349	273	640	575	4,197	3.2%	4,265	3.3%
Financial and insurance services	5,608	6,065	1,021	774	242	238	294	331	7,166	5.4%	7,408	5.7%
Holding companies	3,349	3,486	460	367	138	131	119	182	4,067	3.1%	4,165	3.2%
Real estate and housing	14,011	13,952	3,615	3,792	913	875	926	774	19,464	14.8%	19,392	15.0%
Services	3,236	3,362	1,104	1,117	209	223	607	497	5,156	3.9%	5,200	4.0%
Public administration	6,125	5,548	357	335	39	14	6	4	6,526	5.0%	5,900	4.6%
Education, health and art	1,725	1,700	433	429	63	59	111	104	2,331	1.8%	2,292	1.8%
Private households	40,623	38,530	5,331	5,401	1,891	1,866	3,444	2,942	51,290	39.0%	48,739	37.7%
Other	88	324	62	66	10	40	23	34	183	0.1%	463	0.4%
Total	92,142	91,317	23,044	22,944	6,284	6,335	10,044	8,537	131,514	100.0%	129,134	100.0%
Share of total	70.1%	70.7%	17.5%	17.8%	4.8%	4.9%	7.6%	6.6%	100.0%		100.0%	
Risk provisions									6,120		4,880	

LOAN BOOK BY CUSTOMER SEGMENT, RISK CATEGORY AND CURRENCY OF ERSTE GROUP

in EUR million	Dec 09	Mar 10	Jun 10	Sep 10
Customer segment split				
Retail - Private individuals	48,045	49,064	49,867	50,538
Retail - Micros	13,402	13,471	13,719	13,579
Large Corporates	61,011	60,744	60,292	60,148
Public sector	6,675	6,975	7,082	7,249
Total	129,134	130,255	130,960	131,514
Asset quality overview				
Low risk	91,317	91,668	91,926	92,142
Mgmt attention	22,944	22,959	23,118	23,044
Substandard	6,335	6,619	6,378	6,284
Non-performing	8,537	9,008	9,539	10,044
Total	129,134	130,255	130,960	131,514
Currency overview				
CEE-LCY	24,847	25,648	24,790	25,887
CHF	15,790	16,100	16,911	16,606
EUR	82,806	82,439	83,128	83,563
USD	3,473	3,677	3,771	3,151
Other	2,217	2,390	2,360	2,308
Total	129,134	130,255	130,960	131,514
Key asset quality ratios				
NPL ratio	6.6%	6.9%	7.3%	7.6%
NPL coverage (excl. collateral)	57.2%	59.0%	59.7%	60.9%

F. CHANGES IN TOTAL QUALIFYING CAPITAL

in EUR million	Sep 10	Dec 09
Subscribed capital	2,520	2,520
Share capital	756	756
Participation capital	1,764	1,764
Reserves	8,256	8,240
Deduction of Erste Group Bank shares held within the group	-484	-622
Consolidation difference	-2,306	-2,467
Non-controlling interests (excluding hybrid tier-1 capital pursuant to section 24 (2) 5 and 6 Banking Act)	3,286	3,330
Hybrid tier-1 capital pursuant to section 24 (2) 5 and 6 Banking Act	1,186	1,174
Intangible assets	-488	-498
Tier-1 capital before regulatory deductions pursuant to section 23 (13) 3 and 4 (excl. 4a)	11,970	11,677
Eligible subordinated liabilities	3,844	4,159
Revaluation reserve	0	167
Excess risk provisions	125	0
Qualifying supplementary capital (Tier-2)	3,969	4,326
Short-term subordinated capital (Tier- 3)	415	406
Total qualifying capital	16,354	16,409
Deductions pursuant to section 23 (13) 3 and 4 (excl. 4a) Banking Act - 50% from tier-1 capital and 50% from tier-2 capital	-372	-454
Deductions pursuant to section 23 (13) 4a Banking Act – 100% from tier-2 capital	-182	-183
Total eligible qualifying capital	15,800	15,772
Capital requirement	9,732	9,911
Surplus capital	6,068	5,861
Cover ratio (in %)	162	159
Tier-1 capital (after regulatory deductions)	11,784	11,450
Core tier-1 capital (after regulatory deductions) ⁽¹⁾	10,598	10,276
Tier-1 ratio – credit risk (in %) ⁽²⁾	11.4	10.8
Core tier-1 ratio – total risk (in %) ⁽³⁾	8.7	8.3
Tier-1 ratio – total risk (in %) ⁽⁴⁾	9.7	9.2
Solvency ratio (in %) ⁽⁵⁾	13.0	12.7

(1) Core tier-1 capital (after regulatory deductions) is tier-1 capital (excluding hybrid capital pursuant to section 24 (2) 5 and 6 Banking Act) after regulatory deductions.

(2) Tier-1 ratio - credit risk is the ratio of tier-1 capital (including hybrid capital pursuant to section 24 (2) 5 and 6 Banking Act) after regulatory deductions, to the risk weighted assets pursuant to section 22 (2) Banking Act.

(3) Core tier-1 ratio – total risk is the ratio of core tier-1 capital (excluding hybrid capital pursuant to section 24 (2) 5 and 6 Banking Act) after regulatory deductions, to the calculation base for the capital requirement pursuant to section 22 (1) Banking Act.

(4) Tier-1 ratio – total risk is the ratio of tier-1 capital (including hybrid capital pursuant to section 24 (2) 5 and 6 Banking Act) after regulatory deductions, to the calculation base for the capital requirement pursuant to section 22 (1) Banking Act.

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

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

in EUR million	Sep 10		Dec 09	
	Calculation base/total risk ⁽¹⁾	Capital requirement ⁽²⁾	Calculation base/total risk ⁽¹⁾	Capital requirement ⁽²⁾
Risk pursuant to section 22 (1) 1 Banking Act ³	103,460	8,277	106,383	8,511
a) standardised approach	27,531	2,202	29,940	2,395
b) Internal ratings based approach	75,929	6,074	76,443	6,115
Risk pursuant to section 22 (1) 2 Banking Act ⁴	5,182	414	5,048	404
Risk pursuant to section 22 (1) 3 Banking Act ⁵	12	1	22	2
Risk pursuant to section 22 (1) 4 Banking Act ⁶	13,000	1,040	12,438	995
Total	121,654	9,732	123,891	9,911

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

(2) Capital requirement pursuant to the Banking Act.

(3) Risk weighted assets – credit risk.

(4) Market risk (trading book).

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

(6) Operational risk.

QUARTERLY STATEMENT OF COMPREHENSIVE INCOME

Income statement

in EUR million	1-9 10	1-9 09	Change
Interest and similar income	6,590.9	7,102.2	-7.2%
Interest and similar expenses	-2,532.5	-3,273.8	-22.6%
Income from associates accounted for at equity	17.1	12.5	36.8%
Net interest income	4,075.5	3,840.9	6.1%
Risk provisions for loans and advances	-1,588.4	-1,449.2	9.6%
Fee and commission income	1,810.7	1,687.4	7.3%
Fee and commission expenses	-370.0	-374.1	-1.1%
Net fee and commission income	1,440.7	1,313.3	9.7%
Net trading result	383.9	503.0	-23.7%
General administrative expenses	-2,871.7	-2,880.3	-0.3%
Other operating result	-283.4	-201.8	-40.4%
Result from financial assets - FV	-7.8	56.4	na
Result from financial assets - AfS	18.5	-106.4	na
Result from financial assets - HtM	0.8	2.0	-60.0%
Pre-tax profit from continuing operations	1,168.1	1,077.9	8.4%
Taxes on income	-268.7	-269.6	-0.3%
Post-tax profit from continuing operations	899.4	808.3	11.3%
Post-tax profit from discontinuing operations	0.0	0.0	na
Net profit for the period	899.4	808.3	11.3%
attributable to			
non-controlling interests	162.6	88.2	84.4%
owners of the parent	736.8	720.1	2.3%

Statement of comprehensive income

in EUR million	1-9 10	1-9 09	Change
Net profit before minorities	899.4	808.3	11.3%
Available for sale - reserve (including currency translation)	321.0	799.9	-59.9%
Cash flow hedge - reserve (including currency translation)	-53.1	34.3	na
Actuarial gains and losses	0.0	0.0	na
Currency translation	82.8	-39.4	na
Deferred taxes on items recognised directly in equity	-70.7	-320.1	77.9%
Other comprehensive income – total	280.0	474.7	-41.0%
Total comprehensive income	1,179.4	1,283.0	-8.1%
attributable to			
non-controlling interests	248.4	355.9	-30.2%
owners of the parent	931.0	927.1	0.4%

Quarterly Financial Data

INCOME STATEMENT OF ERSTE GROUP

in EUR million	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10
Net interest income	1,335.6	1,380.0	1,323.6	1,361.2	1,390.7
Risk provisions for loans and advances	-557.1	-607.4	-531.2	-553.0	-504.2
Net fee and commission income	425.1	459.5	471.5	493.5	475.7
Net trading result	159.9	82.1	141.2	98.8	143.9
General administrative expenses	-920.1	-927.1	-953.1	-945.3	-973.3
Other operating result	-114.3	-154.0	-67.7	-91.1	-124.6
Result from financial assets - FV	68.5	56.8	13.0	-37.6	16.8
Result from financial assets - AfS	-87.7	-97.7	0.1	36.3	-17.9
Result from financial assets - HtM	2.9	-8.8	4.7	-0.1	-3.8
Pre-tax profit from continuing operations	312.8	183.4	402.1	362.7	403.3
Taxes on income	-78.3	-15.1	-92.5	-83.4	-92.8
Post-tax profit from discontinuing operations	0.0	0.0	0.0	0.0	0.0
Net profit for the period	234.5	168.3	309.6	279.3	310.5
attributable to					
non-controlling interests	6.5	-15.0	54.4	62.6	45.6
owners of the parent	228.0	183.3	255.2	216.7	264.9

BALANCE SHEET OF ERSTE GROUP

in EUR million	Sep 09	Dec 09	Mar 10	Jun 10	Sep 10
Loans and advances to credit institutions	13,938	13,140	16,123	16,408	14,464
Loans and advances to customers	129,954	129,134	130,255	130,960	131,514
Risk provisions for loans and advances	-4,713	-4,954	-5,390	-5,796	-6,210
Trading and other financial assets	42,491	42,884	44,695	44,714	45,764
Other assets	21,883	21,506	22,304	22,798	20,996
Total assets	203,553	201,710	207,987	209,084	206,528
Deposits by banks	26,920	26,295	25,605	26,730	22,714
Customer deposits	113,317	112,042	115,595	116,558	115,329
Debt securities in issue	30,431	29,612	30,596	29,841	32,013
Other liabilities	12,618	11,490	13,124	13,496	13,503
Subordinated liabilities	6,184	6,148	6,191	5,978	5,956
Total equity	14,083	16,123	16,876	16,481	17,013
attributable to					
non-controlling interests	3,416	3,414	3,560	3,561	3,620
owners of the parent	10,667	12,709	13,316	12,920	13,393
Total liabilities and equity	203,553	201,710	207,987	209,084	206,528

SHAREHOLDER EVENTS

25 February 2011	Full-year preliminary results 2010
25 March 2011	Annual Financial Report 2010
29 April 2011	Results 1. Quarter 2011
12 May 2011	Annual General Meeting
17 May 2011	Ex-Dividend Day
19 May 2011	Dividend Payment Day
26 May 2011	Dividend Payment Day - Participation Capital
29 July 2011	Results for the first half year of 2011
28 October 2011	Results for the first three quarters of 2011

GROUP INVESTOR RELATIONS

Erste Group Bank AG, Milchgasse 1, A-1010 Vienna

Phone: +43 (0) 50 100 – 17693
Fax: +43 (0) 50 100 – 913112
Email: investor.relations@erstegroup.com
Internet: www.erstegroup.com/ir

Gabriele Werzer

Phone: +43 (0) 50 100 – 11 286
Email: gabriele.werzer@erstegroup.com

Thomas Sommerauer

Phone: +43 (0) 50 100 – 17 326
Email: thomas.sommerauer@erstegroup.com

Peter Makray

Phone: +43 (0) 50 100 – 16 878
Email: peter.makray@erstegroup.com

TICKER SYMBOLS

Reuters: ERST.VI
Bloomberg: EBS AV
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