

Prospectus Supplement No. 2



Erste Group Bank AG

relating to the

Structured Notes Programme

This supplement (the **Supplement**) constitutes a prospectus supplement pursuant to Art 16 (1) of the Directive 2003/71/EC and sec 6 of the Austrian Capital Markets Act (*Kapitalmarktgesetz*) (the **Act**) and is supplemental to, and should be read in conjunction with, the prospectus dated 14 August 2008 (the **Original Prospectus**) relating to the Structured Notes Programme (the **Programme**) of Erste Group Bank AG (the **Issuer**), as amended and supplemented by a prospectus supplement dated 4 September 2008 (the **First Supplement**, and together with the Original Prospectus, the **Prospectus**).

The Original Prospectus was approved on 14 August 2008 by the Austrian Financial Market Authority (Job No: 2008-0384) (the **FMA**) and published on 14 August 2008 by making it available in printed form, free of charge, to the public at the registered office of the Issuer. A notice about the way of publication and where the Original Prospectus could be obtained was published on 19 August 2008 in the *Amtsblatt zur Wiener Zeitung*. The First Supplement was approved on 9 September 2008 by the FMA (Job No: 2008-0384) and published on 4 September 2008 by making it available in printed form, free of charge, to the public at the registered office of the Issuer. A notice about the way of publication and where the First Supplement could be obtained was published on 9 September 2008 in the *Amtsblatt zur Wiener Zeitung*.

This Supplement has been filed for approval with the FMA in its capacity as competent authority under the Act and has been filed with the Filing Office (*Meldestelle*) at Oesterreichische Kontrollbank Aktiengesellschaft in accordance with the Act. This Supplement has also been filed with the Wiener Börse AG which has admitted the Programme to the "Geregelter Freiverkehr" (Second Regulated Market) and the Börse Stuttgart (EUWAX), which has admitted the Programme to the "Geregelter Freiverkehr".

Terms defined in the Prospectus shall have the same meaning when used in this Supplement.

This Supplement does not constitute an offer of, or an invitation by or on behalf of the Issuer to subscribe for, or purchase, any Notes. The distribution of this Supplement and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Supplement comes are required by the Issuer to inform themselves about, and to observe, any such restriction(s). For a description of certain restrictions on offers and sales of Notes and on the distribution of this Supplement, see the chapter "Selling Restrictions" in the Prospectus.

To the extent that there is any inconsistency between a) any statement in this Supplement and b) any other statement in or contemplated by reference in the Prospectus, the statements in a) above will prevail.

In accordance with Art 16 of the Prospectus Directive and sec 6 of the Act, investors who have agreed to subscribe for Notes after the occurrence of the significant new factors described in section "1. Significant new factors" of this Supplement but before the publication of this Supplement have a right to withdraw their acceptances within two banking days after the date of publication of this Supplement. In case subscribers are consumers in the sense of sec 1 para 1 No 2 of the Austrian Consumer Protection Act (*Konsumentenschutzgesetz*), the period for a withdrawal of their acceptances is one week after the day on which this Supplement has been published.

11 November 2008

1. Significant new factors

The existing EUR 30 bn Debt Issuance Programme Prospectus of Erste Group dated 12 August 2008 (the **EUR 30 bn Debt Issuance Programme Prospectus of Erste Group**) has been supplemented by a supplement to the EUR 30 bn Debt Issuance Programme Prospectus of Erste Group dated 7 November 2008 (together, the **Supplemented EUR 30 bn Debt Issuance Programme Prospectus of Erste Group**).

Accordingly, as the changes made to the EUR 30 bn Debt Issuance Programme Prospectus of Erste Group dated 12 August 2008 concern significant new factors (as referred to in Art 16 (1) of the Prospectus Directive and sec 6 of the Act), which are capable of affecting the assessment of the Notes, the references in the Prospectus to the EUR 30 bn Debt Issuance Programme Prospectus of Erste Group are to be read as references to the Supplemented EUR 30 bn Debt Issuance Programme Prospectus of Erste Group, and the following changes / supplements are herewith made to the Prospectus:

1.1 The references to the EUR 30 bn Debt Issuance Programme Prospectus of Erste Group below the headings "7.1 No material adverse change" and "7.2 Information on known trends for the current financial year" on page 139 of the Prospectus are supplemented with a reference to page 182 of the Supplemented EUR 30 bn Debt Issuance Programme Prospectus of Erste Group, now including the following new information:

"In October 2008, the state of Iceland seized control of the largest Icelandic banks that had encountered difficulties in the course of the international financial crisis. Erste Group Bank's defaulted exposure to Iceland, mainly in the form of syndicated term loans to and senior bank bonds of the major banks of Iceland, amounts to about EUR 300 mn. Because the process is just beginning, the level of collectability of the claims is not yet clear.

On 16 October 2008, Erste Group Bank, together with four other Austrian banks, the Republic of Austria and the Austrian National Bank agreed to take over Constantia Privatbank AG, an Austrian credit institution, and to provide it in aggregate with liquidity amounting to EUR 450 mn. The liquidity to be provided by the five banks will be guaranteed by the Republic of Austria. The five banks formed a special purpose company (with Erste Group Bank's share amounting to 23.75%) that took over 100 per cent of the shares of Constantia Privatbank AG; the special purpose company was established on 30 October 2008.

On 30 October 2008, Erste Group Bank announced that the Republic of Austria will subscribe for participation capital (Partizipationskapital) of Erste Group Bank in a total amount of EUR 2.7 billion (subject to clearance by competition authorities). Participation capital is accountable as core tier 1 capital under Austrian banking law and is expected to raise the tier 1 ratio of the consolidated Erste Group to over 10% by the end of 2008, reaching a level in line with the raised international benchmarks for capital requirements. In agreement with the Austrian government, Erste Group Bank undertakes to ensure jointly with the savings banks that both Austrian commercial and retail customers will each have access to at least EUR 3 bn in credit

over the next three years. The participation capital, which is perpetual and which may be redeemed by the Issuer at a maximum of 100% of its nominal value at the earliest after five years, will be non-listed, non-voting and non-transferable. The Republic of Austria will receive a fixed annual interest of 8% p.a. for the capital made available (subject to sufficient annual profits of Erste Group Bank being available). In addition, Erste Group Bank will review its remuneration policy with respect to ethical and sustainability standards, irrespective of the facts that some time ago members of the management board of Erste Group Bank decided to renounce their bonus payments for the current business year."

1.2 The references to the EUR 30 bn Debt Issuance Programme Prospectus of Erste Group below the headings "11.3.3 Unaudited financial information" and "11.5.2 Interim financial information" on pages 140 and 141 of the Prospectus are supplemented with a reference to page 182 of the Supplemented EUR 30 bn Debt Issuance Programme Prospectus of Erste Group, where the following new information has been inserted (below the table with the heading "Consolidated Balance Sheet of Erste Group Bank at 30 June 2008 and 31 December 2007"):

"Consolidated Income Statement of Erste Group Bank for the nine months ended 30 September 2008 and 2007"

	30 September 2008	30 September 2007	Change in per cent.
	(in € million)		
Net interest income	3,573.3	2,844.1	25.6
Risk provisions for loans and advances	(602.3)	(335.9)	79.3
Net fee and commission income	1,489.0	1,354.2	10.0
Net trading result	184.9	292.0	(36.7)
General administrative expenses	(3,053.7)	(2,709.9)	12.7
Other operating result	(141.0)	(133.3)	(5.8)
Result from financial assets – at fair value through profit or loss	(114.9)	(38.3)	na
Result from financial assets – available for sale	(11.6)	44.9	na
Result from financial assets – held to maturity	(1.9)	0.6	na
Pre-tax profit from continuing operations	1,321.8	1,318.4	0.3
Taxes on income	(264.4)	(283.5)	(6.7)
Net profit before minority interests from continuing operations	1,057.4	1,034.9	2.2
Post-tax profit from discontinued operations	610.2	25.4	>100.0
Profit for period	1,667.6	1,060.3	57.3
Minority interests	(204.6)	(222.4)	(8.0)
Net profit after minorities	1,463.0	837.9	74.6

Source: Issuer

The consolidated income statement of Erste Group Bank as of 30 September 2008 shows a rise of more than 23.2% in the operating result to EUR 2,193.5 mn. The increase was mainly due to an increase in net interest income (plus 25.6% to EUR 3,573.3 mn) and despite a weak net trading result (minus 36.7% to EUR 184.9 mn). Net profit after minorities increased by 74.6% to EUR 1,463.0 mn (adjusted for the sale of the insurance business by +2.8% to EUR 861.7 mn).

Consolidated Balance Sheet of Erste Group Bank at 30 September 2008 and 31 December 2007

	As at		
	30 September 2008	31 December 2007	Change in per cent.
	(in EUR million)		
ASSETS			
Cash and balances with central banks	7,692	7,615	1.0
Loans and advances to credit institutions	19,088	14,937	27.8
Loans and advances to customers	125,673	113,956	10.3
Risk provisions for loans and advances	(3,699)	(3,296)	12.2
Trading assets	8,090	6,637	21.9
Financial assets – at fair value through profit or loss	4,238	4,534	(6.5)
Financial assets – available for sale	16,664	16,200	2.9
Financial assets – held to maturity	14,777	16,843	(12.3)
Investments of insurance companies	0	8,054	na
Equity holdings in associates accounted for at equity	237	285	(16.8)
Intangible assets	5,707	5,962	(4.3)
Property and equipment	2,537	2,289	10.8
Tax assets	524	446	17.5
Assets held for sale and discontinued operations	658	0	na
Other assets	7,234	6,057	19.4
Total assets	209,420	200,519	4.4
LIABILITIES AND EQUITY			
Deposits by banks	37,420	35,165	6.4
Customer accounts	110,964	100,116	10.8
Debt securities in issue	29,802	31,078	(4.1)
Trading liabilities	2,726	1,756	55.2
Underwriting provisions	0	8,638	na
Other provisions	1,757	1,792	(2.0)
Tax liabilities	345	329	4.9
Liabilities associated with assets held for sale and discontinued operations	501	0	na

	As at		
	30 September 2008	31 December 2007	Change in per cent.
<i>Other liabilities</i>	7,077	4,653	52.1
<i>Subordinated liabilities</i>	5,969	5,589	6.8
<i>Total equity</i>	12,859	11,403	12.8
<i>Shareholders' equity</i>	9,728	8,452	15.1
<i>Minority interests</i>	3,131	2,951	6.1
Total liabilities and equity	209,420	200,519	4.4

Source: Issuer"

2. Further information

The following information, which is not significant within the meaning of the Prospectus Directive (ie which is not capable of affecting significantly the assessment of the Notes and therefore does not require a supplement) but which could be useful to investors, is provided for information purposes:

2.1 The following paragraph is inserted in the paragraph below the heading "7.1 No material adverse change" on page 139 of the Prospectus:

"The Management Board of Erste Group Bank AG has announced on 11 November 2008 that it has, with the consent of the Supervisory Board, called an extraordinary general meeting for 2 December 2008 to seek shareholder authorisation for the planned issue of up to EUR 2.7 bn of participation capital. Such participation capital may be issued in several tranches, in observance of the shareholders' subscription rights, so that the participation capital may be subscribed by the Republic of Austria, existing shareholders and other investors. The terms for the participation capital will be determined by the Management Board with the consent of the Supervisory Board."

2.2 The following sentence is inserted in the paragraph below the heading "7.2 Information on known trends for the current financial year" on page 139 of the Prospectus:

"For further information about the planned issue of participation capital, see above 7.1 "No material adverse change"."

2.3 The references to the EUR 30 bn Debt Issuance Programme Prospectus of Erste Group below the heading "11.6 Legal and arbitration proceedings" on page 141 of the Prospectus are deemed to be references to pages 183 and 184 of the Supplemented EUR 30 bn Debt Issuance Programme Prospectus of Erste Group, where the following changes have been made:

(a) The paragraphs below the heading "Haftungsverbund" in the EUR 30 bn Debt Issuance Programme Prospectus of Erste Group have been replaced by the following paragraphs:

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

In competition proceedings before the Austrian Cartel Court, both a competitor of Erste Group Bank and the Austrian Federal Competition Authority requested the court to set aside the Haftungsverbund agreements because of an alleged infringement of Article 81 of the EC Treaty.

In March 2007 the Supreme Court handed down a resolution and confirmed that the agreements which constitute the Haftungsverbund are for the most part in compliance with Article 81 of the EC Treaty.

However, the Supreme Court held certain provisions of the agreement to be anticompetitive on their merits. In its findings, the Supreme Court did not cite any explicit consequences that needed to be implemented by Erste Group Bank and the other parties. In April 2008, Erste Group Bank and the Cartel Court reached an understanding on the necessary adjustments to be made to its agreement. This understanding (commitments within the meaning of § 27 KartG) was challenged by the competitor before the Supreme Court. In October 2008, the Supreme Court set aside the decision of the Cartel Court due to a procedural error and remitted the case to the Cartel Court for reconsideration. Neither the commitments (if they are upheld) nor the preceding decision of the Supreme Court affect the permissibility of the consolidation of the Qualifying Capital of the savings banks as part of Erste Group Bank's balance sheet.

In 2007, Erste Group Bank entered into agreements with all Austrian savings banks (with the exception of two: Allgemeine Sparkasse Oberösterreich and Sparkasse Kufstein) that grant Erste Group Bank, on a contractual basis, a decisive influence on the savings banks and that lead to the establishment of an economic unit (merger) within the meaning of the EC Merger Regulation and the Austrian Cartel Act (Kartellgesetz). These agreements were formally approved by the competition authorities in October 2007, January 2008, and May 2008. Erste Group Bank and Allgemeine Sparkasse Oberösterreich have decided to enter into a closer cooperation which also qualifies as a "Zusammenschluss" (merger) within the meaning of the EC Merger Regulation /Austrian Cartel Act. Erste Group Bank and Sparkasse Kufstein have adopted the necessary internal resolutions in order to enter into an agreement similar to these with the other Austrian savings banks. The necessary filings of official applications with the relevant competition authorities will be completed as soon as possible."

(b) The paragraphs below the heading "State aid Erste Bank Hungary" in the EUR 30 bn Debt Issuance Programme Prospectus of Erste Group have been replaced by the following paragraphs:

*"The European Commission has completed its investigation into the compatibility with the *acquis communautaire* of an "indemnity for unknown claims", granted by the*

Republic of Hungary to Erste Group Bank in relation to the acquisition of Postabank (later merged with Erste Bank Hungary). This investigation, in which Erste Group Bank participated as an affected third party, was undertaken in the course of the European Commission's review of past state aid granted by the governments of the 2004 EU accession states. While it has required the Republic of Hungary to terminate part of the indemnity, the Commission has confirmed the validity of main issues for which the indemnity was granted (in particular in relation to potential claims by previous auditors of Postabank).

Since the acquisition of Postabank no claims by third parties have been raised that would have been covered by the part of the indemnity now required to be terminated."

(c) The paragraph below the heading "Consumer protection" in the EUR 30 bn Debt Issuance Programme Prospectus of Erste Group has been amended to the effect that the fifth sentence has been replaced by the following sentences:

"The Issuer has rejected the VKI's demand to sign by 7th August 2008 an undertaking to refrain from including the criticized provisions in the terms and conditions of future issues of notes. The VKI commenced respective legal proceedings seeking to establish that such provisions are not in line with the law."

STATEMENT PURSUANT TO COMMISSION REGULATION (EC) NO 809/2004

Erste Group Bank AG, with its corporate seat in Vienna, Austria, is responsible for the information contained in this Supplement and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Supplement is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Vienna, 11 November 2008

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