ERSTE GROUP

The Bank for Central and Eastern Europe

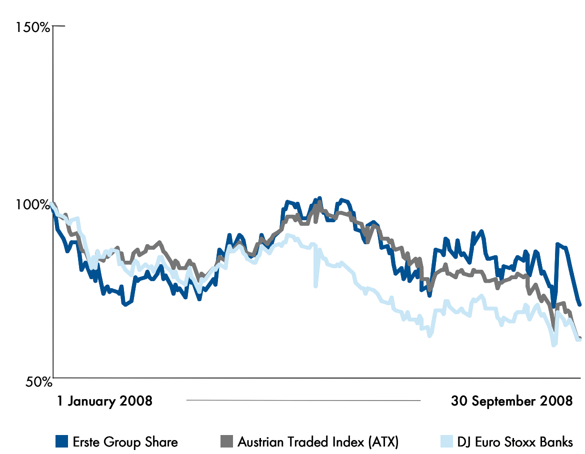
INTERIM REPORT
THIRD QUARTER 2008

KEY FINANCIAL AND SHARE DATA*

in EUR million	1-9 08	1-9 07
Income statement		
Net interest income	3,573.3	2,844.1
Risk provisions for loans and advances	-602.3	-335.9
Net fee and commission income	1,489.0	1,354.2
Net trading result	184.9	292.0
General administrative expenses	-3,053.7	-2,709.9
Other result	-269.4	-126.1
Pre-tax profit from continuing operations	1,321.8	1,318.4
Post-tax profit from discontinued operations	610.2	25.4
Net profit after minorities	**1,463.0**	**837.9**
Profitability ratios		
Net interest margin	2.8%	2.4%
Cost/income ratio	58.2%	60.4%
Return on equity	21.7%	13.5%
Earnings per share	4.67	2.69
	Sep 08	**Dec 07**
Balance sheet		
Loans and advances to credit institutions	19,088	14,937
Loans and advances to customers	125,673	113,956
Risk provisions for loans and advances	-3,699	-3,296
Trading and other financial assets	43,769	44,214
Other assets	24,589	30,708
Total assets	**209,420**	**200,519**
Deposits by banks	37,420	35,165
Customer deposits	110,964	100,116
Debt securities in issue	29,802	31,078
Other liabilities	12,406	17,168
Subordinated liabilities	5,969	5,589
Total equity	12,859	11,403
Total liabilities and equity	**209,420**	**200,519**
Changes in total qualifying capital		
Risk-weighted assesment basis pursuant to section 22 (2) Austrian Banking Act	105,342	95,091
Tier 1 ratio	6.6%	7.0%
Solvency ratio	9.4%	10.5%
	1-9 08	**1-9 07**
Stock market data (Vienna Stock Exchange)		
High (EUR)	49.20	61.50
Low (EUR)	34.30	50.00
Closing price (EUR)	34.45	53.45
Market capitalisation (EUR billion)	10.92	16.90
Trading volume (EUR billion)	12.92	8.20

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

PERFORMANCE OF THE ERSTE GROUP SHARE (INDEXED)



RATINGS

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

Highlights

_ **A rise of more than 23.2% in the operating result to EUR 2,193.5 million in the first three quarters of 2008 demonstrates the strength of the retail business in Central and Eastern Europe.** The increase was achieved thanks to strong net interest income (+25.6% to EUR 3,573.3 million) and despite the very weak net trading result. Net profit after minorities increased by 74.6% in the first three quarters to EUR 1,463.0 million (adjusted for the sale of the insurance business by +2.8% to EUR 861.7 million). Cash return on equity reached 22.2% (13.6% when adjusted for the sale of the insurance business) and the cost/income ratio improved to 58.2% (compared to 59.2% at the end of 2007).

_ **Continued strong deposit and loan growth in Central and Eastern Europe.** Despite the deterioration in sentiment towards CEE over the past weeks, the CEE subsidiaries performed very satisfactorily in the first nine months of 2008: net interest margin at 4.5% remained at a high level, while operating result advanced by 52% to EUR 1.36 billion.

_ **Strong capital base.** Shareholders' equity rose to EUR 9.7 billion thanks to the continued profitability of the Erste Group and the sale of the insurance business.

_ **Strong liquidity position.** The loan/deposit ratio remained stable at below 115% throughout the whole year, and is expected to stay there for the remainder of the year. Short-term liquidity is also fully secured over the year-end, while long-term funding volume reached EUR 6 billion, covering not only this year's needs but also part of the 2009 funding requirements at costs of below 40 bps above Euribor.

_ **Effects of the financial crisis on net profit after minorities.** Market conditions led to mark-to-market revaluations of the ABS/CDO portfolio of EUR 18.1 million for the third quarter. However, due to the quality of the underlying assets there is still no impairment expected for 2008. Write-downs related to the Lehman Brothers exposure amounted to EUR 25.5 million post-tax.

_ **Outlook for 2008.** Operating result is expected to grow by 15% in 2008. Operating expenses in the fourth quarter are set to be below those in the third quarter. For the fourth quarter a positive net result is expected despite the negative capital market environment and write-downs related to the Iceland exposure.

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

Letter from the CEO

Dear shareholders,

Following a year of increasing uncertainty the third quarter and especially the first weeks of October saw a dramatic acceleration of events in the global financial markets: credit markets went into a virtual deep freeze, as the interbank market came close to a standstill and long term debt markets were closed. In this environment even well positioned banks suffered from spill over effects. Erste Group was no exception. On the one hand we benefited from the early completion of our funding plan for the current year at lower than expected costs and from the timely closing of the sale of our insurance operations in September, on the other we had to write off a substantial part of our EUR 40 million net exposure to Lehman Brothers. In October we had to report a net exposure of EUR 300 million to Icelandic banks. Given the circumstances our ABS/CDO portfolio fared relatively well with a negative net P&L impact of just EUR 18 million. Despite these extraordinary effects, underlying business growth was very satisfactory, with quarterly and year-to-date operating profit advancing by 15% and 23%, respectively, compared to 2007.

In response to the major market dislocations, governments across the globe began implementing banking support packages. In concert with the European Union the Austrian government adopted its own measures worth a total of EUR 100 billion. These comprise state guarantees for long and short-term liquidity amounting to EUR 75 billion, access to capital in any form including non-capital-dilutive preference shares in the volume of EUR 15 billion and an unlimited deposit insurance scheme for private individuals. These measures are not interdependent, and hence a combination of liquidity and capital measures are available to each Austrian bank. We are examining the details of the package and will take any appropriate action, in accordance with the best interests of our shareholders, to support and safeguard the long-term growth potential of the group.

Despite the global financial market turmoil our core retail and SME business has performed remarkably well. Quarterly net interest income recorded an all-time high, net commission income also moved ahead despite a weak contribution from the securities business, and the trading result managed to break even in a quarter that was characterised by unprecedented levels of financial market volatility. Cost growth remained below revenue growth, but will still be a major point of management focus in the future given the worsening global economic outlook.

The ongoing decline in risk appetite has also led to a deterioration of sentiment towards emerging markets in general and Central and Eastern Europe in particular. Hungary again moved into the spotlight mainly as a result of its reliance on foreign funding. While a public debt-to-GDP ratio of 67% is clearly high, it is important to maintain perspective. Hungary has made substantial progress over the past two years in cutting its budget and current account deficits, albeit at the expense of slower economic growth. In addition, the central bank has a track record of maintaining currency stability. In a further positive development in Hungary and across Central and Eastern Europe, the practice of FX lending will naturally diminish in importance mainly as a result of a tougher refinancing environment. Overall, we still expect Central and Eastern Europe to grow faster than Western Europe in 2009.

While the speed and severity of recent events make it difficult to predict the future, Erste Group enjoys key competitive advantages even in a weakening business environment. Our 16 million strong retail customer base is a stable source of funding; comparatively low levels of product penetration, moderate levels of leverage and above average wealth of the typical CEE banking customer are an additional bonus. So, even in a slower growth environment, well positioned banks will be able to profit from higher margin, but potentially lower volume business. The most important fact, though, from a long term perspective, is that our retail business model remains sound and sustainable.

Andreas Treichl

Erste Group share

EQUITY MARKET REVIEW

International stock market indexes receded significantly in the 3rd quarter 2008 amid the escalating financial crisis and mounting fears of a recession. Stabilisation efforts on the part of the US regulatory agency SEC, including a ban on short selling, failed to have a lasting positive effect on the markets. Uncertainty about details of the US government's rescue plan, under which USD 700 billion were to be made available to support lending, caused substantial drops in share prices by the end of September. Since the beginning of the year, all of the US and European stock markets covered have sustained double-digit losses. The Dow Jones Index closed down 18.2% for the reporting period and down 4.4% for the third quarter. Against the backdrop of the strong euro, the Dow Jones Euro Stoxx Index even shed 29.6% and 9.4%, respectively.

In September, the credit crisis that had originated in the US in the third quarter of the previous year, reached its culmination, for the time being. In the US, massive write-downs, cash outflows and the resulting liquidity bottlenecks led to the insolvency of investment bank Lehman Brothers and prompted emergency sales of a number of banks or their nationalisation by the US authorities. The two mortgage lenders Fannie Mae and Freddie Mac and AIG, the world's largest insurance group, were placed under state supervision. In an emergency transaction, JP Morgan acquired large chunks of the insolvent Washington Mutual Group. After the sale in March of the fifth-largest investment bank Bear Stearns to JP Morgan, the insolvency of Lehman Brothers, then number four, and the takeover of Merrill Lynch, the third-largest investment bank, by Bank of America, the era of investment banks has come to its end. The two remaining investment banks – Morgan Stanley and Goldman Sachs – have given up the special legal status they had enjoyed for 75 years. They have transformed into commercial banks and are now subject to more rigorous regulation by the US Fed.

In Europe, too, the banking crisis spread further after massive write-downs of assets had resulted in a large number of major European banks reporting losses in previous quarters. The Dow Jones Euro Stoxx Bank Index, which is composed of leading European bank shares, declined by 39.0% this year to date and lost 11.5% in the third quarter.

The performance of the Vienna stock exchange reflects the spreading crisis of the global financial system and its possible impacts on the real economy. The ATX (Austrian Traded Index), at 2,767.76, is down 38.7% this year to date and 29.8% for the third quarter. This decline, which was disproportionately steep relative to other European indexes, was attributable to fears about an economic downturn in the East European countries, where a large number of Austrian groups are doing business. Beside the banking sector, real estate equities suffered the largest losses.

PERFORMANCE OF THE ERSTE BANK SHARE

In the past quarter, the share of Erste Group Bank AG continued its downtrend in tandem with the international equity markets. After moving sideways in July and August, when it hovered around a level of EUR 40, the Erste Group share slipped by another 15.9% in September. The spilling over of the liquidity crisis to European banks, its potential effects on Erste Group, and worries about future economic growth in the CEE markets caused the share price to retreat to EUR 34.45 at 30 September 2008. Since the beginning of this year, the Erste Group share has shed 29.0% of its value. By comparison, the ATX is down 38.7% and the Dow Jones Euro Stoxx Bank Index down 39.0% for the same period.

INVESTOR RELATIONS

The reorganisation of Erste Group was completed by 9 August 2008 with the separation of the Austrian core business from the newly formed holding company "Erste Group Bank AG" and its transfer to "Erste Bank der oesterreichischen Sparkassen AG". The share identification (ISIN AT0000652011) as well as all other codes have remained unchanged for the time being. The share represents a stake in the entire Erste Group and is listed on the stock exchanges of Vienna, Prague, and Bucharest. The changeover to a new symbol for the Erste Bank AG share will be effected in the fourth quarter 2008.

In the third quarter 2008, the management and the investor relations team of Erste Group attended again a number of international banking and investor conferences staged by Deutsche Bank, Lehman Brothers, and Merrill Lynch, where they presented the new structure, strategy and policies of Erste Group.

Business performance – (Interim management report)

Following the sale of the insurance business and of two other investments in Romania, according to the rules of IFRS 5 a new item has been introduced in the income statement (the previous "Result from insurance business" position has now been reclassified as "Post-tax profit from discontinued operations") and in the balance sheet. Two savings banks joined the Austrian Savings Banks in December 2007 and four additional savings banks in January 2008 and are therefore being incorporated in the consolidated financial statement from this point in time.

Furthermore, Diners Club Adriatic Croatia (DCA) has been part of the consolidated financial statement since 2 April 2007 and ABS Banka, Bosnia, acquired by Steiermärkische Sparkasse, since 3 April 2007, and were therefore not included for the whole of the reporting period in the previous year. This results in an – albeit minor – distortion of the rates of change compared with the comparative periods for the previous year.

SUMMARY OF BUSINESS PERFORMANCE

Operating income in the first three quarters of 2008 increased despite the declining net trading result (-36.7% to EUR 184.9 million) by 16.9% to EUR 5,247.2 million. This was mainly due to strong net interest income (+25.6% to EUR 3,573.3 million). **General administrative expenses** rose by 12.7% to EUR 3,053.7 million. The **operating result** was up 23.2% to EUR 2,193.5 million. The **cost/income ratio** improved to 58.2% (for the full year of 2007: 59.2% after adjustments in accordance with IFRS 5).

Net profit after minority interests rose by 74.6% to EUR 1,463.0 million (adjusted for the proceeds of the sale of the insurance business: +2.8% to EUR 861.7 million).

The **cash return on equity** (i.e. eliminating the linear depreciation for the customer base and the sales network from acquisitions made), increased in the first three quarters of 2008 from 14.6% (reported value 14.1%) in the full year 2007 to 22.2% (reported value 21.7%). Adjusted for the proceeds of the sale of the insurance business, the cash return on equity amounted to 13.6% (reported value: 13.1%).

As of 30 September 2008**, cash earnings per share** were EUR 4.78 (reported value: EUR 4.67) – adjusted for the proceeds of the sale of the insurance business, cash earnings per share were EUR 2.86 (reported value: EUR 2.75). The comparable figure in the previous year was EUR 2.80 (reported value EUR 2.69).

Total assets as of 30 September 2008 stood at EUR 209.4 billion, up 4.4% compared to year-end 2007.

The **solvency ratio** based on credit risk decreased due to the growth in loan volume and the insurance deal (deduction of book value of investment), from 10.5% to 9.4% as of 30 September 2008. Therefore, it continued to be comfortably above the statutory minimum requirement of 8.0%. The **Tier 1 ratio**, based on credit risk, amounted to 6.6% as of 30 September 2008 and did neither factor in the gain on disposal of the insurance business nor retained earnings.

Outlook

The expected rise in the operating result by about 15% is based on the continuing strength of Erste Group's retail business model in Central and Eastern Europe. The large inflow of deposits in Austria and CEE, building on a solid base of over 16 million customers, provides the foundation for sustained credit growth together with a stable ratio of loan-to-deposit of less than115%. This strength is expected to offset some of the weaker growth in revenue, above all in net fee and commission income and the trading result in the Large Corporate & Investment Banking (GCIB) and Group Markets (GM) divisions, as well as the anticipated slowdown in commission revenues in Austria.

At the same time, there will be a considerable strengthening of own funds at Erste Group this year: at the end of 2008 the Tier 1 ratio – including the sale of the insurance business concluded in the third quarter and despite the unexpectedly strong rise in risk-weighted assets that has taken place due to the procyclical effect of Basel II – will be at least 7.5%, after 7% in 2007. Details on the outlook for 2009 will be published at the Capital Markets Day in December.

Sale of the insurance business

On 15 September 2008 Erste Group Bank AG largely completed the sale of its insurance holdings in Central and Eastern Europe – with the approval of the responsible competition and local insurance supervision authorities – including s Versicherung in Austria to WIENER STÄDTISCHE Versicherung AG – the Vienna Insurance Group. The completion of the transaction in Romania is expected to take place in the weeks to come – once final approval has been given by the local competition and insurance authorities. As part of this transaction Erste Group and its local subsidiaries will continue to hold 5% in each of the local life insurance companies. In addition to the sale of the insurance subsidiaries, a mutual sales cooperation agreement was concluded for a period of 15 years. The total volume of the transaction amounts to EUR 1,445 million. The value of the sales agreement amounts to EUR 300 million. This amount will be transferred on 1 January 2009 and deferred over a 15-year period, in accordance with IFRS. The remaining amount of EUR 1.14 billion was transferred on 15 September 2008. The revenue from the sale of the insurance business and the sales agreement is booked to the individual local subsidiaries. For ease of comparison, the income has been allocated to the Corporate Center in the segment reporting. The contribution to Erste Group net profit from this transaction recognised in the third quarter 2008 – excluding the proceeds from the sale of the Romanian insurance subsidiary – amounts to EUR 601.8 million.

in EUR million	1-9 08	1-9 07	Change
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 result	-269.4	-126.1	na
Pre-tax profit from continuing operations	**1,321.8**	**1,318.4**	**0.3%**
Post-tax profit from discontinued operations	610.2	25.4	>100.0%
Net profit after minorities	**1,463.0**	**837.9**	**74.6%**

PERFORMANCE IN DETAIL

Net interest income

The continuing strong growth in loans combined with the expansion of the net interest margin in Central and Eastern Europe played a significant role in increasing net interest income, which rose by 25.6% year-on- year, from EUR 2,844.1 million to EUR 3,573.3 million.

In particular, the subsidiaries in the Czech Republic (+37.9%) and Romania (+43.4%) made above-average contributions to this positive development.

The net interest margin (net interest income as a percentage of the average interest-bearing assets) improved from 2.49% for the full year 2007 to 2.77% after the first nine months of 2008. Net interest margin improved in Central and Eastern Europe (from 4.1% to 4.5%) as well as in the Austrian business (from 1.6% to 1.7%).

Net commission income

in EUR million	1-9 08	1-9 07	Change
Lending business	279.9	250.0	12.0%
Payment transfers	647.6	535.2	21.0%
Card business	128.2	113.6	12.8%
Securities transactions	349.8	386.2	-9.4%
Investment fund transactions	166.3	176.5	-5.8%
Custodial fees	34.4	39.8	-13.6%
Brokerage	149.1	169.9	-12.2%
Insurance business	60.3	48.9	23.3%
Building society brokerage	27.3	21.6	26.4%
Foreign exchange transactions	29.3	27.5	6.5%
Investment banking business	14.0	20.6	-32.0%
Other	80.8	64.2	25.9%
Total	**1,489.0**	**1,354.2**	**10.0%**

Net commission income rose in the first three quarters of 2008 by 10.0% from EUR 1,354.2 million to EUR 1,489.0 million. A strong increase was recorded, in particular, in payment transfers (+21.0% to EUR 647.6 million); the card business was up 12.8% to EUR 128.2 million. In addition, considerable growth rates were also achieved in the lending business (+12.0% to EUR 279.9 million) as well as in the insurance business (+23.3% to EUR 60.3 million). On the other hand, due to the difficult market situation the entire securities business decreased (-9.4% to EUR 349.8 million).

Trading result

As was to be expected, the ongoing turbulence on the international markets influenced the net trading result, particularly in the third quarter of 2008. The 36.7% decline from EUR 292.0 million in the same period of the previous year to EUR 184.9 million was mainly related to weaker securities business.

General administrative expenses – Erste Group

in EUR million	1-9 08	1-9 07	Change
Personnel expenses	1,762.0	1,588.0	11.0%
Other administrative expenses	1,008.3	833.8	20.9%
Subtotal	2,770.3	2,421.8	14.4%
Depreciation and amortisation	283.4	288.1	-1.6%
Total	**3,053.7**	**2,709.9**	**12.7%**

General administrative expenses increased by 12.7%, from EUR 2,709.9 million to EUR 3,053.7 million. Adjusted for currency movements, the increase was about 11.2%. About two percentage points of this increase was due to the expansion in the scope of consolidation since October 2007 (above all due to the additional six savings banks that have joined the cross-guarantee system).

Personnel expenses rose from EUR 1,588.0 million to EUR 1,762.0 million, or by 11.0% (currency-adjusted 10.4%). This was due to a 3.8% increase in the headcount level – mainly driven by the expansion in the Ukraine – and legally required and market-related salary adjustments in a number of CEE countries. Growth in personnel expenses was, at 8.3%, slightly lower in the CEE countries than in the rest of the group (12.9%).

The headcount in Austria was influenced mainly by the inclusion of four additional savings banks in the cross-guarantee system (Haftungsverbund) in 2008 (+402 new employees) and by the reorganisation of Erste Group.

During the first three quarters of 2008 **other administrative expenses** rose by 20.9% from EUR 833.8 million to EUR 1,008.3 million. The CEE subsidiaries in particular showed an increase of 28.3% (rest of the group: +10.9%). Among other factors, this was due to costs relating to the conversion of the core banking system, the introduction of the euro in Slovakia, as well as branch network expansion in Romania and the Ukraine. There was also an above-average rise in IT costs (+30.9% to EUR 243.0 million, particularly in CEE) as well as in expenses related to the reorganisation of Erste Group and the implementation of group projects.

Continuing the trend of the previous years, the **depreciation of fixed assets** declined slightly during the first three quarters of 2008 (-1.6% from EUR 288.1 million to EUR 283.4 million).

Restructuring and transformation costs at BCR amounted to EUR 9.6 million in the first three quarters of 2008 (EUR 36.4 million in the comparable period of the previous year). It is estimated that transformation expenses for the full year will amount to about EUR 30.0 million.

Headcount at 30 September 2008

	Sep 08	Dec 07	Change
Employed by Erste Group	**54,452**	**52,442**	**3.8%**
Austria incl. Haftungsverbund savings banks	16,258	15,658	3.8%
Erste Holding, EB Oesterreich and subsidiaries	8,548	8,452	1.1%
Haftungsverbund savings banks	7,710	7,206	7.0%
Central and Eastern Europe / International	**38,194**	**36,784**	**3.8%**
Česká spořitelna Group	10,881	10,842	0.4%
Banca Comercială Română Group	11,735	12,224	-4.0%
Slovenská sporiteľňa Group	4,988	4,763	4.7%
Erste Bank Hungary Group	3,240	3,056	6.0%
Erste Bank Croatia Group	2,013	1,886	6.7%
Erste Bank Serbia	989	958	3.2%
Erste Bank Ukraine	2,049	1,130	81.3%
Other subsidiaries and foreign branch offices	2,299	1,925	19.4%

Operating result

Operating income rose by 16.9% from EUR 4,490.3 million to EUR 5,247.2 million while **general administrative expenses** advanced by 12.7% from EUR 2,709.9 million to EUR 3,053.7 million. This resulted in a 23.2% improvement in **operating result** by 23.2% in the first nine months of 2008 from EUR 1,780.4 million to EUR 2,193.5 million.

Risk provisions

On balance, this line item increased considerably, by 79.3% from EUR 335.9 million to EUR 602.3 million (impact of allocation and release of provisions for the lending business, costs from writing off loans and income from the repayment of loans already written off). The rise is due, on the one hand, to strong credit expansion – particularly in the CEE countries – and the Group's conservative provisioning strategy. On the other hand, it was also been influenced by three other one-off factors: the consolidation of additional savings banks in Austria, write-offs related to the takeover of a savings bank within the Austrian (Haftungsverbund) savings banks sector (EUR 29.2 million in the first three quarters), the effects of "unwinding" (EUR +50.0 million in the first three quarters of 2008) and the change in the way risk provisions for private unsecured loans are booked at BCR. As of May 2007, these loans are provisioned for in BCR, and no longer through the group's insurance subsidiary. Because of these effects, along with a cautious and proactive provisioning policy, risk costs are not expected to exceed 70 basis points in relation to average customer loans.

Other operating result

The other operating result worsened slightly from EUR -133.3 million to EUR -141.0 million. Last year this item included income from the non-recurring release of provisions for legal proceedings. This item essentially comprises the linear amortisation of intangible assets gained in the course of various acquisitions (customer relationships and distribution network) amounting to EUR 58.0 million and deposit insurance contributions.

Results from financial assets

The overall result from all categories of financial assets deteriorated significantly. Whereas in the first three quarters of 2007 – in an already difficult market environment – a positive result of EUR 7.2 million was posted, the balance as of 30 September 2008 was distinctly negative at EUR -128.4 million. This was mainly due to revaluation requirements for structured products in the fair value portfolio and impairments of bonds held in the AfS portfolio (especially related to Lehman Brothers).

On 30 September 2008 the market value of Erste Group's ABS/CDO portfolio, including that of the savings banks, amounted to about EUR 2.7 billion, down from EUR 3.4 billion at year-end 2007. In the third quarter of 2008, the fair value portfolio saw a revaluation with an overall impact on the income statement to the effect of EUR -22.7 million (after tax and minorities: EUR -18.1 million); in the second quarter of 2008 the negative impact equalled EUR -10.7 million, or EUR -8.5 million after tax and minorities). In the available-for-sale portfolio, mark-to-market revaluations in the third quarter of 2008 resulted in a decline of EUR 72.3 million (second quarter 2008: EUR 20.0 million), booked against equity. As there was no deterioration in the quality of the underlying assets, there continues to be no need for an impairment for the overall portfolio.

Post-tax profit from discontinued operations (insurance business)[1]

This item comprises not only net profit from insurance business until its sale but also the gain on disposal from the sale of the insurance business and the applicable taxes.

The result from insurance business in the first three quarters of 2008 was, at about EUR 9.3 million, far below that of the same period in the previous year (EUR 32.3 million). This was mainly due to weaker results from financial investments in light of the difficult financial market situation. Net profit from the sale of the insurance business amounted to EUR 601.8 million.

Pre-tax profit and net profit after tax and minorities

Despite the difficult market conditions, **pre-tax profit** in the continuing business operations rose slightly because of the satisfactory operating result, by 0.3% from EUR 1,318.4 million to EUR 1,321.8 million.

Net profit after minority interests rose due to the sale of the insurance business by 74.6% from EUR 837.9 million to EUR 1,463.0 million (adjusted for the sale of the insurance business: +2.8% to EUR 861.7 million).

[1] As reported above, Erste Group has sold its insurance business. Pursuant to IFRS 5 the post-tax result from this division is shown in a separate line in the P&L.

FINANCIAL RESULTS IN THE THIRD QUARTER OF 2008

Net interest income recorded an all-time high in the third quarter of 2008, namely EUR 1,267.3 million (+9.7% compared to the previous quarter). The continuing credit growth in Central and Eastern Europe was a major contributing factor.

After a very good second quarter, as expected **net commission income** decreased in the third quarter by 4.6% from EUR 510.3 million to EUR 486.8 million. This was due in part to the asset management and fund business, with the market situation resulting in decreasing fund volumes.

The drastic decline in the **net trading result** from EUR 102.1 million to EUR 0.5 million reflected the unusually difficult market situation.

General administrative expenses in the third quarter of 2008 were only slightly (+1.5%) higher than in the previous quarter at EUR 1,052.1 million. Personnel expenses, at EUR 601.4 million, were at almost the same level as in the second quarter (EUR 599.2 million). Other administrative expenses rose by 3.6% from EUR 343.1 million to EUR 355.4 million. Depreciation of property and equipment remained basically unchanged at EUR 95.3 million.

In the third quarter of 2008, the **operating result** of EUR 702.5 million was slightly (-3.8%) below the result for the second quarter of EUR 730.5 million.

The **cost/income ratio** rose from 58.7% in the second quarter to 60.0% - mainly due to the decrease in the net trading result.

Risk provisions for loans and advances decreased slightly from EUR 221.0 million in the second quarter to their current EUR 218.2 million.

There was an improvement in the **other operating result** from EUR -61.9 million in the previous quarter to EUR -56.2 million. This was due in part to gains in conjunction with the sale of other financial investments.

Post-tax profit from discontinued operations (insurance business) equalled EUR 600.1 million compared to EUR 5.3 million in the second quarter, as the third quarter included the post-tax result from the sale of the insurance business amounting to EUR 601.8 million.

In the third quarter **pre-tax profit from continuing operations** was – due to the weak net trading result and the required write-downs of financial assets – at EUR 386.0 million, 13.6% below the figure for the second quarter (EUR 447.0 million).

Net profit after minority interests in the third quarter of 2008 was EUR 826.4 million which was above the level of the previous quarter (EUR 321.0 million). Adjusted for the income from the sale of the insurance business, net profit after tax and minority interests in the third quarter was EUR 225.1 million (-29.9%).

DEVELOPMENT OF THE BALANCE SHEET

in EUR million	Sep 08	Dec 07	Change
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 and other financial assets	43,769	44,214	-1.0%
Other assets	24,589	30,708	-19.9%
Total assets	**209,420**	**200,519**	**4.4%**

in EUR million	Sep 08	Dec 07	Change
Deposits by banks	37,420	35,165	6.4%
Customer deposits	110,964	100,116	10.8%
Debt securities in issue	29,802	31,078	-4.1%
Other liabilities	12,406	17,168	-27.7%
Subordinated liabilities	5,969	5,589	6.8%
Total equity	12,859	11,403	12.8%
Shareholder's equity	9,728	8,452	15.1%
Minority interests	3,131	2,951	6.1%
Total liabilities and equity	**209,420**	**200,519**	**4.4%**

The **total assets** of Erste Group increased by 4.4% from EUR 200.5 billion at the end of 2007 to EUR 209.4 billion at the end of September 2008. Around EUR 2.4 billion of the growth was attributable to the expansion of the scope of consolidation through the addition of another four savings banks to the cross-guarantee system (Haftungsverbund).

Loans and advances to credit institutions rose dynamically mainly because of the strong growth in customer deposits (+27.8% from EUR 14.9 billion to EUR 19.1 billion). The excess liquidity generated by these inflows was deposited for the most part with central banks on a short-term basis.

Loans and advances to customers increased by 10.3% from EUR 114.0 billion to EUR 125.7 billion. The rise in the CEE countries was 16.8% to EUR 49.1 billion (of this private customers +24.6%).

Due to new allocations as a result of credit growth, the level of **risk provisions** increased from EUR 3.3 billion to EUR 3.7 billion. At 2.5%, the ratio of non-performing loans (NPLs) to total risk-weighted assets remained stable in the third quarter.

Securities investments in the various categories of financial assets declined – not least due to the current market situation – by 5.1% from EUR 37.6 billion at the end of 2007 to EUR 35.7 billion.

Customer deposits rose by 10.8% from EUR 100.1 billion to EUR 111.0 billion, that is to say more strongly than the loans and advances to customers. At 13.8%, the rise in the CEE countries was particularly sharp. The loans-to-deposit ratio as of 30 September 2008 stood at 113.3%.

The decline in **debt securities in issue** from EUR 31.1 billion by 4.1% to EUR 29.8 billion resulted mainly from redemptions on certificates of deposit.
Total equity increased by 12.8% from EUR 11.4 billion to EUR 12.9 billion, thanks to the continued strong profitability of Erste Group and the sale of the insurance business. The expansion of the scope of consolidation by four additional savings banks also had a corresponding effect on the minority interests.

Risk-weighted assets (RWAs) rose in the first nine months of 2008 from EUR 95.1 billion to EUR 105.3 billion, with the additional new savings banks making up around EUR 1.3 billion.

Total **own funds** of Erste Group according to the Austrian Banking Act amounted to EUR 11.1 billion (31 December 2007 EUR 11.1 billion) as of 30 September 2008. The coverage ratio in relation to the statutory minimum requirement on this date (EUR 9.6 billion), was 115% (year-end 2007: 127%).

After deductions in accordance with the Austrian Banking Act**, tier 1 capital** stood at EUR 6.9 billion (year-end 2007: EUR 6.7 billion). Retained profit of the current year is not yet included in this figure.

The **tier 1 ratio** based on credit risk (tier 1 capital after deductions under the Austrian Banking Act, in relation to the assessment basis for the credit risk pursuant to Article 22 sec. 2 Austrian Banking Act) equalled 6.6%. The figure for the end of 2008 is expected to be at least 7.5%. Adjusted for hybrid capital, the tier 1 ratio as of 30 September 2008 stood at 5.4%; additionally adjusting for the regulatory capital requirements for market and operational risks are the tier 1 ratio equalled 4.9%.

The **solvency ratio** in respect of credit risk (total own funds less the non-credit risk capital requirements – especially settlement risks, operational risks and position risks in the trading book and foreign currency positions – as a percentage of the assessment base for credit risk pursuant to Article 22 sec. 2 of the Austrian Banking Act) was 9.4% (year-end 2007: 10.5%) as of 30 September 2008 and thus considerably above the statutory minimum requirement of 8.0%.

Financial statements

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

in EUR million	(Notes)	1-9 08	1-9 07	Change
Interest and similar income		9,530.2	7,283.8	30.8%
Interest and similar expenses		-5,974.2	-4,456.6	34.1%
Income from associates accounted for at equity		17.3	16.9	2.4%
Net interest income	**(1)**	**3,573.3**	**2,844.1**	**25.6%**
Risk provisions for loans and advances	(2)	-602.3	-335.9	79.3%
Fee and commission income		1,803.8	1,643.4	9.8%
Fee and commission expenses		-314.8	-289.2	8.9%
Net fee and commission income	**(3)**	**1,489.0**	**1,354.2**	**10.0%**
Net trading result	(4)	184.9	292.0	-36.7%
General administrative expenses	(5)	-3,053.7	-2,709.9	12.7%
Other operating result	(6)	-141.0	-133.3	-5.8%
Result from financial assets - FV		-114.9	-38.3	na
Result from financial assets - AfS		-11.6	44.9	na
Result from financial assets - HtM		-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 minorities from continuing operations		**1,057.4**	**1,034.9**	**2.2%**
Post-tax profit from discontinued operations	(7)	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%**

Earnings per share

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

in EUR	1-9 08	1-9 07	Change
Diluted earnings per share	4.67	2.68	74.2%
Diluted cash earnings per share	4.78	2.80	71.0%
Earnings per share	4.67	2.69	73.8%
Cash earnings per share	4.78	2.80	70.6%

II. Consolidated balance sheet at 30 September 2008

in EUR million	(Notes)	Sep 08	Dec 07	Change
ASSETS				
Cash and balances with central banks		7,692	7,615	1.0%
Loans and advances to credit institutions	(8)	19,088	14,937	27.8%
Loans and advances to customers	(9)	125,673	113,956	10.3%
Risk provisions for loans and advances	(10)	-3,699	-3,296	12.2%
Trading assets	(11)	8,090	6,637	21.9%
Financial assets - at fair value through profit or loss	(12)	4,238	4,534	-6.5%
Financial assets - available for sale	(13)	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	(14)	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	(15)	37,420	35,165	6.4%
Customer deposits	(16)	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	(17)	1,757	1,792	-2.0%
Tax liabilities		345	329	4.9%
Liabilities associated with assets held for sale and discontinued operations	(18)	501	0	na
Other liabilities		7,077	4,653	52.1%
Subordinated liabilities		5,969	5,589	6.8%
Total equity		12,859	11,403	12.8%
Shareholder's equity		9,728	8,452	15.1%
Minority interests		3,131	2,951	6.1%
Total liabilities and equity		**209,420**	**200,519**	**4.4%**

III. Consolidated statement of changes in equity

in EUR million	Subscribed capital	Additional paid-in capital	Retained earnings	Total share-holders' equity	Minority interests	Total capital
Equity at 1 January 2007	**630**	**4,514**	**2,835**	**7,979**	**2,925**	**10,904**
Changes in own shares	0	0	-70	-70	0	-70
Dividends	0	0	-202	-202	-126	-328
Capital increases	2	40	0	42	0	42
Net profit before minority interests	0	0	838	838	222	1,060
Income and expenses recognised directly in equity	0	0	-149	-149	-140	-289
Currency translation	0	0	44	44	6	50
Change in interest in subsidiaries	0	0	0	0	-12	-12
Equity at 30 September 2007	**632**	**4,554**	**3,252**	**8,438**	**2,869**	**11,307**
Cash flow hedge reserve at 30 September 2007				-31	-19	-50
Available for sale reserve at 30 September 2007				-219	-232	-451
Actuarial gains/losses from long-term employee provisions at 30 September 2007				-237	-110	-347
Deferred tax reserve at 30 September 2007				105	88	193
Equity at 1 January 2008	**632**	**4,557**	**3,263**	**8,452**	**2,951**	**11,403**
Changes in own shares	0	0	-29	-29	0	-29
Dividends	0	0	-235	-235	-70	-305
Capital increases	1	27	0	28	0	28
Net profit before minority interests	0	0	1,463	1,463	205	1,668
Income and expenses recognised directly in equity	0	0	49	49	-103	-54
Currency translation	0	0	146	146	-10	136
Change in interest in subsidiaries	0	0	0	0	148	148
Equity at 30 September 2008	**633**	**4,584**	**4,511**	**9,728**	**3,131**	**12,859**
Cash flow hedge reserve at 30 September 2008				-9	-10	-19
Available for sale reserve at 30 September 2008				-481	-403	-884
Actuarial gains/losses from long-term employee provisions at 30 September 2008				-256	-116	-372
Deferred tax reserve at 30 September 2008				203	132	335

Income and expenses recognised directly in equity

in EUR million	1-9 08	1-9 07
Net profit before minority interests	**1,668**	**1,060**
Available for sale - reserve (including currency translation)	-288	-412
Cash flow hedge - reserve (including currency translation)	26	-19
Actuarial gains and losses	0	0
Deferred taxes on items recognised directly in equity	72	92
Currency translation	136	50
Total gains and losses recognised directly in equity	**-54**	**-289**
Total	**1,614**	**771**
Shareholder's equity	1,512	689
Minority interests	102	82

IV. Cash flow statement

in EUR million	1-9 08	1-9 07	Change
Cash and cash equivalents at end of the previous year	7,615	7,378	3.2%
Cash flow from operating activities	-915	360	na
Cash flow from investing activities	766	-530	na
Cash flow from financing activities	288	52	>100.0%
Effect of currency translation	-62	51	na
Cash and cash equivalents at the end of period	**7,692**	**7,311**	**5.2%**

V. Notes

The consolidated financial statements of Erste Group were prepared in compliance with the applicable International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) published by the International Accounting Standards Board (IASB) and with their interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), formerly Standing Interpretations Committee (SIC). The interim report for the period from 1 January to 30 September 2008 is consistent with IAS 34 (Interim Reports).

As a result of the sale of the insurance business and due to the planned sale of a Romanian subsidiary IFRS 5 ("Assets held for sale and discontinued operations") was applied in Erste Group as of 30 September 2008. According to IFRS 5, assets held for sale, including assets that are attributable to discontinued operations, are to be written off at the lower value between book value and attributable current market value, less selling costs. Assets held for sale and the associated liabilities, including those assets and liabilities that are attributable to a business division to be discontinued are stated in the balance sheet according to IFRS as a separate item. There is no retroactive change to the balance sheet. Furthermore, the result of the discontinued operation is stated in a separate line on the income statement. In Erste Group, in addition to the current insurance result (up until the time of sale), this includes the proceeds from the sale of the insurance line and the taxes that apply to this sale. A corresponding change to the income statement takes place retroactively. This also results in a slightly lower cost-income ratio.

On 14 October 2008 the IASB published the amendment to IAS 39 ("Financial instruments: Recognition and Measurement") and IFRS 7 ("Financial Instruments: Disclosures"). This amendment makes it possible to reclassify certain financial instruments of the trading portfolio in exceptional circumstances. Erste Group made no use of this opportunity.

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

SIGNIFICANT BUSINESS EVENTS IN THE REPORTING PERIOD

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

After signing the contract on 26 March 2008, the Erste Group Bank AG largely completed the sale of its insurance holdings in Central and Eastern Europe on 15 September 2008 – with the approval of the responsible competition and local insurance supervision authorities – including s insurance in Austria to WIENER STÄDTISCHE Versicherung AG – the Vienna Insurance Group. The completion of the transaction in Romania is expected to take place in the weeks to come – when final approval has been given by the local competition and insurance authorities. A part of this transaction stipulates that Erste Group and its local subsidiaries will continue to hold 5% in each of the local life insurance companies. In addition to the sale of the insurance subsidiaries, a mutual sales cooperation agreement was concluded for a period of 15 years. The total volume of the transaction amounts to EUR 1,445 million. The volume of the sales agreement amounts to EUR 300 million. This amount will be transferred on 1 January 2009 and deferred over a 15-year period, in accordance with IFRS. The remaining amount of EUR 1.14 billion was transferred on 15 September 2008. The revenue from the sale of the insurance business and the sales agreement is being allocated to the individual local subsidiaries. The contribution to profit from this transaction recognised in the third quarter 2008 in Erste Group amounts to EUR 601.3 million after minorities.

On 1 July 2008 Erste Group Bank AG signed a contract concerning the acquisition of a 9.8% per cent holding in the Russian Bank Center-Invest. The completion of the transaction and the transfer of the shares took place in August 2008.

On 9 August 2008 the spin-off of the Austrian business of "Erste Bank der oesterreichischen Sparkassen AG" from the newly founded holding "Erste Group Bank AG" was entered into the commercial register, making it legally effective. The new company structure became necessary in the course of the expansion of Erste Bank in the growth region of Central and Eastern Europe and was decided on by the Bank's Boards in December 2006. In the following months all steps were taken to ensure that the organisational and legal holding structure could be implemented according to plan from the middle of 2008. The change has resulted in a transparent division of tasks between Erste Group Bank AG, which now carries out the holding functions, and its subsidiaries in the various countries, which can now concentrate fully on their local customer business.

As a result of the reorganisation of Erste Group the segments for reporting have also changed. Reporting is now done according to the new group structure and is divided into four main segments: Private Customers and SMEs, Group Corporate & Investment Banking, Group Markets and Corporate Center. The change in the segment reporting took place retroactively.

In April 2008, under the management stock option plan (MSOP) launched in 2002, a total of 76,716 shares were subscribed at an exercise price of EUR 16.50 per share (which took into account the stock split performed in 2004). This resulted in issue proceeds of EUR 1,265,814, of which EUR 153,432 was allocated to share capital and EUR 1,112,382 to additional paid-in capital. The difference between the exercise price (EUR 16.50) and the closing price of the Erste Bank share at the value date (EUR 46.60) was EUR 30.10. Additionally, under the MSOP launched in 2005, a total of 2,098 shares were subscribed in May 2008 at an exercise price of EUR 43.00 per share. This resulted in issue proceeds of EUR 90,214, of which EUR 4,196 was allocated to share capital and EUR 86,018 to additional paid-in capital. The difference between the exercise price (EUR 43.00) and the closing price of the Erste Bank share at the value date (EUR 46.60) was EUR 3.60. As part of a second exercising window from 1 to 14 August, 900 shares were subscribed at an exercise price of 43.00 per share. This resulted in issue proceeds of EUR 38,700, of which EUR 1,800 was allocated to share capital and EUR 36,900 to additional paid-in capital.

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

A total of 723,818 new shares were issued in a capital increase from contingent capital. This raised the number of Erste Group Bank shares from 316,288,945 to 317,012,763 and expanded the share capital from EUR 632,577,890 to EUR 634,025,526.

Personnel expenses include MSOP, ESOP and policyholder bonuses totalling EUR 13.2 million (EUR 20.8 million as of 30 September 2007).

EVENTS AFTER THE BALANCE SHEET DATE

In October the state of Iceland took over Icelandic banks that had come into difficulties in the course of the international financial crisis. Erste Group's defaulted exposure to Iceland, mainly in the form of senior bank bonds to the major banks of Iceland, amounts to about EUR 300 million. Because the process is just beginning, the level of collectability of the bonds is not yet clear.

On 16 October Erste Group, together with four other Austrian banks, the Republic of Austria and the Oesterreichische Nationalbank decided to take over Constantia Privatbank AG and provide it with liquidity amounting to EUR 450 million. The five banks formed a special purpose company that has taken over 100 per cent of the shares of Constantia Privatbank and is now running the bank.

B. INFORMATION ON THE CONSOLIDATED INCOME STATEMENT OF ERSTE GROUP

1) Net interest income

in EUR million	1-9 08	1-9 07	Change
Interest income			
Lending and money market transactions with credit institutions	2,144.2	1,226.8	74.8%
Lending and money market transactions with customers	5,955.8	4,592.5	29.7%
Fixed-income securities	1,083.0	985.2	9.9%
Other interest and similar income	21.3	10.4	>100.0%
Current income			
Shares and other variable-yield securities	92.1	91.6	0.5%
Investments	26.4	18.8	40.4%
Investment properties	65.9	56.0	17.7%
Interest and similar income	**9,388.7**	**6,981.3**	**34.5%**
Interest income from financial assets - at fair value through profit or loss	141.5	302.5	-53.2%
Total interest and similar income	**9,530.2**	**7,283.8**	**30.8%**
Interest expenses			
Deposits by banks	-2,433.2	-1,585.6	53.5%
Customer deposits	-2,317.1	-1,734.1	33.6%
Debt securities in issue	-911.5	-854.8	6.6%
Subordinated liabilities	-301.0	-275.5	9.3%
Other	-11.4	-6.6	72.7%
Interest and similar expenses	**-5,974.2**	**-4,456.6**	**34.1%**
Interest expenses from financial assets - at fair value through profit or loss	0.0	0.0	na
Total interest and similar expenses	**-5,974.2**	**-4,456.6**	**34.1%**
Income from associates accounted for at equity	17.3	16.9	2.4%
Total	**3,573.3**	**2,844.1**	**25.6%**

2) Risk provisions for loans and advances

in EUR million	1-9 08	1-9 07	Change
Net allocation to risk provisions for loans and advances	-610.8	-351.3	73.9%
Direct write-offs of loans and advances and amounts received against written-off loans and advances	8.5	15.4	-44.8%
Total	**-602.3**	**-335.9**	**79.3%**

3) Net fee and commission income

in EUR million	1-9 08	1-9 07	Change
Lending business	279.9	250.0	12.0%
Payment transfers	647.6	535.2	21.0%
Card business	128.2	113.6	12.8%
Securities transactions	349.8	386.2	-9.4%
Investment fund transactions	166.3	176.5	-5.8%
Custodial fees	34.4	39.8	-13.6%
Brokerage	149.1	169.9	-12.2%
Insurance business	60.3	48.9	23.3%
Building society brokerage	27.3	21.6	26.4%
Foreign exchange transactions	29.3	27.5	6.5%
Investment banking business	14.0	20.6	-32.0%
Other	80.8	64.2	25.9%
Total	**1,489.0**	**1,354.2**	**10.0%**

4) Net trading result

in EUR million	1-9 08	1-9 07	Change
Securities and derivatives trading	5.7	87.7	-93.5%
Foreign exchange transactions	179.2	204.3	-12.3%
Total	**184.9**	**292.0**	**-36.7%**

5) General administrative expenses

in EUR million	1-9 08	1-9 07	Change
Personnel expenses	-1,762.0	-1,588.0	11.0%
Other administrative expenses	-1,008.3	-833.8	20.9%
Depreciation and amortisation	-283.4	-288.1	-1.6%
Total	**-3,053.7**	**-2,709.9**	**12.7%**

6) Other operating result

in EUR million	1-9 08	1-9 07	Change
Other operating income	129.1	80.3	60.8%
Other operating expenses	-270.1	-213.6	26.5%
Total	**-141.0**	**-133.3**	**-5.8%**
Result from real estate/properties	10.4	7.8	33.3%
Allocation/release of other provisions/risks	-3.0	8.0	na
Expenses for deposit insurance contributions	-33.6	-27.7	21.3%
Amortisation of intangible assets (customer relationships)	-58.0	-60.7	-4.4%
Other taxes	-18.5	-29.7	-37.7%
Result from other operating expenses/income	-38.3	-31.0	-23.5%
Total	**-141.0**	**-133.3**	**-5.8%**

7) Post-tax result from discontinued operations

in EUR million	1-9 08	1-9 07	Change
Profit on disposal	698.5	0.0	na
Post-tax profit from discontinued ops	9.3	32.3	-71.2%
Income tax on discontinued operations	-97.6	-6.9	>100.0%
Total	**610.2**	**25.4**	**>100.0%**

C. INFORMATION ON THE CONSOLIDATED BALANCE SHEET OF ERSTE GROUP

8) Loans and advances to credit institutions

in EUR million	Sep 08	Dec 07	Change
Loans and advances to domestic credit institutions	1,284	1,556	-17.5%
Loans and advances to foreign credit institutions	17,804	13,381	33.1%
Total	**19,088**	**14,937**	**27.8%**

9) Loans and advances to customers

in EUR million	Sep 08	Dec 07	Change
Loans and advances to domestic customers			
Public sector	2,906	2,934	-1.0%
Commercial customers	33,800	31,357	7.8%
Private customers	22,795	21,463	6.2%
Unlisted securities	0	20	na
Other	125	114	9.6%
Total loans and advances to domestic customers	**59,626**	**55,888**	**6.7%**
Loans and advances to foreign customers			
Public sector	1,943	1,978	-1.8%
Commercial customers	35,778	32,932	8.6%
Private customers	27,159	21,878	24.1%
Unlisted securities	1,066	1,084	-1.7%
Other	101	196	-48.5%
Total loans and advances to foreign customers	**66,047**	**58,068**	**13.7%**
Total	**125,673**	**113,956**	**10.3%**

10) Risk provisions for loans and advances

in EUR million	1-9 08	1-9 07	Change
Risk provisions for loans and advances			
At start of reporting period	**3,296**	**3,133**	**5.2%**
Reclassification	45	40	12.5%
Use	-294	-214	37.4%
Net allocation to risk provisions for loans and advances	611	351	74.1%
Currency translation	41	4	na
At end of reporting period	**3,699**	**3,314**	**11.6%**
Provision for off-balance-sheet and other risks	182	158	15.2%
Total	**3,881**	**3,472**	**11.8%**

11) Trading assets

in EUR million	Sep 08	Dec 07	Change
Bonds and other fixed-income securities	4,444	4,021	10.5%
Shares and other variable-yield securities	628	806	-22.1%
Positive fair value of derivative financial instruments	3,018	1,810	66.7%
Total	**8,090**	**6,637**	**21.9%**

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

in EUR million	Sep 08	Dec 07	Change
Bonds and other fixed-income securities	3,448	3,651	-5.6%
Shares and other variable-yield securities	790	883	-10.5%
Total	**4,238**	**4,534**	**-6.5%**

13) Financial assets – available for sale

in EUR million	Sep 08	Dec 07	Change
Bonds and other fixed-income securities	12,985	12,855	1.0%
Shares and other variable-yield securities	3,244	2,989	8.5%
Equity holdings	435	356	22.2%
Total	**16,664**	**16,200**	**2.9%**

14) Assets held for sale and discontinued operations

in EUR million	Sep 08	Dec 07	Change
Assets held for sale	521	0	na
Discontinued operations	137	0	na
Total	**658**	**0**	**na**

15) Deposits by banks

in EUR million	Sep 08	Dec 07	Change
Amounts owed to domestic credit institutions	11,704	10,497	11.5%
Amounts owed to foreign credit institutions	25,716	24,668	4.2%
Total	**37,420**	**35,165**	**6.4%**

16) Customer deposits

in EUR million	Sep 08	Dec 07	Change
Savings deposits	47,956	45,203	6.1%
Sundry	63,008	54,913	14.7%
Total	**110,964**	**100,116**	**10.8%**

17) Provisions

in EUR million	Sep 08	Dec 07	Change
Long-term employee provisions	1,452	1,448	0.3%
Sundry provisions	305	344	-11.3%
Total	**1,757**	**1,792**	**-2.0%**

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

in EUR million	Sep 08	Dec 07	Change
Assets held for sale	388	0	na
Discontinued operations	113	0	na
Total	**501**	**0**	**na**

D. ADDITIONAL INFORMATION

19) Contingent liabilities and other obligations

in EUR million	Sep 08	Dec 07	Change
Contingent liabilities	**21,115**	**19,194**	**10.0%**
Guarantees and warranties	20,760	18,765	10.6%
Other	355	429	-17.2%
Other obligations	**22,650**	**21,500**	**5.3%**
Undrawn credit and loan commitments, promissory notes	22,103	21,193	4.3%
Other	547	307	78.2%

Legal proceedings

Haftungsverbund/Savings Banks

In 2002 Erste Group Bank AG 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 AG 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 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 AG and the other parties. In April 2008, Erste Group Bank AG and the Cartel Court reached an understanding on the necessary adjustments to be made. This understanding (commitments within the meaning of § 27 KartG) were 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 remanded the case to the Cartel Court for a new decision. 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's balance sheet.

In 2007, Erste Group Bank AG entered into agreements with all Austrian savings banks (with the exception of two: Allgemeine Sparkasse Oberösterreich and Sparkasse Kufstein) that grant Erste Group Bank AG, 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 AG and Allgemeine Sparkasse Oberösterreich 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 AG and Sparkasse Kufstein have adopted the necessary internal resolutions in order to enter into an agreement similar to the ones with the other Austrian savings banks. The necessary filings of the official applications with the competition authorities will be completed as soon as possible.

20) Headcount at 30 September 2008 (weighted by degree of employment)

	Sep 08	Dec 07	Change
Employed by Erste Group	**54,452**	**52,442**	**3.8%**
Austria incl. Haftungsverbund savings banks	16,258	15,658	3.8%
Erste Holding, EB Oesterreich and subsidiaries	8,548	8,452	1.1%
Haftungsverbund savings banks	7,710	7,206	7.0%
Central and Eastern Europe / International	38,194	36,784	3.8%
Česká spořitelna Group	10,881	10,842	0.4%
Banca Comercială Română Group	11,735	12,224	-4.0%
Slovenská sporiteľňa Group	4,988	4,763	4.7%
Erste Bank Hungary Group	3,240	3,056	6.0%
Erste Bank Croatia Group	2,013	1,886	6.7%
Erste Bank Serbia	989	958	3.2%
Erste Bank Ukraine	2,049	1,130	81.3%
Other subsidiaries and foreign branch offices	2,299	1,925	19.4%

E. SEGMENT REPORTING

Retail & SME

Erste Bank Oesterreich

This segment comprises Erste Bank Oesterreich (in particular retail and SME business) and its subsidiaries, primarily the savings banks in which Erste Bank Oesterreich has majority holdings (Salzburg, Tirol and Hainburg) and the s Bausparkasse (building society). The contributions made by the divisionalised business units Group Markets and Group Corporate and Investment Banking are reported under the respective segments.

Despite difficult market conditions, the operating result in this segment in the first three quarters of 2008 rose against the comparable figure for the previous year (EUR 189.7 million) by 3.2% to EUR 195.8 million. As expected, the fall in securities business affected net commission income accordingly (EUR 234.9 million compared to EUR 251.8 million in the previous year). The EUR 13.5 million rise in net interest income in the retail business to EUR 445.5 million made up for this fall. The improving trend in operating expenses continued: at EUR 498.1 million, these were 0.3% lower than in the previous year. The dramatic developments on the financial markets and the resulting requirement to revalue securities outside the trading portfolio belonging to Erste Bank Oesterreich and the savings banks were reflected in the other result (EUR -37.1 million compared to EUR -2.9 million in the same period in the previous year). This caused a drop in net profit after minorities of EUR 18.1 million to EUR 70.1 million. The cost/income ratio stood at 71.8% (compared to 72.5% for the same period in the previous year) and the return on equity was 9.7% (previous year: 13.3 %).

Savings banks

The wider scope of consolidation in the cross-guarantee system has an impact on the comparability of the figures with the previous year. Net interest income improved noticeably compared to the first three quarters in the previous year from EUR 641.5 million to EUR 702.7 million (up 9.5%). This increase is primarily due to the inclusion of the new savings banks. The rise in risk provisions from EUR 125.5 million in the previous year to EUR 158.3 million is largely explained by extraordinary provisions in the course of the takeover of one savings bank by another member of the cross guarantee system. General administrative expenses rose by EUR 62.2 million or 9.8% to EUR 697.0 million. Without the new savings banks, operating expenses would only have risen by 2%. The increase in net commission income (from EUR 282.8 million in the previous year to EUR 286.0 million) made up for the EUR 2.7 million fall in the net trading result to EUR 12.8 million. At EUR 304.5 million, the operating result reached the level of the previous year. Negative revaluation requirements for securities and other financial investments outside the trading portfolio brought the other result down from EUR -4.9 million in the previous year to EUR -44.2 million. The return on equity stood at 3.2%.

in EUR million	Retail & SME 1-9 08	Retail & SME 1-9 07	GCIB 1-9 08	GCIB 1-9 07	Group Markets 1-9 08	Group Markets 1-9 07	Corporate Center 1-9 08	Corporate Center 1-9 07
Net interest income	3,143.2	2,557.1	329.8	272.5	163.3	58.0	-62.9	-43.5
Risk provisions	-494.6	-305.9	-57.7	-30.2	0.0	0.0	-50.0	0.2
Net fee and commission income	1,268.7	1,157.9	113.8	94.4	114.1	114.6	-7.5	-12.7
Net trading result	95.6	81.9	4.3	5.7	97.5	196.5	-12.5	7.9
General administrative expenses	-2,646.4	-2,407.8	-126.4	-107.7	-142.9	-129.4	-138.0	-65.1
Other result	-117.9	-62.5	-23.0	11.7	-4.5	2.0	-124.0	-77.2
Pre-tax profit from continuing ops	**1,248.4**	**1,020.7**	**240.9**	**246.4**	**227.5**	**241.7**	**-394.9**	**-190.4**
Taxes on income	-259.4	-214.3	-54.0	-58.5	-49.0	-48.3	98.0	37.6
Post-tax profit from discontinued ops	8.4	25.4	0.0	0.0	0.0	0.0	601.8	0.0
Minority interests	-203.7	-213.4	-8.3	-14.2	-12.1	-15.8	19.5	21.0
Net profit after minorities	**793.6**	**618.4**	**178.6**	**173.8**	**166.4**	**177.6**	**324.4**	**-131.9**
Average risk-weighted assets	72,574.6	65,915.9	22,982.2	21,331.5	1,901.9	1,177.6	3,028.0	2,558.5
Average attributed equity	3,288.3	2,956.7	1,400.1	1,327.7	184.0	136.6	4,108.4	3,857.2
Cost/income ratio	**58.7%**	**63.4%**	**28.2%**	**28.9%**	**38.1%**	**35.1%**	**nm**	**nm**
ROE based on net profit	**32.2%**	**27.9%**	**17.0%**	**17.5%**	**120.6%**	**173.3%**	**nm**	**nm**

in EUR million	Savings Banks 1-9 08	Savings Banks 1-9 07	EB Oesterreich 1-9 08	EB Oesterreich 1-9 07	Austria 1-9 08	Austria 1-9 07
Net interest income	702.7	641.5	445.5	432.0	1,148.3	1,073.5
Risk provisions	-158.3	-125.5	-73.7	-74.7	-232.0	-200.2
Net fee and commission income	286.0	282.8	234.9	251.8	520.9	534.6
Net trading result	12.8	15.5	13.5	5.6	26.3	21.2
General administrative expenses	-697.0	-634.8	-498.1	-499.6	-1,195.1	-1,134.4
Other result	-44.2	-4.9	-37.1	-2.9	-81.4	-7.8
Pre-tax profit from continuing ops	**102.0**	**174.6**	**85.0**	**112.2**	**187.0**	**286.9**
Taxes on income	-37.0	-42.3	-18.5	-25.7	-55.5	-68.0
Post-tax profit from discontinued ops	0.0	0.0	4.9	8.3	4.9	8.3
Minority interests	-59.5	-119.8	-1.3	-6.6	-60.8	-126.4
Net profit after minorities	**5.4**	**12.5**	**70.1**	**88.3**	**75.6**	**100.7**
Average risk-weighted assets	24,409.6	22,953.3	14,142.3	12,763.1	38,551.9	35,716.4
Average attributed equity	224.6	228.5	966.6	882.1	1,191.2	1,110.6
Cost/income ratio	**69.6%**	**67.5%**	**71.8%**	**72.5%**	**70.5%**	**69.6%**
ROE based on net profit	**3.2%**	**7.3%**	**9.7%**	**13.3%**	**8.5%**	**12.1%**

in EUR million	Czech Republic 1-9 08	Czech Republic 1-9 07	Romania 1-9 08	Romania 1-9 07	Slovakia 1-9 08	Slovakia 1-9 07	Hungary 1-9 08	Hungary 1-9 07
Net interest income	794.2	590.0	542.5	369.6	256.2	213.6	211.4	178.2
Risk provisions	-78.3	-49.0	-69.6	21.6	-41.3	-24.6	-46.0	-35.1
Net fee and commission income	311.4	246.1	192.5	173.7	78.5	66.8	100.1	86.4
Net trading result	8.4	7.0	24.1	24.8	8.5	10.4	10.3	9.9
General administrative expenses	-566.9	-464.0	-352.3	-366.8	-189.0	-166.6	-176.8	-159.0
Other result	-74.0	-21.8	40.9	-6.8	-10.3	-11.5	0.7	-16.2
Pre-tax profit from continuing ops	**394.7**	**308.3**	**378.2**	**216.0**	**102.5**	**88.3**	**99.7**	**64.3**
Taxes on income	-80.8	-78.1	-62.8	-36.3	-18.0	-7.2	-25.5	-12.4
Post-tax profit from discontinued ops	8.0	10.5	-4.5	6.6	0.0	0.0	0.0	0.0
Minority interests	-9.7	-7.5	-100.4	-59.3	0.0	0.0	-0.1	-0.2
Net profit after minorities	**312.1**	**233.2**	**210.5**	**127.0**	**84.4**	**81.0**	**74.2**	**51.7**
Average risk-weighted assets	11,303.8	10,383.2	9,150.6	8,431.4	4,074.2	3,779.6	4,588.0	4,035.4
Average attributed equity	799.9	721.8	441.1	408.3	290.7	267.9	316.9	279.8
Cost/income ratio	**50.9%**	**55.0%**	**46.4%**	**64.6%**	**55.1%**	**57.3%**	**54.9%**	**57.9%**
ROE based on net profit	**52.0%**	**43.1%**	**63.6%**	**41.5%**	**38.7%**	**40.3%**	**31.2%**	**24.6%**

in EUR million	Croatia 1-9 08	Croatia 1-9 07	Serbia 1-9 08	Serbia 1-9 07	Ukraine 1-9 08	Ukraine 1-9 07	Total group 1-9 08	Total group 1-9 07
Net interest income	144.3	114.1	24.1	11.5	22.2	6.5	3,573.3	2,844.1
Risk provisions	-15.9	-12.0	-4.3	0.5	-7.3	-7.1	-602.3	-335.9
Net fee and commission income	57.6	46.1	5.4	3.6	2.3	0.6	1,489.0	1,354.2
Net trading result	11.4	7.4	2.3	1	4.3	0.2	184.9	292.0
General administrative expenses	-96.4	-81.4	-25.1	-20.3	-44.8	-15.4	-3,053.7	-2,709.9
Other result	1.7	0.3	4.3	1.2	0.2	0.1	-269.4	-126.1
Pre-tax profit from continuing ops	**102.6**	**74.5**	**6.7**	**-2.5**	**-23.0**	**-15.0**	**1,321.8**	**1,318.4**
Taxes on income	-20.7	-15.1	0.4	0.2	3.6	2.7	-264.4	-283.5
Post-tax profit from discontinued ops	0.0	0.0	0.0	0.0	0.0	0.0	610.2	25.4
Minority interests	-31.1	-20.2	-1.7	0.2	0.0	0.0	-204.6	-222.4
Net profit after minorities	**50.8**	**39.2**	**5.4**	**-2.2**	**-19.4**	**-12.3**	**1,463.0**	**837.9**
Average risk-weighted assets	3,559.6	2,985.8	808.4	423.8	538.0	160.2	100,486.6	90,983.5
Average attributed equity	161.9	131.1	43.4	24.2	43.0	12.9	8,980.8	8,280.1
Cost/income ratio	**45.2%**	**48.5%**	**78.9%**	**nm**	**nm**	**nm**	**58.2%**	**60.4%**
ROE based on net profit	**41.8%**	**39.9%**	**16.6%**	**nm**	**nm**	**nm**	**21.7%**	**13.5%**

Central and Eastern Europe

This segment mainly comprises the results from the retail and commercial business of Ceska sporitelna, Slovenská sporiteľňa, Erste Bank Hungary, Banca Comerciala Romana, Erste Bank Croatia, Erste Bank Serbia and Erste Bank Ukraine. The contributions made by the divisionalised business units Group Markets and Group Corporate and Investment Banking are reported under the respective segments.

Czech Republic

Ceska sporitelna improved its operating result by 44.3% (29.0% currency adjusted) from EUR 379.1 million to EUR 547.0 million. The significant 34.6% (20.4% when adjusted for currency movements) rise in net interest income to EUR 794.2 million is the result of customer loan growth and higher margins – and is also partly based on several interest rate hikes. The fall in interest rates in the third quarter has not yet had any significant effect on the results below. Net commission income rose by 26.5% (13.2% currency adjusted) from EUR 246.1 million to EUR 311.4 million. This was mainly due to the positive development in lending business and payment transfers. The 22.2% (9.3% currency adjusted) increase in general administrative expenses from EUR 464.0 million to EUR 566.9 million was because of higher personnel costs (routine salary adjustments) and increases in administrative expenses related to the expansion of the business.

The change in risk provisions (EUR 78.3 million compared to EUR 49.0 million in the same period of the previous year) reflected both the rise in business volumes as well as the sales offensive launched this year for higher margin consumer loans. Mortgage loans were deliberately not promoted in 2008. The reasons for the fall in the other result from EUR -21.8 million in the previous year to EUR -74.0 million, besides the market-induced revaluation requirements in the fair value portfolio and revaluation requirements for financial assets, included the performance of securitised loans due from Lehman Brothers (EUR -12.0 million). Net profit after minority interests stood at EUR 312.1 million, or 33.8% (19.7% currency adjusted) above the comparable figure for the previous year (EUR 233.2 million). Return on equity rose to 52.0% (compared to 43.1% in the previous year) and the cost-income ratio improved significantly from 55.0% to 50.9%.

Romania

Compared to the previous year's figure of EUR 127.0 million, Banca Comerciala Romana significantly raised net profit after minority interests by 65.7 % (83.1% currency adjusted) to EUR 210.5 million. The 46.8% rise in net interest income (62.2% currency adjusted) from EUR 369.6 million to EUR 542.5 was explained by increased lending volumes (+36%) and the required reclassification of interest-like commissions amounting to EUR 60.5 million from fees to interest income. Taken in conjunction with the rise in net commission income from EUR 173.7 million to EUR 192.5 million (above all from growth in the lending and payment areas), this led to a doubling of the operating result from EUR 201.3 million in the first three quarters of 2007 to EUR 406.8 million.

In addition to significant customer loan growth over the past quarters, the reason for the increase in risk provisions from EUR 21.6 million to EUR 69.6 million lay primarily in positive non-recurring items over the last year: the termination of the reinsurance of consumer loans as of May 2007, proceeds from the sale of receivables that had already been completely written off and a reserve release at group level in the previous years. Operating expenses rose when adjusted for currency movements by 6.1%, producing a cost/income ratio of 46.4% (compared to 64.6% in the previous year). This ratio included restructuring costs for the current financial year of EUR 9.6 million (2007: EUR 36.4 million). Return on equity was 63.6% which was a clear improvement over the previous year (41.5%).

Slovakia

Slovenská sporiteľňa improved its operating result by 24% (15.4% currency adjusted) from EUR 124.3 million to EUR 154.1 million. The main reason for this, based on higher levels of lending and growth in customer deposits, was the significant EUR 42.6 million rise in net interest income from EUR 213.6 million to EUR 256.2 million. At EUR 78.5 million, the 17.5% (9.4% currency adjusted) year-on-year improvement in net commission income also made a welcome contribution to the operating result. The rise in general administrative expenses from EUR 166.6 million in 2007 to the current level of EUR 189.0 million (up 5.7% currency adjusted) is due to system changes and other expenses relating to the introduction of the euro and a new core banking system. In line with customer loan growth, risk provisions increased from EUR 24.6 million in the previous year to EUR 41.3 million (up 56.6% currency adjusted). While net profit before minorities rose by 16.1% (8.1% currency adjusted), a significantly higher tax rate compared with the previous year, as a result of a legally required release of tax provisions in 2007, held down the rise in the result after minorities to 4.2% (from EUR 81.0 million in 2007 to EUR 84.4 million). When adjusted for currency movements, there was a slight drop of 3.0%. Return on equity was 38.7% compared to 40.3% in the previous year and the cost/income ratio improved – despite the major projects mentioned earlier – from 57.3% to 55.1%.

Hungary

The net contribution to the group from Erste Bank Hungary amounted to EUR 74.2 million despite the difficult macroeconomic developments. This was 43.4% (41.6% currency adjusted) above the comparable figure for the previous year (EUR 51.7 million). The significant 18.6% rise (17.1% currency adjusted) in net interest income from EUR 178.2 million to EUR 211.4 million was mainly the result of the expansion in lending to customers, particularly in the retail business. This positive development was helped by the correction of an interest expense accrual in 2007 amounting to a negative effect in the prior year period of EUR 8.0 million. After adjusting for this technical factor, the rise comes to 13.6%. The rise in net commission income of EUR 13.7 million (14.4% currency adjusted) to EUR 100.1 million resulted mainly from the growth in the lending business.

Despite the rise in operating expenses resulting from the expansion in business activities (increase in staff, office space, marketing) of 11.2% (9.8% when adjusted for currency movements) to EUR 176.8 million, the segment achieved net profit after minorities that, at EUR 74.2 million, was significantly higher (by 43.4%, or 41.6% currency adjusted) than the comparable figure for the previous year (EUR 51.7 million). The rise in risk provisions for loans and advances (of EUR 10.9 million from EUR 35.1 million to EUR 46.0 million) was a reflection on the one hand of the growth in lending and on the other hand of the general economic situation. The improvement in other income (EUR 0.7 million compared to EUR -16.2 million in 2007) was mainly due to a shift of local tax items to tax expenses (“municipal tax” and “innovation tax”). Return on equity rose from 24.6% to 31.2% and the cost/income ratio was 54.9% (previous year: 57.9%).

Croatia

Because the result of Diners Club Adriatic d.d. (DCA) was not included until the second quarter of 2007, a like-for-like comparison with the previous year is not entirely possible.
Erste Bank Croatia increased its net profit after minority interests compared to 2007 by EUR 11.6 million (27.8% currency adjusted) from EUR 39.2 million to EUR 50.8 million. The main reason for this was the considerable growth in net interest income, net commission income and the net trading result. Despite the legal restriction on lending growth, net interest income rose from EUR 114.1 million to EUR 144.3 million. This 26.4% increase (24.7% currency adjusted) is due to a considerable expansion in customer deposits (+12.1% since the start of the year). Positive trends in the payment and credit card business (DCA) led to a 24.9% rise (23.1% currency adjusted) in net commission income from EUR 46.1 million in 2007 to EUR 57.6 million. Improvements in the foreign exchange business both at the bank and the credit card subsidiary led to an improvement to the net trading result of EUR 4.0 million (from EUR 7.4 million to EUR 11.4 million). The increase in risk provisions from EUR 12.0 million to the current level of EUR 15.9 million reflects growth in the lending business and the inclusion of the credit card company. A rise in the headcount and higher IT and leasing expenses for the new administration building led to an 18.5% rise in operating expenses (16.9% currency adjusted) from EUR 81.4 million to the new figure of EUR 96.4 million. The cost/income ratio nevertheless improved from 48.5% to 45.2%. Return on equity stood at 41.8%.

Serbia

Net interest income more than doubled when compared with the previous year (EUR 11.5 million) to EUR 24.1 million. The main factors behind this were the significant rise in customer loans and customer deposits, higher loans and advances to credit institutions and a rise in the National Bank’s base rate. Net commission income rose mainly as a result of the 50.7% increase in payments transfers (51.4% when adjusted for currency movements) from EUR 3.6 million to EUR 5.4 million. Taken in conjunction with an improvement in the net trading result (EUR 2.3 million compared to EUR 0.9 million in the previous year) as a result of higher income from foreign exchange transactions, operating income virtually doubled from EUR 16.1 million to EUR 31.8 million. Despite the rise in general administrative expenses from EUR 20.3 million to EUR 25.1 million resulting from the expansion of the business, the operating result improved from EUR -4.2 million to EUR 6.7 million. The proceeds of the sale of an investment in the first quarter of 2008 had a positive effect on the other result (EUR 4.3 million compared to EUR 1.2 million in the previous year). Net profit after minority interests rose from EUR -2.2 million by EUR 7.6 million to EUR 5.4 million.

Ukraine

Following the completion of the takeover of Bank Prestige by Erste Bank Group in January of 2007, the focus of all efforts has been on expanding the market position of the bank, which in the meantime has been renamed to Erste Bank Ukraine. The bank currently operates 119 branches.

The increase in net interest income from EUR 6.5 million in the first three quarters of 2007 by EUR 15.7 million to EUR 22.2 million was due to the tripling of customer loans compared to the same period in the previous year. In addition, the prevailing market situation with its high demand for short-term liquidity produced a number of good business opportunities. Net fee and commission income was, at EUR 2.3 million, significantly above the level of the previous year (EUR 0.6 million) and was achieved above all through increased income from payment transfers. The growth in the net trading result of EUR 4.1 million (EUR 4.3 million compared to EUR 0.2 million in the previous year) was mainly based on a significant increase in income from fixed-income securities. The rise in general administrative expenses by EUR 29.4 million to EUR 44.8 million went hand in hand with the expansion of the business including, in addition to the expenses for building up the branch network, a considerable increase in the number of employees. Net profit after minority interests amounted to EUR -19.4 million.

Group Corporate and Investment Banking (GCIB)

The Group Corporate & Investment Banking segment includes the large corporate business with companies that are active in Erste Group's markets and have sales in excess of EUR 175 million. Erste Group's international business (excluding treasury activities) and its real estate business with large corporates, together with its leasing subsidiary Immorent and investment banking (including equity capital markets), are also allocated to this segment.

Net profit after minority interests in this segment rose by 2.8% from EUR 173.8 million to EUR 178.6 million. The rise in net interest income, which at EUR 329.8 million stood at 21.0% above the figure for the previous year, was due to an increase in business volumes in Group Large Corporates and Real Estate and a good performance by Immorent. The EUR 19.4 million rise (up 20.5%) in net commission income from EUR 94.4 million to EUR 113.8 million was based partly on significant growth at the real estate leasing subsidiary Immorent and partly on improvements in the international business in Vienna and Hong Kong. The higher risk provisions of EUR 57.7 million compared to EUR 30.2 million in the previous year resulted from the rise in financing volume and releases of risk provisions in the previous year. Despite the higher operating expenses (up from EUR 107.7 million to EUR 126.4 million) owing to higher IT and personnel costs, the operating result improved by 21.3% from EUR 265.0 million in the previous year to EUR 321.5 million. Market-induced revaluation requirements in the fair value portfolio were the main driver of the other result, which showed a EUR 34.7 million fall from EUR 11.7 million to the current level of EUR -23.0 million. The cost/income ratio stood at an impressive 28.2% (previous year: 28.9%) and return on equity at 17.0%.

Group Markets

The Group Markets segment comprises the divisionalised business units Group Treasury and Debt Capital Markets. Besides Erste Group Bank AG's own treasury activities, this includes the Treasury units of the CEE subsidiaries, the foreign subsidiaries in Hong Kong and New York, as well as the Treasury activities of the investment banks Erste Securities Polska, Erste Bank Investment Hungary and Erste Securities Zagreb.

The significant rise of EUR 105.3 million in net interest income from EUR 58.0 million to EUR 163.3 million is primarily down to the very good result generated by the money market area. At EUR 114.1 million, the segment kept net commission income – despite extremely difficult market conditions – at the level prevailing in the previous year. Owing to the developments on the financial markets, the net trading result worsened considerably in the third quarter, producing a fall against the comparable period in the previous year of 50.4% (from EUR 196.5 million in 2007 to EUR 97.5 million). The rise in operating expenses from EUR 129.4 million to EUR 142.9 million (10.4%) was a result of higher personnel and IT expenses connected to the divisionalisation. Net profit after minority interests showed a fall of EUR 11.2 million from EUR 177.6 million to stand now at EUR 166.4 million. The cost/income ratio stood at 38.1%.

Corporate Center

The Corporate Center segment includes results from companies that are not directly assigned to a specific business segment, profit consolidation between the segments, the linear depreciation of customer relationships at BCR and DCA and one-off effects which, in order to ensure comparability, were not assigned to a specific business segment. The proceeds from the sale of the insurance business to Vienna Insurance Group are reported under this heading. In addition, Erste Group Bank AG's balance sheet structure management will from now on be assigned to this segment. The results of the local balance sheet management structure units will continue to be reported under the individual segments.

Under net interest income, the positive contribution arising from the unwinding effect (EUR 50 million) was offset by a negative contribution from balance sheet management resulting from general market and interest rate developments. In total, this unwinding effect is earnings neutral because the positive effect on net interest income resulted in risk provisions in the same amount. Changes in net commission income and general administrative expenses were mainly due to profit consolidation of banking support operations. General administrative expenses were particularly impacted by group projects and costs in relation to the reorganisation of Erste Group. The other result includes the required linear depreciation of the customer bases of BCR and Diners Club Adriatic d.d. amounting to a total of EUR 58.0 million and revaluation requirements affecting the fair value portfolio. The post-tax profit from discontinued operations amounting to EUR 601.8 million includes the net proceeds after minorities arising from the sale of the insurance business to Vienna Insurance Group which was completed in September. The insurance business in Romania is not yet included as this transaction will not be completed until the fourth quarter.

F. CHANGES IN TOTAL QUALIFYING CAPITAL

in EUR million	Sep 08	Dec 07	Change
Subscribed capital (less own shares)	634	633	0.2%
Reserves and minority interests	6,970	6,655	4.7%
Intangible assets	-492	-485	1.4%
Core capital (Tier 1) before deductions	**7,112**	**6,802**	**4.6%**
Deductions from core capital (Tier 1) pursuant to section 23 (13/3) Austrian Banking Act	-181	-128	41.4%
Core capital (Tier 1) after deductions	**6,931**	**6,674**	**3.9%**
Eligible subordinated liabilities	4,052	3,875	4.6%
Revaluation reserve	131	130	0.8%
Excess risk provisions	0	250	na
Qualifying supplementary capital (Tier 2)	**4,183**	**4,255**	**-1.7%**
Short-term subordinated capital (Tier 3)	**400**	**386**	**3.6%**
Deductions from qualifying supplementary capital (Tier 2) - 50% pursuant to section 23 (13/3 - 4d), excluding deduction according to section 23 (13/4a) Austrian Banking Act	-181	-128	41.4%
Deductions from qualifying supplementary capital (Tier 2) pursuant to section 23 (13/4a) Austrian Banking Act	-257	-73	>100.0%
Total eligible qualifying capital	**11,076**	**11,114**	**-0.3%**
Capital requirement	9,595	8,769	9.4%
Surplus capital	1,481	2,345	-36.9%
Cover ratio	115.4%	126.7%	
Tier 1 ratio	6.6%	7.0%	
Solvency ratio	**9.4%**	**10.5%**	
Risk-weighted assesment basis pursuant to section 22 (2) Austrian Banking Act	105,342	95,091	10.8%
8% minimum capital requirement	**8,427**	**7,607**	**10.8%**
Standard approach	3,252	3,706	-12.3%
Internal ratings based approach	5,175	3,901	32.7%
Capital requirement for bond, FX and commodity exposure	400	394	1.5%
Capital requirement for operational risk	768	768	0.0%
Total required own funds	9,595	8,769	9.4%

Quarterly financial data

CONSOLIDATED INCOME STATEMENT OF ERSTE GROUP

in EUR million	Q3 07	Q4 07	Q1 08	Q2 08	Q3 08
Net interest income	986.6	1,101.7	1,151.1	1,154.9	1,267.3
Risk provisions for loans and advances	-96.6	-118.8	-163.1	-221.0	-218.2
Net fee and commission income	469.3	503.7	491.9	510.3	486.8
Net trading result	72.4	59.1	82.3	102.1	0.5
General administrative expenses	-918.1	-932.2	-964.8	-1,036.8	-1,052.1
Operating result	610.2	732.3	760.5	730.5	702.5
Other operating result	-43.9	-36.0	-22.9	-61.9	-56.2
Result from financial assets - FV	-42.3	-9.5	-72.9	-7.0	-35.0
Result from financial assets - AfS	17.5	6.1	-12.8	6.3	-5.1
Result from financial assets - HtM	0.1	0.1	0.0	0.1	-2.0
Pre-tax profit from continuing operations	445.0	574.2	488.8	447.0	386.0
Post-tax profit from discontinued ops	1.6	3.0	4.8	5.3	600.1
Net profit after minorities	**271.9**	**336.8**	**315.6**	**321.0**	**826.4**

CONSOLIDATED BALANCE SHEET OF ERSTE GROUP

in EUR million	Q3 07	Q4 07	Q1 08	Q2 08	Q3 08
Loans and advances to credit institutions	21,261	14,937	15,938	19,253	19,088
Loans and advances to customers	107,218	113,956	115,828	121,684	125,673
Risk provisions for loans and advances	-3,314	-3,296	-3,447	-3,574	-3,699
Trading and other financial assets	45,292	44,214	43,598	43,968	43,769
Other assets	30,115	30,708	32,550	32,827	24,589
Total assets	**200,572**	**200,519**	**204,467**	**214,158**	**209,420**
Deposits by banks	40,400	35,165	35,073	35,915	37,420
Customer deposits	98,184	100,116	103,863	108,842	110,964
Debt securities in issue	27,834	31,078	28,681	30,770	29,802
Other liabilities	17,424	17,168	19,186	20,540	12,406
Subordinated liabilities	5,423	5,589	5,776	6,045	5,969
Total equity	11,307	11,403	11,888	12,046	12,859
Shareholder's equity	8,438	8,452	8,586	8,911	9,728
Minority interests	2,869	2,951	3,302	3,135	3,131
Total liabilities and equity	**200,572**	**200,519**	**204,467**	**214,158**	**209,420**

SHAREHOLDER EVENTS

12 December 2008	6th Capital Markets Day
28 February 2009	Full-year preliminary results 2008
3 April 2009	Publication of Annual report 2008
30 April 2009	Results for the first quarter of 2009
12 May 2009	Annual general meeting
15 May 2009	Ex-Dividend Day
19 May 2009	Dividend Payment Day
30 July 2009	Results for the first half year of 2009
30 October 2009	Results for the first three quarters of 2009

GROUP INVESTOR RELATIONS

ERSTE GROUP BANK AG, Milchgasse 1, A-1010 Vienna

Phone: +43 – (0)5 0100 - 17693
Fax: +43 – (0)5 0100 - 913112
Email: investor.relations@erstegroup.com
Internet: www.erstegroup.com/investorrelations

Gabriele Werzer
Phone: +43 – (0)5 0100 - 11286
Email: gabriele.werzer@erstegroup.com

Thomas Sommerauer
Phone: +43 – (0)5 0100 - 17326
Email: thomas.sommerauer@erstegroup.com

Peter Makray
Phone: +43 – (0)5 0100 - 16878
Email: peter.makray@erstegroup.com

TICKER SYMBOLS

Reuters:	ERST.VI
Bloomberg:	EBS AV
Datastream:	0:ERS
ISIN:	AT0000652011