ERSTE GROUP

Half Yearly Financial Report 2010

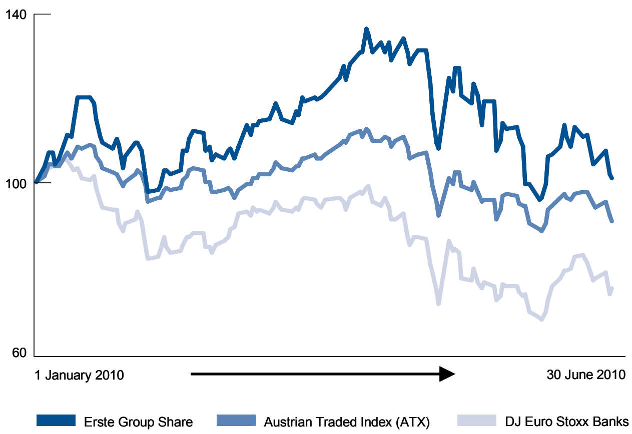
KEY FINANCIAL AND SHARE DATA

in EUR million	1-6 10	1-6 09
Income statement		
Net interest income	2,684.8	2,505.3
Risk provisions for loans and advances	-1,084.2	-892.1
Net fee and commission income	965.0	888.2
Net trading result	240.0	343.1
General administrative expenses	-1,898.4	-1,960.2
Other result	-142.4	-119.2
Pre-tax profit from continuing operations	764.8	765.1
Post-tax profit from discontinuing operations	0.0	0.0
Attributable to owners of the parent	471.9	492.1
Profitability ratios		
Net interest margin	3.0%	2.9%
Cost/income ratio	48.8%	52.5%
Return on equity	7.2%	11.2%
Earnings per share	1.07	1.35
	Jun 10	**Dec 09**
Balance sheet		
Loans and advances to credit institutions	16,408	13,140
Loans and advances to customers	130,960	129,134
Risk provisions for loans and advances	-5,796	-4,954
Trading and other financial assets	44,714	42,884
Other assets	22,798	21,506
Total assets	**209,084**	**201,710**
Deposits by banks	26,730	26,295
Customer deposits	116,558	112,042
Debt securities in issue	29,841	29,612
Other liabilities	13,496	11,490
Subordinated liabilities	5,978	6,148
Total equity	16,481	16,123
Total liabilities and equity	**209,084**	**201,710**
Changes in total qualifying capital		
Risk weighted assesment basis pursuant to section 22 (1/1) Austrian Banking Act	104,868	106,383
Tier 1 ratio - credit risk	11.2%	10.8%
Tier 1 ratio - total risk	9.6%	9.2%
Solvency ratio	12.9%	12.7%
	1-6 10	**1-6 09**
Stock market data (Vienna Stock Exchange)		
High (EUR)	35.08	21.37
Low (EUR)	25.10	7.00
Closing price (EUR)	26.36	19.23
Market capitalisation (EUR billion)	9.97	6.11

Ratings at 30 June 2010

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

Performance of the Erste Group share (indexed)



Highlights

_ Erste Group continued its strong start to FY 2010, posting a robust operating result of EUR 1,991.4 million in H1 2010, up 12.1% on H1 2009, and net profit of EUR 471.9 million, down 4.1% on H1 2009. The cost/income ratio improved to 48.8%, from 52.5% in H1 2009.

_ The operating result was driven by record operating income, which rose by 4.1% to EUR 3,889.8 million, and a decline in operating expenses, which fell by 3.2% to EUR 1,898.4 million. Net interest income grew by 7.2% to EUR 2,684.8 million on the back of an improving net interest margin, which rose to 3.04%, from 2.92% in H1 2009. Net commission income performed strongly, growing by 8.6% to EUR 965.0 million in H1 2010, due to increased fees from securities business and payment transfers. Net trading result declined by 30.0% to EUR 240.0 million compared to an exceptional H1 2009.

_ Risk costs rose to EUR 1,084.2 million or 167 basis points of average customer loans (H1 09: EUR 892.1 million and 141 bps, respectively), albeit at a markedly slowing pace of 21.5% compared to the previous year.

_ Following strong deceleration in NPL growth seen in the second half of 2009, new NPL formation in H1 2010 remained at this lower level. As a result, the NPL ratio in relation to customer loans reached 7.3%, following 5.9% at 30 June 2009. The NPL coverage ratio improved significantly to 59.7%, compared to 55.2% at 30 June 2009.

_ Net profit after minorities[1] declined by 4.1%, from EUR 492.1 million to EUR 471.9 million in H1 2010, on the back of a weaker other operating result and increased net profit attributable to minorities. Cash return on equity decreased from 9.7% in FY 2009 to 7.5% as a result of the significantly enlarged capital base.

_ Total assets increased by 3.7% year-to-date to EUR 209.1 billion. This was mainly due to rising interbank and financial asset volumes, driven by strong growth in customer deposits (+4.0% year-to-date to EUR 116.6 billion). The loan-to-deposit ratio was 112.4% (year-end 2009: 115.3%).

_ Erste Group's shareholders' equity[2] continued to improve in H1 2010, driven by rising quarterly earnings and a positive change in the AfS reserve. In H1 2010, Erste Group's equity therefore rose by EUR 0.2 billion to EUR 12.9 billion. Alongside stagnant loan volumes, risk-weighted assets declined from EUR 106.4 billion at year-end 2009 to at EUR 104.9 billion. Prior to the inclusion of retained earnings, this resulted in a tier 1 ratio (credit risk) of 11.2%, compared to 10.8% at year-end 2009 and a core tier 1 ratio (total risk) of 8.6%, up from 8.3% at year-end 2009.

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

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

Letter from the CEO

Dear shareholders,

Erste Group has built on its strong start to the 2010 financial year, supported by an excellent operating result, the continued stabilisation in risk costs and a further gradual improvement of economic fundamentals in Central and Eastern Europe. First half 2010 operating profit rose by 12.1% year-on-year to EUR 1,991.4 million. This development was all the more satisfactory as it was primarily driven by record revenues and to a lesser extent by declining operating expenses; at the same time the cost/income ratio improved to 48.8%. Risk costs still rose year-on-year – albeit at a declining rate of 21.5% compared to the previous year. Due to a more negative other operating result and higher net profit attributable to the savings banks minorities, net profit declined by 4.1% to EUR 471.9 million. As a consequence of solid profitability, improved securities valuations and even after factoring in the dividend payout to equity and participation capital holders our capital position continued to improve compared with year-end 2009.

The macroeconomic environment in Central and Eastern Europe stabilised further in the first half of 2010. While domestic demand remained generally weak, a faster than expected recovery in external demand underpinned the turnaround in industrial production and, over time, should also have a dampening effect on unemployment. Of our core markets Austria, the Czech Republic and Slovakia have moved along furthest on the economic recovery path. Less developed Romania still has some way to go before posting growth, but has reached an agreement with the IMF about structural reforms in the public sector. In order to boost economic activity Romania's – so far unproven – ability to identify and implement infrastructure projects will be of key importance. In Hungary the new government has adopted a wide-ranging economic reform programme, featuring tax cuts for SMEs and salaried employees, which should reduce tax evasion and increase revenue intake; unfortunately, Hungary has also enacted a banking tax, which – at 50 basis points of total assets – will place a disproportionate burden on the banking sector in 2010 and 2011.

In light of the continued economic stabilisation, Erste Group posted its highest ever quarterly revenues in the second quarter of 2010. This was due to strong net interest income and accelerating fee income, which more than offset a substantial decline in net trading result. Net interest income benefited from stable margins and a small increase in interest-bearing assets. Net commission income continued to grow dynamically compared to the first quarter, supported by growth in fees from payment transfers, securities business and lending business. The net trading result retreated as expected driven by a substantial decline in securities trading. Record operating income was complemented by a declining cost base – year-on-year as well as sequentially, which was mainly due to lower personnel and other administrative expenses.

Our retail & SME business performed well in the first half of 2010. Our Austrian operations, led by Erste Bank Oesterreich, turned in an excellent performance, supported by a pick-up in fee income, declining operating expenses and lower risk costs compared to the first half of 2009. The Czech Republic remained the most important profit contributor in Central and Eastern Europe. While results were slightly flattered by currency appreciation, operating profit remained strong. At the same time risk costs grew considerably in the retail as well as the corporate segment. In Romania, the improvement in operating profit could not offset the substantial increase in risk provisions, resulting in a year-on-year decline in net profit. In Slovakia our business returned to pre-crisis profitability on the back of an outstanding operating performance and a very moderate increase in risk costs. In Hungary we also coped well with substantially increased risk costs thanks to significantly higher operating income and lower expenses.

The development of asset quality and risk costs continued to be a key determinant of profitability. Quarterly new NPL formation halved in the second half of 2009, after peaking in the second quarter of 2009. This trend was confirmed in the first half of 2010 and meant that the NPL ratio rose to 7.3%. This increase was mainly driven by a stable development in Austria and a deterioration in selected CEE countries. While risk costs remained at an elevated level, the slight increase compared to the first quarter of 2010 was mainly due to higher provisions in the GCIB segment. At the same time, the NPL coverage excluding collateral improved significantly to 59.7% from 57.2% at year-end 2009.

The continued strong operating performance in the first half of 2010 provides a sound basis for the rest of the year – a year that will likely see a stabilisation in asset quality and limited business growth. Nonetheless, we are in better shape now than we were before the economic downturn: our capital ratios have continuously strengthened over the past quarters, operating efficiency has improved significantly and our funding mix is also more favourable. The resilience of our business model was also confirmed by the EU-wide banking stress test, which we passed comfortably despite applying tougher macroeconomic assumptions for Central and Eastern Europe than required by the European regulator. Accordingly, we feel very comfortable with operating in a region that has better long-term growth prospects than Western Europe.

Andreas Treichl mp

Erste Group Share

EQUITY MARKET REVIEW

In the second quarter 2010, global stock markets initially continued the rally they had enjoyed for more than twelve months until, in mid-April, profit-taking resulted in a sharp rise in volatility and falling stock prices. Growing uncertainty among investors over concerns such as the economic outlook, sovereign debt, euro weakness and the austerity packages announced by a number of governments were further factors driving the equity sell-off. With most equity markets suffering double-digit losses in the second quarter, their year-to-date performance turned negative. The US Dow Jones Industrials Index closed the first half of the year 10.0% down at 9,774.02 points. The European EuroStoxx 50 Index has posted a 12.3% decline since the beginning of the year and closed at 2,570.58 points.

The financial and economic crisis with the subsequent bailout and economic stimulus packages adopted by governments as a response to these developments resulted in a massive rise in fiscal deficits. Concerns over growing sovereign debt prompted by the escalation of the situation in Greece and the credit reviews and downgrades of a number of countries by the rating agencies caused the euro to soften further against the US dollar and other currencies. To counteract euro speculation, the EU member states agreed in May to set up a rescue mechanism worth EUR 750 billion. The governments also announced measures designed to balance budgets and lead to fiscal consolidation.

At the same time, there was continued uncertainty about the pace of the economic recovery, as economic indicators failed to paint a consistent picture. Rising productivity in the US and in Europe contrasted with weak consumer confidence and sluggish end user demand. Likewise, worries about the impact of planned fiscal consolidation and debt reduction on GDP growth motivated investors to take a more conservative stance, which raised volatility in the financial markets even further.

As they expected growth to slow down in an uncertain environment, the European Central Bank (ECB) and the Bank of England (BoE) left their key interest rates unchanged at their historic lows. The US central bank (Fed) also continued its low-interest-rate policy against the backdrop of the European debt crisis and its potentially negative effects on US growth.

Bank shares continued their downtrend in the second quarter with increased momentum. Share prices were depressed by the effects of the debt crisis and concerns about the liquidity situation and access to funding of European banks. The DJ Euro Stoxx Bank Index, which is composed of leading European bank shares, lost 19.0% in the second quarter and declined by 23.6% year to date to 167.90 points.

The domestic stock market followed the negative global performance in the quarter under review. After its positive performance in the first quarter, the ATX (Austrian Traded Index) suffered a decline of 13.5% in the second quarter. This development was attributable in part to the slide in banking shares. Over the reporting period, the ATX (Austrian Traded Index) dropped by 8.7% to 2,278.80 points.

PERFORMANCE OF THE ERSTE GROUP SHARE

In the second quarter, the Erste Group share was volatile, reaching a new year-to-date high of EUR 35.08 on 14 April and its year-to-date low at EUR 25.10 on 7 June. The share was supported by positive analyst feedback following the release of the financial results in late April. In addition to reiterating their recommendations, many analysts raised their price targets for the Erste Group share.

Following the negative performance of global stock markets and the marked setback suffered by bank shares, the Erste Group share also sustained significant losses. The decline in the second quarter almost offset the positive performance in the first quarter. At the end of the first half of 2010, the Erste Group share traded at EUR 26.36, up 1.1% on year-end 2009. The Erste Group share thus clearly outperformed both the ATX and the DJ Euro Stoxx Bank Index, which closed the first half of 2010 in negative territory.

INVESTOR RELATIONS

In the second quarter of 2010, the Erste Group's management and its investor relations team held a large number of one-on-one and group meetings. Erste Group’s strategy was presented against the backdrop of the current economic environment at the spring road show in Europe and in the US following the release of first quarter earnings, and at international banking and investor conferences hosted by UBS, Deutsche Bank, Cheuvreux, Bank of America Merrill Lynch, Goldman Sachs, and HSBC.

On 12 April 2010, an Internet chat with Erste Group’s CEO was held for the tenth time. Many retail investors and interested parties had the opportunity to communicate directly with the chairman of the management board, Andreas Treichl.

On 18 June 2010, 251,635 new shares issued by Erste Group under the employee share ownership programme (ESOP) were listed at the stock exchanges in Vienna, Prague, and Bucharest. The number of outstanding Erste Group shares therefore rose from 377,925,086 to 378,176,721.

Interim Management Report

In the interim management report, financial results from the first half of 2009 are compared with those from the first half of 2010. Unless stated otherwise, terms such as "in the previous year", "2009" or "as of the second quarter of 2009" accordingly relate to the first half of 2009, and terms such as "this year", "2010" or "as of the second quarter of 2010" relate to the first half of 2010.

EARNINGS PERFORMANCE IN BRIEF

The **operating result** rose to EUR 1,991.4 million in the first half of 2010 (+12.1% vs. EUR 1,776.4 million in H1 2009). This was driven mainly by higher net interest income and net commission income as well as decreasing general administrative expenses. At the same time, net trading result declined.

Overall, **operating income** rose by 4.1% to EUR 3,889.8 million (vs. EUR 3,736.6 million in H1 2009). This was primarily the result of the increase in net interest income (+7.2% to EUR 2,684.8 million) and net commission income (+8.6% to EUR 965.0 million). The net trading result decreased by 30.0% to EUR 240.0 million. The 3.2% reduction in **general administrative expenses** from EUR 1,960.2 million to EUR 1,898.4 million also had a major influence on the result. Accordingly, the **cost/income ratio** continued to improve to 48.8% (first half of 2009: 52.5%).

Net profit attributable to owners of the parent was down by 4.1%, from EUR 492.1 million to EUR 471.9 million.

Cash return on equity, i.e. return on equity adjusted for non-cash expenses such as goodwill impairments and the straight-line amortisation of the customer base declined from 9.7% (reported ROE: 9.1%) in 2009 to 7.5% (reported ROE: 7.2%). The main reason for this development was the substantial widening of the capital base by nearly 50% last year (shareholders' equity in H1 2009: EUR 8.8 billion; in H1 2010: EUR 13.1 billion).

Cash earnings per share equalled EUR 1.13 (reported EPS: 1.07) in H1 2010, down on the first half of 2009 (EUR 1.41; reported EPS: 1.35). This indicator was also impacted by the higher capital base.
Total assets rose by 3.7% year-to-date to EUR 209.1 billion. On the liability side, this was due mainly to the steep increase in customer deposits, which triggered a rise in interbank assets and securities investments on the asset side.

Alongside a slight decline in risk-weighted assets, the **solvency ratio** improved from 12.7% at year-end 2009 to 12.9% as of 30 June 2010. Therefore, the level remained well above the mandatory minimum requirement of 8.0%. **Tier 1 ratio (credit risk)** was 11.2% on 30 June 2010 (year-end 2009: 10.8%).

OUTLOOK

Erste Group's most developed markets in Central and Eastern Europe, such as Austria, the Czech Republic, Slovakia and Hungary, have successfully emerged from recession and are expected to record moderate growth in 2010. In these countries, the economic recovery will initially be driven by exports rather than domestic demand. In Romania, the recovery will be more protracted, with economic growth not set to return before 2011. Accordingly, customer loan volumes in CEE are expected to remain muted during the course of this year. The general improvement in operating conditions should have positive, if gradual, effects on asset quality. Accordingly, Erste Group continues to expect risk costs for the current financial year to remain at the level of 2009.

Erste Group has performed exceptionally well during difficult economic times and is ideally placed to capitalise on future growth opportunities in Central and Eastern Europe.

PERFORMANCE IN DETAIL

in EUR million	1-6 10	1-6 09	Change
Net interest income	2,684.8	2,505.3	7.2%
Risk provisions for loans and advances	-1,084.2	-892.1	21.5%
Net fee and commission income	965.0	888.2	8.6%
Net trading result	240.0	343.1	-30.0%
General administrative expenses	-1,898.4	-1,960.2	-3.2%
Other result	-142.4	-119.2	-19.5%
Pre-tax profit from continuing operations	**764.8**	**765.1**	**0.0%**
Post-tax profit from discontinuing operations	0.0	0.0	na
Net profit for the period	**588.9**	**573.8**	**2.6%**
attributable to			
non-controlling interests	117.0	81.7	43.2%
owners of the parent	**471.9**	**492.1**	**-4.1%**

Net interest income

Net interest income rose by 7.2% from EUR 2,505.3 million in the first half of 2009 to EUR 2,684.8 million. This was achieved primarily thanks to the improved net interest margin (net interest income as a percentage of average interest-bearing assets), which increased from 2.92% in H1 2009 to 3.04% in H1 2010 – above all in Austria (up from 1.91% to 2.00%); in Central and Eastern Europe it remained almost unchanged (up from 4.55% to 4.57%).

Net commission income

in EUR million	1-6 10	1-6 09	Change
Lending business	160.8	155.3	3.5%
Payment transfers	418.5	395.0	5.9%
Card business	90.7	91.5	-0.9%
Securities transactions	227.1	190.6	19.2%
Investment fund transactions	95.8	78.1	22.7%
Custodial fees	20.9	21.7	-3.7%
Brokerage	110.4	90.8	21.6%
Insurance brokerage business	54.2	46.8	15.8%
Building society brokerage	22.2	19.9	11.6%
Foreign exchange transactions	14.3	14.1	1.4%
Investment banking business	15.2	6.5	>100.0%
Other	52.7	60.0	-12.2%
Total	**965.0**	**888.2**	**8.6%**

Net fee and commission income grew by 8.6% from EUR 888.2 million to EUR 965.0 million in the first half of 2010. This performance was driven mainly by gains in fees from securities business of Erste Bank Oesterreich and the cross-guarantee system savings banks as well as fees from payment transfers in the CEE subsidiaries. As in previous periods, the insurance brokerage business continued to perform well.

Net trading result

As the decline in income from securities trading (by 48.3% to EUR 88.5 million) and foreign exchange trading (by 17.4% to EUR 110.8 million) was not offset by higher income from derivatives trading (up 7.8% to EUR 40.7 million), the net trading result of EUR 240.0 million for H1 2010 remained below the exceptional level of the previous year of EUR 343.1 million.

General administrative expenses

in EUR million	1-6 10	1-6 09	Change
Personnel expenses	-1,091.0	-1,124.2	-3.0%
Other administrative expenses	-616.4	-656.7	-6.1%
Depreciation and amortisation	-191.0	-179.3	6.5%
Total	**-1,898.4**	**-1,960.2**	**-3.2%**

General administrative expenses decreased by 3.2% (currency-adjusted: -4.7%) from EUR 1,960.2 million to EUR 1,898.4 million.

Personnel expenses declined by 3.0% (currency-adjusted: -4.1%) from EUR 1,124.2 million to EUR 1,091.0 million. Efficiency improvements that were initiated in 2009 and which led to a year-on-year decline of 2.4% in headcount – especially at the savings banks and at Erste Bank Oesterreich – had a positive effect on this development. In Central and Eastern Europe and in particular in Slovakia such efficiency improvements also led to declines in headcount.

Other administrative expenses declined by 6.1% in H1 2010 (currency-adjusted: 8.1%) from EUR 656.7 million to EUR 616.4 million. This was achieved mainly through cost savings in the area of IT, legal and consulting fees, as well as payroll-related costs.

Depreciation and amortisation rose by 6.5%in the first half of 2010 (currency-adjusted: 4.4%) versus the same period of the previous year, from EUR 179.3 million to EUR 191.0 million.

Headcount at 30 June 2010

	Jun 10	Dec 09	Change
Employed by Erste Group	**50,156**	**50,488**	**-0.7%**
Austria incl. Haftungsverbund savings banks	15,757	16,107	-2.2%
Erste Group, EB Oesterreich and subsidiaries	8,126	8,359	-2.8%
Haftungsverbund savings banks	7,631	7,748	-1.5%
Central and Eastern Europe / International	34,399	34,381	0.1%
Česká spořitelna Group	10,776	10,698	0.7%
Banca Comercială Română Group	9,141	9,012	1.4%
Slovenská sporiteľňa Group	4,051	4,238	-4.4%
Erste Bank Hungary Group	3,085	3,181	-3.0%
Erste Bank Croatia Group	2,323	2,265	2.6%
Erste Bank Serbia	931	909	2.4%
Erste Bank Ukraine	1,725	1,727	-0.1%
Other subsidiaries and foreign branch offices	2,367	2,351	0.7%

Operating result

The rise in **operating income** by 4.1% from EUR 3,736.6 million to EUR 3,889.8 million and the reduction in **general administrative expenses** by 3.2% from EUR 1,960.2 million to EUR 1,898.4 million led to a higher **operating result,** which rose by 12.1% from EUR 1,776.4 million in H1 2009 to EUR 1,991.4 million in H1 2010.

Risk provisions

Risk provisions, i.e., the balance of the allocation/release of provisions for the lending business and the costs of direct loan write-offs and income from recovery of loans already written off, increased year-on-year by 21.5%, from EUR 892.1 million to EUR 1,084.2. Risk costs in relation to average customer loans were 167 bps in the first half of 2010 (H1 2009: 141 bps).

Other operating result

Other operating result worsened from EUR -87.5 million in H1 2009 to EUR -158.8 million in H1 2010. This item includes the linear amortisation of intangible assets (customer relationships) of EUR 35.0 million as well as deposit insurance contributions of EUR 29.3 million. Furthermore, the item was impacted by write-downs on IT projects and the leasing portfolio of BCR as well as provisions for litigation totalling EUR 32.6 million for the first half of 2010. In the second quarter of 2010, an additional EUR 30 million in provisions were made for potential expenses such as the bank tax in Hungary.

Results from financial assets

The overall result of all categories of financial assets developed positively, as the negative result of the first half of 2009 (EUR -31.7 million) swung into a profit of EUR 16.4 million for the first half of 2010. The main drivers were gains on sales of shares and government bonds in the AfS portfolio. Moreover, disposal gains on securities from the HtM portfolio of Česká spořitelna of EUR 4.4 million had a positive impact on the total balance.

As of 30 June 2010, the market value of the **ABS/CDO portfolio** of Erste Group including the savings banks, was unchanged versus year-end 2009 at around EUR 1.9 billion. In the first half of 2010, a revaluation of the fair value portfolio resulted in a gain of EUR 12.8 million recognised in income (H1 2009: EUR -50.0 million). In the available for sale portfolio, the mark-to-market valuation in H1 2010 resulted in a gain – recognised in equity – of EUR 11.2 million (H1 2009: decline of EUR 43.0 million).

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

Pre-tax profit from continuing operations remained nearly unchanged compared to the same period last year at EUR 764.8 million.

Net profit attributable to owners of the parent was down by 4.1% from EUR 492.1 million to EUR 471.9 million compared to the first half of 2009. This was mainly due to a 43.2% rise in net profit attributable to minority interests on the back of an improved performance of the Austrian savings banks.

FINANCIAL RESULTS – QUARTER-ON-QUARTER COMPARISON

Net interest income increased quarter-on-quarter by 2.8% from EUR 1,323.6 million to EUR 1,361.2 million based on stable margins in Austria as well as Central and Eastern Europe and slightly higher interest-bearing assets.

Net fee and commission income was up by 4.7% from EUR 471.5 million in Q1 2010 to EUR 493.5 million in Q2 2010. This development was mainly driven by higher fees from securities business and payment transfers as well as a pick-up in lending fees in CEE on the back of a very weak first quarter.

After a robust result achieved in Q1 2010, the **net trading result** deteriorated by 30.0% from EUR 141.2 million to EUR 98.8 million. While trading income from foreign exchange transactions improved significantly to EUR 68.8 million, income from securities and derivatives trading dropped quarter-on-quarter by 69.8% to EUR 30.0 million.

General administrative expenses decreased by 0.8% from EUR 953.1 million to EUR 945.3 million in Q2 2010. Other administrative expenses declined, especially among the CEE subsidiaries, by 3.6% (from EUR 313.8 million to EUR 302.6 million), which more than offset the 4.1% increase in amortisation/depreciation expenses (from EUR 93.6 million to EUR 97.4 million). Personnel expenses remained almost unchanged versus the previous quarter at EUR 545.3 million.

The **operating result** grew by 2.5% from EUR 983.2 million in Q1 2010 to a record EUR 1,008.2 million in Q2 2010.

The **cost/income ratio** improved from 49.2% to 48.4%.

At EUR 553.0 million, **risk provisions for loans and advances** were higher than in Q1 2010 (EUR 531.2 million), mainly due to increased provisions in the large corporate business.

The balance reported under **other operating result** deteriorated by 34.6%, from EUR -67.7 million in the previous quarter to EUR -91.1 million. In the second quarter, provisions of EUR 30 million were made for potential expenses such as the bank tax in Hungary.

The result from all categories of financial assets turned negative, from EUR 17.8 million in Q1 2010 to EUR -1.4 million in Q2 2010. Higher revaluation requirements in the fair value portfolio were not offset by disposal gains from shares and government bonds from the AfS portfolio.

Pre-tax profit from continuing operations decreased by 9.8%, from EUR 402.1 million in Q1 2010 to EUR 362.7 million in Q2 2010.

Net profit attributable to owners of the parent was down 15.1% from EUR 255.2 million in Q1 2010 to EUR 216.7 million in Q2 2010 driven by a lower net trading result and a deterioration in the other operating result.

DEVELOPMENT OF THE BALANCE SHEET

in EUR million	Jun 10	Dec 09	Change
Loans and advances to credit institutions	16,408	13,140	24.9%
Loans and advances to customers	130,960	129,134	1.4%
Risk provisions for loans and advances	-5,796	-4,954	17.0%
Trading and other financial assets	44,714	42,884	4.3%
Other assets	22,798	21,506	6.0%
Total assets	**209,084**	**201,710**	**3.7%**

in EUR million	Jun 10	Dec 09	Change
Deposits by banks	26,730	26,295	1.7%
Customer deposits	116,558	112,042	4.0%
Debt securities in issue	29,841	29,612	0.8%
Other liabilities	13,496	11,490	17.5%
Subordinated liabilities	5,978	6,148	-2.8%
Total equity	16,481	16,123	2.2%
attributable to			
non-controlling interests	3,561	3,414	4.3%
owners of the parent	12,920	12,709	1.7%
Total liabilities and equity	**209,084**	**201,710**	**3.7%**

Loans and advances to credit institutions increased as of 30 June 2010 by 24.9% to EUR 16.4 billion from EUR 13.1 billion at year-end 2009. This was due mainly to the increase in repo transactions with the Czech central bank (EUR +3.5 billion).

Loans and advances to customers rose by 1.4% from EUR 129.1 billion to EUR 131.0 billion, driven mainly by currency shifts in Central and Eastern Europe.

Risk provisions for loans and advances increased from EUR 5.0 billion to EUR 5.8 billion due to new allocations as a result of the difficult economic conditions. The ratio of non-performing loans to customer loans grew from 6.6% to 7.3% as of 30 June 2010. In contrast, the NPL coverage ratio continued its positive trend and rose from 57.2% at year-end 2009 to 59.7%.

Investment securities in the various categories of financial assets rose by 5.9% since year-end 2009, from EUR 34.3 billion to EUR 36.3 billion. The decline of 3.3% in the HtM portfolio to EUR 14.4 billion was more than offset by the increases in the fair value and AfS portfolios of 18.9% to EUR 3.6 billion and by 11.8% to 18.3 billion, respectively.

Customer deposits grew by 4.0%, from EUR 112.0 billion to EUR 116.6 billion, and therefore much faster than loans and advances to customers. This development was driven mainly by increases in the Czech Republic, especially by public sector deposits and by currency appreciation. The loan-to-deposit ratio improved to 112.4% as of 30 June 2010 and was therefore below that of 31 December 2009 (115.3%).

Debt securities in issue increased by 0.8%, from EUR 29.6 billion to EUR 29.8 billion

Other liabilities rose by 17.5% to EUR 13.5 billion, mainly driven by an increase in accrued prepayments.

Risk-weighted assets (RWA) declined to EUR 104.9 billion as of 30 June 2010 (31 December 2009: EUR 106.4 billion).

Total eligible **qualifying capital** of the Erste Group credit institution according to the Austrian Banking Act was more or less unchanged as of 30 June 2010 at EUR 15.8 billion. The cover ratio with respect to the statutory minimum requirement as of the reporting date (EUR 9.9bn) was 161% (year-end 2009: 159%)

Tier 1 capital after the deductions defined in the Austrian Banking Act was EUR 11.7 billion (year-end 2009: EUR 11.5 billion).

The **tier 1 ratio** based on credit risk (tier 1 capital after deductions pursuant to the Austrian Banking Act as a percentage of the assessment base for credit risk pursuant to section 22 para. 2 Austrian Banking Act) increased to 11.2% (year-end 2009: 10.8%). Taking into account the capital requirements for market and operational risk (total risk), the tier 1 ratio increased to 9.6% (year-end 2009: 9.2%); after further adjustments for hybrid capital, the core tier 1 ratio improved to 8.6% as of 30 June 2010 (year-end 2009: 8.3%).

The solvency ratio in relation to total risk (total eligible qualifying capital as a percentage of the assessment base for total risk pursuant to section 22 para. Austrian Banking Act) was 12.9% at 30 June 2010 (year-end 2009: 12.7%), and therefore significantly higher than the legal minimum requirement of 8.0%.

Condensed Consolidated Financial Statements

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

INCOME STATEMENT

in EUR million	(Notes)	1-6 10	1-6 09	Change
Interest and similar income		4,340.8	5,255.4	-17.4%
Interest and similar expenses		-1,668.1	-2,760.3	-39.6%
Income from associates accounted for at equity		12.1	10.2	18.6%
Net interest income	**(1)**	**2,684.8**	**2,505.3**	**7.2%**
Risk provisions for loans and advances	(2)	-1,084.2	-892.1	21.5%
Fee and commission income		1,194.6	1,092.2	9.4%
Fee and commission expenses		-229.6	-204.0	12.5%
Net fee and commission income	**(3)**	**965.0**	**888.2**	**8.6%**
Net trading result	(4)	240.0	343.1	-30.0%
General administrative expenses	(5)	-1,898.4	-1,960.2	-3.2%
Other operating result	(6)	-158.8	-87.5	-81.5%
Result from financial assets - FV		-24.6	-12.1	na
Result from financial assets - AfS		36.4	-18.7	na
Result from financial assets - HtM		4.6	-0.9	na
Pre-tax profit from continuing operations		**764.8**	**765.1**	**0.0%**
Taxes on income		-175.9	-191.3	-8.1%
Post-tax profit from continuing operations		**588.9**	**573.8**	**2.6%**
Post-tax profit from discontinuing operations		0.0	0.0	na
Net profit for the period		**588.9**	**573.8**	**2.6%**
attributable to				
non-controlling interests		117.0	81.7	43.2%
owners of the parent		**471.9**	**492.1**	**-4.1%**

EARNINGS PER SHARE

Earnings per share constitute net profit attributable to owners of the parent adjusted for the dividends related to the participation capital divided by the average number of shares outstanding.

Diluted earnings per share represent the maximum potential dilution (increase in the average number of shares) which would occur if all issued subscription and conversion rights were exercised.

in EUR	1-6 10	1-6 09	Change
Earnings per share	1.07	1.35	-20.7%
Diluted earnings per share	1.07	1.35	-20.7%
Cash earnings per share	1.13	1.41	-19.9%
Diluted cash earnings per share	1.12	1.41	-20.6%

STATEMENT OF COMPREHENSIVE INCOME

in EUR million	1-6 10	1-6 09	Change
Net profit before minorities	**588.9**	**573.8**	**2.6%**
Available for sale - reserve (including currency translation)	168.5	101.6	65.8%
Cash flow hedge - reserve (including currency translation)	-16.9	35.7	na
Actuarial gains and losses	0.0	0.0	na
Currency translation	-59.0	-89.1	33.8%
Deferred taxes on items recognised directly in equity	-39.7	-32.5	-22.2%
Other comprehensive income – total	**52.9**	**15.7**	**>100.0%**
Total comprehensive income	**641.8**	**589.5**	**8.9%**
attributable to			
non-controlling interests	184.1	136.9	34.5%
owners of the parent	**457.7**	**452.6**	**1.1%**

II. Balance sheet at 30 June 2010

in EUR million	(Notes)	Jun 10	Dec 09	Change
ASSETS				
Cash and balances with central banks		6,540	5,996	9.1%
Loans and advances to credit institutions	(7)	16,408	13,140	24.9%
Loans and advances to customers	(8)	130,960	129,134	1.4%
Risk provisions for loans and advances	(9)	-5,796	-4,954	17.0%
Trading assets	(10)	8,408	8,598	-2.2%
Financial assets - at fair value through profit or loss	(11)	3,563	2,997	18.9%
Financial assets - available for sale	(12)	18,331	16,390	11.8%
Financial assets - held to maturity		14,412	14,899	-3.3%
Equity holdings in associates accounted for at equity		228	241	-5.4%
Intangible assets		4,716	4,867	-3.1%
Property and equipment		2,353	2,344	0.4%
Tax assets		462	577	-19.9%
Assets held for sale		59	58	1.7%
Other assets		8,440	7,423	13.7%
Total assets		**209,084**	**201,710**	**3.7%**
LIABILITIES AND EQUITY				
Deposits by banks	(13)	26,730	26,295	1.7%
Customer deposits	(14)	116,558	112,042	4.0%
Debt securities in issue		29,841	29,612	0.8%
Trading liabilities		3,392	3,157	7.4%
Provisions	(15)	1,613	1,670	-3.4%
Tax liabilities		321	361	-11.1%
Liabilities associated with assets held for sale		0	0	na
Other liabilities		8,170	6,302	29.6%
Subordinated liabilities	(16)	5,978	6,148	-2.8%
Total equity		16,481	16,123	2.2%
attributable to				
non-controlling interests		3,561	3,414	4.3%
owners of the parent		12,920	12,709	1.7%
Total liabilities and equity		**209,084**	**201,710**	**3.7%**

III. Statement of changes in equity

in EUR million	Subscribed capital	Additional paid-in capital	Retained earnings	Total owners of the parent	Non-controlling interests	Total capital
Equity at 1 January 2009	**634**	**4,583**	**2,862**	**8,079**	**3,016**	**11,095**
Changes in own shares			-2	-2		-2
Dividends			-203	-203	-92	-295
Capital increases	2	9		11		11
Participation capital	1,760			1,760		1,760
Total comprehensive income			453	453	137	590
Net profit before minorities			492	492	82	574
Other comprehensive income			-39	-39	55	16
Currency translation			-62	-62	-27	-89
Change in interest in subsidiaries					134	134
Total equity at 30 June 2009	**2,396**	**4,592**	**3,110**	**10,098**	**3,195**	**13,293**
Cash flow hedge reserve at 30 June 2009				99	27	126
Available for sale reserve at 30 June 2009				-1,074	-304	-1,378
Actuarial gains/losses from long-term employee provisions at 30 June 2009				-254	-112	-366
Deferred tax reserve at 30 June 2009				375	98	473
Total equity at 1 January 2010	**2,517**	**6,171**	**4,021**	**12,709**	**3,414**	**16,123**
Changes in own shares			138	138		138
Changes in own participation certificates	-5*			-5		-5
Dividends			-385	-385	-38	-423
Capital increases		6		6		6
Total comprehensive income			458	458	184	642
Net profit before minorities			472	472	117	589
Other comprehensive income			-14	-14	67	53
Currency translation			-44	-44	-15	-59
Change in interest in subsidiaries						
Total equity at 30 June 2010	**2,512**	**6,177**	**4,232**	**12,921**	**3,560**	**16,481**
Cash flow hedge reserve at 30 June 2010				63	19	82
Available for sale reserve at 30 June 2010				-317	131	-186
Actuarial gains/losses from long-term employee provisions at 30 June 2010				-238	-90	-328
Deferred tax reserve at 30 June 2010				68	-8	60

* Capital tax

IV. Condensed cash-flow statement

in EUR million	1-6 10	1-6 09	Change
Cash and cash equivalents at end of the previous year	**5,996**	**7,556**	**-20.6%**
Cash flow from operating activities	706	-2,281	na
Cash flow from investing activities	438	91	>100.0%
Cash flow from financing activities	-555	1,658	na
Effect of currency translation	-45	-127	-64.6%
Cash and cash equivalents at the end of period	**6,540**	**6,897**	**-5.2%**

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

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

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

The reporting period brought no changes in accounting policies.

SIGNIFICANT BUSINESS EVENTS IN THE REPORTING PERIOD

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

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

Personnel expenses fort the first half of 2010 include ESOP of EUR 0.7 million (half-year 2009 EUR 4.7 million).

A. INFORMATION ON THE INCOME STATEMENT OF ERSTE GROUP

1. Net interest income

in EUR million	1-6 10	1-6 09	Change
Interest income			
Lending and money market transactions with credit institutions	541.0	823.5	-34.3%
Lending and money market transactions with customers	3,118.3	3,637.0	-14.3%
Bonds and other interest-bearing securities	559.4	586.6	-4.6%
Other	5.4	13.8	-60.9%
Current income			
Equity-related securities	48.8	55.0	-11.3%
Investments	11.6	10.9	6.4%
Investment properties	41.8	43.7	-4.3%
Interest and similar income	**4,326.3**	**5,170.5**	**-16.3%**
Interest income from financial assets - at fair value through profit or loss	14.5	84.9	-82.9%
Total interest and similar income	**4,340.8**	**5,255.4**	**-17.4%**
Interest expenses			
Deposits by banks	-202.5	-645.5	-68.6%
Customer deposits	-861.3	-1,384.4	-37.8%
Debt securities in issue	-437.3	-527.4	-17.1%
Subordinated liabilities	-160.6	-199.2	-19.4%
Other	-5.4	-1.3	>100.0%
Interest and similar expenses	**-1,667.1**	**-2,757.8**	**-39.5%**
Interest expenses from financial assets - at fair value through profit or loss	-1.0	-2.5	-60.0%
Total interest and similar expenses	**-1,668.1**	**-2,760.3**	**-39.6%**
Income from associates accounted for at equity	12.1	10.2	18.6%
Total	**2,684.8**	**2,505.3**	**7.2%**

2. Risk provisions for loans and advances

in EUR million	1-6 10	1-6 09	Change
Net allocation to risk provisions for loans and advances	-1,063.5	-889.3	19.6%
Direct write-offs of loans and advances and amounts received against written-off loans and advances	-20.7	-2.8	>100.0%
Total	**-1,084.2**	**-892.1**	**21.5%**

3. Net fee and commission income

in EUR million	1-6 10	1-6 09	Change
Lending business	160.8	155.3	3.5%
Payment transfers	418.5	395.0	5.9%
Card business	90.7	91.5	-0.9%
Securities transactions	227.1	190.6	19.2%
Investment fund transactions	95.8	78.1	22.7%
Custodial fees	20.9	21.7	-3.7%
Brokerage	110.4	90.8	21.6%
Insurance brokerage business	54.2	46.8	15.8%
Building society brokerage	22.2	19.9	11.6%
Foreign exchange transactions	14.3	14.1	1.4%
Investment banking business	15.2	6.5	>100.0%
Other	52.7	60.0	-12.2%
Total	**965.0**	**888.2**	**8.6%**

4. Net trading result

in EUR million	1-6 10	1-6 09	Change
Securities and derivatives trading	129.2	209.0	-38.2%
Foreign exchange transactions	110.8	134.1	-17.4%
Total	**240.0**	**343.1**	**-30.0%**

5. General administrative expenses

in EUR million	1-6 10	1-6 09	Change
Personnel expenses	-1,091.0	-1,124.2	-3.0%
Other administrative expenses	-616.4	-656.7	-6.1%
Depreciation and amortisation	-191.0	-179.3	6.5%
Total	**-1,898.4**	**-1,960.2**	**-3.2%**

6. Other operating result

in EUR million	1-6 10	1-6 09	Change
Other operating income	71.9	99.3	-27.6%
Other operating expenses	-230.7	-186.8	23.5%
Total	**-158.8**	**-87.5**	**-81.5%**
Result from real estate/property/movable property and software	-17.9	-2.7	na
Allocation/release of other provisions/risks	-7.4	3.6	na
Expenses for deposit insurance contributions	-29.3	-27.5	6.5%
Amortisation of intangible assets (customer relationships)	-35.0	-36.8	-4.9%
Other taxes	-11.3	-12.0	-5.8%
Result from other operating expenses/income	-57.9	-12.1	na
Total	**-158.8**	**-87.5**	**-81.5%**

B. INFORMATION ON THE BALANCE SHEET OF ERSTE GROUP

7. Loans and advances to credit institutions

in EUR million	Jun 10	Dec 09	Change
Loans and advances to domestic credit institutions	1,808	1,337	35.2%
Loans and advances to foreign credit institutions	14,600	11,803	23.7%
Total	**16,408**	**13,140**	**24.9%**

8. Loans and advances to customers

in EUR million	Jun 10	Dec 09	Change
Loans and advances to domestic customers			
Public sector	2,791	2,758	1.2%
Commercial customers	35,422	35,610	-0.5%
Private customers	24,197	23,285	3.9%
Unlisted securities	250	250	0.0%
Other	179	153	17.0%
Total loans and advances to domestic customers	**62,839**	**62,056**	**1.3%**
Loans and advances to foreign customers			
Public sector	2,965	2,802	5.8%
Commercial customers	34,527	34,686	-0.5%
Private customers	29,408	28,417	3.5%
Unlisted securities	983	944	4.1%
Other	238	229	3.9%
Total loans and advances to foreign customers	**68,121**	**67,078**	**1.6%**
Total	**130,960**	**129,134**	**1.4%**

9. Risk provisions for loans and advances

in EUR million	1-6 10	1-6 09	Change
Risk provisions for loans and advances			
At start of reporting period	**4,954**	**3,783**	**31.0%**
Acquisition of subsidiaries	0	42	na
Use	-222	-337	-34.1%
Net allocation to risk provisions for loans and advances	1,064	889	19.7%
Interest income from impaired loans	-51	-52	-1.9%
Currency translation	51	-14	na
At end of reporting period	**5,796**	**4,311**	**34.4%**
Provision for off-balance-sheet and other risks	345	302	14.2%
Total	**6,141**	**4,613**	**33.1%**

10. Trading assets

in EUR million	Jun 10	Dec 09	Change
Bonds and other interest-bearing securities	5,061	5,597	-9.6%
Equity-related securities	475	415	14.5%
Positive fair value of derivative financial instruments	2,872	2,586	11.1%
Total	**8,408**	**8,598**	**-2.2%**

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

in EUR million	Jun 10	Dec 09	Change
Bonds and other interest-bearing securities	3,032	2,524	20.1%
Equity-related securities	531	473	12.3%
Total	**3,563**	**2,997**	**18.9%**

12. Financial assets – available for sale

in EUR million	Jun 10	Dec 09	Change
Bonds and other interest-bearing securities	15,016	13,000	15.5%
Equity-related securities	2,826	2,874	-1.7%
Equity holdings	489	516	-5.2%
Total	**18,331**	**16,390**	**11.8%**

13. Deposits by bank

in EUR million	Jun 10	Dec 09	Change
Deposits by domestic credit institutions	8,884	9,239	-3.8%
Deposits by foreign credit institutions	17,846	17,056	4.6%
Total	**26,730**	**26,295**	**1.7%**

14. Customer deposits

in EUR million	Jun 10	Dec 09	Change
Savings deposits	53,871	53,368	0.9%
Sundry	62,687	58,674	6.8%
Total	**116,558**	**112,042**	**4.0%**

15. Provisions

in EUR million	Jun 10	Dec 09	Change
Long-term employee provisions	1,159	1,171	-1.0%
Sundry provisions	454	499	-9.0%
Total	**1,613**	**1,670**	**-3.4%**

16. Subordinated liabilities

in EUR million	Jun 10	Dec 09	Change
Subordinated issues and deposits	2,782	3,013	-7.7%
Supplementary capital	1,994	1,955	2.0%
Hybrid issues	1,202	1,180	1.9%
Total	**5,978**	**6,148**	**-2.8%**

C. ADDITIONAL INFORMATION

17. Contingent liabilities – legal proceedings

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

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

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

A group of attorneys has filed a complaint with a U.S. court on behalf of victims of the Holocaust or their heirs against several Hungarian banks in relation to the persecution of Jews in Greater Hungary in 1944. Also Erste Group Bank AG is named as a defendant. The plaintiffs essentially claim that Hungarian banks improperly benefited from wartime Jewish assets and held on to these assets until today. The assets claimed total $2 billion in 1944 dollars. The plaintiffs allege that Erste Group Bank AG is the legal successor to a number of banks that were active during that time in Greater Hungary. Erste Bank AG rejects the claim. Neither Erste Group Bank AG nor its Hungarian subsidiary bank, which was founded only decades after the end of World War II, are legal successors to any of the banks mentioned in the complaint. Erste Group Bank AG does not see any basis for a U.S. court having jurisdiction in this matter.

18. Related party transactions

As of 30 June 2010, Erste Group had outstanding liabilities of EUR 216.1 million (31 December 2009: EUR 33.1 million) and amount receivable of EUR 276.2 million (31 December 2009: EUR 283.4 million) in relation to DIE ERSTE österreichische Spar-Casse Privatstiftung. Furthermore, as of 30 June 2010 there existed between Erste Group and DIE ERSTE österreichische Spar-Casse Privatstiftung standard derivative transactions for hedging purposes on usual market terms. These were interest rate swaps with caps and floors in a notional amount of EUR 313.4 million (31 December 2009: EUR 247.4 million).

19. Headcount at 30 June 2010

(weighted by degree of employment)

	Jun 10	Dec 09	Change
Employed by Erste Group	**50,156**	**50,488**	**-0.7%**
Austria incl. Haftungsverbund savings banks	15,757	16,107	-2.2%
Erste Group, EB Oesterreich and subsidiaries	8,126	8,359	-2.8%
Haftungsverbund savings banks	7,631	7,748	-1.5%
Central and Eastern Europe / International	34,399	34,381	0.1%
Česká spořitelna Group	10,776	10,698	0.7%
Banca Comercială Română Group	9,141	9,012	1.4%
Slovenská sporiteľňa Group	4,051	4,238	-4.4%
Erste Bank Hungary Group	3,085	3,181	-3.0%
Erste Bank Croatia Group	2,323	2,265	2.6%
Erste Bank Serbia	931	909	2.4%
Erste Bank Ukraine	1,725	1,727	-0.1%
Other subsidiaries and foreign branch offices	2,367	2,351	0.7%

D. SEGMENT REPORTING

As of the fourth quarter of 2009, the so-called “unwinding effect” pursuant to IAS 39 (compounded interest effect due to anticipated cash flows from non-performing customer loans) is no longer reported as an overall sum in the Corporate Center segment but will be presented in the respective segments. The corresponding periods from 2009 have been adjusted accordingly. While these effects do not change net profit, they nevertheless impact net interest income and risk provisions.

Retail & SME

Erste Bank Oesterreich

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

The operating result rose from EUR 153.2 million in the previous year by EUR 40.6 million or 26.5% to EUR 193.8 million. This was due to the much improved net commission income and the decline in general administrative expenses. Net commission income grew by EUR 31.7 million or 22.5% from EUR 140.4 million in the first half of 2009 to EUR 172.1 million, driven by higher fees from securities business and SME business. Customer deposits enjoyed volume growth but also narrowing margins, which caused net interest income to drop 1.7% from EUR 325.0 million in the previous year to EUR 319.4 million. The net trading result rose by EUR 1.7 million or 31.4%, from EUR 5.3 million to EUR 7.0 million. Operating expenses decreased by EUR 12.9 million or 4.1%, from EUR 317.6 million in the previous year to EUR 304.7 million. The cost/income ratio improved to 61.1%, compared to 67.5% in H1 2009. The increase in risk provisions from EUR 74.3 million in the previous year by EUR 13.4 million or 18.1% to EUR 87.7 million was mainly due to the corporate business. The other result, which in the first half of 2010 was impacted by write-downs on securities held outside of the trading portfolio, amounted to EUR -5.4 million, down EUR 9.2 million on the previous year’s figure of EUR 3.8 million. Net profit after minorities rose by EUR 15.2 million or 25.5% from EUR 59.5 million to EUR 74.7 million. Return on equity reached 13.1%, following 10.6% in the previous year.

Haftungsverbund/Savings Banks

Net interest income rose by 1.3% or EUR 6.2 million compared to the first half of 2009 to EUR 477.3 million due to stable margins and despite steadily declining market interest rates. Net commission income performed very satisfactorily, rising by EUR 13.5 million or 7.1% from EUR 189.5 million in the first half of 2009 to EUR 203.0 million. This was mainly a result of higher fee income from securities business and payment transfers. The decrease in net trading result from EUR 31.8 million by EUR 17.7 million or 55.6% to EUR 14.1 million was due largely to the income earned on interest rate derivatives in the same period of the previous year, which did not recur in the current period. Operating expenses of EUR 468.3 million were 0.2% lower than the previous year’s level of EUR 469.2 million. The reason for the clear improvement in the other result by EUR 35.3 million, from EUR -30.3 million in the previous year to EUR 5.0 million was attributable mostly to last year’s write-downs on securities held outside of the trading portfolio. Risk provisions decreased from EUR 178.1 million by EUR 42.2 million or 23.7% to EUR 135.9 million, which was mainly due to conservative portfolio provisioning in the first half of 2009 given the economic outlook at the time. Net profit after minorities rose from EUR -11.2 million in H1 2009 by EUR 14.3 million to EUR 3.1 million. The cost/income ratio was 67.4%, virtually unchanged from the corresponding period last year.

in EUR million	Retail & SME[3] 1-6 10	Retail & SME[3] 1-6 09	GCIB 1-6 10	GCIB 1-6 09	Group Markets 1-6 10	Group Markets 1-6 09	Corporate Center 1-6 10	Corporate Center 1-6 09
Net interest income	2,290.5	2,198.2	293.0	272.8	56.8	123.1	44.5	-88.9
Risk provisions	-902.6	-741.5	-181.6	-150.7	0.0	0.0	0.0	0.0
Net fee and commission income	825.8	740.9	79.4	77.8	83.5	60.3	-23.8	9.2
Net trading result	82.0	84.4	3.0	2.3	147.3	259.6	7.7	-3.2
General administrative expenses	-1,628.8	-1,676.8	-90.2	-85.5	-109.4	-101.0	-70.1	-96.9
Other result	-60.2	-57.5	1.0	-13.3	3.1	-2.2	-86.2	-46.2
Pre-tax profit	**606.7**	**547.8**	**104.7**	**103.4**	**181.3**	**339.8**	**-127.9**	**-226.0**
Taxes on income	-137.4	-122.6	-24.9	-23.0	-39.6	-65.5	26.0	19.9
Post-tax profit from continuing operations	469.3	425.3	79.8	80.4	141.7	274.3	-101.9	-206.1
Post-tax profit from discontinuing operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit for the period	**469.3**	**425.3**	**79.8**	**80.4**	**141.7**	**274.3**	**-101.9**	**-206.1**
attributable to								
non-controlling interests	105.9	79.1	8.7	-0.6	8.7	15.8	-6.2	-12.7
owners of the parent	**363.5**	**346.1**	**71.1**	**81.0**	**133.0**	**258.5**	**-95.7**	**-193.4**
Average risk-weighted assets	**74,623.1**	**73,990.7**	**26,499.7**	**25,441.2**	**3,018.5**	**3,250.6**	**1,605.4**	**3,810.1**
Average attributed equity	**4,090.5**	**3,978.7**	**2,121.1**	**1,998.0**	**341.7**	**332.2**	**6,538.9**	**2,509.8**
Cost/income ratio	**50.9%**	**55.5%**	**24.0%**	**24.2%**	**38.0%**	**22.8%**	**n.a.**	**n.a.**
ROE based on net profit	**17.8%**	**17.4%**	**6.7%**	**8.1%**	**77.9%**	**155.6%**	**n.a.**	**n.a.**

in EUR million	Savings Banks 1-6 10	Savings Banks 1-6 09	EB Oesterreich 1-6 10	EB Oesterreich 1-6 09	Austria 1-6 10	Austria 1-6 09
Net interest income	477.3	471.1	319.4	325.0	796.6	796.1
Risk provisions	-135.9	-178.1	-87.7	-74.3	-223.6	-252.4
Net fee and commission income	203.0	189.5	172.1	140.4	375.1	329.9
Net trading result	14.1	31.8	7.0	5.3	21.1	37.2
General administrative expenses	-468.3	-469.2	-304.7	-317.6	-773.1	-786.8
Other result	5.0	-30.3	-5.4	3.8	-0.4	-26.5
Pre-tax profit	**95.1**	**14.7**	**100.6**	**82.7**	**195.7**	**97.4**
Taxes on income	-25.3	-6.9	-23.6	-19.7	-48.9	-26.6
Post-tax profit from continuing operations	69.8	7.9	77.0	63.0	146.8	70.8
Post-tax profit from discontinuing operations	0.0	0.0	0.0	0.0	0.0	0.0
Net profit for the period	**69.8**	**7.9**	**77.0**	**63.0**	**146.8**	**70.8**
attributable to						
non-controlling interests	66.7	19.1	2.3	3.5	69.0	22.6
owners of the parent	**3.1**	**-11.2**	**74.7**	**59.5**	**77.8**	**48.3**
Average risk-weighted assets	**23,913.7**	**24,762.3**	**14,321.4**	**13,824.7**	**38,235.1**	**38,587.0**
Average attributed equity	**290.0**	**289.9**	**1,137.5**	**1,119.5**	**1,427.5**	**1,409.3**
Cost/income ratio	**67.4%**	**67.8%**	**61.1%**	**67.5%**	**64.8%**	**67.6%**
ROE based on net profit	**2.1%**	**n.a.**	**13.1%**	**10.6%**	**10.9%**	**6.9%**

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

in EUR million	Czech Republic		Romania		Slovakia		Hungary	
	1-6 10	1-6 09	1-6 10	1-6 09	1-6 10	1-6 09	1-6 10	1-6 09
Net interest income	536.1	529.9	415.2	390.8	209.5	178.4	185.9	164.9
Risk provisions	-188.1	-120.8	-241.7	-176.7	-66.7	-58.3	-114.5	-65.1
Net fee and commission income	229.6	203.2	79.3	77.7	50.9	50.7	48.6	38.8
Net trading result	17.7	21.2	20.8	5.1	1.2	1.5	9.7	12.4
General administrative expenses	-354.1	-349.7	-183.5	-200.7	-112.6	-133.4	-98.8	-105.3
Other result	-12.8	-58.4	-19.6	38.1	-15.4	-16.5	-8.2	9.5
Pre-tax profit	**228.5**	**225.5**	**70.5**	**134.3**	**66.8**	**22.4**	**22.6**	**55.3**
Taxes on income	-43.6	-45.8	-13.8	-22.9	-13.3	-4.3	-10.0	-13.9
Post-tax profit from continuing operations	184.9	179.7	56.7	111.4	53.5	18.1	12.6	41.3
Post-tax profit from discontinuing operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit for the period	**184.9**	**179.7**	**56.7**	**111.4**	**53.5**	**18.1**	**12.6**	**41.3**
attributable to								
non-controlling interests	3.8	4.1	20.4	37.4	0.1	0.3	-0.1	0.0
owners of the parent	**181.1**	**175.6**	**36.3**	**74.0**	**53.4**	**17.9**	**12.6**	**41.3**
Average risk-weighted assets	**12,266.4**	**10,906.0**	**9,115.4**	**9,768.9**	**5,371.5**	**5,190.8**	**4,757.2**	**4,568.7**
Average attributed equity	**1,013.2**	**910.7**	**519.0**	**554.8**	**443.3**	**435.0**	**391.3**	**377.8**
Cost/income ratio	**45.2%**	**46.4%**	**35.6%**	**42.4%**	**43.1%**	**57.8%**	**40.5%**	**48.7%**
ROE based on net profit	**35.8%**	**38.6%**	**14.0%**	**26.7%**	**24.1%**	**8.2%**	**6.5%**	**21.9%**

in EUR million	Croatia		Serbia		Ukraine		Total group[4]	
	1-6 10	1-6 09	1-6 10	1-6 09	1-6 10	1-6 09	1-6 10	1-6 09
Net interest income	117.6	107.9	12.4	15.8	17.0	14.3	2,684.8	2,505.3
Risk provisions	-48.5	-25.8	-4.6	-4.0	-14.8	-38.4	-1,084.2	-892.1
Net fee and commission income	36.4	35.8	5.1	4.8	0.8	0.1	965.0	888.2
Net trading result	4.7	2.0	0.9	1	6.0	3.7	240.0	343.1
General administrative expenses	-69.8	-66.3	-15.3	-15.6	-21.6	-19.1	-1,898.5	-1,960.2
Other result	-3.4	-2.7	0.3	-0.5	-0.6	-0.4	-142.3	-119.2
Pre-tax profit	**37.0**	**50.8**	**-1.3**	**1.9**	**-13.2**	**-39.8**	**764.8**	**765.1**
Taxes on income	-7.7	-10.4	0.0	-0.2	0.0	1.6	-175.9	-191.3
Post-tax profit from continuing operations	29.3	40.4	-1.3	1.7	-13.2	-38.2	588.9	573.8
Post-tax profit from discontinuing operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit for the period	**29.3**	**40.4**	**-1.3**	**1.7**	**-13.2**	**-38.2**	**588.9**	**573.8**
attributable to								
non-controlling interests	12.8	14.5	-0.1	0.4	0.0	0.0	117.0	81.7
owners of the parent	**16.5**	**25.9**	**-1.1**	**1.3**	**-13.2**	**-38.2**	**471.9**	**492.1**
Average risk-weighted assets	**3,596.9**	**3,668.3**	**660.9**	**759.5**	**619.6**	**541.5**	**105,746.7**	**106,492.6**
Average attributed equity	**196.8**	**194.3**	**44.0**	**50.2**	**55.5**	**46.6**	**13,092.1**	**8,818.6**
Cost/income ratio	**43.9%**	**45.5%**	**83.3%**	**70.9%**	**90.7%**	**105.5%**	**48.8%**	**52.5%**
ROE based on net profit	**16.8%**	**26.7%**	**n.a.**	**5.3%**	**n.a.**	**n.a.**	**7.2%**	**11.2%**

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

Central and Eastern Europe

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

Czech Republic

Net interest income of the Czech retail and SME business rose from EUR 529.9 million in the previous year by EUR 6.2 million or 1.2% to EUR 536.1 million. However, currency-adjusted, this line item decreased by 3.9% caused by declining market interest rates (e.g. 2-week repo rate dropped from 3.75% in the previous year to a low of 0.75%) and lower new business volumes. Net commission income rose from EUR 203.2 million in the first half of 2009 by EUR 26.4 million or 13.0% (currency-adjusted: +7.3%) to EUR 229.6 million, driven mainly by higher earnings in the insurance brokerage and securities business. Operating expenses rose over the previous year by EUR 4.4 million or 1.3% to EUR 354.1 million. Currency-adjusted, a decrease in operating expenses by 3.9% was achieved by the consistent implementation of cost-cutting measures. Net trading result decreased by EUR 3.5 million or 16.6% (currency-adjusted: -20.8%) from EUR 21.2 million to EUR 17.7 million due to lower income from foreign exchange business.

The operating result rose from EUR 404.7 million in the first half of 2009 by EUR 24.6 million or 6.1% to EUR 429.3 million despite an unfavourable business environment; currency-adjusted, this corresponded to a gain of 0.7%. The increase in risk provisions from EUR 120.8 million in the first half of 2009 by EUR 67.3 million (+55.7% or currency-adjusted: +47.9%) to EUR 188.1 million reflected higher provisioning requirements across all business segments. The other result improved from EUR -58.4 million in the previous year by EUR 45.6 million to EUR -12.8 million. This corresponded to a currency-adjusted increase of 79.2% (+78.1% including currency changes), explained by the negative result in the first half of 2009, which was caused by substantial revaluations of real estate investments. Net profit after minorities rose by EUR 5.5 million or 3.1% (currency-adjusted: -2.1%) from EUR 175.6 million to EUR 181.1 million. The cost/income ratio was 45.2% compared to 46.4% in the first half of 2009; return on equity was 35.8% (H1 2009: 38.6%).

Romania

Net interest income of Banca Comercială Română was up by 6.2%, or currency-adjusted by 4.4%, from EUR 390.8 million to EUR 415.2 million in the first half of 2010. This improvement was achieved primarily in the corporate business. Net commission income grew by EUR 1.6 million or 2.0% (currency-adjusted: 0.2%), from EUR 77.7 million to EUR 79.3 million. Driven by favourable exchange rates, net trading result increased significantly; it rose by EUR 16.1 million, from EUR 5.1 million to EUR 21.2 million. Higher expenses due to, amongst other things, the expansion of the branch network (y/y: +6 new branches) were more than offset by lower personnel expenses, resulting in an 8.6% decrease (currency-adjusted: -10.2%) in operating expenses, from EUR 200.7 million in the first half of 2009 to EUR 183.5 million. Accordingly, the cost/income ratio improved from 42.4% in the first half of 2009 to 35.6%.

The 21.7% (currency-adjusted: +19.6%) or EUR 59.3 million year-on-year increase in the operating result, from EUR 272.9 million to EUR 332.2 million, contrasted with an increase in risk provisions by EUR 65.0 million or 36.8% (currency-adjusted: +34.4%), up from EUR 176.7 million in the first half of 2009 to EUR 241.7 million. Higher risk provisions were necessary because of the weaker economy, which had a particularly negative impact on the SME sector. Compared to the third and fourth quarter of 2009 (EUR 155.7 million and EUR 200.1 million), risk provisions declined significantly in the first half of 2010.

The drop in the other result by EUR 57.7 million from EUR 38.1 million to EUR -19.6 million was caused, on the one hand, by positive one-off effects in the first-half year 2009 as well as by write-downs – primarily in the leasing business – in the current financial period. Net profit after minorities decreased from EUR 74.0 million by EUR 37.4 million (-50.5% or currency-adjusted: -51.4%) to EUR 36.6 million. Return on equity was 14.1%.

Slovakia

Net interest income of the Slovak retail and SME business improved over the first half of 2009 by EUR 31.1 million or 17.4%, from EUR 178.4 million to EUR 209.5 million. The main factors driving this development were – apart from a consistent pricing policy – the higher average volume of customer loans. At EUR 50.9 million, was almost unchanged versus the previous year (EUR 50.7 million). Net trading result dropped slightly from EUR 1.5 million to EUR 1.2 million. Risk provisions rose by EUR 8.4 million or 14.4% from EUR 58.3 million to EUR 66.7 million, reflecting lag effects from the economic downturn in the first half of 2009. The reduction in operating expenses by EUR 20.8 million or 15.5% from EUR 133.4 million to EUR 112.6 million was the result of efficiency measures implemented as of the second quarter of 2009. The strongly improved net interest income and the lower operating expenses led to an operating result of EUR 148.9 million representing a 53.1% improvement on the previous year. The cost/income ratio improved from 57.8% in the previous year to 43.1%. In the first half of 2010, net profit after minorities reached EUR 53.4 million compared to EUR 17.9 million in the previous year. Return on equity was 24.1% compared to 8.2% in the first half of 2009.

Hungary

In the Hungarian retail and SME business, net interest income improved from EUR 164.9 million in the first half of 2009 to EUR 185.9 million (+12.8% or currency-adjusted: +5.7%), driven largely by the retail business. While the development of net commission income was positive in all categories, higher fees from lending business were the main driver behind the EUR 9.8 million (+25.2% or currency-adjusted +17.3%) rise from the EUR 38.8 million in the first half of 2009 to EUR 48.6 million. The decline in net trading result from EUR 12.4 million in the previous year by EUR 2.7 million to EUR 9.7 million was primarily the result of the declining foreign currency loan business. Operating expenses decreased from EUR 105.3 million in the first half of 2009 by EUR 6.5 million or 6.1% (currency-adjusted:-12.0%) to EUR 98.8 million. As a consequence, the operating result rose by 31.1% (currency-adjusted: +22.9%) from EUR 110.8 million to EUR 145.3 million.

The cost/income ratio improved considerably from 48.7% in the first half of 2009 to 40.5%. The performance of Erste Bank Hungary continued to reflect the difficult economic situation in 2009, with risk provisions increasing by 75.9% (currency-adjusted: +64.8%) from EUR 65.1 million in the first half of 2009 to EUR 114.5 million. Positive one-off effects in the first half of 2009 and write-downs on other financial assets in the current period were the reasons for the decline in the other result by EUR 17.7 million from EUR 9.5 million to EUR -8.2 million. Net profit after minorities was down 69.4% (currency-adjusted: -71.3%), from EUR 41.3 million to EUR 12.6 million. Return on equity was 6.5%.

Croatia
Net interest income from the retail and SME business in Croatia rose from EUR 107.9 million in the first half of 2009 to EUR 117.6 million (+9.0% or currency-adjusted: +7.3%). This development was driven, on the one hand, by the improved interest income in the retail and SME business, and on the other, by the integration of Erste Bank Podgorica, which contributed EUR 4.0 million to net interest income in the current period (Erste Bank Podgorica was integrated as of the second quarter 2009). Net commission income rose from EUR 35.8 million by 1.8% or currency-adjusted by 0.2% to EUR 36.4 million. The increase in net trading result from EUR 2.0 million in the first half of 2009 by EUR 2.7 million to EUR 4.7 million was primarily due to the positive contributions from Erste Card Club.

Operating expenses rose by EUR 3.5 million, from EUR 66.3 million to EUR 69.8 million in the first half of 2010, mainly due to the new value added tax regime that affected Erste Card Club and as a result of the integration of Erste Bank Podgorica. The operating result rose by 12.2% or currency-adjusted by 10.4%, from EUR 79.3 million to EUR 89.0 million in the first half of 2010. Accordingly, the cost/income ratio improved from 45.5% in the previous year to 43.9%. The increase in risk provisions from EUR 25.8 million in the first half of 2009 by EUR 22.7 million to EUR 48.5 million was due to the generally higher provisioning requirements in the corporate customer and real estate business. Net profit after minorities decreased from EUR 25.9 million in the first half of 2009 by EUR 9.4 million to EUR 16.5 million (-36.3% or currency-adjusted: -37.3%). Return on equity was 16.8% versus 26.7% in the first half of 2009.

Serbia
Net interest income of Erste Bank Serbia declined from EUR 15.8 million in the first half of 2009 to EUR 12.4 million (-21.3% or currency-adjusted -16.8%). This was due to the decrease in market interest rates from 13% in the first half of 2009 to 8% in the reporting period. Risk costs increased from EUR 4.0 million in the first half of 2009 by EUR 0.6 million to EUR 4.6 million. Net commission income was up from EUR 4.8 million in the first half of 2009 by 7.7% (currency-adjusted: +13.9%) to EUR 5.1 million. Operating expenses decreased by EUR 0.3 million or 1.8% (currency-adjusted: +3.9%) versus the first half of 2009 to EUR 15.3 million. The cost/income ratio was 83.3%. The operating result declined by EUR 3.3 million from EUR 6.4 million in the first half of 2009 to EUR 3.1 million. The other result improved by EUR 0.8 million, from EUR -0.5 million to EUR 0.3 million. This was due to the release of reserves no longer required in the first half of 2010. Net profit after minorities decreased by EUR 2.4 million to EUR -1.1 million.

Ukraine
The operating result of Erste Bank Ukraine improved by EUR 3.2 million from EUR -1.0 million in the previous year to EUR 2.2 million. This was due to the positive developments in net interest income and net trading result. The lower lending volume was offset by the higher interest income in the securities business, resulting in an increase in net interest income of EUR 2.7 million (+18.6%, currency-adjusted: +20.2%) from EUR 14.3 million in the first half of 2009 to EUR 17.0 million. Net trading result rose by EUR 2.3 million or 62.5%, from EUR 3.7 million in the first half of 2009 to EUR 6.0 million. Operating expenses rose from EUR 19.1 million in the previous year by EUR 2.5 million or 13% (currency-adjusted: +14.8%) to EUR 21.6 million. The significant decrease in risk provisions by EUR 23.6 million or 61.4% (currency-adjusted: -60.9%), from EUR 38.4 million in the first half of 2009 to EUR 14.8 million, was due to large write-downs required in 2009; for 2010, we expect the portfolio to stabilise. At EUR -13.2 million, net profit after minorities improved by EUR 25.0 million over the same period in the previous year when it amounted to EUR -38.2 million.

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

Net interest income grew by EUR 20.2 million or 7.4% from EUR 272.8 million in the first half of 2009 to EUR 293.0 million on the back of consistent pricing and selective new lending policies. Net commission income improved slightly to EUR 79.4 million (+2.1%) compared to EUR 77.8 million in the previous year. General administrative expenses rose by 5.5%, from EUR 85.5 million to EUR 90.2 million in the first half-year 2010, while the operating result advanced from EUR 267.4 million to

EUR 285.3 million (+6.7% versus the first half of 2009). Risk provisions of EUR 181.6 million versus EUR 150.7 million (+20.5%) in the first half of 2009 reflected the slowly improving market conditions. Net profit after minorities declined by 12.2% from EUR 81.0 million to EUR 71.1 million. The increase in the other result from EUR -13.3 million in the previous year by EUR 14.3 million to EUR 1.0 million was due mainly to positive contributions from the sale of other financial assets. The cost/income ratio improved slightly from 24.2% in the previous year to 24.0%; return on equity was 6.7%.

Group Markets

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

The operating result in the Segment Group Markets declined from EUR 342.0 million in the first half of 2009 to EUR 178.2 million. This was mainly due to weak results from money market activities on the back of unfavourable interest rates trends. Net interest income declined by EUR 66.3 million or 53.9% to EUR 56.8 million. The increase in net commission income from EUR 60.3 million in the first half of 2009 by EUR 23.2 million or 38.5% to EUR 83.5 million resulted from a solid overall sales performance and from a significantly improved development in the asset management units allocated to this segment. The exceptionally good net trading result of EUR 259.6 million in the previous year could not be repeated in light of this year's difficult environment and declined to EUR 147.3 million. Operating expenses rose from EUR 101.0 million in the previous year by 8.3% to EUR 109.4 million. This was mainly due to the inclusion of additional asset management companies; cost reductions were achieved at the East European units. The cost/income ratio deteriorated because of the above-mentioned factors from 22.8% to 38.0%. Net profit after minorities decreased by EUR 125.5 million from EUR 258.5 million in the first half of 2009 to EUR 133.0 million. Return on equity was 77.9% following 155.6% in the previous year.

Corporate Center

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

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

The improvement in net interest income was a result of positive contributions from assets/liability management and higher income from capital investments (especially from participation capital issued in the first half of 2009 and the proceeds of the capital increase in November 2009). The development of net commission income and general administrative expenses was driven mainly by the profit consolidation of banking support operations. The significantly improved net trading result was due to positive revaluations in the trading book.

The other result included the required linear amortisation of the value of customer relationships of BCR, Erste Card Club and Ringturm KAG in the amount of EUR 35.2 million as well as write-downs for IT projects and provisions for potential expenses (e.g. the Hungarian banking tax) in the second half of 2010 in an amount of EUR 40 million.

E. RISK REPORT *

LOAN BOOK BY REPORTING SEGMENT OF ERSTE GROUP

	Low risk		Mgmt attention		Substandard		Non-performing		Total loan book		Risk provisions		NPL coverage		NPL ratio	
in EUR million	Jun 10	Dec 09	Jun 10	Dec 09	Jun 10	Dec 09	Jun 10	Dec 09	Jun 10	Dec 09	Jun 10	Dec 09	Jun 10	Dec 09	Jun 10	Dec 09
Retail & SME	**79,138**	**77,484**	**18,612**	**18,512**	**5,137**	**5,018**	**8,565**	**7,570**	**111,452**	**108,584**	**5,095**	**4,417**	**59.5%**	**58.3%**	**7.7%**	**7.0%**
Austria	**48,497**	**46,429**	**9,665**	**10,115**	**1,484**	**1,504**	**3,945**	**3,943**	**63,591**	**61,990**	**2,248**	**2,160**	**57.0%**	**54.8%**	**6.2%**	**6.4%**
EB Oesterreich	22,484	21,447	2,760	3,083	354	371	1,249	1,237	26,847	26,137	730	688	58.4%	55.6%	4.7%	4.7%
Savings Banks	26,013	24,982	6,905	7,032	1,130	1,133	2,696	2,706	36,744	35,853	1,518	1,472	56.3%	54.4%	7.3%	7.5%
CEE	**30,641**	**31,056**	**8,947**	**8,397**	**3,653**	**3,514**	**4,619**	**3,627**	**47,860**	**46,594**	**2,847**	**2,256**	**61.6%**	**62.2%**	**9.7%**	**7.8%**
Czech Republic	12,599	12,546	2,799	2,751	680	658	1,013	766	17,091	16,721	667	507	65.9%	66.2%	5.9%	4.6%
Romania	5,102	5,761	2,585	2,235	1,771	1,728	1,727	1,466	11,185	11,190	1,005	832	58.2%	56.8%	15.4%	13.1%
Slovakia	4,298	4,214	542	775	336	258	446	423	5,622	5,670	359	310	80.4%	73.2%	7.9%	7.5%
Hungary	4,932	5,316	1,377	986	517	448	740	552	7,566	7,301	352	255	47.5%	46.2%	9.8%	7.6%
Croatia	3,357	2,889	1,379	1,255	223	252	485	289	5,444	4,684	282	228	58.1%	79.0%	8.9%	6.2%
Serbia	249	237	86	234	10	6	46	41	391	518	46	42	99.3%	102.1%	11.8%	8.0%
Ukraine	104	92	179	161	115	167	162	89	561	509	136	81	84.0%	91.3%	29.0%	17.5%
GCIB	**12,404**	**12,977**	**4,406**	**4,284**	**1,226**	**1,280**	**943**	**918**	**18,978**	**19,458**	**571**	**394**	**60.6%**	**42.9%**	**5.0%**	**4.7%**
Group Markets	**256**	**224**	**20**	**4**	**0**	**32**	**0**	**0**	**276**	**260**	**0**	**0**	**>100.0%**	**>100.0%**	**0.0%**	**0.0%**
Corporate Center	**127**	**632**	**80**	**143**	**15**	**6**	**32**	**50**	**254**	**831**	**33**	**70**	**103.1%**	**>100.0%**	**12.4%**	**6.0%**
Total group	**91,926**	**91,317**	**23,118**	**22,944**	**6,378**	**6,335**	**9,539**	**8,537**	**130,960**	**129,134**	**5,699**	**4,880**	**59.7%**	**57.2%**	**7.3%**	**6.6%**

*) Key definitions

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

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

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

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

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

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

LOAN BOOK BY COUNTRY OF ORIGINATION OF ERSTE GROUP

in EUR million	Low risk		Mgmt attention		Substandard		Non-performing		Total loan book			
	Jun 10	Dec 09	Jun 10	Dec 09	Jun 10	Dec 09	Jun 10	Dec 09	Jun 10	Share of total	Dec 09	Share of total
Core market	**84,799**	**85,141**	**21,163**	**20,937**	**6,010**	**5,910**	**8,843**	**7,809**	**120,816**	**92.3%**	**119,796**	**92.8%**
Austria	48,906	47,819	8,838	9,209	1,361	1,428	3,533	3,556	62,638	47.8%	62,011	48.0%
Croatia	4,325	4,303	1,932	1,926	258	296	549	353	7,064	5.4%	6,879	5.3%
Romania	5,682	6,452	3,277	3,014	2,012	1,969	1,875	1,598	12,846	9.8%	13,033	10.1%
Serbia	380	283	240	316	26	7	65	59	712	0.5%	665	0.5%
Slovakia	4,820	4,908	803	1,009	403	304	481	451	6,506	5.0%	6,673	5.2%
Slovenia	1,185	1,325	300	185	113	116	162	163	1,759	1.3%	1,789	1.4%
Czech Republic	13,864	13,917	3,580	3,482	1,137	1,080	1,132	880	19,713	15.1%	19,359	15.0%
Hungary	5,495	6,007	1,740	1,298	566	519	846	636	8,647	6.6%	8,460	6.6%
Ukraine	143	127	453	498	135	191	200	112	932	0.7%	928	0.7%
Other EU	**4,219**	**3,849**	**1,219**	**1,310**	**239**	**221**	**371**	**423**	**6,048**	**4.6%**	**5,803**	**4.5%**
Other industrialised countries	**1,679**	**1,441**	**334**	**317**	**69**	**118**	**153**	**168**	**2,234**	**1.7%**	**2,044**	**1.6%**
Emerging markets	**1,229**	**886**	**402**	**381**	**60**	**87**	**172**	**137**	**1,863**	**1.4%**	**1,491**	**1.2%**
Southeastern Europe / CIS	793	682	234	226	13	70	152	119	1,193	0.9%	1,098	0.8%
Asia	303	91	36	21	41	5	7	6	386	0.3%	123	0.1%
Latin America	95	84	49	46	5	6	10	8	158	0.1%	144	0.1%
Middle East / Africa	38	29	83	88	1	5	4	4	126	0.1%	126	0.1%
Total	**91,926**	**91,317**	**23,118**	**22,944**	**6,378**	**6,335**	**9,539**	**8,537**	**130,960**	**100.0%**	**129,134**	**100.0%**
Share of total	**70.2%**	**70.7%**	**17.7%**	**17.8%**	**4.9%**	**4.9%**	**7.3%**	**6.6%**	**100.0%**		**100.0%**	
Risk provisions									**5,699**		**4,880**	

LOAN BOOK BY INDUSTRY SECTOR OF ERSTE GROUP

in EUR million	Low risk		Mgmt attention		Substandard		Non-performing		Total loan book			
	Jun 10	Dec 09	Jun 10	Dec 09	Jun 10	Dec 09	Jun 10	Dec 09	Jun 10	Share of total	Dec 09	Share of total
Agriculture and forestry	1,015	1,040	590	596	153	142	176	155	1,934	1.5%	1,932	1.5%
Mining	413	381	85	72	5	11	83	94	587	0.4%	558	0.4%
Manufacturing	5,406	5,565	3,315	3,271	1,052	1,089	1,224	1,019	10,997	8.4%	10,944	8.5%
Energy and water supply	1,926	1,749	410	535	61	72	115	115	2,512	1.9%	2,470	1.9%
Construction	3,458	3,436	1,594	1,566	651	543	705	566	6,408	4.9%	6,111	4.7%
Development of building projects	1,267	1,222	468	495	304	248	175	120	2,214	1.7%	2,085	1.6%
Trade	5,032	5,284	2,508	2,468	506	608	1,083	963	9,128	7.0%	9,322	7.2%
Transport and communication	2,414	2,510	1,050	977	268	284	426	365	4,158	3.2%	4,137	3.2%
Hotels and restaurants	1,819	1,870	1,613	1,547	274	273	568	575	4,273	3.3%	4,265	3.3%
Financial and insurance services	5,627	6,065	923	774	239	238	271	331	7,061	5.4%	7,408	5.7%
Holding companies	3,208	3,486	453	367	144	131	112	182	3,917	3.0%	4,165	3.2%
Real estate and housing	13,990	13,952	3,366	3,792	915	875	871	774	19,142	14.6%	19,392	15.0%
Services	3,246	3,362	1,013	1,117	268	223	618	497	5,145	3.9%	5,200	4.0%
Public administration	5,678	5,548	767	335	13	14	5	4	6,463	4.9%	5,900	4.6%
Education, health and art	1,687	1,700	448	429	63	59	105	104	2,303	1.8%	2,292	1.8%
Private households	40,113	38,530	5,369	5,401	1,872	1,866	3,264	2,942	50,619	38.7%	48,739	37.7%
Other	101	324	69	66	36	40	24	34	229	0.2%	463	0.4%
Total	**91,926**	**91,317**	**23,118**	**22,944**	**6,378**	**6,335**	**9,539**	**8,537**	**130,960**	**100.0%**	**129,134**	**100.0%**
Share of total	**70.2%**	**70.7%**	**17.7%**	**17.8%**	**4.9%**	**4.9%**	**7.3%**	**6.6%**	**100.0%**		**100.0%**	
Risk provisions									**5,699**		**4,880**	

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

in EUR million	Sep 09	Dec 09	Mar 10	Jun 10
Customer segment split				
Retail - Priavte individuals	47,840	48,045	49,064	49,867
Retail - Micros	13,814	13,402	13,471	13,719
Large Corporates	61,606	61,011	60,744	60,292
Public sector	6,694	6,675	6,975	7,082
Total	**129,954**	**129,134**	**130,255**	**130,960**
Asset quality overview				
Low risk	92,407	91,317	91,668	91,926
Mgmt attention	22,945	22,944	22,959	23,118
Substandard	6,468	6,335	6,619	6,378
Non-performing	8,134	8,537	9,008	9,539
Total	**129,954**	**129,134**	**130,255**	**130,960**
Currency overview				
CEE-LCY	26,090	24,847	25,648	24,790
CHF	15,861	15,790	16,100	16,911
EUR	82,400	82,806	82,439	83,128
USD	3,542	3,473	3,677	3,771
Other	2,061	2,217	2,390	2,360
Total	**129,954**	**129,134**	**130,255**	**130,960**
Key asset quality ratios				
NPL ratio	6.3%	6.6%	6.9%	7.3%
NPL coverage (excl. collateral)	56.7%	57.2%	59.0%	59.7%

F. CHANGES IN TOTAL QUALIFYING CAPITAL

in EUR million	Jun 10	Dec 09
Subscribed capital	2,520	2,520
Share capital	756	756
Participation capital	1,764	1,764
Reserves	8,246	8,240
Deduction of Erste Group Bank shares held within the group	-477	-622
Consolidation difference	-2,469	-2,467
Non-controlling interests (excluding hybrid tier-1 capital pursuant to section 24 (2) 5 and 6 Banking Act)	3,350	3,330
Hybrid tier-1 capital pursuant to section 24 (2) 5 and 6 Banking Act	1,203	1,174
Intangible assets	-455	-498
Tier-1 capital before regulatory deductions pursuant to section 23 (13) 3 and 4 (excl. 4a)	**11,918**	**11,677**
Eligible subordinated liabilities	3,873	4,159
Revaluation reserve	173	167
Excess risk provisions	49	0
Qualifying supplementary capital (Tier-2)	**4,095**	**4,326**
Short-term subordinated capital (Tier- 3)	**367**	**406**
Total qualifying capital	**16,380**	**16,409**
Deductions pursuant to section 23 (13) 3 and 4 (excl. 4a) Banking Act - 50% from tier-1 capital and 50% from tier-2 capital	-389	-454
Deductions pursuant to section 23 (13) 4a Banking Act – 100% from tier-2 capital	-182	-183
Total eligible qualifying capital	**15,809**	**15,772**
Capital requirement	9,779	9,911
Surplus capital	6,030	5,861
Cover ratio (in %)	162	159
Tier-1 capital (after regulatory deductions)	11,724	11,450
Core tier-1 capital (after regulatory deductions)(1)	10,521	10,276
Tier-1 ratio – credit risk (in %)(2)	11.2	10.8
Core tier-1 ratio – total risk (in %)(3)	8.6	8.3
Tier-1 ratio – total risk (in %)(4)	9.6	9.2
Solvency ratio (in %)(5)	12.9	12.7

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

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

	Jun 10		Dec 09	
in EUR million	Calculation base/total risk (1)	Capital requirement (2)	Calculation base/total risk (1)	Capital requirement (2)
Risk pursuant to section 22 (1) 1 Banking Act(3)	104,868	8,389	106,383	8,511
a) standardised approach	27,973	2,238	29,940	2,395
b) Internal ratings based approach	76,895	6,152	76,443	6,115
Risk pursuant to section 22 (1) 2 Banking Act(4)	4,577	366	5,048	404
Risk pursuant to section 22 (1) 3 Banking Act(5)	10	1	22	2
Risk pursuant to section 22 (1) 4 Banking Act(6)	12,788	1,023	12,438	995
Total	**122,243**	**9,779**	**123,891**	**9,911**

(1) Internal calculation base used for calculation of the tier-1 ratio, core tier-1 ratio and the solvency ratio (capital requirement multiplied by 12.5).
(2) Capital requirement pursuant to the Banking Act.
(3) Risk weighted assets – credit risk.
(4) Market risk (trading book).
(5) Commodities risk and foreign exchange-risk, including the risk arising from gold positions, each for positions outside the trading book.
(6) Operational risk.

QUARTERLY STATEMENT OF COMPREHENSIVE INCOME

Income statement

in EUR million	1-6 10	1-6 09	Change
Interest and similar income	4,340.8	5,255.4	-17.4%
Interest and similar expenses	-1,668.1	-2,760.3	-39.6%
Income from associates accounted for at equity	12.1	10.2	18.6%
Net interest income	**2,684.8**	**2,505.3**	**7.2%**
Risk provisions for loans and advances	-1,084.2	-892.1	21.5%
Fee and commission income	1,194.6	1,092.2	9.4%
Fee and commission expenses	-229.6	-204.0	12.5%
Net fee and commission income	**965.0**	**888.2**	**8.6%**
Net trading result	240.0	343.1	-30.0%
General administrative expenses	-1,898.4	-1,960.2	-3.2%
Other operating result	-158.8	-87.5	-81.5%
Result from financial assets - FV	-24.6	-12.1	na
Result from financial assets - AfS	36.4	-18.7	na
Result from financial assets - HtM	4.6	-0.9	na
Pre-tax profit from continuing operations	**764.8**	**765.1**	**0.0%**
Taxes on income	-175.9	-191.3	-8.1%
Post-tax profit from continuing operations	**588.9**	**573.8**	**2.6%**
Post-tax profit from discontinuing operations	0.0	0.0	na
Net profit for the period	**588.9**	**573.8**	**2.6%**
attributable to			
non-controlling interests	117.0	81.7	43.2%
owners of the parent	**471.9**	**492.1**	**-4.1%**

Statement of comprehensive income

in EUR million	1-6 10	1-6 09	Change
Net profit before minorities	**588.9**	**573.8**	**2.6%**
Available for sale - reserve (including currency translation)	168.5	101.6	65.8%
Cash flow hedge - reserve (including currency translation)	-16.9	35.7	na
Actuarial gains and losses	0.0	0.0	na
Currency translation	-59.0	-89.1	33.8%
Deferred taxes on items recognised directly in equity	-39.7	-32.5	-22.2%
Other comprehensive income – total	**52.9**	**15.7**	**>100.0%**
Total comprehensive income	**641.8**	**589.5**	**8.9%**
attributable to			
non-controlling interests	184.1	136.9	34.5%
owners of the parent	**457.7**	**452.6**	**1.1%**

Quarterly Financial Data

INCOME STATEMENT OF ERSTE GROUP

in EUR million	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10
Net interest income	1,279.3	1,335.6	1,380.0	1,323.6	1,361.2
Risk provisions for loans and advances	-521.9	-557.1	-607.4	-531.2	-553.0
Net fee and commission income	443.6	425.1	459.5	471.5	493.5
Net trading result	199.3	159.9	82.1	141.2	98.8
General administrative expenses	-984.3	-920.1	-927.1	-953.1	-945.3
Other operating result	-47.6	-114.3	-154.0	-67.7	-91.1
Result from financial assets - FV	32.0	68.5	56.8	13.0	-37.6
Result from financial assets - AfS	-7.9	-87.7	-97.7	0.1	36.3
Result from financial assets - HtM	-0.8	2.9	-8.8	4.7	-0.1
Pre-tax profit from continuing operations	391.7	312.8	183.4	402.1	362.7
Taxes on income	-107.3	-78.3	-15.1	-92.5	-83.4
Post-tax profit from discontinuing operations	0.0	0.0	0.0	0.0	0.0
Net profit for the period	284.4	234.5	168.3	309.6	279.3
attributable to					
non-controlling interests	24.4	6.5	-15.0	54.4	62.6
owners of the parent	**260.0**	**228.0**	**183.3**	**255.2**	**216.7**

BALANCE SHEET OF ERSTE GROUP

in EUR million	Jun 09	Sep 09	Dec 09	Mar 10	Jun 10
Loans and advances to credit institutions	13,800	13,938	13,140	16,123	16,408
Loans and advances to customers	128,110	129,954	129,134	130,255	130,960
Risk provisions for loans and advances	-4,311	-4,713	-4,954	-5,390	-5,796
Trading and other financial assets	43,275	42,491	42,884	44,695	44,714
Other assets	23,293	21,883	21,506	22,304	22,798
Total assets	**204,167**	**203,553**	**201,710**	**207,987**	**209,084**
Deposits by banks	29,776	26,920	26,295	25,605	26,730
Customer deposits	113,489	113,317	112,042	115,595	116,558
Debt securities in issue	30,130	30,431	29,612	30,596	29,841
Other liabilities	11,338	12,618	11,490	13,124	13,496
Subordinated liabilities	6,141	6,184	6,148	6,191	5,978
Total equity	13,293	14,083	16,123	16,876	16,481
attributable to					
non-controlling interests	10,098	10,667	12,709	13,316	12,920
owners of the parent	3,195	3,416	3,414	3,560	3,561
Total liabilities and equity	**204,167**	**203,553**	**201,710**	**207,987**	**209,084**

Statement of all Legal Representatives

We confirm to the best of our knowledge that the interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the group management report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the interim financial statements, of the principal risks and uncertainties for the remaining six months of the financial year and of the major related party transactions to be disclosed.

Vienna, 30 July 2010

The Management Board

Andreas Treichl mp
Chairman

Franz Hochstrasser mp
Vice Chairman

Herbert Juranek mp
Member

Johannes Leobacher mp
Member

Bernhard Spalt mp
Member

Manfred Wimmer mp
Member

Martin Škopek mp
Member

SHAREHOLDER EVENTS

29 October 2010	Q3 2010 results
25 February 2011	Full-year preliminary results 2010

GROUP INVESTOR RELATIONS

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TICKER SYMBOLS

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