ERSTE GROUP

Half Yearly Financial Report 2011

KEY FINANCIAL AND SHARE DATA

in EUR million	1-6 11	1-6 10
Income statement		
Net interest income	2,689.8	2,684.8
Risk provisions for loans and advances	-940.0	-1,084.2
Net fee and commission income	954.9	965.0
Net trading result	248.7	240.0
General administrative expenses	-1,926.3	-1,898.4
Other result	-264.0	-142.4
Pre-tax profit from continuing operations	763.1	764.8
Attributable to owners of the parent	**496.3**	**471.9**
Profitability ratios		
Net interest margin	3.0%	3.0%
Cost/income ratio	49.5%	48.8%
Return on equity	7.1%	7.2%
Earnings per share	1.13	1.07

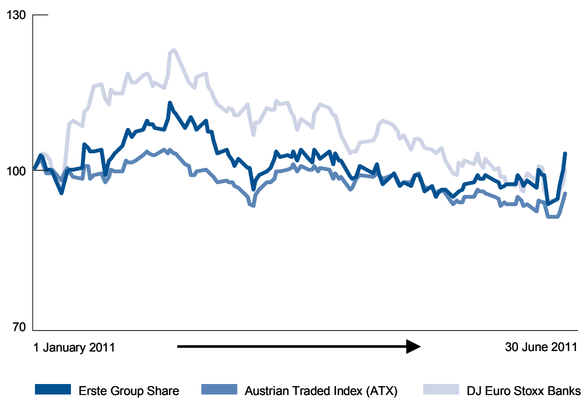
	Jun 11	Dec 10
Balance sheet		
Loans and advances to credit institutions	13,373	12,496
Loans and advances to customers	134,078	132,729
Risk provisions for loans and advances	-6,516	-6,119
Trading assets, derivative financial instruments	15,767	14,010
Other financial assets	37,807	34,421
Other assets	19,655	18,401
Total assets	**214,164**	**205,938**
Deposits by banks	23,324	20,154
Customer deposits	120,817	117,016
Debt securities in issue	32,566	31,298
Trading liabilities, derivative financial instruments	7,628	8,212
Other liabilities	6,586	6,291
Subordinated liabilities	5,720	5,838
Total equity	17,523	17,129
Attributable to non-controlling interests	3,607	3,544
Attributable to owners of the parent	13,916	13,585
Total liabilities and equity	**214,164**	**205,938**
Changes in total qualifying capital		
Risk pursuant to section 22 (1) 1 Banking Act	103,816	103,950
Tier 1 ratio – credit risk (in %)	12.1	11.8
Tier 1 ratio – total risk (in %)	10.5	10.2
Solvency ratio (in %)	13.9	13.5

	1-6 11	1-6 10
Stock market data (Vienna Stock Exchange)		
High (EUR)	39.45	35.08
Low (EUR)	32.80	25.10
Closing price (EUR)	36.15	26.36
Market capitalisation (EUR billion)	13.68	9.97

Ratings at 30 June 2011

Fitch	
Long term	A
Short term	F1
Outlook	Stable
Moody‘s Investors Service	
Long term	A1
Short term	P-1
Outlook	Stable
Standard & Poor‘s	
Long term	A
Short term	A-1
Outlook	Stable

Performance of the Erste Group share (indexed)



Highlights

_ Erste Group posted stable operating income for the first half of 2011: net interest income totalled EUR 2,689.8 million (H1 2010: EUR 2,684.8 million), supported by record quarterly net interest income of EUR 1,394.1 million in Q2 2011. Net commission income of EUR 954.9 million declined only marginally compared with the good performance of EUR 965.0 million in H1 2010. The net trading result improved from EUR 240.0 million to EUR 248.7 million (+3.6% compared to H1 2010).

_ Despite rising inflation operating expenses rose by only 1.5% to EUR 1,926.3 million in the first half of 2011. The recorded operating result was EUR 1,967.1 million, down slightly (-1.2%) compared to H1 2010. Reflecting continuing cost discipline, this resulted in a cost/income ratio of 49.5% (H1 2010: 48.8%).

_ Risk costs declined by 13.3% from EUR 1,084.2 million (167 basis points of average customer loans) in H1 2010 to EUR 940.0 million, or 141 bps, in the first half of 2011. While credit quality improved significantly in the Czech Republic, Slovakia and Austria, it continued to be under pressure in markets with slower economic recovery like Hungary and Romania. The NPL ratio in relation to customer loans increased to 7.9% at the end of the first half of 2011 (at 31 December 2010: 7.6%). The NPL coverage ratio improved to 60.6%, compared to 60.0% at year-end 2010.

_ Net profit after minorities [1] rose to EUR 496.3 million for the first half of 2011. That was up 5.2% year on year, mainly due to the solid operating result and lower risk costs. The bottom line was burdened by additional charges of EUR 95.6 million (pre-tax) for banking taxes in Austria and Hungary.

_ Total assets were up by 4.0% from EUR 205.9 billion to EUR 214.2 billion. The loan-to-deposit ratio improved from 113.4% at 31 December 2010 to 111.0% at 30 June 2011. While customer deposits continued to increase (+3.2% to EUR 120.8 billion), loan demand remained subdued. Deposits developed particularly well in Austria and in the Czech Republic, while loan business performed best in Slovakia.

_ Erste Group's shareholders' equity [2] increased to EUR 13.9 billion (year-end 2010: EUR 13.6 billion), and core tier 1 capital to EUR 11.4 billion (year-end 2010: EUR 11.0 billion). As loan growth picked up only slowly, risk-weighted assets remained almost flat at EUR 119.7 billion compared to year-end 2010. Prior to the inclusion of retained earnings, this resulted in a tier 1 ratio (total risk) of 10.5%, compared to 10.2% at year-end 2010, and a core tier 1 ratio (total risk) of 9.5% (year-end 2010: 9.2%).

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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,

In the first half of 2011, Erste Group's net profit rose by 5.2% to EUR 496.3 million – which is a respectable result considering the continued very negative effect of banking taxes in Austria and Hungary amounting to EUR 95.6 million (before tax). Stable operating income in the first half of the year and an only moderate rise in operating costs, despite higher inflation, resulted in an operating result of EUR 1,967.2 million (-1.2% versus the previous year). The cost/income ratio thus stood at 49.5% (versus 48.8% in the first half of 2010). Risk costs developed positively, declining by 13.3% year-on-year to EUR 940.0 million. The core tier 1 ratio improved to 9.5%, up from 9.2% at year-end 2010. The bank's liquidity position remained very solid on the back of a continuing strong inflow of customer deposits.

Two aspects of the macroeconomic development affected Erste Group in the first half of 2011 significantly: on the one hand, the economic recovery in Central and Eastern Europe and, on the other hand, the sovereign debt crisis related to several eurozone countries. The former resulted in a slight appreciation of CEE currencies since the start of the year. In addition, the quite healthy fiscal situation of the region's economies led to improved credit ratings even for weaker CEE economies such as Hungary and Romania. However, as domestic demand was still subdued, the two countries lacked the momentum needed for a sustainable increase in demand for banking products. Investor confidence in the region improved, which was also reflected in financial markets. Central and East European countries have been able to secure funding at better terms than the highly indebted states of the eurozone's periphery. The credit default spreads of most CEE countries have narrowed since the beginning of the year. On the other hand, the eurozone's debt crisis fueled volatility on financial markets.

In this operating environment, Erste Group posted both its second-best operating income and its second-best operating profit ever in the second quarter of 2011 on the back of record net interest income. Risk costs were slightly up quarter on quarter, but the loan-to-deposit ratio improved to 111.0%. Despite challenging market conditions Erste Group has already covered almost all of its funding needs for 2011 in the first half of the year. In addition to a jumbo Pfandbrief issue, Erste Group also placed an unsecured senior benchmark bond at favourable terms with international investors.

Erste Group's capital ratios – prior to the inclusion of retained earnings – improved once again due to stable risk-weighted assets: at the end of the second quarter 2011, the core tier 1 ratio stood at an excellent 9.5%. The bank's strong capital position was also confirmed by the EU-wide stress test conducted by the European Banking Authority: in the hypothetical stress scenario, Erste Group's capital ratios were substantially above the average of the banks tested, which means that the bank's capital base is more than adequate even in the case of a simulated economic shock. Erste Group will in any case be able to repay the participation capital from its capital reserves without restricting organic growth in the CEE region.

As regards the operating divisions, the retail and SME segments in Austria, the Czech Republic, and Slovakia performed very well. The Austrian segment once again posted improved results. While customer business continued its solid development, the negative impact of the banking tax remained very high. The Czech Republic again contributed significantly to the result in Central and Eastern Europe. Improved margins in the deposit business, the significant decline in risk costs and the appreciation of currencies contributed to the positive performance versus the previous year.

The continuing strength of the Slovakia segment is particularly noteworthy. The country reported the largest increase in lending of all CEE markets year to date. Developments in Romania and Hungary continued to be difficult, as expected. In the Hungary segment, especially the SME and real estate business remained under pressure. In Romania, the performance suffered from weak credit demand and a changed loan portfolio mix as well as higher risk provisions. However, some initial signs of improvement were seen in the corporate customer segment as a result of the infrastructure projects currently being implemented.

Asset quality improved significantly in the major markets of Erste Group, i.e. in the Czech Republic, Slovakia and Austria, while Hungary and Romania recorded a deterioration. Overall, the NPL ratio increased to 7.9% at the end of June 2011 versus 7.6% at year-end 2010. The NPL cover ratio improved to 60.6%, up from 60.0% at year-end 2010.

In the first half of 2011, Erste Group once again proved its ability to generate a superior operating performance even in a difficult market environment. Backed by an excellent liquidity position and strengthening capital ratios, the bank is therefore perfectly positioned to seize future growth opportunities in Central and Eastern Europe.

Andreas Treichl mp

Erste Group Share

EQUITY MARKET REVIEW

After a positive start into the second quarter of 2011, the debt crisis of the euro zone's peripheral countries sent equity markets lower. Investors were worried in particular about the escalating situation in Greece and the spectre of sovereign bankruptcy in the event of failure to reach agreement on continuing EU aid payments. The sluggish performance of the US economy and its excessive levels of debt also contributed to a sense of uncertainty among investors. Quarter on quarter, and despite some advances following adoption of the Greek government's fiscal consolidation and reform package in late June, nearly all of the markets covered were down slightly. Because of their first-quarter performances, however, most of the indices closed the first half of the year in positive territory. The US Dow Jones Industrials index ended the second quarter on a slight gain of 0.8% and, at 12,414.34 points, was up 7.2% for the year to date. The broader Standard & Poor's 500 index closed the first half of the year up 5.0% at 1,320.64 points. The STOXX Europe 600, by contrast, had lost 1.1% since year-end 2010, falling to 272.86 points.

In Europe, the European Central Bank (ECB) raised its policy rate by 25 basis points to 1.25% in response to the recent rise in inflation. In the first quarter, euro zone GDP rose 0.8% quarter on quarter while divergences among individual regions persisted. Then the deepening of Greece's financial crisis and concerns about its potential impacts on monetary union and the global financial system caused a weakening of the euro and falling prices in the stock markets. The equity markets recovered only after the Greek parliament had, by a narrow margin, adopted an austerity package, which had been a precondition for the EU and IMF to disburse another EUR 12 billion loan instalment.

In the US financial markets, sentiment was bearish in view of relatively lacklustre first-quarter GDP growth and doubts about recovery of the job market. In addition, attention began to centre on US debt levels. Three large rating agencies threatened to downgrade US treasury bonds should the administration and Republicans fail to agree on lifting the debt ceiling. The US central bank, the Fed, continued in its extremely accommodating monetary policy. According to the Fed, the continuing subdued outlook for the labour market justifies keeping the federal funds rate at its present extraordinarily low level for yet some time.

European bank stocks were down substantially in the second quarter amid fears of a possible Greek default. After the significant downward corrections in the run-up to the parliamentary vote in Greece, bank stocks regained some of the lost ground. The EURO STOXX Banks index, which is composed of leading European banking stocks, nevertheless receded by 6.8% in the second quarter. At 160.33 points, the index was 0.3% shy of its year-end 2010 level.

In contrast to major international indices, the ATX was down 4.7% in the first half of the year, at 2,766.73 points. This was certainly due in large part to anticipatory purchases made at year-end 2010 ahead of the introduction of a capital gains tax on securities transactions.

PERFORMANCE OF THE ERSTE GROUP SHARE

After its good start into the new year, the Erste Group share was unable to escape the effects of the debt crisis on the European banking sector. When first-quarter results were released, analysts were focused primarily on the development of net interest income, risk provisions and the capital base, which most analysts judged to be satisfactory. The analysts confirmed their mostly positive assessment of Erste Group. Morgan Stanley initiated coverage of Erste Group. While European bank stocks were down sharply, the Erste Group share initially exhibited relatively little volatility. It was only escalation of the situation in Greece that caused the Erste Bank share to fall to its year-to-date low of EUR 32.795 on 24 June. After the positive outcome of the vote by the Greek parliament and subsequent rebound of bank stocks, the Erste Group share also recovered significantly, gaining 1.5% in the second quarter. At EUR 36.15, the Erste Group share traded 2.9% higher than at year-end 2010, outperforming both the ATX and the DJ EURO STOXX Banks index.

INVESTOR RELATIONS

In the second quarter of 2011, Erste Group's management and investor relations team had a large number of one-on-one and group meetings. Presentation of the first-quarter results was followed by the spring road show in Europe and the US and the annual analysts' dinner in London. A number of international banking and investor conferences were attended, as well.

Interim Management Report

In the interim management report, financial results from the first half of 2011 are compared with those from the first half of 2010. Unless stated otherwise, terms such as “in the previous year”, “2010” or “as of the first half of 2010” accordingly relate to the first half of 2010, and terms such as “this year”, “2011” or “as of the first half of 2011” relate to the first half of 2011. The term “net profit after minorities” corresponds with “net profit attributable to owners of the parent”.

EARNINGS PERFORMANCE IN BRIEF

In the first half of 2011, stable operating income and a moderate rise in operating expenses caused the **operating result** to decline to EUR 1,967.1 million (-1.2% versus EUR 1,991.4 million in the first half of 2010).

Operating income totalled EUR 3,893.4 million in the first half of 2011 versus EUR 3,889.8 million in the first half of 2010, with a rise in net interest income (+0.2% to EUR 2,689.8 million) and in net trading result (+3.6% to EUR 248.7 million) offsetting a decline in net fee and commission income (-1.0% to EUR 954.9 million). As **general administrative expenses** increased by 1.5% from EUR 1,898.4 million to EUR 1,926.3 million, the **cost/income ratio** rose to 49.5% (first half of 2010: 48.8%).

Net profit after minorities improved by 5.2%, rising from EUR 471.9 million to EUR 496.3 million.

Cash return on equity, i.e. return on equity adjusted for such non-cash expenses as goodwill impairment and straight-line amortisation of customer relationships, was stable at 7.4% (reported ROE: 7.1%) in the first half of 2011 versus 7.5% (reported ROE: 7.2%) in the first half of 2010.

Cash earnings per share, at EUR 1.19 in the first half of 2011 (reported EPS: EUR 1.13), were higher than in the first half of 2010 (EUR 1.13; reported EPS: 1.07).

Total assets, at EUR 214.2 billion, were up 4.0% on year-end 2010. On the liabilities side, this was due to continuous growth in customer deposits and interbank business, while on the assets side financial and trading assets rose.

As risk-weighted assets declined slightly and tier 1 capital increased, the **solvency ratio** improved from 13.5% at year-end 2010 to 13.9% as at 30 June 2011 and, therefore, remained comfortably above the statutory minimum requirement of 8.0%. The **tier 1 ratio** in relation to the total risk was 10.5% as at 30 June 2011 (versus 10.2% at year-end 2010).

OUTLOOK

All of Erste Group's core markets in Central and Eastern Europe are expected to post significant economic growth in 2011. While in Austria, the Czech Republic, Slovakia and Croatia this will translate into increasing demand for loan and deposit products, the Hungarian and Romanian banking markets will lag behind as they work through market-specific issues.

In this environment, Erste Group is expected to maintain a strong operating performance in the second half of 2011 on the back of resilient margins, accelerating loan growth, solid net commission income as well as a cost increase below the inflation rate. Risk costs will remain elevated in Romania and rise in Hungary, but are expected to decline group wide from H1 2011 levels in the second half of 2011. Overall, Erste Group’s strong operating performance should result in a further strengthening of the core tier 1 capital in 2011, enabling it to repay government participation capital following regulatory approval.

PERFORMANCE IN DETAIL

in EUR million	1-6 11	1-6 10	Change
Net interest income	2,689.8	2,684.8	0.2%
Risk provisions for loans and advances	-940.0	-1,084.2	-13.3%
Net fee and commission income	954.9	965.0	-1.0%
Net trading result	248.7	240.0	3.6%
General administrative expenses	-1,926.3	-1,898.4	1.5%
Other result	-264.0	-142.4	-85.4%
Pre-tax profit from continuing operations	**763.1**	**764.8**	**-0.2%**
Net profit for the period	**595.3**	**588.9**	**1.1%**
Attributable to non-controlling interests	99.0	117.0	-15.4%
Attributable to owners of the parent	**496.3**	**471.9**	**5.2%**

Net interest income

Net interest income was up 0.2% from EUR 2,684.8 million in the first half of 2010 to EUR 2,689.8 million. At the same time, the interest margin (net interest income as a percentage of average interest-bearing assets) contracted slightly from 3.04% in the first half of 2010 to 2.96% in the first half of 2011. This was mainly attributable to a rise in average loans and advances to customers and in financial assets.

Net fee and commission income

in EUR million	1-6 11	1-6 10	Change
Lending business	167.2	160.8	4.0%
Payment transfers	432.3	418.5	3.3%
Card business	96.1	90.7	6.0%
Securities transactions	218.3	227.1	-3.9%
Investment fund transactions	102.1	95.8	6.6%
Custodial fees	17.1	20.9	-18.2%
Brokerage	99.1	110.4	-10.2%
Insurance brokerage business	49.0	54.2	-9.6%
Building society brokerage	17.9	22.2	-19.4%
Foreign exchange transactions	11.8	14.3	-17.5%
Investment banking business	10.1	15.2	-33.6%
Other	48.3	52.7	-8.3%
Total	**954.9**	**965.0**	**-1.0%**

Net fee and commission income

Net fee and commission income was down 1.0% in the first half of 2011, from EUR 965.0 million to EUR 954.9 million. This development was mostly due to declines in the securities business (especially brokerage by savings banks, in Hungary and in the Czech Republic), in insurance brokerage, and in building society brokerage (in Austria), as well as in investment banking. Improvement in the lending business was largely attributable to higher contributions from Slovakia and Austria. The increase in payment transfers was attributable in large part to the Czech subsidiary (increase in card transactions).

Net trading result

As declines in foreign exchange trading (by 18.1% to EUR 90.8 million) and in securities trading (by 3.7% to EUR 85.3 million) were more than offset by stronger contributions from derivatives trading (up 78.7% to EUR 72.6 million), the net trading result increased by 3.6% in the first half of 2011, from EUR 240.0 million to EUR 248.7 million.

General administrative expenses

in EUR million	1-6 11	1-6 10	Change
Personnel expenses	-1,142.3	-1,091.0	4.7%
Other administrative expenses	-595.7	-616.4	-3.4%
Depreciation and amortisation	-188.3	-191.0	-1.4%
Total	**-1,926.3**	**-1,898.4**	**1.5%**

General administrative expenses rose by 1.5% (currency-adjusted: +0.6%), from EUR 1,898.4 million to EUR 1,926.3 million.

Personnel expenses were up 4.7% (currency-adjusted: +4.0%), from EUR 1,091.0 million to EUR 1,142.3 million. This increase was partly due to severance payments in the Czech Republic and the integration of Informations-Technologie Austria GmbH (previously not a consolidated subsidiary) into sIT Solutions AT as from 1 July 2010. The latter had a positive effect on **other administrative expenses**, which declined by 3.4% (currency-adjusted: 4.5%) in the first half of 2011 from EUR 616.4 million to EUR 595.7 million. Cost reductions were achieved mainly in IT.

The headcount was up marginally year to date, at 50,425 employees. Part of the announced staff reduction at Česká spořitelna (191 employees) resulted from the spin-off of sIT Solutions CZ, which is included under "Other subsidiaries". The increase at Erste Bank Croatia by 280 employees was due to the inclusion of Erste Factoring d.o.o., Erste Securities Zagreb and Erste Card Club d.d., which had previously been reported under “Other subsidiaries”. The headcount rise in Romania was mainly a consequence of the permanent employment of formerly leased personnel.

Depreciation declined by 1.4% in the first half of 2011 (currency-adjusted: -2.6%) versus the first half of 2010, from EUR 191.0 million to EUR 188.3 million.

Headcount

	Jun 11	Dec 10	Change
Employed by Erste Group	**50,425**	**50,272**	**0.3%**
Austria incl. Haftungsverbund savings banks	15,949	16,068	-0.7%
Erste Group, EB Oesterreich and subsidiaries	8,558	8,488	0.8%
Haftungsverbund savings banks	7,391	7,580	-2.5%
Central and Eastern Europe / International	34,476	34,204	0.8%
Česká spořitelna Group	10,261	10,711	-4.2%
Banca Comercială Română Group	9,316	9,112	2.2%
Slovenská sporiteľňa Group	4,101	4,004	2.4%
Erste Bank Hungary Group	2,898	2,900	-0.1%
Erste Bank Croatia Group	2,685	2,317	15.9%
Erste Bank Serbia	914	910	0.4%
Erste Bank Ukraine	1,698	1,736	-2.2%
Savings banks subsidiaries & foreign branch offices	1,134	1,019	11.3%
Other subsidiaries and foreign branch offices	1,469	1,495	-1.7%

Operating result

Operating income remained almost unchanged in the first half of 2011 at EUR 3,893.4 million (first half of 2010: EUR 3,889.8 million) while **general administrative expenses** were up 1.5% from EUR 1,898.4 million to EUR 1,926.3 million. This led to a reduction of the **operating result** by 1.2% from EUR 1,991.4 million to EUR 1,967.1 million.

Risk provisions

Risk provisions (i.e. the balance of the allocation and release of provisions for the lending business together with the costs of direct loan write-offs offset by income received from the recovery of loans already written off) decreased year on year by 13.3% from EUR 1,084.2 million to EUR 940.0 million. In the first half of 2011, risk costs relative to the average volume of customer loans amounted to 141 basis points (first half of 2010: 167 basis points).

Other operating result

Other operating result deteriorated from EUR -158.8 million in the first half of 2010 to EUR -260.2 million in the first half of 2011. This was primarily due to the increase in other taxes, which rose from EUR 11.3 million to EUR 110.2 million. Bank taxes had to be paid in Hungary (EUR 27.4 million) and, for the first time, in Austria (EUR 68.2 million).

Generally, this line item includes the straight-line amortisation of intangible assets (i.e. customer relationships) in the amount of EUR 34.9 million (first half of 2010: EUR 35.0 million) as well as deposit insurance contributions totalling EUR 42.6 million (first half of 2010: EUR 29.3 million).

Results from financial assets

The overall result from all categories of financial assets, which in the first half of 2010 had amounted to EUR 16.4 million, turned negative in the first half of 2011 and came in at EUR -3.8 million. This was mainly attributable to lower gains on the sale of available for sale securities, which in contrast to 2010 failed to offset the revaluation losses on the fair value portfolio.

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

Pre-tax profit from continuing operations was down by 0.2% versus the same period of the previous year from EUR 764.8 million to EUR 763.1 million.

Net profit after minorities improved by 5.2% to EUR 496.3 million, up from EUR 471.9 million in the first half of 2010.

FINANCIAL RESULTS – QUARTER-ON-QUARTER COMPARISON

Net interest income was up 7.6% quarter on quarter, from EUR 1,295.7 million to EUR 1,394.1 million, which was attributable to improved customer business, a better money market result, as well as one extra interest day supported by the move in the EUR base rate.

Net fee and commission income decreased from EUR 481.2 million in the first quarter of 2011 by 1.6% to EUR 473.7 million in second quarter 2011, as in second quarter 2011 a decline in the securities business (brokerage) was not fully offset by growth in lending and payment transfers.

After a good performance in first quarter 2011, the **net trading result** was down 22.0% from EUR 139.7 million to EUR 109.0 million. While income from foreign exchange trading increased by 22.5% quarter on quarter to EUR 50.0 million, income from securities and derivatives trading fell by 40.3% to EUR 59.0 million, which was due in part to less volatility in interest rates and difficult markets as a result of the sovereign debt crisis.

General administrative expenses, at EUR 963.3 million, were unchanged quarter on quarter, as lower personnel expenses (down 1.7% from EUR 576.1 million to EUR 566.2 million in second quarter 2011) and a decline in amortisation and depreciation (down 0.7% from EUR 94.5 million to EUR 93.8 million in second quarter 2011) were offset by a rise in other administrative expenses. The latter increased by 3.7% from EUR 292.4 million to EUR 303.3 million, driven in particular by IT expenditure, legal and consulting costs, as well as marketing expenses.

The **cost/income ratio** improved to 48.7% in second quarter 2011 versus 50.2% in first quarter 2011.

Risk provisions for loans and advances were up 4.3% quarter on quarter from EUR 460.1 million to EUR 479.9 million, mainly as a result de-risking measures in the international portfolio.

Other operating result deteriorated by 2.2% from EUR -128.7 in the previous quarter to EUR -131.5 million.

The **result** from all categories of **financial assets** turned negative from EUR 28.9 million in first quarter 2011 to EUR -32.7 million in second quarter 2011. While the previous quarter had benefited from gains on the sale of investments, the second quarter of 2011 was affected by valuation losses in the fair value portfolio.

Pre-tax profit before taxes on continuing operations declined by 6.2% quarter on quarter from EUR 393.7 million to EUR 369.4 million.

Net profit after minorities was down 9.6% in second quarter 2011 to EUR 235.7 million versus EUR 260.6 million in the previous quarter.

DEVELOPMENT OF THE BALANCE SHEET

in EUR million	Jun 11	Dec 10	Change
Loans and advances to credit institutions	13,373	12,496	7.0%
Loans and advances to customers	134,078	132,729	1.0%
Risk provisions for loans and advances	-6,516	-6,119	6.5%
Trading assets, derivative financial instruments	15,767	14,010	12.5%
Other financial assets	37,807	34,421	9.8%
Other assets	19,655	18,401	6.8%
Total assets	**214,164**	**205,938**	**4.0%**

in EUR million	Jun 11	Dec 10	Change
Deposits by banks	23,324	20,154	15.7%
Customer deposits	120,817	117,016	3.2%
Debt securities in issue	32,566	31,298	4.1%
Trading liabilities, derivative financial instruments	7,628	8,212	-7.1%
Other liabilities	6,586	6,291	4.7%
Subordinated liabilities	5,720	5,838	-2.0%
Total equity	17,523	17,129	2.3%
Attributable to non-controlling interests	3,607	3,544	1.8%
Attributable to owners of the parent	13,916	13,585	2.4%
Total liabilities and equity	**214,164**	**205,938**	**4.0%**

At EUR 13.4 billion, **loans and advances to credit institutions** as at 30 June 2011 were 7.0% higher than at year-end 2010 (EUR 12.5 billion). This was largely attributable to the expansion of short term interbank transactions.

Loans and advances to customers were up 1.0% at EUR 134.1 billion versus EUR 132.7 billion. This rise resulted primarily from exchange rate changes. Underlying lending growth was strongest in Slovakia.

Risk provisions increased due to additional allocations from EUR 6.1 billion to EUR 6.5 billion. The NPL ratio (non-performing loans as a percentage of loans to customers) went up to 7.9% as at 30 June 2011 (7.6% as at 31 December 2010). The NPL coverage ratio improved further from 60.0% at year-end 2010 to 60.6%.

Investment securities held within the various categories of financial assets rose by 9.8%, from EUR 34.4 billion at year-end 2010 to EUR 37.8 billion, primarily on the back of growth in customer deposits.

Customer deposits increased by 3.2% (from EUR 117.0 billion to EUR 120.8 billion) and thus once again at a significantly faster rate than did loans and advances to customers. This development was above all driven by gains in the Czech Republic, especially in public sector deposits. In Austria, slight growth was recorded in deposits from corporate customers.

The **loan-to-deposit ratio** improved to 111.0% as at 30 June 2011, down from 113.4% as at 31 December 2010.

Successful new bond issues led to a rise in **debt securities in issue** by 4.1% from EUR 31.3 billion to EUR 32.6 billion.

Total risk-weighted assets (RWA) remained almost unchanged at EUR 119.7 billion as at 30 June 2011 (31 December 2010: EUR 119.8 billion).

Total eligible **qualifying capital** of the Erste Group credit institutions, as defined by the Austrian Banking Act, rose from EUR 16.2 billion at year-end 2010 to EUR 16.6 billion as at 30 June 2011. The cover ratio with respect to statutory minimum requirements at the reporting date (EUR 9.6 billion) was 173.4% (year-end 2010: 169.2%).

T**ier 1 capital** after the deductions defined in the Austrian Banking Act amounted to EUR 12.5 billion (year-end 2010: EUR 12.2 billion).

The **tier 1 ratio** including the capital requirements for market and operational risk (total risk) increased to 10.5% (year-end 2010: 10.2%). The **core tier 1 ratio** improved to 9.5% as at 30 June 2011 (year-end 2010: 9.2%).

The **solvency ratio** in relation to total risk (total eligible qualifying capital as a percentage of the assessment base for total risk pursuant to § 22 par. 1 of the Austrian Banking Act) amounted to 13.9% as at 30 June 2011 (year-end 2010: 13.5%), which was well above the statutory minimum requirement of 8.0%.

Condensed Consolidated Financial Statements

I. Statement of comprehensive income – 1 January to 30 June 2011

INCOME STATEMENT

in EUR million	Notes	1-6 11	1-6 10	Change
Interest and similar income		4,486.8	4,340.8	3.4%
Interest and similar expenses		-1,806.8	-1,668.1	8.3%
Income from associates accounted for at equity		9.8	12.1	-19.0%
Net interest income	**(1)**	**2,689.8**	**2,684.8**	**0.2%**
Risk provisions for loans and advances	(2)	-940.0	-1,084.2	-13.3%
Fee and commission income		1,239.3	1,194.6	3.7%
Fee and commission expenses		-284.4	-229.6	23.9%
Net fee and commission income	**(3)**	**954.9**	**965.0**	**-1.0%**
Net trading result	(4)	248.7	240.0	3.6%
General administrative expenses	(5)	-1,926.3	-1,898.4	1.5%
Other operating result	(6)	-260.2	-158.8	-63.9%
Result from financial assets - FV		-19.9	-24.6	19.1%
Result from financial assets - AfS		14.1	36.4	-61.3%
Result from financial assets - HtM		2.0	4.6	-56.5%
Pre-tax profit from continuing operations		**763.1**	**764.8**	**-0.2%**
Taxes on income		-167.8	-175.9	-4.6%
Net profit for the period		**595.3**	**588.9**	**1.1%**
Attributable to non-controlling interests		99.0	117.0	-15.4%
Attributable to owners of the parent		**496.3**	**471.9**	**5.2%**

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 million	1-6 11	1-6 10	Change
Earnings per share	1.13	1.07	5.6%
Diluted earnings per share	1.13	1.07	5.6%
Cash earnings per share	1.19	1.13	5.3%
Diluted cash earnings per share	1.18	1.12	5.4%

STATEMENT OF COMPREHENSIVE INCOME

in EUR million	1-6 11	1-6 10	Change
Net profit before minorities	**595.3**	**588.9**	**1.1%**
Available for sale - reserve (including currency translation)	53.2	168.5	-68.4%
Cash flow hedge - reserve (including currency translation)	-20.7	-16.9	-22.5%
Actuarial gains and losses	0.0	0.0	na
Currency translation	124.5	-59.0	na
Deferred taxes on items recognised directly in equity	-17.1	-39.7	56.9%
Other comprehensive income – total	**139.9**	**52.9**	**>100%**
Total comprehensive income	**735.2**	**641.8**	**14.6%**
Attributable to non-controlling interests	64.2	184.1	-65.1%
Attributable to owners of the parent	**671.0**	**457.7**	**46.6%**

II. Balance sheet at 30 June 2011

in EUR million	Notes	Jun 11	Dec 10	Change
ASSETS				
Cash and balances with central banks		6,605	5,839	13.1%
Loans and advances to credit institutions	(7)	13,373	12,496	7.0%
Loans and advances to customers	(8)	134,078	132,729	1.0%
Risk provisions for loans and advances	(9)	-6,516	-6,119	6.5%
Derivative financial instruments	(10)	7,410	8,474	-12.6%
Trading assets	(11)	8,357	5,536	51.0%
Financial assets - at fair value through profit or loss	(11)	2,806	2,435	15.2%
Financial assets - available for sale	(11)	18,978	17,751	6.9%
Financial assets - held to maturity	(11)	16,023	14,235	12.6%
Equity holdings in associates accounted for at equity		218	223	-2.2%
Intangible assets		4,608	4,675	-1.4%
Property and equipment		2,449	2,446	0.1%
Current tax assets		123	116	6.0%
Deferred tax assets		371	418	-11.2%
Assets held for sale		106	52	>100%
Other assets		5,175	4,632	11.7%
Total assets		**214,164**	**205,938**	**4.0%**
LIABILITIES AND EQUITY				
Deposits by banks	(12)	23,324	20,154	15.7%
Customer deposits	(13)	120,817	117,016	3.2%
Debt securities in issue		32,566	31,298	4.1%
Derivative financial instruments	(14)	7,033	7,996	-12.0%
Trading liabilities		595	216	>100%
Provisions	(15)	1,540	1,545	-0.3%
Current tax liabilities		47	68	-30.9%
Deferred tax liabilities		309	328	-5.8%
Other liabilities		4,690	4,350	7.8%
Subordinated liabilities	(16)	5,720	5,838	-2.0%
Total equity		17,523	17,129	2.3%
Attributable to non-controlling interests		3,607	3,544	1.8%
Attributable to owners of the parent		13,916	13,585	2.4%
Total liabilities and equity		**214,164**	**205,938**	**4.0%**

III. Statement of changes in equity

in EUR million	Subscri-bed capital	Additi-onal paid-in-capital	Retained earnings	Cash flow hedge reserve	Available for sale reserve	Currency transla-tion	Deferred tax	Total owners of the parent	Non-controlling interests	Total equity
Total equity at 1 January 2010	**2,517**	**6,171**	**4,628**	**73**	**-372**	**-390**	**82**	**12,709**	**3,414**	**16,123**
Changes in own shares			138					138		138
Dividends			-385					-385	-38	-423
Capital increases [1]		6						6		6
Participation capital [2]	-5							-5		-5
Change in interest in subsidiaries										
Acquisition of non-controlling interest										
Total comprehensive income			472	-10	55	-45	-14	458	184	642
Net profit for the period			472					472	117	589
Other comprehensive income				-10	55	-45	-14	-14	67	53
Total euity at 30 June 2010	**2,512**	**6,177**	**4,853**	**63**	**-317**	**-435**	**68**	**12,921**	**3,560**	**16,481**
Total equity at 1 January 2011	**2,513**	**6,177**	**5,410**	**11**	**-278**	**-312**	**64**	**13,585**	**3,544**	**17,129**
Changes in own shares			56					56		56
Dividends			-405					-405	-38	-443
Capital increases [1]	1	8						9		9
Participation capital										
Change in interest in subsidiaries									37	37
Acquisition of non-controlling interest										
Total comprehensive income			496	-13	95	118	-25	671	64	735
Net profit for the period			496					496	99	595
Other comprehensive income				-13	95	118	-25	175	-35	140
Total equity at 30 June 2011	**2,514**	**6,185**	**5,557**	**-2**	**-183**	**-194**	**39**	**13,916**	**3,607**	**17,523**

1) Capital increase in connection with ESOP (Employee Share Option Plan).
2) Capital tax.

IV. Condensed cash-flow statement

in EUR million	1-6 11	1-6 10	Change
Cash and cash equivalents at end of the previous year	**5,839**	**5,996**	**-2.6%**
Cash flow from operating activities	3,232	706	>100%
Cash flow from investing activities	-2,007	438	na
Cash flow from financing activities	-514	-555	-7.4%
Effect of currency translation	55	-45	na
Cash and cash equivalents at the end of period	**6,605**	**6,540**	**1.0%**

V. Notes to the financial statements of Erste Group for the period from 1 January to 30 June 2011

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 2011 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 2010.

The reporting period brought no changes in accounting policies.

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

SIGNIFICANT BUSINESS EVENTS IN THE REPORTING PERIOD

Within the context of the Employee Share Ownership Plan (ESOP), the employees of Erste Group subscribed to 289,663 shares between 2 and 13 May 2011 (2010: 251,635 shares). The exercise price, set at 20% below the average quoted price in April 2010, was EUR 28.00 per share. The resulting issue proceeds of EUR 8,110,564.00 plus EUR 172,547.49 (from the difference between the exercise price of EUR 28.00 and quoted price of EUR 33.73 on value date 26.05.11 for 30,113 shares subscribed by employees of Erste Group Bank AG, charged to personnel expenses) amounted to at total of EUR 8,283,111.49. This amount was assigned to the share capital (which received EUR 579,326.00 of the total) and additional paid-in capital (which received EUR 7,703,785.49). The shares under this plan are subject to a holding period of one year.

289,663 new shares were issued in a capital increase from contingent capital. This raised the number of Erste Group Banks` shares from 378,176,721 to 378,466,384 and expanded the share capital 756,353,442.00 to EUR 756,932,768.00.

Personnel expenses fort the first half of 2011 include ESOP of EUR 1.6 million (half-year 2010 EUR 0.7 million).

A. INFORMATION ON THE INCOME STATEMENT OF ERSTE GROUP

1) Net interest income

in EUR million	1-6 11	1-6 10	Change
Interest income			
Lending and money market transactions with credit institutions	534.2	541.0	-1.3%
Lending and money market transactions with customers	3,163.6	3,118.3	1.5%
Bonds and other interest-bearing securities	623.9	559.4	11.5%
Other	4.6	5.4	-14.8%
Current income			
Equity-related securities	52.7	48.8	8.0%
Investments	15.9	11.6	37.1%
Investment properties	41.8	41.8	0.0%
Interest and similar income	**4,436.7**	**4,326.3**	**2.6%**
Interest income from financial assets - at fair value through profit or loss	50.1	14.5	>100%
Total interest and similar income	**4,486.8**	**4,340.8**	**3.4%**
Interest expenses			
Deposits by banks	-310.6	-202.5	53.4%
Customer deposits	-859.9	-861.3	-0.2%
Debt securities in issue	-494.3	-437.3	13.0%
Subordinated liabilities	-130.4	-160.6	-18.8%
Other	-4.8	-5.4	-11.1%
Interest and similar expenses	**-1,800.0**	**-1,667.1**	**8.0%**
Interest expenses from financial assets - at fair value through profit or loss	-6.8	-1.0	>100%
Total interest and similar expenses	**-1,806.8**	**-1,668.1**	**8.3%**
Income from associates accounted for at equity	9.8	12.1	-19.0%
Total	**2,689.8**	**2,684.8**	**0.2%**

2) Risk provisions for loans and advances

in EUR million	1-6 11	1-6 10	Change
Net allocation to risk provisions for loans and advances	-884.0	-1,063.5	-16.9%
Direct write-offs of loans and advances and amounts received against written-off loans and advances	-56.0	-20.7	>100%
Total	**-940.0**	**-1,084.2**	**-13.3%**

3) Net fee and commission income

in EUR million	1-6 11	1-6 10	Change
Lending business	167.2	160.8	4.0%
Payment transfers	432.3	418.5	3.3%
Card business	96.1	90.7	6.0%
Securities transactions	218.3	227.1	-3.9%
Investment fund transactions	102.1	95.8	6.6%
Custodial fees	17.1	20.9	-18.2%
Brokerage	99.1	110.4	-10.2%
Insurance brokerage business	49.0	54.2	-9.6%
Building society brokerage	17.9	22.2	-19.4%
Foreign exchange transactions	11.8	14.3	-17.5%
Investment banking business	10.1	15.2	-33.6%
Other	48.3	52.7	-8.3%
Total	**954.9**	**965.0**	**-1.0%**

4) Net trading result

in EUR million	1-6 11	1-6 10	Change
Securities and derivatives trading	157.9	129.2	22.2%
Foreign exchange transactions	90.8	110.8	-18.1%
Total	**248.7**	**240.0**	**3.6%**

5) General administrative expenses

in EUR million	1-6 11	1-6 10	Change
Personnel expenses	-1,142.3	-1,091.0	4.7%
Other administrative expenses	-595.7	-616.4	-3.4%
Depreciation and amortisation	-188.3	-191.0	-1.4%
Total	**-1,926.3**	**-1,898.4**	**1.5%**

6) Other operating result

in EUR million	1-6 11	1-6 10	Change
Other operating income	58.5	71.9	-18.6%
Other operating expenses	-318.7	-230.7	38.1%
Total	**-260.2**	**-158.8**	**-63.9%**
Result from real estate/property/movable property and software	-16.7	-17.9	6.7%
Allocation/release of other provisions/risks	-3.1	-7.4	58.1%
Expenses for deposit insurance contributions	-42.6	-29.3	45.4%
Amortisation of intangible assets (customer relationships)	-34.9	-35.0	0.3%
Other taxes	-110.2	-11.3	>100%
Result from other operating expenses/income	-52.7	-57.9	9.0%
Total	**-260.2**	**-158.8**	**-63.9%**

B. INFORMATION ON THE BALANCE SHEET OF ERSTE GROUP

7) Loans and advances to credit institutions

in EUR million	Jun 11	Dec 10	Change
Loans and advances to domestic credit institutions	1,326	1,356	-2.2%
Loans and advances to foreign credit institutions	12,047	11,140	8.1%
Total	**13,373**	**12,496**	**7.0%**

8) Loans and advances to customers

in EUR million	Jun 11	Dec 10	Change
Loans and advances to domestic customers			
Public sector	3,007	2,996	0.4%
Commercial customers	36,372	35,978	1.1%
Private households	25,249	24,830	1.7%
Unlisted securities	250	250	0.0%
Other	227	201	12.9%
Total loans and advances to domestic customers	**65,105**	**64,255**	**1.3%**
Loans and advances to foreign customers			
Public sector	3,322	3,100	7.2%
Commercial customers	34,650	34,548	0.3%
Private households	29,917	29,534	1.3%
Unlisted securities	823	971	-15.2%
Other	261	321	-18.7%
Total loans and advances to foreign customers	**68,973**	**68,474**	**0.7%**
Total	**134,078**	**132,729**	**1.0%**

9) Risk provisions for loans and advances

in EUR million	1-6 11	1-6 10	Change
Risk provisions for loans and advances			
At start of reporting period	**6,119**	**4,954**	**23.5%**
Use	-437	-222	96.8%
Net allocation to risk provisions for loans and advances	884	1,064	-16.9%
Interest income from impaired loans	-85	-51	66.7%
Currency translation	35	51	-31.4%
At end of reporting period	**6,516**	**5,796**	**12.4%**
Provision for off-balance-sheet and other risks	319	345	-7.5%
Total	**6,835**	**6,141**	**11.3%**

10) Derivative financial instruments (Positive fair value)

in EUR million	Jun 11	Dec 10	Change
Derivatives held for trading	5,380	6,019	-10.6%
Derivatives held in banking book	2,030	2,455	-17.3%
Fair value hedges	1,172	1,570	-25.4%
Cash flow hedges	91	135	-32.6%
Other derivatives	767	750	2.3%
Total	**7,410**	**8,474**	**-12.6%**

11) Securities

in EUR million	Jun 11	Dec 10	Change
Bonds and other interest-bearing securities	**44,247**	**38,022**	**16.4%**
Loans and advances to credit institutions and customers	1,895	2,077	-8.8%
Trading assets	7,739	4,945	56.5%
Financial assets - FV	2,429	2,029	19.7%
Financial assets - AfS	16,161	14,736	9.7%
Financial assets - HtM	16,023	14,235	12.6%
Equity-related securities	**3,307**	**3,499**	**-5.5%**
Loans and advances to credit institutions and customers	0	0	na
Trading assets	615	580	6.0%
Financial assets - FV	377	406	-7.1%
Financial assets - AfS	2,315	2,513	-7.9%
Financial assets - HtM	0	0	na
Equity holdings - AfS	**502**	**502**	**0.0%**
Total	**48,056**	**42,023**	**14.4%**

12) Deposits by bank

in EUR million	Jun 11	Dec 10	Change
Deposits by domestic credit institutions	6,214	5,680	9.4%
Deposits by foreign credit institutions	17,110	14,474	18.2%
Total	**23,324**	**20,154**	**15.7%**

13) Customer deposits

in EUR million	Jun 11	Dec 10	Change
Savings deposits	54,734	54,321	0.8%
Sundry	66,083	62,695	5.4%
Total	**120,817**	**117,016**	**3.2%**

14) Derivative financial instruments (Negative fair value)

in EUR million	Jun 11	Dec 10	Change
Derivatives held for trading	5,317	6,094	-12.8%
Derivatives held in banking book	1,716	1,902	-9.8%
Fair value hedges	711	783	-9.2%
Cash flow hedges	75	97	-22.7%
Other derivatives	930	1,022	-9.0%
Total	**7,033**	**7,996**	**-12.0%**

15) Provisions

in EUR million	Jun 11	Dec 10	Change
Long-term employee provisions	1,097	1,109	-1.1%
Sundry provisions	443	436	1.6%
Total	**1,540**	**1,545**	**-0.3%**

16) Subordinated liabilities

in EUR million	Jun 11	Dec 10	Change
Subordinated issues and deposits	3,027	2,885	4.9%
Supplementary capital	1,558	1,775	-12.2%
Hybrid issues	1,177	1,200	-1.9%
Repurchased own issues	-42	-22	90.9%
Total	**5,720**	**5,838**	**-2.0%**

C. ADDITIONAL INFORMATION

17) Contingent liabilities – legal proceedings

There have not been any material changes since year-end 2010 in the assessment of the influence of the outcome of the litigation cases in which Erste Group Bank and some of its subsidiaries are involved with respect of the financial and/or earnings situation of Erste Group. With regard to the proceedings described in Note 42 in the 2010 Annual Report the following developments can be reported:

In the arbitration proceedings in Stockholm the Arbitration Tribunal has handed down in March 2011 the Final Award in which it rejects the claims of the plaintiff against Erste Group Bank.

In the Hungarian Holocaust case before a court in Chicago the United States in February 2011 submitted a Statement of Interest to the court recommending dismissal of the claims against Erste Group Bank. The case is still pending.

18) Related party transactions

As of 30 June 2011, Erste Group had outstanding liabilities of EUR 29.3 million (31 December 2010: EUR 290.2 million) and amount receivable of EUR 87.0 million (31 December 2010: EUR 276.1 million) in relation to DIE ERSTE österreichische Spar-Casse Privatstiftung. Furthermore, as of 30 June 2011 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 0 million (31 December 2010: EUR 247.4 million) as well as interest rate swap with caps in a notional amount of EUR 306.1 million (31 December 2010: EUR 103.0 million).

19) Events after the Reporting Date

On 21 July, 2011, the Private Sector Initiative to support Greece was announced. This involves a voluntary exchange of existing Greek government bonds into a combination of four instruments together with a Greek Buyback Facility. Erste Group currently assesses the potential consequences of the above matter.

20) Headcount

(weighted by degree of employment)

	Jun 11	Dec 10	Change
Employed by Erste Group	**50,425**	**50,272**	**0.3%**
Austria incl. Haftungsverbund savings banks	15,949	16,068	-0.7%
Erste Group, EB Oesterreich and subsidiaries	8,558	8,488	0.8%
Haftungsverbund savings banks	7,391	7,580	-2.5%
Central and Eastern Europe / International	34,476	34,204	0.8%
Česká spořitelna Group	10,261	10,711	-4.2%
Banca Comercială Română Group	9,316	9,112	2.2%
Slovenská sporiteľňa Group	4,101	4,004	2.4%
Erste Bank Hungary Group	2,898	2,900	-0.1%
Erste Bank Croatia Group	2,685	2,317	15.9%
Erste Bank Serbia	914	910	0.4%
Erste Bank Ukraine	1,698	1,736	-2.2%
Savings banks subsidiaries & foreign branch offices	1,134	1,019	11.3%
Other subsidiaries and foreign branch offices	1,469	1,495	-1.7%

D. SEGMENT REPORTING

Retail & SME

Erste Bank Oesterreich

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

A decline in net interest income from EUR 319.4 million in the first half of 2010 by EUR 3.1 million, or 1.0%, to EUR 316.3 million was primarily due to higher expenditure on optimising the balance sheet structure of key subsidiaries. Net interest income in customer business improved, especially in second quarter 2011. Net fee and commission income was down by EUR 5.1 million, or 3.0%, to EUR 167.0 million, which was mainly attributable to development of the securities and asset management business. Operating expenses fell by EUR 2.2 million, or 0.7%, on the back of continuing efforts to boost efficiency. The operating result declined from EUR 193.8 million in the first half of 2010 by EUR 8.2 million, or 4.2%, to EUR 185.6 million. The cost/income ratio stood at 62.0% versus 61.1% in the first half of 2010. A significant improvement in risk provisions from EUR 87.7 million in the previous year by EUR 22.5 million, or 25.7%, to EUR 65.2 million reflected stabilisation in the retail and SME portfolios.

A decline in the other result item by EUR 1.0 million to EUR -6.4 million in the first half of 2011 was exclusively due to introduction of the banking tax (EUR 3.8 million). Its negative effect was largely offset, however, by gains on revaluation of the securities portfolio. At EUR 85.8 million, net profit after minorities was EUR 11.1 million, or 14.9%, higher than in the first half of 2010 (EUR 74.7 million). Return on equity increased from 13.1% to 15.6%.

Haftungsverbund/Savings Banks

At EUR 483.4 million, net interest income was 1.3%, or EUR 6.1 million, higher than in the first half of 2010, driven by positive development in both volumes and margins. Net fee and commission income rose by EUR 10.5 million, or 5.2%, from EUR 203.0 million in the first half of 2010 to EUR 213.5 million, primarily due to higher income from lending and payment transfers. At EUR 468.4 million, operating expenses were at the same level as in the previous year.

The operating result accordingly improved from EUR 226.0 million in the first half of 2010 by EUR 12.4 million, or 5.5%, to EUR 238.4 million.

A decline in the item other result from EUR 5.0 million in the previous year by EUR 23.2 million to EUR -18.2 million was mainly caused by losses on the sale of securities not held in the trading portfolio. Risk provisions fell from EUR 135.9 million by EUR 12.8 million, or 9.4%, to EUR 123.1 million. Net profit after minorities decreased from EUR 3.1 million in the first half of 2010 by EUR 2.4 million to EUR 0.7 million. The cost/income ratio improved to 66.3% from 67.4% in the previous year.

in EUR million	Retail & SME[3] 1-6 11	Retail & SME[3] 1-6 10	GCIB 1-6 11	GCIB 1-6 10	Group Markets 1-6 11	Group Markets 1-6 10	Corporate Center 1-6 11	Corporate Center 1-6 10
Net interest income	2,312.8	2,290.5	259.7	293.0	65.6	56.8	51.7	44.5
Risk provisions for loans and advances	-808.2	-902.6	-131.8	-181.6	0.0	0.0	0.0	0.0
Net fee and commission income	844.9	825.8	84.7	79.4	69.0	83.5	-43.6	-23.8
Net trading result	68.8	82.3	25.7	3.0	146.3	147.3	7.9	7.3
General administrative expenses	-1,654.1	-1,628.8	-92.1	-90.2	-120.7	-109.4	-59.3	-70.1
Other result	-150.9	-60.2	6.5	1.0	3.9	3.1	-123.6	-86.2
Pre-tax profit	**613.3**	**607.1**	**152.7**	**104.7**	**164.1**	**181.3**	**-166.9**	**-128.2**
Taxes on income	-141.6	-137.4	-33.1	-24.9	-34.3	-39.6	41.1	26.0
Net profit for the period	**471.6**	**469.6**	**119.6**	**79.8**	**129.8**	**141.7**	**-125.7**	**-102.2**
Attributable to non-controlling interests	90.8	105.9	8.7	8.7	7.6	8.7	-8.2	-6.2
Attributable to owners of the parent	**380.8**	**363.8**	**110.8**	**71.1**	**122.2**	**133.0**	**-117.6**	**-96.0**
Average risk-weighted assets	**75,565.6**	**74,623.1**	**24,869.8**	**26,499.7**	**2,644.7**	**3,018.5**	**760.3**	**1,605.4**
Average attributed equity	**4,152.5**	**4,090.5**	**1,990.7**	**2,121.1**	**305.3**	**341.7**	**7,467.7**	**6,538.9**
Cost/income ratio	**51.3%**	**50.9%**	**24.9%**	**24.0%**	**43.0%**	**38.0%**	**na**	**na**
Return on equity	**18.3%**	**17.8%**	**11.1%**	**6.7%**	**80.1%**	**77.9%**	**na**	**na**

in EUR million	Savings banks 1-6 11	Savings banks 1-6 10	EB Oesterreich 1-6 11	EB Oesterreich 1-6 10	Austria 1-6 11	Austria 1-6 10
Net interest income	483.4	477.3	316.3	319.4	799.7	796.6
Risk provisions for loans and advances	-123.1	-135.9	-65.2	-87.7	-188.3	-223.6
Net fee and commission income	213.5	203.0	167.0	172.1	380.5	375.1
Net trading result	10.0	14.1	4.8	7.0	14.8	21.1
General administrative expenses	-468.4	-468.3	-302.5	-304.7	-770.9	-773.1
Other result	-18.2	5.0	-6.4	-5.4	-24.6	-0.4
Pre-tax profit	**97.1**	**95.1**	**114.0**	**100.6**	**211.2**	**195.7**
Taxes on income	-24.5	-25.3	-25.1	-23.6	-49.6	-48.9
Net profit for the period	**72.6**	**69.8**	**88.9**	**77.0**	**161.6**	**146.8**
Attributable to non-controlling interests	72.0	66.7	3.1	2.3	75.1	69.0
Attributable to owners of the parent	**0.7**	**3.1**	**85.8**	**74.7**	**86.5**	**77.8**
Average risk-weighted assets	**24,168.8**	**23,913.7**	**13,803.3**	**14,321.4**	**37,972.1**	**38,235.1**
Average attributed equity	**295.3**	**290.0**	**1,097.7**	**1,137.5**	**1,393.0**	**1,427.5**
Cost/income ratio	**66.3%**	**67.4%**	**62.0%**	**61.1%**	**64.5%**	**64.8%**
Return on equity	**0.5%**	**2.1%**	**15.6%**	**13.1%**	**12.4%**	**10.9%**

[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 1-6 11	Czech Republic 1-6 10	Romania 1-6 11	Romania 1-6 10	Slovakia 1-6 11	Slovakia 1-6 10	Hungary 1-6 11	Hungary 1-6 10
Net interest income	590.0	536.1	354.9	415.2	221.3	209.5	189.1	185.9
Risk provisions for loans and advances	-139.3	-188.1	-224.1	-241.7	-40.6	-66.7	-154.6	-114.5
Net fee and commission income	248.4	229.6	65.9	79.3	56.8	50.9	49.0	48.6
Net trading result	14.8	17.7	18.8	21.2	1.1	1.2	6.6	9.7
General administrative expenses	-366.0	-354.1	-194.0	-183.5	-109.0	-112.6	-101.3	-98.8
Other result	-46.9	-12.8	-25.7	-19.6	-14.9	-15.4	-36.5	-8.2
Pre-tax profit	**301.0**	**228.5**	**-4.1**	**70.9**	**114.7**	**66.8**	**-47.8**	**22.6**
Taxes on income	-57.8	-43.6	0.8	-13.9	-23.1	-13.3	-3.6	-10.0
Net profit for the period	**243.2**	**184.9**	**-3.3**	**57.0**	**91.6**	**53.5**	**-51.3**	**12.6**
Attributable to non-controlling interests	4.0	3.8	-1.1	20.4	0.2	0.1	-0.1	-0.1
Attributable to owners of the parent	**239.2**	**181.1**	**-2.2**	**36.6**	**91.4**	**53.4**	**-51.3**	**12.6**
Average risk-weighted assets	**13,223.2**	**12,266.4**	**9,242.1**	**9,115.4**	**5,004.4**	**5,371.5**	**4,437.9**	**4,757.2**
Average attributed equity	**1,087.8**	**1,013.2**	**529.1**	**519.0**	**413.9**	**443.3**	**367.2**	**391.3**
Cost/income ratio	**42.9%**	**45.2%**	**44.1%**	**35.6%**	**39.0%**	**43.1%**	**41.4%**	**40.5%**
Return on equity	**44.0%**	**35.8%**	**na**	**14.1%**	**44.2%**	**24.1%**	**na**	**6.5%**

in EUR million	Croatia 1-6 11	Croatia 1-6 10	Serbia 1-6 11	Serbia 1-6 10	Ukraine 1-6 11	Ukraine 1-6 10	Total group[4] 1-6 11	Total group[4] 1-6 10
Net interest income	127.9	117.6	18.2	12.4	11.6	17.0	2,689.8	2,684.8
Risk provisions for loans and advances	-50.4	-48.5	-4.5	-4.6	-6.5	-14.8	-940.0	-1,084.2
Net fee and commission income	36.3	36.4	6.0	5.1	2.1	0.8	954.9	965.0
Net trading result	5.4	4.7	0.0	0.9	7.3	6.0	248.8	240.0
General administrative expenses	-72.3	-69.8	-16.9	-15.3	-23.8	-21.6	-1,926.3	-1,898.4
Other result	-4.8	-3.4	-0.6	0.3	3.1	-0.6	-264.0	-142.3
Pre-tax profit	**42.2**	**37.0**	**2.2**	**-1.3**	**-6.2**	**-13.2**	**763.1**	**764.8**
Taxes on income	-8.4	-7.7	0.0	0.0	0.0	0.0	-167.9	-176.0
Net profit for the period	**33.9**	**29.3**	**2.2**	**-1.3**	**-6.2**	**-13.2**	**595.2**	**588.8**
Attributable to non-controlling interests	12.1	12.8	0.6	-0.1	0.0	0.0	98.9	117.0
Attributable to owners of the parent	**21.8**	**16.5**	**1.6**	**-1.1**	**-6.2**	**-13.2**	**496.3**	**471.8**
Average risk-weighted assets	**4,412.8**	**3,596.9**	**570.0**	**660.9**	**703.2**	**619.6**	**103,840.4**	**105,746.7**
Average attributed equity	**256.7**	**196.8**	**43.0**	**44.0**	**61.7**	**55.5**	**13,916.1**	**13,092.1**
Cost/income ratio	**42.6%**	**43.9%**	**69.7%**	**83.3%**	**113.3%**	**90.7%**	**49.5%**	**48.8%**
Return on equity	**17.0%**	**16.8%**	**7.7%**	**na**	**na**	**na**	**7.1%**	**7.2%**

[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 retail and SME business of Česká spořitelna, Slovenská sporiteľňa, Erste Bank Hungary, Banca Comercială Română, Erste Bank Croatia, Erste Bank Serbia, and Erste Bank Ukraine. Contributions from the divisionalised business areas – Group Corporate & Investment Banking and Group Markets – are reported in the respective segments.

Czech Republic

Net interest income in the Czech retail and SME business improved strongly year on year by EUR 53.9 million, or 10.1% (currency-adjusted: +3.9%), from EUR 536.1 million to EUR 590.0 million. This increase was primarily driven by better margins in the deposit business and on financial assets. Net fee and commission income rose from EUR 229.6 million in the first half of 2010 by EUR 18.8 million, or 8.2% (currency-adjusted: +2.1%), to EUR 248.4 million, mainly as a result of higher income from payment transfers and the securities business. Operating expenses, at EUR 366.0 million, were EUR 11.9 million or 3.4% higher year on year. Currency-adjusted, operating expenses were reduced by 2.4% as a result of rigorous cost control. The net trading result decreased from EUR 17.7 million by EUR 2.9 million, or 16.2% (currency-adjusted: -20.9%), to EUR 14.8 million, reflecting declining income from foreign exchange trading.

The operating result rose from EUR 429.3 million in the first half of 2010 by EUR 57.9 million, or 13.5%, to EUR 487.2 million. Currency-adjusted, the increase amounted to 7.1%. In view of improved economic conditions and stabilisation of the portfolio, risk provisions declined by EUR 48.8 million, or 25.9% (currency-adjusted: -30.1%), to EUR 139.3 million in the first half of 2011. The item other result deteriorated from EUR -12.8 million by EUR 34.1 million to EUR -46.9 million due to higher deposit insurance contributions and higher charges resulting from real estate revaluation.

Net profit after minorities rose by EUR 58.1 million, or 32.0% (currency-adjusted: +24.6%), from EUR 181.1 million to EUR 239.2 million. The cost/income ratio improved to 42.9% from 45.2% in the first half of 2010. Return on equity improved to 44.0% (previous year: 35.8%).

Romania

Net interest income decreased by 14.5% (currency-adjusted: -14.1%), or EUR 60.3 million, to EUR 354.9 million. This development was mainly due to continuing weakness in credit demand, different asset mix and lower margins in the deposit business. Net fee and commission income declined by EUR 13.4 million, or 16.8% (currency-adjusted: -16.4%) from EUR 79.3 million in the first half of 2010 to EUR 65.9 million, as a result of lower contributions from the lending business. A decrease in the net trading result from EUR 21.2 million by EUR 2.4 million, or 11.0% (currency-adjusted: -10.6%), to EUR 18.8 million was mainly attributable to lower income from foreign exchange trading. Operating expenses increased from EUR 183.5 million in the first half of 2010 by EUR 10.5 million, or 5.7% (currency-adjusted: +6.2%), to EUR 194.0 million. This development was attributable to an increase in value added tax and additional other administrative expenses incurred to meet statutory requirements.

While the operating result decreased year on year from EUR 332.2 million to EUR 245.7 million in the first half of 2011 (currency-adjusted, a decline by 25.7%), risk provisions were reduced from EUR 241.7 million in the first half of 2010 by EUR 17.6 million, or 7.3% (currency-adjusted: -6.8%), to EUR 224.1 million.

A decrease in the item other result from EUR -19.6 million by EUR 6.1 million, or 30.8% (currency-adjusted: -31.4%), to EUR -25.7 million in the first half of 2011 was caused by higher deposit insurance contributions and lower gains on sale of securities from the AfS portfolio. At EUR -2.2 million, net profit after minorities was EUR 38.8 million lower than the EUR 36.6 million posted in the previous year. The cost/income ratio rose from 35.6% in the previous year to 44.1%.

Slovakia

Net interest income in the Slovak retail and SME business rose by EUR 11.8 million, or 5.7%, to EUR 221.3 million in the first half of 2011. This positive development was driven mainly by an increase in mortgage lending as well as by improved margins on financial assets. Net fee and commission income improved from EUR 50.9 million by EUR 5.9 million, or 11.4%, to EUR 56.8 million, mainly on the back of higher income from payment transfers and other services. Operating expenses were reduced by EUR 3.6 million, or 3.2%, from EUR 112.6 million to EUR 109.0 million.

Risk provisions reflected improvement in the market environment compared to the first half of 2010. That benefited above all the retail but also the SME business and led to a reduction from EUR 66.7 million in the first half of 2010 by EUR 26.1 million, or 39.2%, to EUR 40.6 million. Higher net interest and net fee and commission income, along with significantly lower risk provisions, resulted in a net profit after minorities of EUR 91.4 million, up EUR 38.0 million, or 71.2%, on the first half of 2010. The cost/income ratio improved to 39.0% from 43.1% for the same period in 2010. Return on equity increased from 24.1% to 44.2%.

Hungary

Driven by exchange rate developments and wider deposit margins, net interest income in the Hungarian retail and SME business improved from EUR 185.9 million in the first half of 2010 by EUR 3.2 million, or 1.7% (currency-adjusted: +0.7%), to EUR 189.1 million. The decline in the net trading result from EUR 9.7 million by EUR 3.1 million, or 32.0% (currency-adjusted: -32.6%), to EUR 6.6 million in the first half of 2011 was largely due to the shrinking volume of foreign-currency loans. The establishment of a new building society contributed to the rise in costs by EUR 2.5 million, or 2.4% (currency-adjusted: +1.5%) in the first half of 2011. The operating result declined from EUR 145.3 million in the first half of 2010 by EUR 2.0 million, or 1.4% (currency-adjusted: -2.3%), to EUR 143.3 million. The cost/income ratio stood at 41.4% versus 40.5% in the first half of 2010.

A rise in risk provisions by EUR 40.1 million, or 35.0% (currency-adjusted: +33.8%), from EUR 114.5 million in the first half of 2010 to EUR 154.6 million was mainly driven by the requirement to increase provisions in the SME and real estate businesses. The item other result worsened by EUR 28.3 million from EUR -8.2 million in the first half of 2010 to EUR -36.5 million, primarily resulting from introduction of the banking tax in 2010, the impact of which amounted to EUR 27.4 million in the first half of 2011. As a consequence, net profit after minorities fell from EUR 12.6 million in the first half of 2010 to EUR -51.3 million.

Croatia

In Croatia, net interest income from the retail and SME business rose from EUR 117.6 million in the first half of 2010 by EUR 10.3 million, or 8.8% (currency-adjusted: +10.7%), to EUR 127.9 million. That was attributable primarily to rising lending volumes and in part to in part improved margins. Net fee and commission income was virtually unchanged versus the previous year at EUR 36.3 million. An increase in the net trading result from EUR 4.7 million in the first half of 2010 by EUR 0.7 million, or 15.7% (currency-adjusted: +17.7%), to EUR 5.4 million was attributable to positive contributions by the credit card company Erste Card Club. Operating expenses rose by EUR 2.5 million, or 3.6% (currency-adjusted: +5.4%), from EUR 69.8 million in the first half of 2010 to EUR 72.3 million.

The operating result was up by EUR 8.4 million, or 9.4% (currency-adjusted: +11.3%), from EUR 89.0 million to EUR 97.4 million. This improved the cost/income ratio from 43.9% in the first half of 2010 to 42.6%. Risk provisions increased marginally from EUR 48.5 million by EUR 1.9 million, or 3.8% (currency-adjusted: +5.6%), to EUR 50.4 million. Net profit after minorities improved from EUR 16.5 million in the first half of 2010 by EUR 5.3 million, or 32.0% (currency-adjusted: +34.3%), to EUR 21.8 million. Return on equity was 17.0%, rising from 16.8% in the first half of 2010.

Serbia

Net interest income of Erste Bank Serbia increased in the first half of 2011 by EUR 5.8 million, or 46.4% (currency-adjusted: +49.7%), to EUR 18.2 million from EUR 12.4 million in the previous year. This improvement was achieved on the back of rising lending volumes and wider margins in both retail and corporate lending. Net fee and commission income improved from EUR 5.1 million by EUR 0.9 million, or 17.9% (currency-adjusted: +20.6%), to EUR 6.0 million. The net trading result decreased by EUR 0.9 million due to lower income from foreign exchange trading. At EUR 16.9 million, operating expenses were up EUR 1.6 million, or 10.3% (currency-adjusted: +12.8%), on the first half of 2010. This increase was largely attributable to rising inflation and severance payments. The cost/income ratio improved to 69.7% from 83.3% in the previous year.

The operating result rose from EUR 3.1 million in the first half of 2010 by EUR 4.2 million to EUR 7.3 million. Risk costs declined from EUR 4.6 million by EUR 0.1 million, or 3.2% (currency-adjusted: -1.0%), to EUR 4.5 million. The higher figure in the item other result in the first half of 2010 was attributable to the release of provisions that were no longer required. Net result after minorities improved from EUR -1.1 million by EUR 2.7 million to EUR 1.6 million.

Ukraine

At Erste Bank Ukraine, lower lending volumes were only partly offset by higher interest income from securities. As a result, net interest income declined from EUR 17.0 million in the first half of 2010 by EUR 5.4 million, or 31.6% (currency-adjusted: -28.9%), to EUR 11.6 million. Higher income from payment transfers and insurance brokerage led to an improvement of net fee and commission income by EUR 1.3 million to EUR 2.1 million in the first half of 2011. The net trading result rose from EUR 6.0 million by EUR 1.3 million, or 22.3% (currency-adjusted: +27.1%), to EUR 7.3 million.

Operating expenses increased from EUR 21.6 million by EUR 2.2 million, or 10.3% (currency-adjusted: +14.6%), to EUR 23.8 million, driven mainly by higher IT expenditure. The reduction of risk provisions by EUR 8.3 million to EUR 6.5 million (currency-adjusted: -54.3%) resulted from continuing stabilisation of the SME portfolio. Net result after minorities improved by EUR 7.0 million, or 53.3% (currency-adjusted: +51.4%), from EUR -13.2 million to EUR -6.2 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 International Business (excluding treasury activities). The leasing subsidiary Erste Group Immorent is also included in this segment.

A decline in net interest income from EUR 293.0 million in the first half of 2010 by EUR 33.3 million, or 11.4%, to EUR 259.7 million was primarily the result of continuing reduction of business volume in the International Business unit. Margins remained relatively stable overall, with some pressure registered in the real estate business. Net fee and commission income improved in the first half of 2011 versus the first half of 2010 by 6.6%, or EUR 5.3 million, to EUR 84.7 million. This development was largely driven by business with large corporate customers. Operating expenses rose by 2.1% over the same period and, at

EUR 92.1 million, were up EUR 1.9 million year on year. Overall, the operating result declined from EUR 285.3 million in the first half of 2010 by EUR 7.4 million, or 2.6%, to EUR 277.9 million in the first half of 2011. Risk provisions declined by EUR 49.8 million to EUR 131.8 million, which corresponded to a 27.4% decline. The rise in the item other result from EUR 1.0 million to EUR 6.5 million versus the previous year was primarily attributable to gains on sales in the International Business.

Net profit after minorities rose by EUR 39.7 million, or 56.0%, from EUR 71.1 million to EUR 110.8 million; 15.0% of the increase was attributable to Romanian business. The cost/income ratio increased from 24.0% in the previous year to 24.9%. Return on equity stood at 11.1%.

Group Markets

The Group Markets segment comprises the divisionalised business areas Group Treasury and Capital Markets and includes the treasury activities of Erste Group Bank AG, the CEE subsidiaries, the foreign branch offices in Hong Kong, New York, Berlin, and Stuttgart and the investment banking subsidiaries in CEE, as well as Erste Asset Management.

The operating result of the Group Markets segment fell from EUR 178.2 million in the first half of 2010 by 10.1% to EUR 160.2 million. While net interest income rose by EUR 8.8 million, or 15.4%, to EUR 65.6 million, the net trading result was almost unchanged versus the same period of the previous year at EUR 146.3 million. At EUR 69.0 million, net fee and commission income was down EUR 14.5 million, or 17.4%, on the previous year. This was attributable to the challenging market environment, which caused a decline in income from customer business. At EUR 120.7 million, operating expenses were EUR 11.3 million, or 10.3%, higher than in the first half of 2010, mainly due to new offices in Germany (fixed-income sales) and increased costs in CEE (IT projects, headcount increase, etc.). The cost/income ratio rose from 38.0% to 43.0%. At EUR 122.2 million, net profit after minorities was EUR 10.8 million, or 8.1%, lower than in the previous year. Return on equity reached 80.1% versus 77.9% 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 straight-line 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 for the sake of consistency and to assist like-for-like comparisons.

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

An increase in net interest income was largely driven by significantly improved contributions from asset/liability management, especially related to refinancing activities. Negative development of net fee and commission income and improvement in operating expenses were mainly attributable to the profit consolidation of banking support operations.

The other result included the Austrian banking tax in the amount of EUR 61.8 million, which explains most of the change versus the first half of 2010, and the required straight-line amortisation of customer relationships of BCR, Erste Card Club, and Ringturm KAG totalling EUR 34.9 million. This brought a decline of the item other result from EUR -86.2 million in the first half of 2010 to EUR -123.6 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 11	Dec 10	Jun 11	Dec 10	Jun 11	Dec 10	Jun 11	Dec 10	Jun 11	Dec 10	Jun 11	Dec 10	Jun 11	Dec 10	Jun 11	Dec 10
Retail & SME	**82,029**	**81,200**	**18,864**	**18,109**	**4,446**	**5,030**	**9,501**	**8,985**	**114,840**	**113,324**	**5,782**	**5,446**	**60.9%**	**60.6%**	**8.3%**	**7.9%**
Austria	**51,332**	**50,133**	**8,908**	**9,444**	**1,261**	**1,337**	**3,672**	**3,792**	**65,173**	**64,706**	**2,256**	**2,251**	**61.4%**	**59.4%**	**5.6%**	**5.9%**
Erste Bank Oesterreich	23,616	23,147	2,553	2,860	287	295	1,040	1,136	27,495	27,438	685	696	65.9%	61.3%	3.8%	4.1%
Savings Banks	27,716	26,986	6,355	6,584	974	1,042	2,633	2,656	37,678	37,268	1,570	1,554	59.6%	58.5%	7.0%	7.1%
Central and Eastern Europe	**30,697**	**31,067**	**9,957**	**8,665**	**3,185**	**3,693**	**5,829**	**5,193**	**49,667**	**48,618**	**3,526**	**3,195**	**60.5%**	**61.5%**	**11.7%**	**10.7%**
Czech Republic	13,274	12,978	3,111	2,816	583	652	1,153	1,040	18,121	17,486	835	728	72.5%	70.0%	6.4%	6.0%
Romania	4,831	5,186	2,732	2,216	1,392	1,826	2,126	2,020	11,081	11,248	1,117	1,099	52.6%	54.4%	19.2%	18.0%
Slovakia	4,486	4,460	732	513	236	284	455	460	5,910	5,716	388	376	85.4%	81.9%	7.7%	8.0%
Hungary	4,484	4,749	1,689	1,468	472	611	1,216	935	7,860	7,763	611	467	50.3%	50.0%	15.5%	12.0%
Croatia	3,234	3,294	1,477	1,401	383	235	698	557	5,792	5,487	384	332	55.0%	59.6%	12.0%	10.2%
Serbia	321	301	76	78	16	9	50	44	462	431	49	44	99.5%	99.5%	10.8%	10.2%
Ukraine	66	98	140	174	103	76	132	138	441	486	141	148	106.7%	107.6%	29.9%	28.3%
GCIB	**12,233**	**12,249**	**4,580**	**4,416**	**762**	**1,047**	**1,112**	**1,032**	**18,687**	**18,745**	**639**	**556**	**57.4%**	**53.8%**	**6.0%**	**5.5%**
Group Markets	**248**	**258**	**4**	**72**	**0**	**0**	**0**	**0**	**252**	**331**	**4**	**0**	**>100.0%**	**>100.0%**	**0.0%**	**0.0%**
Corporate Center	**192**	**154**	**91**	**129**	**15**	**15**	**1**	**32**	**299**	**330**	**2**	**33**	**404.2%**	**>100.0%**	**0.2%**	**9.7%**
Total group	**94,702**	**93,861**	**23,539**	**22,727**	**5,223**	**6,093**	**10,614**	**10,049**	**134,078**	**132,729**	**6,427**	**6,034**	**60.6%**	**60.0%**	**7.9%**	**7.6%**

*) 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 11	Dec 10	Jun 11	Dec 10	Jun 11	Dec 10	Jun 11	Dec 10	Jun 11	Share of total	Dec 10	Share of total
Core market	**88,061**	**86,949**	**21,692**	**20,782**	**4,942**	**5,817**	**9,907**	**9,398**	**124,602**	**92.9%**	**122,946**	**92.6%**
Austria	52,330	51,016	8,129	8,619	1,075	1,127	3,182	3,386	64,715	48.3%	64,147	48.3%
Croatia	4,094	4,134	2,004	1,938	405	246	903	744	7,406	5.5%	7,061	5.3%
Romania	5,386	5,735	3,395	2,875	1,759	2,167	2,291	2,205	12,831	9.6%	12,983	9.8%
Serbia	391	372	239	277	17	10	66	60	712	0.5%	719	0.5%
Slovakia	5,119	4,988	978	781	266	320	487	497	6,849	5.1%	6,586	5.0%
Slovenia	988	1,072	299	276	112	123	237	199	1,635	1.2%	1,670	1.3%
Czech Republic	14,645	14,164	4,300	3,806	634	1,020	1,233	1,113	20,812	15.5%	20,102	15.1%
Hungary	5,037	5,332	2,002	1,831	542	687	1,314	993	8,895	6.6%	8,843	6.7%
Ukraine	71	136	348	379	134	116	195	202	747	0.6%	834	0.6%
Other EU	**4,313**	**4,209**	**1,285**	**1,358**	**167**	**169**	**435**	**397**	**6,200**	**4.6%**	**6,133**	**4.6%**
Other industrialised countries	**1,110**	**1,353**	**283**	**329**	**44**	**24**	**108**	**116**	**1,545**	**1.2%**	**1,822**	**1.4%**
Emerging markets	**1,218**	**1,350**	**279**	**258**	**71**	**83**	**163**	**137**	**1,731**	**1.3%**	**1,828**	**1.4%**
Southeastern Europe / CIS	770	868	218	168	35	20	129	121	1,151	0.9%	1,177	0.9%
Asia	262	280	5	15	35	56	21	4	323	0.2%	355	0.3%
Latin America	86	109	34	42	1	3	5	8	126	0.1%	162	0.1%
Middle East / Africa	100	93	22	32	1	5	8	4	130	0.1%	134	0.1%
Total	**94,702**	**93,861**	**23,539**	**22,727**	**5,223**	**6,093**	**10,614**	**10,049**	**134,078**	**100.0%**	**132,729**	**100.0%**
Share of total	**70.6%**	**70.7%**	**17.6%**	**17.1%**	**3.9%**	**4.6%**	**7.9%**	**7.6%**	**100.0%**		**100.0%**	
Risk provisions									**6,427**		**6,034**	

LOAN BOOK BY INDUSTRY SECTOR OF ERSTE GROUP

	Low risk		Mgmt attention		Substandard		Non-performing		Total loan book			
in EUR million	Jun 11	Dec 10	Jun 11	Dec 10	Jun 11	Dec 10	Jun 11	Dec 10	Jun 11	Share of total	Dec 10	Share of total
Agriculture and forestry	1,116	970	610	626	73	138	208	211	2,006	1.5%	1,946	1.5%
Mining	265	337	39	67	11	8	77	82	392	0.3%	494	0.4%
Manufacturing	5,681	5,115	2,843	3,258	840	1,012	1,419	1,235	10,782	8.0%	10,619	8.0%
Energy and water supply	1,787	1,824	402	337	76	59	131	110	2,395	1.8%	2,330	1.8%
Construction	3,629	3,253	1,312	1,455	587	722	971	822	6,499	4.8%	6,252	4.7%
Development of building projects	1,526	1,310	373	356	296	408	297	222	2,492	1.9%	2,296	1.7%
Trade	5,669	5,242	2,149	2,460	350	437	1,232	1,160	9,400	7.0%	9,299	7.0%
Transport and communication	2,202	2,241	967	968	265	262	402	427	3,837	2.9%	3,900	2.9%
Hotels and restaurants	1,953	1,886	1,288	1,415	281	305	700	645	4,222	3.1%	4,250	3.2%
Financial and insurance services	5,382	5,818	953	995	42	104	306	298	6,683	5.0%	7,214	5.4%
Holding companies	2,943	3,170	536	499	14	8	115	113	3,608	2.7%	3,791	2.9%
Real estate and housing	14,603	14,464	3,813	3,744	571	898	1,103	929	20,090	15.0%	20,035	15.1%
Services	3,561	3,229	1,010	1,145	172	199	545	589	5,288	3.9%	5,162	3.9%
Public administration	6,163	6,429	764	398	59	39	23	6	7,008	5.2%	6,872	5.2%
Education, health and art	1,917	1,781	359	408	83	60	119	138	2,477	1.8%	2,387	1.8%
Private households	40,643	41,186	6,960	5,390	1,800	1,805	3,317	3,375	52,720	39.3%	51,755	39.0%
Other	132	88	72	59	14	46	61	22	279	0.2%	215	0.2%
Total	**94,702**	**93,861**	**23,539**	**22,727**	**5,223**	**6,093**	**10,614**	**10,049**	**134,078**	**100.0%**	**132,729**	**100.0%**
Share of total	**70.6%**	**70.7%**	**17.6%**	**17.1%**	**3.9%**	**4.6%**	**7.9%**	**7.6%**	**100.0%**		**100.0%**	
Risk provisions									**6,427**		**6,034**	

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

in EUR million	Sep 10	Dec 10	Mar 11	Jun 11
Customer segment split				
Retail - Private individuals	50,538	50,947	50,691	51,894
Retail - Micros	13,579	13,534	13,404	13,393
Large Corporates	60,148	60,644	60,997	61,028
Public sector	7,249	7,605	7,733	7,764
Total	**131,514**	**132,729**	**132,825**	**134,078**
Asset quality overview				
Low risk	92,142	93,861	94,792	94,702
Mgmt attention	23,044	22,727	21,872	23,539
Substandard	6,284	6,093	5,870	5,223
Non-performing	10,044	10,049	10,291	10,614
Total	**131,514**	**132,729**	**132,825**	**134,078**
Currency overview				
CEE-LCY	25,887	25,136	26,149	26,229
CHF	16,606	17,379	16,407	17,342
EUR	83,563	84,789	85,268	85,576
USD	3,151	3,090	2,782	2,684
Other	2,308	2,334	2,218	2,248
Total	**131,514**	**132,729**	**132,825**	**134,078**
Key asset quality ratios				
NPL ratio	7.6%	7.6%	7.7%	7.9%
NPL coverage (excl. collateral)	60.9%	60.0%	61.4%	60.6%

CREDIT DEFAULT RISK EXPOSURES TO SELECTED EUROPEAN COUNTRIES *)

Total

in EUR million	Sovereign		Bank		Other		Total	
	Dec 10	Jun 11	Dec 10	Jun 11	Dec 10	Jun 11	Dec 10	Jun 11
Greece	626.1	404.7	172.0	138.4	5.8	5.2	**803.7**	**548.3**
Ireland	82.6	90.8	234.5	231.8	54.4	41.6	**371.5**	**364.1**
Portugal	254.0	124.9	296.3	198.5	9.9	9.1	**560.2**	**332.5**
Spain	96.8	64.2	695.5	739.9	343.4	309.2	**1,135.7**	**1,113.3**
Italy	1,013.8	699.0	921.2	944.6	536.5	517.7	**2,471.5**	**2,161.3**

Sovereign

in EUR million	FV		AfS		At amortised cost		Total	
	Dec 10	Jun 11	Dec 10	Jun 11	Dec 10	Jun 11	Dec 10	Jun 11
Greece	217.2	74.7	1.0	1.0	407.9	329.0	**626.1**	**404.7**
Ireland	0.0	0.0	0.0	0.0	82.6	90.8	**82.6**	**90.8**
Portugal	0.0	-29.4	0.0	0.0	254.0	154.3	**254.0**	**124.9**
Spain	14.5	-29.2	29.8	29.8	52.5	63.6	**96.8**	**64.2**
Italy	626.8	367.4	58.7	29.9	328.4	301.7	**1,013.8**	**699.0**

Banks

in EUR million	FV		AfS		At amortised cost		Total	
	Dec 10	Jun 11	Dec 10	Jun 11	Dec 10	Jun 11	Dec 10	Jun 11
Greece	0.1	4.1	0.0	0.0	171.9	134.2	**172.0**	**138.4**
Ireland	103.7	76.2	65.8	77.4	65.0	78.1	**234.5**	**231.8**
Portugal	22.5	14.2	56.4	34.1	217.4	150.2	**296.3**	**198.5**
Spain	107.9	166.3	108.7	58.1	478.9	515.5	**695.5**	**739.9**
Italy	80.4	69.3	58.5	75.5	782.2	799.7	**921.2**	**944.6**

*) Erste Group without Savings Banks.

F. CHANGES IN TOTAL QUALIFYING CAPITAL

in EUR million	Jun 11	Dec 10
Subscribed capital	2,521	2,520
Share capital	757	756
Participation capital	1,764	1,764
Reserves	8,952	8,944
Deduction of Erste Group Bank shares held within the group	-545	-758
Consolidation difference	-2,358	-2,437
Non-controlling interests (excluding hybrid tier-1 capital pursuant to section 23 (4a) and (4b) Banking Act)	3,472	3,430
Intangible assets	-495	-500
50% deduction for non consolidated credit and financial institutions pursuant to section 23 (13) 3 and 4 Banking Act	-135	-153
50% deduction of IRB-shortfall pursuant to section 23 (13) 4c Banking Act	0	0
50% deduction of securitisations pursuant to section 23 (13) 4d Banking Act	-42	-27
Core tier-1 capital	**11,370**	**11,019**
Hybrid tier-1 capital pursuant to section 23 (4a) and (4b) Banking Act	1,177	1,200
Tier-1 capital	**12,547**	**12,219**
Eligible subordinated liabilities	3,947	3,909
Excess risk provisions	48	74
Qualifying supplementary capital (Tier-2)	**3,995**	**3,983**
50% deduction for non consolidated credit and financial institutions pursuant to section 23 (13) 3 und 4 Banking Act	-135	-153
50% deduction of IRB-shortfall pursuant to section 23 (13) 4c Banking Act	0	0
50% deduction of securitisations pursuant to section 23 (13) 4d Banking Act	-42	-27
100% deductions of holdings in insurances pursuant to section 23 (13) 4a Banking Act	-168	-176
Short-term subordinated capital (Tier- 3)	**401**	**374**
Total eligible qualifying capital	**16,598**	**16,220**
Capital requirement	9,574	9,587
Surplus capital	7,024	6,633
Cover ratio (in %)	173.4	169.2
Tier-1 ratio – credit risk (in %) 1)	12.1	11.8
Core tier-1 ratio – total risk (in %) 2)	9.5	9.2
Tier-1 ratio – total risk (in %) 3)	10.5	10.2
Solvency ratio (in %) 4)	13.9	13.5

(1) Tier-1 ratio - credit risk is the ratio of tier-1 capital (including hybrid capital pursuant to section 23 (4a) and (4b) Banking Act) to the risk weighted assets pursuant to section 22 (2) Banking Act.
(2) Core tier-1 ratio – total risk is the ratio of core tier-1 capital to the calculation base for the capital requirement pursuant to section 22 (1) Banking Act.
(3) Tier-1 ratio – total risk is the ratio of tier-1 capital to the calculation base for the capital requirement pursuant to section 22 (1) Banking Act.
(4) Solvency ratio is the ratio of total qualifying capital 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 11		Dec 10	
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)]	103,816	8,305	103,950	8,316
a) standardised approach	27,033	2,163	27,412	2,193
b) Internal ratings based approach	76,783	6,143	76,538	6,123
Risk pursuant to section 22 (1) 2 Banking Act [4)]	5,002	400	4,668	373
Risk pursuant to section 22 (1) 3 Banking Act [5)]	14	1	11	1
Risk pursuant to section 22 (1) 4 Banking Act [6)]	10,837	867	11,215	897
Total	**119,669**	**9,574**	**119,844**	**9,587**

(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.

HALF YEARLY STATEMENT OF COMPREHENSIVE INCOME

Income statement

in EUR million	1-6 11	1-6 10	Change
Interest and similar income	4,486.8	4,340.8	3.4%
Interest and similar expenses	-1,806.8	-1,668.1	8.3%
Income from associates accounted for at equity	9.8	12.1	-19.0%
Net interest income	**2,689.8**	**2,684.8**	**0.2%**
Risk provisions for loans and advances	-940.0	-1,084.2	-13.3%
Fee and commission income	1,239.3	1,194.6	3.7%
Fee and commission expenses	-284.4	-229.6	23.9%
Net fee and commission income	**954.9**	**965.0**	**-1.0%**
Net trading result	248.7	240.0	3.6%
General administrative expenses	-1,926.3	-1,898.4	1.5%
Other operating result	-260.2	-158.8	-63.9%
Result from financial assets - FV	-19.9	-24.6	19.1%
Result from financial assets - AfS	14.1	36.4	-61.3%
Result from financial assets - HtM	2.0	4.6	-56.5%
Pre-tax profit from continuing operations	**763.1**	**764.8**	**-0.2%**
Taxes on income	-167.8	-175.9	-4.6%
Net profit for the period	**595.3**	**588.9**	**1.1%**
Attributable to non-controlling interests	99.0	117.0	-15.4%
Attributable to owners of the parent	**496.3**	**471.9**	**5.2%**

Statement of comprehensive income

in EUR million	1-6 11	1-6 10	Change
Net profit before minorities	**595.3**	**588.9**	**1.1%**
Available for sale - reserve (including currency translation)	53.2	168.5	-68.4%
Cash flow hedge - reserve (including currency translation)	-20.7	-16.9	-22.5%
Actuarial gains and losses	0.0	0.0	na
Currency translation	124.5	-59.0	na
Deferred taxes on items recognised directly in equity	-17.1	-39.7	56.9%
Other comprehensive income – total	**139.9**	**52.9**	**>100%**
Total comprehensive income	**735.2**	**641.8**	**14.6%**
Attributable to non-controlling interests	64.2	184.1	-65.1%
Attributable to owners of the parent	**671.0**	**457.7**	**46.6%**

Quarterly Financial Data

INCOME STATEMENT OF ERSTE GROUP

in EUR million	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11
Net interest income	1,361.2	1,390.7	1,337.0	1,295.7	1,394.1
Risk provisions for loans and advances	-553.0	-504.2	-442.8	-460.1	-479.9
Net fee and commission income	493.5	475.7	495.3	481.2	473.7
Net trading result	98.8	143.9	72.3	139.7	109.0
General administrative expenses	-945.3	-973.3	-945.1	-963.0	-963.3
Other operating result	-91.1	-124.6	-155.9	-128.7	-131.5
Result from financial assets - FV	-37.6	16.8	1.8	9.5	-29.4
Result from financial assets - AfS	36.3	-17.9	-9.3	19.2	-5.1
Result from financial assets - HtM	-0.1	-3.8	-6.3	0.2	1.8
Pre-tax profit from continuing operations	362.7	403.3	347.0	393.7	369.4
Taxes on income	-83.4	-92.8	-60.0	-86.6	-81.2
Net profit for the period	279.3	310.5	287.0	307.1	288.2
Attributable to non-controlling interests	62.6	45.6	8.4	46.5	52.5
Attributable to owners of the parent	**216.7**	**264.9**	**278.6**	**260.6**	**235.7**

BALANCE SHEET OF ERSTE GROUP

in EUR million	Jun 10	Sep 10	Dec 10	Mar 11	Jun 11
Loans and advances to credit institutions	16,408	14,464	12,496	16,471	13,373
Loans and advances to customers	130,960	131,514	132,729	132,825	134,078
Risk provisions for loans and advances	-5,796	-6,210	-6,119	-6,399	-6,516
Derivative financial instruments, securities	11,118	12,556	14,010	14,841	15,767
Other financial assets	36,306	36,033	34,421	37,583	37,807
Other assets	20,088	18,171	18,401	18,176	19,655
Total assets	**209,084**	**206,528**	**205,938**	**213,497**	**214,164**
Deposits by banks	26,730	22,714	20,154	24,311	23,324
Customer deposits	116,558	115,329	117,016	119,198	120,817
Debt securities in issue	29,841	32,013	31,298	33,536	32,566
Derivative financial instruments, trading liabilities	5,138	5,112	8,212	6,982	7,628
Other liabilities	8,358	8,391	6,291	6,303	6,586
Subordinated liabilities	5,978	5,956	5,838	5,532	5,720
Total equity	16,481	17,013	17,129	17,635	17,523
Attributable to non-controlling interests	3,561	3,620	3,544	3,529	3,607
Attributable to owners of the parent	12,920	13,393	13,585	14,106	13,916
Total liabilities and equity	**209,084**	**206,528**	**205,938**	**213,497**	**214,164**

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, 29 July 2011

The Management Board

Andreas Treichl mp
Chairman

Franz Hochstrasser mp
Vice Chairman

Herbert Juranek mp
Member

Gernot Mittendorfer mp
Member

Martin Škopek mp
Member

Bernhard Spalt mp
Member

Manfred Wimmer mp
Member

SHAREHOLDER EVENTS

28 October 2011	Results for the first three quarters of 2011
29 February 2012	Full-year preliminary results 2011

GROUP INVESTOR RELATIONS

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TICKER SYMBOLS

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