

Erste Group Bank AG

Financial Statements 2009



ERSTE GROUP

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Imprint

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Erste Group MANAGEMENT REPORT 2009

Summary Financial Review of Erste Group Bank AG for the year ended 31 December 2009

Business trend and economic situation

In 2009, the international economic climate was again dominated by the deep recession that started out in the last quarter of 2008. While high-growth markets such as India and China saw further growth, developed western economies had difficulties stopping the downturn, at least initially. The concerted effort of governments – with measures ranging from counter-cyclical spending policies and efforts to boost the job markets all the way to tax reductions and consumption incentives such as the car scrappage scheme – helped stabilise the situation by the second half of the year. Complementing the fiscal policies, central banks continued increasing the money supply with the aim of generating further growth impulses. This meant that interest rates remained at record lows throughout the year. While the real economy needed some time to find a foothold, the stock markets showed a sustained, strong recovery that started in March and continued for the rest of the year. Together with the liquidity-boosting measures taken by the central banks and a reduction in risk premiums, this trend also led to the stabilisation of the international banking sector.

The performance of the Austrian economy was similar to that of the rest of the world. After a weak start in 2009, the economic situation stabilised thanks to the supporting measures taken by the government and the central bank. All in all, real GDP shrinkage was limited to 3.6%, as exports were reduced but private consumption was higher than expected. The economic downturn was also reflected in the unemployment rate, which rose to 5.0% but remained below the EU average. The public sector deficit deteriorated to an estimated 4.2% of GDP in 2009. This was the result of tax reductions, a reduction in the tax base and an increase in welfare payments due to the recession. Public sector debt grew less than expected to an estimated 69.1% of GDP. Inflation remained at a historically low level as a result of the economic downturn.

Central and Eastern Europe saw more extreme economic trends than Austria in 2009. Whilst the region showed much stronger growth in recent years, the reduction in real economic output was also more pronounced, ranging from approx. 4% (Czech Republic) to approx. 7% (Romania). This development was mainly caused by a decrease in domestic consumption, which led to a reduction in imports and therefore to an improvement in the current account deficit. With the exception of Hungary and the Czech Republic, the budget deficit increased in all countries in which Erste Group operates. As a consequence the debt-to-GDP ratio also rose in Central and Eastern Europe, although it remained at a level that was significantly below that of Western Europe. In parallel with economic development, there was a reduction in the upward price pressure in Central and Eastern Europe, leading to single-digit inflation rates in all core CEE countries of Erste Group.

Financial performance indicators

Operating income of Erste Group Bank AG decreased by 9.9 percent to EUR 1,164.3 million (prior year: EUR 1,292.9 million).

Operating expenses grew by 6.8 percent to EUR 419.4 million.

Operating income (operating income less operating expenses) declined by 17.3 percent to EUR 744.9 million.

The **cost-income ratio** (operating expenses as a percentage of operating income) was 36.0 percent and thus above the previous year's figure of 30.4 percent.

Taking into account the charges to and releases from impairment adjustments for receivables, securities and participating interests (with a year-on-year increase in receivables and income from the

release of value adjustments of securities valued as financial fixed assets), **pre-tax profit for the year** was EUR 496,8 million, or 246.9 percent above the previous year's figure. Net profit for the year was EUR 515.4 million – 213.1 percent higher than in the previous year.

Return on equity (ROE, net profit for the year expressed in proportion to average equity capital, which consists of share capital, reserves less treasury shares and profit available for distribution) was 6.0% (prior year: 2.3%).

The **core (Tier 1) capital** of Erste Group Bank AG, pursuant to Section 23 (14) no. 1 BWG, on 31 December 2009 totalled EUR 10.7 billion, or EUR 10.5 billion after deductions pursuant to Section 23 (13) nos. 3 and 4 BWG (prior year: EUR 6.9 billion).

The **core (Tier 1) ratio** of Erste Group Bank AG expressed in proportion to credit risk – regulatory core (Tier 1) capital pursuant to BWG after deductions, expressed as a percentage of the risk-weighted assets pursuant to Section 22 (2) BWG – totalled 28.0 percent at 31 December 2009 (prior year: 21.8 percent).

The **qualifying capital** of Erste Group Bank AG, pursuant to Section 23 BWG, including non-credit-risk-related risk requirements (in particular operational risk and position risk for securities and foreign exchange) amounted to EUR 14.0 billion at 31 December 2009 (prior year: EUR 10.2 billion).

The legal minimum requirement was approx. EUR 3.7 billion at the balance sheet date, resulting in a coverage ratio of approx. 383% (prior year: 284%).

The **solvency ratio**, in relation to credit risk (own funds less risk requirements other than for credit risk, in particular operational risks and position risk for securities and foreign currency, expressed as a percentage of risk-weighted assets pursuant to Section 22 (2) BWG) totaled 30.6 percent at 31 December 2009 (prior year: 22.8 percent). This is markedly higher than the 8 percent minimum requirement pursuant to Section 22 (1) BWG.

Erste Group Bank AG is in compliance with the **Basel II** solvency rules. The advanced IRB (internal-rating-based) measurement approach is used for the retail business; in the corporate business, for sovereigns and in interbank business, the standardised approach based on the internal rating system is employed. In addition, some asset categories will be valued under the standard assessment rate in accordance with statutory transition regulations.

Details on earnings

Net interest income grew by 414.2 percent to EUR 213.9 million (prior year: EUR 41.6 million).

Income from securities and participating interests showed a marked decrease of 45.0 percent to EUR 655.9 million (prior year: 1,192.0 million). The main reason for this decrease is that income from shares in affiliated undertakings fell to EUR 626.6 million.

Net commission income declined by 37.3 percent from EUR 181.7 million to EUR 113.9 million; this income was mainly derived from commission charged on guarantees and security portfolios.

Net profit on financial operations exhibited a strong increase – by 234.6 percent – from EUR -129.6 million in the previous year to EUR +174.4 million, which can be attributed particularly to the recovery of the markets following the financial crisis.

In addition to salaries (both fixed and variable) and social expenses, expenses for long-term employee provisions, as well as pension expenses and pension fund contributions are included in **personnel expenses**, a sub-item of **operating expenses**. In total, personnel expenses grew by 5.0 percent to EUR 235.1 million (prior year: 223.9 million); this increase is the result of salary adjustments based on the Collective Bargaining Agreement and rising expenditures for retirement benefits. This was counteracted by a decline in the headcount.

The **number of employees** at Erste Group Bank AG (weighted according to their number of man hours worked) fell by 1.8 percent in the fiscal year.

	Date 31/12/2009	Date 31/12/2008
Domestic	1,641	1,665
International	66	73
<i>London</i>	38	44
<i>New York</i>	18	18
<i>Hong Kong</i>	10	11
Total	1,707	1,738
<i>of which on unpaid leave</i>	88	108

Other administrative expenses grew by 3.6 percent to EUR 154.6 million (EUR 149.2 million in the previous year). Above-average increases were registered in IT, legal and consulting expenses.

Value adjustments on tangible fixed assets have grown by 5.3 percent from EUR 18.7 million last year to EUR 19.7 million this year.

With EUR 774.9 million this year, the previous year's operating result of EUR 900.2 million was not achieved (decline by 17.3%).

The net allocation to **risk provisions** for receivables (including receivables write-offs offset against income from written-off receivables) was significantly less in 2009 than in the previous year.

Current asset securities' valuation and price earnings, as well as the income and value adjustment positions on **participating interests** and **fixed-asset securities** all decreased in 2009 (prior year: strong decrease). Value adjustments in respect of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings had a positive impact.

Tax situation: Pursuant to Section 9 of the Austrian Corporate Tax Act ("Körperschaftsteuergesetz", KStG), Erste Group Bank AG and its main domestic subsidiaries represent a tax group. Due to the high proportion of tax-exempt income – particularly income from participating interests – no Austrian corporate income tax was payable in fiscal year 2009. At 31 December 2009, there still remained a tax loss carried forward from previous years, which was carried forward once again.

Tax on profit mainly comprised expenses from foreign capital gains and other income-related taxes, as well as tax revenue from the tax allocation to subsidiary companies that form a tax group together with Erste Group Bank AG under group taxation regulations.

Changes in reserves during the year resulted in the addition of EUR 128.6 million (prior year: EUR 41.3 million), **net income for the year** was 87.9% higher than in the previous year, at EUR 386.8 million.

At the Annual General Shareholders' Meeting, the Management Board will propose a dividend payout of EUR 0.65 per share (prior year: 0.65) from net **profit for the year**, which was EUR 386.8 million for 2009, and an interest rate of 8% to service the participation capital.

Explanatory notes on the balance sheet

Erste Group Bank AG divisions Group Capital Markets and Group Capital Investment Banking, as well as the three international branches in New York, London and Hong Kong in 2009 generated a total business volume (**balance sheet total**) of EUR 79.5 billion – this represents an decrease of 7.3 percent year-on-year (prior year: EUR 85.8 billion).

Loans and advances to credit institutions decreased 7.4 percent from EUR 39.7 billion to EUR 36.8 billion. This decrease primarily concerns investments at Erste Bank der oesterreichischen Sparkassen AG. **Loans and advances to customers** also declined by 5.6 percent to EUR 11.7 billion (prior year: EUR 12.4 billion).

Total **securities investments** (treasury bills as well as fixed-interest and variable-yield securities) increased by 3.1 percent to EUR 12.8 billion (prior year: EUR 12.5 billion).

The **carrying value of participating interests and shares in affiliated undertakings** increased on a year-on-year basis by 14.5% to EUR 9.9 billion (prior year: EUR 8.6 billion). This can be attributed largely to various additions value additions in financial institutions and holdings.

Other assets include interest accruals, accrued premiums, securities lending transactions and receivables from participating interests and affiliated undertakings. In the reporting year, an decrease of 40.4 percent to EUR 6.4 billion (prior year: EUR 10.7 billion) was recorded. This increase is largely attributed to growth in the securities lending business.

On the liabilities side, **liabilities to credit institutions** decreased by 25.8 percent to EUR 26.7 billion (prior year: EUR 36.0 billion). This decrease has primarily affected domestic and international FX liabilities.

Liabilities to customers declined by 22.9 percent from EUR 7.0 billion in the previous year to EUR 5.4 billion.

Refinancing via **own issues** (debts evidenced by certificates, subordinated liabilities and supplementary liabilities) exhibited growth by 15.0 percent to EUR 29.8 billion (year: EUR 25.9 billion).

Other liabilities decreased by 35.6 percent to EUR 5.7 billion (prior year: EUR 8.9 billion). Here the largest items included interest and commission accruals, accrued premiums from derivatives trading, liabilities from securities lending transactions and other offsetting liabilities. The decrease in other liabilities was primarily brought about by a decline in securities lending transactions.

Investor information pursuant to Section 243a of the Austrian Commercial Code (“Unternehmensgesetzbuch”, UGB)

With regard to the statutory disclosure requirements in the Management Report, special reference is made to the relevant information in the notes to the financial statements.

Art. 15.4 concerning the appointment and dismissal of members of the Management Board and the Supervisory Board is not directly prescribed by statutory law: to pass a motion for dismissal of members of the Supervisory Board a majority of three quarters of valid votes cast and a majority of three quarters of the registered capital represented at the meeting considering the proposal are required.

The Articles of Association contain no restrictions in respect of voting rights or transfers of shares. A holding period of one year exists in connection the employee share ownership programmes (MSOP and ESOP).

Art. 19.9 of the Articles of Association concerning amendments to the Articles of Association contains a provision that is not prescribed directly by statutory law: amendments to the Articles of Association, in so far as they do not alter the business purpose, may be passed by simple majority of votes cast and simple majority of the registered capital represented at the meeting considering the amendment. Where higher majority votes are required in individual provisions of the Articles of Association, these provisions can only be amended with the respective higher majority vote. Moreover, amendments to Art. 19.9 require a majority of three quarters of the votes cast and a majority of three quarters of the share capital represented at the meeting considering the proposal.

The following paragraph lists important agreements which the company is party to, and which become effective, are amended or are rendered ineffective when there is a change of control of the company as a result of a takeover bid, as well as their effects:

The **share option plan** of Erste Group Bank AG includes the following special provisions (Art. 17 of the share option plan) in the event of a takeover bid:

- (1) Should a takeover offer for the shares of Erste Group Bank AG be announced to the public, all options that have been granted to the Management Board members and eligible managers by that time but have not yet vested will immediately vest for those Management Board members and eligible managers who fulfil the personal requirements for participation.
- (2) In such case the vesting date, the end of the exercise window and the value date will be determined by the Management Board of Erste Group Bank AG. These dates should be set in such a way that it is possible to exercise the options and sell the shares during the takeover procedure.
- (3) In such cases, no key employees will be chosen from among the employees and/or they will not be granted any options.
- (4) All allocated and delivered options may be exercised by eligible recipient one day following after delivery; the provisions of Art. 11 (1) 2 (minimum holding period for options) and Art. 12 (1) 1 (exercise window) do not apply. The shares obtained may be offered for sale to the prospective acquiring entity during the takeover procedure; Art. 16 (holding period) does not apply.
- (5) The holding period of shares obtained previously (Art. 16) ends with the announcement of the takeover bid.
- (6) If the takeover bid is withdrawn without a competitor having issued a takeover bid, options allocated pursuant to Art. 1 but not yet exercised become subject to a holding period of one year as of the day the withdrawal of the takeover bid becomes known. This corresponds to the holding period under Art. 1, which applies to the shares obtained on the basis of allocated options. The holding period(s) terminated under sec. 5 are not re-applied.

Preferred co-operation between Erste Foundation and Criteria

Erste Foundation and Criteria have concluded a Preferred Partnership Agreement (PPA), which gives Criteria the status of a friendly investor and preferred partner for participations. Under this agreement, PPA Criteria is authorised to nominate a person for appointment to the Supervisory Board of Erste Group Bank AG. In return, Criteria undertakes not to participate in a hostile takeover bid for Erste Group Bank AG shares, and to give Erste Foundation the right of pre-emption and an option right to the Erste Group Bank AG shares owned by Criteria. Under the PPA, Erste Foundation undertakes not to grant rights to third parties that are more favourable than those granted to Criteria, except in certain circumstances. Erste Foundation's and Criteria's voting rights at Erste Group Bank AG remain unaffected by the PPA. The PPA has been approved by the Austrian Takeover Commission.

The **agreement in principle of the Haftungsverbund** provides for the possibility of early cancellation for material reasons. Material reason allowing the respective other contracting parties to cancel the agreement is deemed given if the ownership structure of a party to the contract changes in such a way – particularly by transfer or capital increase – that one or more third parties from outside the savings bank sector directly and/or indirectly gain a majority of the equity capital or voting power of the contracting party.

The Haftungsverbund's agreement in principle and supplementary agreement expire if and as soon as any entity that is not a member of the savings bank sector association acquires more than 25% of the voting power or equity capital of Erste Group Bank AG in any manner whatsoever and a member savings bank notifies its withdrawal from the Haftungsverbund to the Haftungsverbund's steering company and to Erste Group Bank AG by registered mail within twelve weeks from the change of control.

Directors and Officers Insurance

Changes of control

- (1) In the event that any of the following transactions or processes occur during the term of the policy (each constituting a “change of control”) in respect of the insured:
 - a) the insured ceases to exist as a result of merger or consolidation, unless the merger or consolidation occurs between two insured parties, or
 - b) another company, person or group of companies or persons acting in concert, who are not insured parties, acquire more than 50% of the insured’s outstanding equity or more than 50% of its voting power (this gives rise to the right to control the voting power represented by the shares, and the right to appoint the Management Board members of the insured), then the insurance cover under this policy remains in full force and effect for claims relating to unlawful acts committed or alleged to have been committed before this change of control took effect. However, for claims relating to unlawful acts committed or allegedly committed after that time no insurance cover is provided (unless the insured and insurer agree otherwise). The premium for this insurance cover is deemed to be completely earned.
- (2) In the event that a subsidiary ceases to be a subsidiary during the insurance period, the insurance cover under this policy shall remain in full force and effect for that entity for the remainder of the insurance period or (if applicable) until the end of the extended discovery period, but only in respect of claims brought against an insured in relation to unlawful acts committed or alleged to have been committed by the insured during the existence of this entity as a subsidiary. No insurance cover is provided for claims brought against an insured in relation to unlawful acts committed or allegedly committed after this entity ceased to exist.

Additional disclosures pursuant to Section 243a UGB

Pursuant to the following provisions, members of the Management Board have the right to repurchase shares, where such a right is not prescribed by statutory law:

As per decision of the Annual General Shareholders’ Meeting of 12 May 2009:

- the company is entitled to purchase treasury shares under Section 65 (1) 7 of the Austrian Stock Corporation Act (“Aktengesetz”, AktG) for trading purpose. However, the trading portfolio of these shares may not exceed five percent of the share capital at the end of any calendar day. The market price for the shares to be purchased must not be lower than 50% of the closing price at the Vienna Stock Exchange on the last trading day prior to the purchase and must not exceed 200% of the closing price at the Vienna Stock Exchange on the last trading day prior to the purchase. This authorisation is valid for 30 months, i.e. until 11 November 2011.
- the Management Board is entitled, subject to approval by the Supervisory Board, to purchase treasury shares pursuant to Section 65 (1) 8 of the Austrian Stock Corporation Act (AktG). However, the shares purchased under this authorisation and under Section 65 (1) 1, 4 and 7 AktG may not exceed ten percent of the share capital. The market price of each of the shares to be purchased may not be lower than EUR 2.00 or higher than EUR 100.00. The company is obliged to publish the relevant Management Board decision and the details of the repurchase programme, as well as its duration. The purchased shares can be sold, upon approval by the Supervisory Board, in the form of an issue of shares as consideration and financing measure for the acquisition of entire companies, businesses, business units or shares of one or more domestic or foreign companies. Such an offering would be conducted outside the stock markets and does not constitute a public offering. Furthermore, the Management Board is entitled to draw shares without resolution at the Annual General Shareholders’ Meeting. This authorisation is valid for 30 months, i.e. until 11 November 2011.

All sales and purchases were carried out as authorised at the Annual General Shareholders’ Meeting.

Other information

Moreover it should be noted that Erste Group Bank AG – as well as nearly all Austrian savings banks – are members of the **Haftungsverbund of the Savings Bank Group**.

The Savings Bank Group considers itself an association of independent, regionally established savings banks which strives to bolster its market position by strengthening common product development, harmonising its market appearance and advertising concepts, pursuing a common risk policy, engaging in co-ordinated liquidity management and applying common controlling standards.

In addition, the purpose of this agreement is:

- to identify any business problems of member banks at an early stage and to provide effective assistance to its members in the resolution of business problems - which can range from offering technical assistance or giving guarantees to providing borrowed or qualifying capital, as well as
- to provide customers with a deposit guarantee system that goes beyond the legal deposit guarantee requirement (Section 93 ff BWG), which guarantees certain types of customer deposits, by creating a suitable obligation to service the liabilities of other participating savings banks if the need arises.

The implementation of such measures and the analysis of the business situation of every member bank of the Haftungsverbund is the responsibility of s Haftungs- und Kundenabsicherungs-GmbH. The participating savings banks hold a maximum 49% stake (assuming all savings banks participate) in s Haftungs- und Kundenabsicherungs-GmbH and Erste Group Bank AG always holds a minimum stake of 51%.

As per the requirements of the BWG, individual members of the Haftungsverbund may need to provide assistance to other members (such as giving liquidity assistance, giving credits or guarantees and providing equity capital), and in the case of Section 93 (3) no. 1 BWG, to service the guaranteed customers deposits of a member of the Haftungsverbund. The scope of the individual services to be provided by individual members of the Haftungsverbund where needed cannot therefore be determined beforehand. Any contributions made by the members of the Haftungsverbund under the statutory deposit guarantee system pursuant to Section 93 ff BWG are taken into account.

Disclosures pursuant to Section 243 paragraph 3 UGB

There were **no events of major significance** after the balance sheet date.

As Erste Bank Group AG **does not conduct any independent and regular research** for new scientific or technical findings or any leading development work for commercial production or use, it does not engage in any research or development activities pursuant to Section 243 par. 3 fig. 3 Austrian Commercial Code.

Erste Group Bank AG maintains **three branches in London, New York and Hong Kong** that are active in the commercial lending business with foreign banks, leasing companies and sovereign debtors.

Disclosures pursuant to Section 243a paragraph 2 UGB

Erste Group Bank AG has a complex **internal controlling system** with mechanisms that include, above all, the principle of double-checking, IT-supported controlling, and decision-making powers oriented on risk exposure and surveillance instruments. A presentation of the organisation of reporting as regards accounting procedures is contained in the Manual on IFRS Accounting for Erste Group. It is mandatory for the concerned units to adhere to the accounting and measurement methods applicable to the recording, booking and accounting of transactions.

Organisationally, the areas Group Accounting and Group Performance Management are assigned to the CFO of Erste Group Bank AG. Monthly and quarterly reports to the management board and the

supervisory board ensure regular financial reporting and the surveillance of the internal management accounting system. The close collaboration with the Group's auditors assures an extensive and efficient external auditing of the financial statements.

Reporting is done almost fully automatically using pre-systems and automatic interfaces, and guarantees that the data for management accounting, (segment) and earnings accounting and other evaluations are up to date. The information used by the accounting department is based on the same database and is matched monthly for reporting. Close collaboration between the accounting department and management accounting means the constant comparison of targets and the actual data. This guarantees the mutual checking and harmonization of the departments.

We would like to point out the publication of consolidated quarterly financial statements of Erste Group Bank AG as well as the ongoing regulatory reporting obligations with respect to external reporting.

The quality of internal management accounting is constantly being assessed by the internal revision. The internal revision works closely together with the responsible management board members and managing directors, and regularly reports to the audit committee of the supervisory board.

Outlook

Supported by the stabilisation of the global economy in the second half of 2009, the countries of Central and Eastern Europe have also emerged from recession and are expected to enjoy moderate growth in 2010. While this should continue to have positive effects on asset quality, any improvement will be gradual in nature and influenced by the development of key economic variables, most notably unemployment. Accordingly, Erste Group continues to expect risk costs to remain elevated for the better part of 2010.

Irrespective of the speed of the economic recovery, Erste Group firmly believes in the strength of its retail business model – a belief that is backed up by the group's outstanding operating performance throughout the economic downturn.

Erste Group is equally confident that the timing and structure of any new regulatory framework for banks will be carefully considered, as policy makers and regulators increasingly appreciate the consequences of any such measures for the growth prospects of the real economy.

Explanations on the risk profile of Erste Group and its risk management objectives and methods

As a consequence of Erste Group's business model, our risk profile is pervaded by credit, market and operational risk. At the same time, we must be wary of liquidity risk and general business risk – especially in the current economic climate. In addition to the types of risk indicated above, the Group's risk management system also monitors a range of other, lesser risks. The main types of risk can be summarised as follows:

Credit risk	is the risk of loss from the potential collapse of counterparties, particularly of borrowers in the conventional lending business, and the related credit losses.
Market risk	generally describes the risk of loss from unfavourable price changes in saleable and traded products, such as shares, fixed-income securities and derivatives, as well as from interest and foreign exchange fluctuations and fluctuations in raw material prices
Operational risk	describes the risk of loss as a result of human error, malfunctions of internal procedures or systems, or external events.
Liquidity risk	describes the risk that the bank has insufficient liquidity or is unable to make funds available in a timely manner to service its debts.
Business risk	describes the bank's risk of being unable to reach its financial business objectives.

Risk management objectives and methods

Knowingly and selectively accepting risks and managing them professionally are core functions of every bank. Erste Group pursues a proactive risk policy and risk strategy that also aims for an optimal balance between risks and returns in order to earn a sustained high return on equity.

Erste Group has an established, pro-active controlling and risk management system that is tailored specifically to its corporate and risk profile. It is based on a clearly defined risk strategy derived from the Group's business strategy and has a special focus on the early identification and targeted control of risks and trends. Apart from meeting the internal requirement of ensuring effective and efficient risk management, the controlling and risk management system of Erste Group is also intended to take care of external, particularly regulatory, tasks.

In line with international practice, the risk management process at Erste Bank consists of the following stages: risk identification, risk assessment, risk aggregation, risk mitigation and risk reporting.

For credit risk, by far the most important risk category, Erste Group has used the Basel II IRB measurement approach since 2007, and thus has in place all necessary methods and processes required for this advanced measurement approach.

For a number of years, the market risk exposure of the trading book has been assessed using the bank's own model.

For five companies, operational risk has been assessed using AMA (advanced measurement approach) since 2009. Further key companies will also apply for approval in the years to come.

In order to provide a comprehensive overview of current and future risks and cover pools of the group, the bank's risk-absorbing capacity is determined in the framework of the Internal Capital Adequacy Assessment Process (ICAAP). This process provides regular updates on the risk profile and capital adequacy, creating a basis for determining and instigating any necessary measures.

In addition the following risk assessment methods are employed by Erste Group for the ALCO process: fixed interest statements, reports on interest rate terms, capital maturity statements, cash value fluctuations and net interest income simulations.

The risk management structure

An organisational chart with clearly defined duties and responsibilities, including a schedule of delegated authorizations and risk limits, is in place for the purpose of monitoring and controlling risks.

Generally, it is the Management Board, and particularly the Chief Risk Officer (CRO) of the group, who oversees his responsibilities with due care. The CRO is responsible for market-independent risk controlling and managing all risk types throughout all business areas.

Risk management is conducted according to a business and risk strategy adopted by the group's Management Board as well as the bank's aggregate risk schedule.

Committees with explicit strategic and operative controlling functions have been formed to ensure effective and optimal management of the Group. At the top of the risk hierarchy within Erste Group is the Risk Committee (RC).

The main responsibilities of the **Risk Committee**, which consists of the Management Board and other senior managers, are to approve the risk management methods and processes, and to oversee the proper functioning of the risk infrastructure. Moreover, this Committee decides about capital allocation at the macro level, as well as the bank's aggregate risk schedule. The Risk Committee acts as the central control group and is constantly and regularly informed about the bank's risk situation (both backward- and forward-looking and across all types of risk). It is also charged with analysing the current situation and existing trends, and taking decisions at the highest management level.

The operative units identify, assess, monitor, manage and limit risks, and decide what measures are to be taken. These are combined in the CRO division and are therefore independent from the business units at the Management Board level. The following **sections** are directly answerable to the CRO:

Group Risk Management

Risk Management International

Group Retail Risk Management

Group Legal

Group Compliance and

Group Corporate Work-out

Group Risk Management is essentially charged with developing and deploying the Group's risk management strategy as determined by the Management Board, particularly with regard to its infrastructure, methods and processes. This section comprises the departments Group OpRisk and Credit Risk Reporting, Group Enterprise-wide Risk Management and Reporting and Group Market and Liquidity Risk Management as well as the staff position Basel II.

Risk Management International is responsible for operative credit risk management of Erste Group Bank AG and is in charge of the formal and material evaluation, recommendation and approval of all credit risks to which Erste Group Bank AG is exposed as a holding company. Risk Management International is also responsible for credit risk management in the GCIB segment, as well as for all credit applications for amounts that exceed the competency limit of the respective subsidiary companies. The unit analyses certain customer groups/asset classes from a credit risk perspective whenever a top-level, group-wide evaluation becomes necessary. These asset classes concern country risks, states, other credit institutions, securitisations (ABSs and CDOs), corporates and real estate risks. Risk Management International prepares specific credit risk reports for the aforementioned portfolios which are centrally managed by Erste Group Bank AG in its capacity as a holding company.

Group Retail Risk Management's focus is on retail business, the primary business segment of Erste Group. Procedures and standards for Retail Risk Management are co-ordinated at Group level.

Group Legal is charged with fighting money laundering as part of Anti Money Laundering Compliance, in addition to fulfilling the usual duties of a legal department. Group Compliance is responsible for the implementation of and adherence to the Standard Compliance Code (SCC) of the Austrian banking sector, as well as the parts of the Austrian Securities Supervision Act ("Wertpapieraufsichtsgesetz", WAG) 2007 that have relevance for compliance issues.

Group Corporate Work-out is responsible for the restructuring of the segments Group Large Corporates (GLC) and Group Real Estates (GRE).

Corporate Social Responsibility

Introduction

To Erste Group, Corporate Social Responsibility is part of who we are and is at the heart of all our activities. This social responsibility has a long tradition: when the first savings banks were established, they already considered themselves an institution whose objective was to work for the common good.

For us, CSR is part of our company philosophy, and we are committed to adding value – and maintaining that value – by sustainable means. This objective can only be achieved if two criteria are met: first, we must consider the risks and opportunities presented by the economic, ecological and social challenges; second, we must involve all affected parts of the population, be they customers, employees, investors or civil society.

Our achieving third place in the official 2009 Austrian CSR Rankings, in which the efforts of the 100 largest Austrian companies to improve the sustainability of their activities is rated, proves that we are on the right track. In Romania, BCR received the “Good CSR” award for implementing exemplary CSR principles and practices. In Hungary, Erste Bank Hungary reached third place of the Mastercard Financial Corporate Social Responsibility Award, and Erste Bank Serbia won the Serbian VIRTUS Corporate Philanthropy Award for the third time running.

Customers

Customer satisfaction is of the greatest importance to Erste Group. Therefore the bank strives to continually improve the quality of its services in a variety of ways. 2009 saw the introduction of group-wide quality standards to ensure homogeneity in the service level offered across all subsidiary companies. This involved creating clear descriptions and firm rules on how to deal with customer complaints, how to register customer satisfaction and how to manage critical customer service situations.

Retail

Apart from the usual measures taken to improve customer care in the retail segment, Erste Group in 2009 took particular care to support its customers during the economic downturn. Following the slogan “Helping Hands”, almost all subsidiaries launched activities to help customers cope with unemployment, shrinking household budgets and the general deterioration in their financial situation. In addition, individual consultations were offered to help customers with their financial planning and promote responsibility in their financial dealings.

Small and medium enterprises (SMEs)

The multitude of negative headlines about the general economic situation and the banks’ reduced willingness to provide credit lines caused significant uncertainty among businesses. Erste Bank Oesterreich and the Austrian Savings Banks responded to this by launching the s Oesterreich initiative for commerce customers in early 2009.

With the motto “the best bank is taking the initiative”, the bank has promised to inject EUR 6 billion worth of credit into the domestic economy over the coming three years. Of this, EUR 3 billion is reserved specifically for enterprises.

Business start-ups were not left out in the cold in this difficult economic situation either. The GO! GründerCenter in 2009 once again supported those taking the step into self-employment by giving advice on financing and subsidies. Advice and further education programmes as part of the GO! Gründer Offensive completed the programme.

Ethical investments

Erste Group's Austrian asset management company ERSTE-SPARINVEST KAG also intensified its efforts in 2009 to put greater emphasis on the topic of "sustainable investments". Sustainable

specialty funds and sustainable investments in Central and Eastern Europe were at the core of the activities.

In 2009, a team of five sustainability specialists managed a total of eight investment funds categorised as sustainability funds and sustainable specialist funds. Two of these are bond funds, four are regional equity funds and two are specialty funds in the climate and environmental protection segment. The two specialty funds are managed in co-operation with WWF Austria. In addition to providing fund management services, the sustainability team of ERSTE-SPARINVEST also advises portfolios that invest in accordance with sustainability criteria.

The flagship product of the group is the ESPA VINIS STOCK GLOBAL fund, which in 2009 was chosen by German consultant Feri as the best global sustainability fund in Austria and Germany. Also in 2009, the foundation was laid for the first globally invested micro-finance fund accessible to private investors.

ERSTE-SPARINVEST was the first large Austrian fund management company to become a signatory to PRI, the Principles of Responsible Investment, in 2009. This step further underlines the company's commitment to sustainable investment. Despite the turbulences in the financial markets, ethical investments grew to EUR 1.2 billion, which equates to 4.6% of total investments.

Financial inclusion

In 2008 Erste Group and its largest shareholder, Erste Foundation, launched the initiative "Banking the Unbanked", which is aimed at the inhabitants of Central and Eastern Europe who do not as yet use banking services. Since more than 35 million people do not have a bank account in the countries in which Erste Group is present, providing access to financial services in these countries plays an important role in supporting economic growth.

The "Banking the Unbanked" initiative led to the founding of the good.bee holding company ("good.bee"). In January 2009, good.bee began operating with the task of facilitating access to financial services for those parts of the population that were not sufficiently covered by commercial banks for economic, social or other reasons. good.bee wishes to support the development and social integration of the economically or socially disadvantaged by providing them with responsible financial services. The geographic focus of good.bee's activities is on Central and Eastern Europe, particularly on those countries in which Erste Group operates.

good.bee promotes access to financial services mainly in two directions: on the one hand by putting the focus on microfinance, and on the other hand by emphasising social entrepreneurship, i.e. the development of market-based business models and financing solutions for the social welfare sector.

Civil society

Erste Group is proud of its long-standing tradition of cultural and social sponsorship and is still strongly committed to the principle of giving back some of its success to society.

"Kontakt – The Erste Group Programme for Art and Civil Society" was created by Erste Group to provide a framework for its social and cultural initiatives and activities.

Art and culture

For the sixth time Erste Group has appeared as the official partner of the Viennale, Austria's largest film festival.

The bank sponsors the Jean Améry Award in co-operation with Klett-Cotta-Verlag. The award is one of the most highly renowned literature awards in the German-speaking world. By extending the Jean Améry Award to include Central and Eastern Europe, Erste Group reasserts its commitment to the cultural integration of this region.

2009 marked the fifth year of Kontakt's support of the Unabhängiges Literaturhaus Niederösterreich (ULNÖ) as part of "Atelier Top 22", a project that enables authors from Central and Eastern Europe to

stay in Austria for two months. This gives the authors an opportunity to introduce their texts to a German-speaking audience in readings.

Since 1989, Erste Group commissions a work from an Austrian composer once every year. The commissioned work will be premiered by Klangforum Wien at the “Wien Modern” festival; it will additionally be entered into two concert programmes of the excellent Ensemble Klangforum. For the long-standing support of the composition award Erste Group obtained the “Maecenas” art sponsorship award 2009.

For many years Erste Bank has been working closely with Secession, a renowned art institution. This partnership finds its expression in special art appreciation programmes for Erste Group employees.

Within the Kontakt framework Erste Group has since 2005 enabled VIENNAFAIR – the International Contemporary Art Fair focussed on CEE to set its main focus. Erste Group supports the participation of Eastern European galleries at the art fair. In 2009 the number of supported galleries has grown to 29 exhibitors, hailing from Moscow, Budapest, Bratislava, Prague, Warsaw, Bucharest, Vilnius, Ljubljana and Belgrade, among others.

The platform “Tranzit”, which was set up in 2002, has as its aim the promotion of contemporary art and theory in the Central and Eastern European regions, focussing on the Czech Republic, Slovakia, Hungary and Austria. Tranzit offers opportunities to artists, curators and theoreticians in the Czech Republic, Slovakia, Hungary and Austria to develop artistically and socially relevant strategies and creative impulses.

The art collection of Erste Group concerns itself with the production of art in Central, Eastern and Southern Europe, taking into account contemporary discourses on art and critical theory. It reflects the political and historic transformation in Europe and the level of importance of art before the background of specific cultural, social and economic developments in post-socialist countries. The aim is to produce an art collection with conceptual appeal and art-historical relevance that takes as its central theme the locally relevant and contextual positions of international art creation that have received insufficient attention from many museums. In 2009, works from the Erste Group art collection were once again present in numerous exhibitions.

Employees

Key figures (Austria, without savings banks)

	2009	2008	2007 ¹
Employee turnover	4.5%	6.2%	5.5%
Sick days per year	6.9	5.9	7.0
Training days per year	1.3	1.1	3.2
Percentage of women in management positions	18.4%	18.1%	22.9%
Percentage of part-time employees	15.6%	15.7%	22.5%
Percentage of women part-time employees	74.3%	70.0%	85.5%

Human resource activity in 2009 was significantly shaped by the financial and economic crisis. Despite achieving a respectable result in 2008, all members of the Management Board and second-level management voluntarily forwent any and all bonus payments. The bonus budget for all other employees was cut by 40%. Moreover, with effect from 1 July 2009, members of the Management Board voluntarily forwent 10% to 25% of their guaranteed annual salaries, and the Long Term Incentive Programme (LTIP) was discontinued.

Despite the crisis-hit economy in 2009, the number of employees at Erste Group went down by only 3.5%. This is due to a group-wide programme to make the termination of employment for economic reasons (excluding in Ukraine) a measure of last resort and to exploit all alternative personnel cost reduction possibilities first. These alternatives include increasing part-time employment offers, flexible pension and part-time work arrangements for older employees, short-term sabbaticals, the increased use of holiday entitlements, the reduction of overtime and, in Austria, giving financial support to employees who intend to retroactively pay insurance contributions for periods spent in education, which allows them take retirement sooner.

At the group level, human resource development measures progressed or were initiated as planned, some of them in co-operation with Erste School of Banking and Finance. This included the Group Leadership Development Program and the Erste Group Junior Trainee Program, which was completed in August 2009 with great success.

Care was also taken at the local level to avoid limiting training programmes where possible, so as to signalise continuity to employees at all levels. Erste Holding itself saw the launch of a programme aimed at potential junior managers.

In order to promote the positioning as an attractive employer in the regions, a group-wide recruiting initiative was launched with the aim of standardising and harmonising employee hiring procedures. For early 2010, an "internal job market" is planned to promote mobility within the group.

Erste Group continued its participation with five partners in the "Students4Excellence" initiative with the objective of intensifying contacts with potential employees. The aim is to get in touch with the top 5% of Austrian university students early on, to familiarise them with the company and to facilitate their career entry, e.g. by offering internships or a mentoring programme.

¹ Including Erste Bank der oesterreichischen Sparkassen AG.

Environment

Key figures

	2009	2008	2007
Air kilometres (km/employee)	2.174,0	2.803,0	3.179,0
CO2 emissions (t/employee)	1,9	2,2	1,9
Water use (l/employee)	6,0	*	*
Paper use (kg/employee)	36,4	42,6	*
Energy consumption (kWh/employee)	70,5	*	*
Electricity (kWh/employee)	4.315,0	5.133,0	4.811,0
Heating energy (kWh/employee)	79,7	87,9	82,7
Waste (kg/employee)	206,0	*	*

*) Due to the reorganisation of the statistical-data no comparison value for 2007 and 2008 are available.

Main environmental topics of Erste Bank Oesterreich for 2009:

- Retooling two additional technicians' vehicles of the property management subsidiary to let them run on natural gas.
- Retrofitting 36 vehicles of the vehicle fleet with efficient Blue Motion technology to lower CO2 emissions.
- Erecting additional bicycle spaces at two central locations to promote climate-friendly employee mobility.
- Reducing electricity consumption by changing the technical configuration of workplace PCs – "Wake on LAN" to allow for the installation of updates without having to leave the PC switched on.
- Informing employees about environmental protection and energy saving measures with messages sent over the internal network and articles in the Savings Bank magazine.
- Reducing electricity consumption by making technical changes to lighting systems, so as to switch off lighting where it is not needed (e.g. installing time switches for stairway lighting, separation into zones, etc).
- Extending the data structure of the environmental data for 2009.
- Increasing participation in the Ökoprofit project as an ÖkoBusiness company.

Overview of planned environmental measures:

- Reduced electricity consumption by changing the technical configuration of workplace PCs, implementing power-down of devices starting at 8:00 pm.
- Reducing paper use by changing to an electronic paper procurement settlement procedure for employees.
- Increasing the number of environmental key figures by integrating the environment data of foreign subsidiary banks into the environment table figures.

Vienna, 2 March 2010

Management Board



Andreas Treichl
Chairman



Franz Hochstrasser
Vice Chairman



Herbert Juranek
Member



Johannes Leobacher
Member



Bernhard Spalt
Member



Manfred Wimmer
Member

Balance sheet at 31 December 2009
Erste Group Bank AG

Assets

	€	€	in € thousand previous year	in € thousand previous year
1. Cash in hand and balances with central banks		515,373,904.54		178,658
2. Treasury bills and other bills eligible for refinancing with central banks				
a) treasury bills and similar securities	2,666,766,673.38		2,158,028	
b) other bills eligible for refinancing with central banks	0.00	2,666,766,673.38	0	2,158,028
3. Loans and advances to credit institutions				
a) repayable on demand	962,894,885.54		916,938	
b) other loans and advances	35,841,291,115.18	36,804,186,000.72	38,813,927	39,730,865
4. Loans and advances to customers		11,669,246,936.19		12,361,042
5. Debt securities and other fixed-income securities				
a) issued by public bodies	1,161,241,630.59		1,381,454	
b) issued by other borrowers	9,007,144,765.83	10,168,386,396.42	8,911,794	10,293,248
of which: own debt securities	0.00		1,907,274	
6. Shares and other variable-yield securities		1,109,933,271.10		1,232,325
7. Participating interests		283,943,022.95		263,359
of which: in credit institutions	172,281,741.47		157,918	
8. Shares in affiliated undertakings		9,578,326,355.77		8,348,038
of which: in credit institutions	923,725,529.72		7,620,398	
9. Intangible fixed assets		32,753,096.73		35,853
10. Tangible fixed assets		39,574,474.03		43,988
of which: land and buildings used by the credit institution for its own business operations	24,195,940.38		25,405	
11. Own shares and shares in a controlling company		391,000.00		6,018
of which: par value	391,000.00		743	
12. Other assets		6,357,930,126.10		10,660,667
13. Subscribed capital called but not paid		0.00		0
14. Prepayments and accrued income		290,332,204.71		496,104
Total Assets		79,517,143,462.64		85,808,193
Off-balance-sheet items				
1. Foreign assets		40,309,967,170.81		51,236,649

Balance sheet at 31 December 2009
Erste Group Bank AG

Liabilities and Equity

	€	€	in € thousand previous year	in € thousand previous year
1. Liabilities to credit institutions				
a) repayable on demand	1,295,770,155.35		1,111,421	
b) with agreed maturity dates or periods of notice	25,397,227,880.76	26,692,998,036.11	34,841,780	35,953,201
2. Liabilities to customers (non-banks)				
a) savings deposits	0.00		0	
of which:				
aa) repayable on demand	0.00		0	
bb) with agreed maturity dates or periods of notice	0.00		0	
b) other liabilities	5,388,641,691.27		6,992,690	
of which:				
aa) repayable on demand	1,020,976,351.53		1,260,555	
bb) with agreed maturity dates or periods of notice	4,367,665,339.74	5,388,641,691.27	5,732,135	6,992,690
3. Securitised liabilities				
a) Debt securities issued	22,129,332,736.54		17,015,913	
b) other securitised liabilities	2,613,151,937.90	24,742,484,674.44	3,854,129	20,870,042
4. Other liabilities		5,723,237,943.49		8,883,468
5. Accruals and deferred income		83,584,441.08		242,144
6. Provisions				
a) provisions for severance payments	0.00		0	
b) pension provisions	343,839,150.00		352,043	
c) provisions for taxes	11,886,975.35		9,783	
d) other	354,388,213.25	710,114,338.60	164,538	526,364
6.A Special fund for general banking risks		0.00		0
7. Subordinated liabilities		2,517,551,109.79		2,356,858
8. Supplementary capital		2,512,188,473.48		2,661,426
9. Subscribed capital		755,850,172.00		634,025
9.A Participation capital		1,763,744,000.00		0
10. Capital reserves				
a) committed	6,145,455,000.00		4,516,003	
b) uncommitted	260,000,000.00		260,000	
c) for own shares and shares in a controlling company	0.00	6,405,455,000.00	0	4,776,003
11. Retained earnings				
a) statutory reserve	34,156,000.00		34,156	
b) reserves provided for by the bye-laws	0.00		0	
c) other reserves	848,968,756.48		873,268	
d) for own shares and shares in a controlling company	98,548,000.00	981,672,756.48	6,019	913,443
Carry forward		78,277,522,636.74		84,809,664

Balance sheet at 31 December 2009
Erste Group Bank AG

Liabilities and Equity

Carry forward

12. Reserve pursuant to Section 23 (6) of the Austrian Banking Act (BWG)

13. Net profit or loss for the year

14. Untaxed reserves

- a) valuation reserve resulting from special depreciation
- b) other untaxed reserves of which:
 - aa) investment reserve pursuant to Section 9 of the Austrian Income Tax Act (EStG) 1988
 - bb) investment allowance pursuant to Section 10 of the Austrian Income Tax Act (EStG) 1988
 - cc) rent reserve pursuant to Section 11 of the Austrian Income Tax Act (EStG) 1988
 - dd) reserve transferred pursuant to Section 12 (7) of the Austrian Income Tax Act (EStG) 1988

Total Liabilities and Equity

€	€	in € thousand previous year	in € thousand previous year
	78,277,522,636.74		84,809,664
	841,000,000.00		780,000
	386,750,825.90		206,058
11,870,000.00		12,471	
0.00	11,870,000.00	0	12,471
0.00		0	
0.00		0	
0.00		0	
0.00		0	
	79,517,143,462.64		85,808,193

Off-balance-sheet items

1. Contingent liabilities

of which:

- a) acceptances and endorsements
- b) guarantees and assets pledged as collateral security
- c) credit derivatives

2. Commitments

of which: commitments arising from repurchase agreements

3. Commitments arising from agency services

4. Eligible capital pursuant to Section 23 in conjunction

with Section 29 of the Austrian Banking Act (BWG) of which: capital pursuant to Section 23 (14) 7 of the Austrian Banking Act (BWG)

5. Capital requirement pursuant to Section 22 (1) of the

Austrian Banking Act (BWG) of w/ § 22 Abs. 1 Z 1 und 4 of the Austrian Banking Act (BWG)

6. Foreign liabilities

	19,496,125,870.71		17,147,987
0.00		0	
11,052,311,308.88		8,613,203	
8,443,814,561.83		8,534,784	
	4,554,283,204.47		5,398,189
0.00		0	
	2,841,360.00		2,129
	14,040,378,621.54		10,210,604
559,557,786.56		327,024	
	3,670,361,720.75		3,590,362
3,108,502,720.75		2,731,544	
	22,247,824,212.12		28,670,405

Profit and Loss Account 2009

Erste Group Bank AG

	€	€	in € thousand previous year	in € thousand previous year
1. Interest receivable and similar income		1,622,800,519.47		2,564,632
of which: from fixed-income securities	420,496,198.90		695,421	
2. Interest payable and similar expenses		- 1,408,915,875.76		- 2,523,069
I. NET INTEREST INCOME		213,884,643.71		41,563
3. Income from securities and participating interests				
a) income from shares, other ownership interests and variable-yield securities	19,953,339.65		28,580	
b) income from participating interests	9,379,388.07		11,918	
c) income from shares in affiliated undertakings	626,594,325.26	655,927,052.98	1,151,464	1,191,962
4. Commissions receivable		293,431,367.33		272,517
5. Commissions payable		- 179,519,489.74		- 90,825
6. Net profit or net loss on financial operations		174,368,568.29		- 129,630
7. Other operating income		6,162,065.55		7,302
II. OPERATING INCOME		1,164,254,208.12		1,292,889
8. General administrative expenses		- 389,689,945.91		- 373,112
a) staff costs	- 235,088,461.01		- 223,917	
of which:				
aa) wages and salaries	- 142,878,492.90		- 134,344	
bb) expenses for statutory social-security contributions and compulsory contributions related to wages and salaries	- 28,918,416.87		- 28,932	
cc) other social expenses	- 2,012,522.54		- 1,340	
dd) expenses for pensions and assistance	- 47,375,297.47		- 40,754	
ee) Dotierung der Pensionsrückstellung	- 10,860,881.88		- 10,379	
ff) expenses for severance payments and contributions to severance and retirement funds	- 3,042,849.35		- 8,168	
b) other administrative expenses	- 154,601,484.90		- 149,195	
9. Value adjustments in respect of assets items 9 and 10		- 19,650,556.47		- 18,683
10. Other operating expenses		- 10,018,532.91		- 940
III. OPERATING EXPENSES		- 419,359,035.29		- 392,735
IV. OPERATING RESULT		744,895,172.83		900,154

Profit and Loss Account 2009

Erste Group Bank AG

	€	in € thousand previous year
Carry forward (IV. Operating results)	744,895,172.83	900,154
11. Value adjustments of loans and advances and allocations to provisions for contingent liabilities and commitments	- 288,998,858.68	- 331,392
12. Value re-adjustments of loans and advances and provisions for contingent liabilities and commitments	154,207,298.19	42,315
13. Value adjustments of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings	- 156,914,550.95	- 727,954
14. Value re-adjustments of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings	43,569,750.67	260,111
V. PROFIT OR LOSS ON ORDINARY ACTIVITIES	496,758,812.06	143,234
15. Extraordinary income	0.00	0
of which: withdrawals from the special fund for general banking risks	0.00	0
16. Extraordinary expenses	- 5,013,685.00	- 5,099
of which: allocation to the special fund for general banking risks	0.00	0
17. Extraordinary result (sub-total of items 15 and 16)	- 5,013,685.00	- 5,099
18. Tax on profit or loss	41,347,075.12	27,191
19. Other taxes not reported under item 18	- 17,712,647.22	- 708
VI. PROFIT OR LOSS FOR THE YEAR AFTER TAX	515,379,554.96	164,618
20. Changes in reserves	- 128,628,729.06	41,261
off which: allocation to liability reserve pursuant to Section 23 (6) of the Austrian Banking Act (BWG)	61,000,000.00	46,000
reversal of liability reserve pursuant to Section 23 (6) of the Austrian Banking Act (BWG)	0.00	0
VII. NET INCOME FOR THE YEAR	386,750,825.90	205,879
21. Profit brought forward from previous year	0.00	179
22. Profit transferred on the basis of profit transfer agreement	0.00	0
VIII. NET PROFIT OR LOSS FOR THE YEAR	386,750,825.90	206,058

Notes of the financial statements of Erste Group Bank AG 2009

I. General Information

The 2009 financial statements of Erste Group Bank AG have been prepared in accordance with the regulations of the Company Code ("Unternehmensgesetzbuch", UGB) and in conjunction with the applicable provisions of the Austrian Banking Act ("Bankwesengesetz", BWG).

Pursuant to Section 59a BWG, Erste Group Bank AG prepared the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) on the same balance sheet date.

1. Ongoing legal cases

Haftungsverbund

In 2002, Erste Group Bank AG and the majority of Austrian savings banks set up the Haftungsverbund. The purpose of the cross-guarantee system was to create an early-warning system, expand deposit insurance arrangements and strengthen cooperation in the savings bank sector.

In competition proceedings before the Austrian Cartel Court, a competitor of Erste Group Bank AG and the Austrian Federal Competition Authority requested that the court prohibit the Haftungsverbund on the grounds of alleged infringement of Article 81 of the EC Treaty (now Article 101 of the Treaty on the Functioning of the European Union/TFEU).

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

However, the Supreme Court held that certain aspects of the agreements could be critical under competition aspects. The Supreme Court did not stipulate any explicit consequences that needed to be implemented by Erste Group Bank AG and the other parties. Erste Group Bank AG and the Cartel Court reached an agreement in April 2008 concerning the necessary changes to be made. This agreement (undertakings within the meaning of section 27 Austrian Cartel Act) was contested by the competitor before the Austrian Supreme Court. In October 2008, the Austrian Supreme Court reversed the decision of the Cartel Court due to an error of procedure and remitted the case to the Cartel Court. Neither the undertakings (if confirmed) nor the earlier decision of the Supreme Court have any bearing on the validity of the consolidation of the qualifying capital of the savings banks as part of Erste Group's balance sheet.

In 2007, Erste Group Bank AG concluded agreements with all but two Austrian savings banks (Allgemeine Sparkasse Oberösterreich and Sparkasse Kufstein) that gave Erste Group Bank AG a certain influence on the savings banks and that constitute a merger ("Zusammenschluss") within the meaning of the EC Merger Regulation and the Austrian Cartel Act. The competition authorities formally approved these agreements.

By intensifying the Haftungsverbund the circle of the affiliated companies was broadened by these savings banks in which Erste Group Bank AG holds more than 20%.

In December 2009, Erste Group Bank AG and Allgemeine Sparkasse Oberösterreich Bankaktiengesellschaft furthermore decided to engage in closer co-operation and jointly with Erste Bank der oesterreichischen Sparkassen AG concluded the "Trilaterale Haftungsvereinbarung" (Trilateral Liability Agreement), which, according to competition law, also constitutes a merger. At the same time, Allgemeine Sparkasse Oberösterreich Bankaktiengesellschaft, Erste Group Bank AG and Erste Bank der oesterreichischen Sparkassen AG agreed to uphold the validity of the original Haftungsverbund agreement (2002) between them until this merger was approved.

II. Notes on accounting and measurement methods

1) The financial statements have been prepared in accordance with **generally accepted accounting principles** and according to the standard principle that the financial statements should give a fair and accurate view of the financial position, income and expenses of the company. The principle of individual measurement was applied in the assessment of the company's assets and liabilities, and it was assumed that the company would continue to operate. The particularities of the banking business were taken into account in the application of the principle of prudence.

2) **Receivables and liabilities in foreign currency** were measured at the ECB reference rates as at the balance sheet date. Notes and coins were measured at their purchase as at the balance sheet date. All currencies other than the euro were considered foreign currencies.

3) **Participating interests and shares in affiliated undertakings** were recognised at cost of acquisition. Where permanent impairments have resulted from sustained losses or other circumstances, valuations were revised downward accordingly. Where necessary, adequate provisions were established to cover the losses incurred by the subsidiaries.

4) For **bonds and other fixed-income securities**, the difference between acquisition cost and redemption value was amortised pro rata temporis pursuant to Section 56 (2) BWG, or recognised as income pro rata temporis over the residual time to maturity until redemption pursuant to Section 56 (3) BWG. Sustained depreciation was written off pursuant to Section 204 (2) UGB at the lower present value as at the balance sheet date. **Securities in the trading portfolio** and other **securities in the available for sale portfolio** were measured at market value pursuant to Section 207 UGB and Section 56 (5) BWG.

5) **Loans and advances to credit institutions and customers, bills of exchange and other assets** were measured pursuant to Section 207 UGB. Appropriate value adjustments have been made to account for recognisable risks. Write-ups have been made from the reversal of value adjustments. Loans were measured in consideration of statistical risk factors, and provisions in the form of portfolio corrections have been made where applicable. Loans and advances to borrowers in high-risk countries have been assessed conservatively in consideration of the opinion of the Expert Senate for Commercial Law and Auditing (Fachsenat für Handelsrecht und Revision) of the Chamber of Tax Advisors and Certified Accountants (Kammer der Wirtschaftstreuhänder).

6) **Intangible and tangible assets** were measured at purchase or production cost less planned and unplanned depreciation. Straight-line depreciation was employed where planned. The useful life for buildings is 25 to 50 years, for fixtures and fittings 5 to 20 years; the amortisation period for intangible assets is 4 to 15 years. Low-value assets were fully written off in the year of purchase.

7) **Securitised and subordinated liabilities** were recognised in the balance sheet with their repayment values or the pro rata annual values (zero coupon bonds).

8) **Costs of issues** of securities were expended immediately; **premiums and discounts on issues** were amortised over the term of the securities.

9) **Provisions** were set aside in the amounts deemed necessary in standard commercial practice.

The **provisions for company pension plans** for those in retirement were measured based on actuarial expertise according to IFRS principles. The entitlements to pensions were measured in accordance with IAS 19 using the Projected Unit Credit Method and in application of the corridor method. The defined PBO as at 31 December 2009 was EUR 366,390,927.00. In the reporting year, the parameters used in calculations were adapted as follows to take into account the changed market conditions: the discount rate was lowered from 5.5% to 5.0% and the pension benefits were reduced from 3.0% to 2.5%. The mortality tables based on the AVÖ 2008 P-Rechnungsgrundlagen (the actuarial basis for pension insurance of the Austrian Association of Actuaries) were taken into consideration.

The pension expectancies of Erste Bank Group AG employees who were in active employment on 31 December 2009 and those who have entered retirement since 1 January 1999, who have tenure or have accrued pension rights, have been transferred to the company VBV-Betriebliche Altersvorsorge AG.

Severance payment entitlements outsourced to S-Versicherung AG were measured based on an actuarial expertise according to IFRS principles. Entitlements for severance payments were measured in accordance with IAS 19 using the Projected Unit Credit Method. In the reporting year, the parameters used in calculations were adapted as follows to take into account the changed market conditions: the discount rate was lowered from 5.5% to 5.0%, and the pension benefits were reduced from 3.0% to 2.5%. Severance entitlements measured in accordance with commercial law and based on the above parameters amounted to EUR 34,909,466.00 and were shown as a contingent liability in the balance sheet. The credit intended for the performance of outsourced severance requirements with the insurer as at 31 December 2009 amounted to EUR 37,337,944.00. The outsourcing of severance entitlements to S-Versicherung AG does not result in any changes to employee claims against Erste Group Bank AG, which continues to be liable for employees' severance entitlements.

The **provision for anniversary bonuses** was measured in the same way as the severance payment provision, and an ancillary wage cost addition of 8% was added.

10) Recoverable **trust assets** were declared off-balance sheet in accordance with Section 48 (1) BWG.

11) In **derivatives** trading the assets and liabilities were valued as follows:

Hedging products and their underlying asset or liability were shown as a unit in the balance sheet. Interest flows on other products of the non-trading portfolio (strategic positions) during the reporting period were recognised in the income statement. Negative market values were recognised in the income statement, while positive market values were not recognised. Trading portfolios were measured mark-to-market.

III. Notes on the balance sheet

(Unless indicated otherwise, amounts for the reporting year are stated in euros, for the previous year in '000 euros).

1) Maturity structure of loans and advances as well as liabilities to credit institutions and customers (by remaining time to maturity):

Loans and advances

	31/12/2009	31/12/2008
Loans and advances to credit institutions	36,804,186,000.72	39,730,865
up to 3 months	17,949,371,961.35	15,103,665
more than 3 months and up to 1 year	3,830,720,372.41	9,720,102
more than 1 year and up to 5 years	10,702,550,880.47	10,155,310
more than 5 years	3,359,912,435.33	3,834,850
payable on demand	961,630,351.16	916,938
Loans and advances to customers	11,669,246,936.19	12,361,042
up to 3 months	3,430,994,509.27	3,363,440
more than 3 months and up to 1 year	1,036,613,287.66	724,674
more than 1 year and up to 5 years	2,286,355,805.61	2,411,609
more than 5 years	4,209,947,449.08	5,292,622
payable on demand	705,335,884.57	568,697

Liabilities

	31/12/2009	31/12/2008
Liabilities to credit institutions	26,692,998,036.11	35,953,201
up to 3 months	17,821,923,637.26	23,004,414
more than 3 months and up to 1 year	2,821,088,039.30	8,141,656
more than 1 year and up to 5 years	2,547,850,463.43	471,785
more than 5 years	2,206,365,738.42	3,223,925
payable on demand	1,295,770,157.70	1,111,421
Liabilities to customers (non banks)	5,388,641,691.27	6,992,690
Savings deposits		
up to 3 months	0.00	0
more than 3 months and up to 1 year	0.00	0
more than 1 year and up to 5 years	0.00	0
more than 5 years	0.00	0
payable on demand	0.00	0
Other		
up to 3 months	3,915,836,186.41	5,259,221
more than 3 months and up to 1 year	38,829,153.33	83,664
more than 1 year and up to 5 years	3,000,000.00	4,250
more than 5 years	410,000,000.00	385,000
payable on demand	1,020,976,351.53	1,260,555
Securitised liabilities	24,742,484,674.44	20,870,042
up to 3 months	1,676,428,784.58	2,700,234
more than 3 months and up to 1 year	5,361,951,849.06	2,351,544
more than 1 year and up to 5 years	13,032,696,812.54	11,121,810
more than 5 years	4,671,407,228.26	4,696,454
payable on demand	0.00	0

2) Debt securities due within one year

As at 31 December 2009, **debt securities including fixed-income securities** for Erste Group Bank AG maturing within one year of the balance sheet date amounted to EUR 4,594,955,286.37 (prior year: EUR 1,599,718 thousand).

As at 31 December 2009, **debt securities** maturing within one year of the balance sheet date amounted to EUR 7,038,380,633.64 (prior year: EUR 5,051,778 thousand).

3) Assets and liabilities in foreign currencies

	Assets		Liabilities	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
Total of Erste Group Bank AG	27,183,588,951.73	33,532,705	13,821,852,049.65	23,313,313

4) Loans and advances as well as liabilities to affiliated undertakings and companies in which participating interest were held

	Loans and advances to affiliated undertakings		Loans and advances to companies in which participating interest were held	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
Loans and advances to credit institutions	25,363,246,390.22	24,525,905	805,909,669.35	6,194,578
Loans and advances to customers	4,857,053,407.52	5,759,531	218,463,857.64	714,545
Debt securities including fixed-income securities	1,918,977,926.71	176,116	20,066,212.55	28,216
Shares and other variable-yield securities	258,107,430.30	150,438	59,037,068.47	129,852

	Liabilities to affiliated undertakings		Liabilities to companies with participating interests	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
Liabilities to credit institutions	8,224,230,203.39	5,802,618	1,129,822,488.49	2,769,489
Liabilities to customers (non-banks)	3,296,727,847.97	3,984,935	33,659,222.62	5,013

Among these the most important companies are:

Loans and advances to affiliated undertakings:

Erste Bank der österreichischen Sparkassen AG, Vienna
 Erste Bank Hungary Rt, Budapest
 Steiermärkische Bank und Sparkassen Aktiengesellschaft, Graz
 Banca Comerciala Romana SA, Bucharest

Loans and advances to companies with participating interests:

Erste Bank der österreichischen Sparkassen AG, Vienna
 Steiermärkische Bank und Sparkassen Aktiengesellschaft, Graz
 Slovenska sporitelna, a. s., Bratislava
 Ceska sporitelna, a.s., Prague

5) Subordinated assets

	31/12/2009	31/12/2008
a) Loans and advances to credit institutions	1,477,131,347.32	1,136,910
of which:		
to affiliated undertakings	1,476,286,112.32	1,134,366
to companies with participating interests	0.00	2,544

	31/12/2009	31/12/2008
b) Loans and advances to customers	207,605,841.85	250,102
of which:		
to affiliated undertakings	6,325,000.00	6,325
to companies with participating interests	570,481.75	570

c) Debt securities incl. other fixed-income securities	576,427,832.18	363,917
of which:		
to affiliated undertakings	11,221,726.47	34,569
to companies with participating interests	0.00	0

6) Fiduciary business

No fiduciary business was disclosed as at the balance sheet date.

7) Participating interests and shares in affiliated undertakings

Holdings as at 31 December 2009:

The indicated figures are in accordance with IFRS; dividends received in the same year are deducted from equity capital.

Company name, domicile	Share (%)	Equity capital (EUR)	Profit/Loss (EUR)	Balance sheet date
1.) Credit institutions				
Erste Bank der oesterreichischen Sparkassen AG, Vienna	100.00	929,450,160.00	122,475,000.00	31/12/2009
Public Company "Erste Bank", Kiev	100.00	74,366,680.00	-42,765,560.00	31/12/2009
Prvá stavebná sporiteľna, a.s., Bratislava	35.00	253,869,879.84	22,738,697.47	31/12/2008
"Spar - Finanz" - Investitions- und Vermittlungs-Aktiengesellschaft, Vienna	50.00	3.768.077,73	109,562.45	31/12/2008
2) Financial institutions				
ERSTE CARD CLUB d.d., Zagreb	69.25	40,333,730.00	6,986,050.00	31/12/2009
ERSTE FACTORING d.o.o., Zagreb	84.70	11,734,510.00	4,230,060.00	31/12/2009
Erste Securities Istanbul Menkul Degerler AS, Istanbul	100.00	1,563,909.59	-225,421.85	31/12/2008
Erste Securities Zagreb d.o.o., Zagreb	83.02	1,234,530.00	-543,340.00	31/12/2009
IMMORENT Aktiengesellschaft, Vienna	100.00	457,257,000.00	46,885,000.00	31/12/2009
Synergy Capital a.d., Belgrade	100.00	1,307,910.00	-77,400.00	31/12/2009
3.) Other holdings				
Capexit Private Equity Invest AG, Vienna	100.00	19,648,000.00	34,000.00	31/12/2009
EB-Malta-Beteiligungen Gesellschaft m.b.H., Vienna	100.00	136,303,000.00	11,038,000.00	31/12/2009
EGB e-business Holding GmbH, Vienna	100.00	26,492,290.00	5,751,390.00	31/12/2009
EGB Ceps Beteiligungen GmbH, Vienna	100.00	7,680,338,000.00	340,984,000.00	31/12/2009
Erste Corporate Finance GmbH, Vienna	100.00	282,509.70	363,997.27	31/12/2009
Erste Group Services GmbH, Vienna	100.00	16,000.00	-6,000.00	31/12/2009
Erste Bank Beteiligungen GmbH, Vienna	100.00	197,680,000.00	1,817,000.00	31/12/2009
Erste Reinsurance S.A., Howald	100.00	7,064,000.00	-870,000.00	31/12/2009
OM Objektmanagement GmbH, Vienna	100.00	78,922,980.00	-100,230.00	31/12/2009
s Haftungs- und Kundenabsicherungs GmbH, Vienna	68.45	223,000.00	0.00	31/12/2009
s IT Solutions SK, spol. s r.o., Bratislava	99.53	4,999,690.00	655,800.00	31/12/2009

8) Securities.

a) Breakdown of securities listed for trade on the stock exchange

(pursuant to sec. 64 (1) (10) Austrian Banking Act)

	listed		unlisted	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
a) Debt securities including fixed-income securities	7,478,176,700.42	8,229,269	2,690,209,696.00	2,063,980
b) Shares and other variable-yield securities	267,641,958.54	232,625	106,503,826.01	157,253
c) Participating interests	46,759,463.98	51,389	0.00	0
d) Shares in affiliated undertakings	0.00	303,304	0.00	0
Total	7,792,578,122.94	8.816.587	2,796,713,522.01	2.221.233

(pursuant to sec. 64 (1) (11) Austrian Banking Act)

	Fixed assets		Current assets	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
a) Debt securities including fixed-income securities	4,645,728,487.70	5,587,716	5,522,657,908.72	4,705,532
b) Shares and other variable-yield securities	90,619,869.28	88,688	283,525,915.27	301,191
Total	4,736,348,356.98	5.676.404	5,806,183,823.90	5.006.723

Allocation pursuant to Section 64 (1) (11) BWG was carried out in accordance with the organisational policies adopted by the Management Board. Also included in fixed assets were positions entered due to strategic aspects for a long-term profitable investment. The difference to the redemption value resulting from the pro-rata write-downs pursuant to Section 56 (2) BWG as at 31 December 2009 amounted to EUR 16,598,889.26 (prior year: EUR 26,368 thousand), while the difference to the redemption value from the pro-rata write-ups pursuant to Section 56 (3) BWG amounted to EUR 83,487,400.88 (prior year: EUR 24,792,277.88 thousand).

b) Break-down of the differences of the securities listed for trade on the stock exchange not held as financial fixed assets

	31/12/2009	31/12/2008
Difference between the higher market value recognised at the balance sheet date and the cost of purchase pursuant to Section 56 (5) BWG.	67,624,579.79	71,249

c) Repurchase agreements

The carrying value of the assets subject to sale and repurchase agreements amounted to EUR 1,900,136,419.03 million at the balance sheet date (prior year: EUR 3,972,287 thousand).

d) Breakdown of debt securities including fixed-income securities

	31/12/2009	31/12/2008
issued by public-sector issuers	1,161,241,630.59	1,381,454
issued by other issuers	9,007,144,765.83	8,911,794
of which:		
own Issues	3,085,426,055.58	1,907,274
bonds - domestic credit institutions	788,510,918.39	736,263
bonds - foreign credit institutions	2,062,299,611.89	2,533,898
mortgage and municipal securities	328,796,590.64	423,373
convertible bonds	12,294,063.54	10,439
other bonds	2,729,817,525.79	3,300,547

9) Trading book

Erste Group Bank AG kept a trading book pursuant to Section 22 n BWG throughout the fiscal year. The **securities portfolio** apportioned to the trading book as at 31 December 2009 was EUR 3,576,515,652.02 (prior year: EUR 3,019,132 thousand).

Money **market instruments** of EUR 27,243,977,533.65 (31 December 2008: EUR 30,310,503 thousand) were apportioned to the trading book on 31 December 2009.

The volume of **other financial instruments** included in the trading book had a par value of EUR 507,562,487,186.46 at 31 December 2009, (prior year: EUR 511,261,959 thousand).

	Long position		Short position		Total	
	2009	2008	2009	2008	2009	2008
Options	10,637,977,123.72	23,682,050	10,269,981,158.89	23,865,485	20,907,958,282.61	47,547,535
Caps and Floors	61,237,995,847.28	67,627,842	66,192,004,242.75	61,856,262	127,430,000,090.03	129,484,104
Currency swaps	42,862,630,991.56	55,732,516	0.00	0	42,862,630,991.56	55,732,516
Interest swaps	227,804,203,600.10	218,580,617	0.00	0	227,804,203,600.10	218,580,617
Fwd Rate Agreem.	41,800,704,424.40	30,778,768	42,908,393,503.35	24,319,205	84,709,097,927.75	55,097,973
Financial Futures	112,829,753.58	1,535,035	253,325,069.72	661,203	366,154,823.30	2,196,238
Loan Derivatives	1,828,266,938.98	1,442,467	1,653,191,936.12	1,150,567	3,481,458,875.10	2,593,034
Commodity Trades	982,596.01	29,942	0.00	0	982,596.01	29,942
Total	386,285,591,275.63	399,409,237	121,276,895,910.83	111,852,722	507,562,487,186.46	511,261,959

Please note: Interest and currency swaps, as well as commodity trades, are depicted as unilateral (purchase), all other products as bilateral.

10) Fixed assets

The consolidated statement of changes in fixed assets pursuant to Section. 226 (1) UGB is disclosed separately in the attachment to the notes.

The carrying value of developed land was EUR 11,437,914.10 as at 31 December 2009 (prior year: EUR 11,703 thousand).

The carrying value at 31 December 2009 did not include leased assets.

For the next fiscal year, Erste Group Bank AG will have expenses from the use of tangible assets not disclosed in the balance sheet (rental and leasing contracts) of a total of EUR 23,956,984.00 million (prior year: EUR 23,447 thousand), and of a total of EUR 130,104,638.00 million for the next five fiscal years (prior year: EUR 132,498 thousand).

The intangible fixed assets includes assets of a value of EUR 13,385,572.69 (prior year: EUR 15,267 thousand) that have been acquired from an affiliated undertaking. During the year, EUR 4,160,845.72 worth of such assets were acquired (prior year: EUR 7,906 thousand).

11) Accrued and deferred items

Prepayments and accrued income had decreased to EUR 290,332,204.71 at 31 December 2009 (prior year: EUR 496,104 thousand).

Of these, EUR 40,976,963.06 (prior year: EUR 202,604 thousand) were accruals in connection with derivative instruments, and EUR 165,245,900.30 (prior year: EUR 177,049) were prepayments on commissions.

12) Other assets

	31/12/2009	31/12/2008
Total:	6,357,930,126.10	10,660,667
of which from securities transactions	2,766,990,069.11	6,135,073
of which from derivative products	2,214,586,501.70	2,575,917
of which from recognised interest and commission income	661,831,480.15	667,260
of which from receivables from participating interests and affiliated undertakings	535,387,226.30	1,149,292

13) Securitised liabilities

	31/12/2009	31/12/2008
Total:	24,742,484,674.44	20,870,042
of which consolidated loans and bank bonds	857,267,283.42	25,435
of which non-consolidated loans and bank bonds	17,635,119,819.56	14,616,996
of which mortgage bonds and local government bonds	5,084,064,829.91	4,250,479
of which certificates of deposit and commercial paper	1,131,032,741.55	1,950,558

14) Other liabilities

	31/12/2009	31/12/2008
Total:	5,723,237,943.49	8,883,468
of which from derivative products	1,641,165,782.95	1,862,565
of which from investment transactions	3,343,202,792.28	6,205,955
of which from interest and commission expenses	529,425,910.19	523,328

15) Provisions

	31/12/2009	31/12/2008
Provisions for pensions	343,839,150.00	352,043
Provisions for taxation	11,886,975.35	9,783
Risk provision	261,493,145.38	117,329
Other provisions	92,895,067.87	47,209
Total	710,114,338.60	526,364

The decrease in the **provisions for pensions** during the reporting year of EUR 8,204,117.12 was mainly the result of changes to entitlements and parameters of the calculation method as described in section II.9 of these notes.

The risk provisions are commented in section III/29 of the notes.

The **obligations for severance payments** were outsourced to the Sparkassen Versicherung Aktiengesellschaft in 2007.

16) Subordinated liabilities

Subordinated liabilities at 31 December 2009 totalled EUR 5,029,739,583.27 (prior year: EUR 5,018,284 thousand), of which EUR 1,037,840.74 was attributed to 14,281 GIROCREDIT participating certificates issued in 1984 (participation rights pursuant to Section 174 AktG). The participating certificates securitise a share in profit and loss, but not in capital, and do not give the holder voting rights. No subordinated issue taken by Erste Group Bank AG during the reporting year (including supplementary capital) was above the limit of 10 percent of total subordinated liabilities.

Movements in total subordinated liabilities were as follows:

Increase due to new issues	EUR	221,414,083.34
Decrease due to maturity	EUR	8,720,740.10
Decrease due to partial extinguishment	EUR	184,788,709.84
Book value reductions caused by valuation price fluctuations	EUR	16,449,174.78

At the balance sheet date, the bank held no own issues from subordinated liabilities that were not admitted for listing on stock exchanges.

In 2009, Erste Group Bank AG expenses for subordinated liabilities and supplementary capital were EUR 209,840,276.90 million (prior year: EUR 233,352 thousand).

The term "subordinated" is defined in Section 45 (4) and Section 51 (9) BWG.

17) Subscribed capital and participation capital

Subscribed capital was EUR 755,850,172.00 at 31 December 2009 (prior year: EUR 634,026 thousand). Share capital at 31 December 2009 was represented by 377,925,086 voting bearer shares (ordinary shares).

In addition, a par value of EUR 1,763,744,000.00 (prior year: EUR 0 thousand) in participation capital was disclosed pursuant to Section 23 (4) BWG which the Management Board is authorised to raise in the amount of EUR 2,700,000,000, subject to approval on 2 December 2008 by the Supervisory Board. This authorisation is valid until 3 December 2013.

Capital increases 2009

During the subscription and offer period from 15 to 29 April 2009, a par value of EUR 539,744,000.00 of the participation capital was subscribed by private and institutional investors. Based on the agreement in principle entered into with the Republic of Austria the dividend on participation capital will be 8.0% p.a.; in future fiscal years, Erste Group will not be bound by any limitation on its policy concerning dividends paid on its ordinary shares. The Republic of Austria subscribed to participation capital of a total par value of EUR 1.0 billion in March 2009 and of a total par value of EUR 224,000,000 in May 2009.

912,323 shares were subscribed to at a price of EUR 12.00 between 4 and 15 May 2009 under **ESOP 2009**. This generated issue proceeds of EUR 10,947,876.00 plus EUR 328,618.50 from the difference between the issue price of EUR 12.00 and the price on the value date (28 May 2009) of EUR 17.25 for 62,594 shares subscribed by Erste Group Bank AG employees, which was passed to the account of income statement position 8a (staff costs). The resulting total amount was EUR 11,276,494.50; of which, EUR 1,824,646.00 was allocated to the share capital and EUR 9,451,848.50 was allocated to committed capital reserve.

A capital increase of EUR 1,740,000,000.00 billion was carried out in the middle of November to increase the Tier 1 ratio and improve the quality of capital. EUR 120,000,000 were allocated to the share capital and the share premium in the amount of EUR 1,620,000,000 was allocated capital reserve. The total volume of 60 million shares at an offer price of EUR 29.00 per new share was placed with institutional and retail investors. The authorized capital according to Art. 5.1 of the Articles of Association was exercised for the issue of new shares. Prior to the capital increase the management board was authorized until 5 July 2011 to increase the share capital by issuing as many as 83,712,764 new shares. After this capital increase only 23,712,764 new shares may be issued in the course of another capital increase. In this regard it is referred to section III/19 of the notes.

18) Employee share ownership programme and management share option programme

MSOP 2002: The MSOP comprises a maximum of 4,400,000 ordinary shares of Erste Group Bank AG after the stock split, represented by 1,100,000 options. The MSOP expired in 2009. All options that had not been exercised at 31 December 2008 were derecognised in 2009. The tables below show the amounts of vested options distributed to Management Board members, managers and other eligible other staff of Erste Group Bank AG.

Conditions: each of the options, which are granted free of charge, entitles the holder to subscribe to four shares; the transfer of options inter vivos is not permitted. The options granted in 2002 vest in three tranches, at which time they are credited to recipients' accounts: for the Management Board and other managers, on 24 April 2002, 1 April 2003 and 1 April 2004; for other key staff, on 1 June 2002, 1 June 2003 and 1 June 2004. The exercise price for all three tranches was set at the average market price of Erste Group Bank AG shares in March 2002 (rounded down to the nearest half euro), which was EUR 66.00 per share. After the stock split performed in July 2004, the exercise price remains unchanged at EUR 66.00. This means that each option confers the right to purchase four shares of Erste Group Bank AG for a total of EUR 66.00, corresponding to a purchase price of EUR 16.50 per share. The option term begins when the options are credited to the option account (i.e. at vesting) and ends on the value date of the exercise window (defined below) of the fifth calendar year after vesting. Every year, declarations to exercise may be submitted beginning on the day after publication of the preliminary consolidated net profit for the most recent completed financial year, but no earlier than 1 April and no later than 30 April of the year. This period represents the exercise window. It is followed by the one-year holding period, which ends on the value date of the year following exercise of the option. Up to 15% of the purchased shares may be sold during this holding period. The last exercise was possible in April 2009. A total of 44,797 options were derecognised as worthless as follows: in 2007, 7,901 of options vested and not exercised in fiscal year 2002; in 2008, 12,449 of the options vested and not exercised in fiscal year 2003; in 2009, 24,447 of options vested and not exercised in fiscal year 2004.

MSOP 2005: The MSOP comprises a maximum of 2,000,000 ordinary shares of Erste Group Bank AG, represented by 2,000,000 options. The tables below show the amounts of vested options distributed to Management Board members, managers and other eligible other staff of Erste Group Bank AG.

Conditions: each of the options, which are granted free of charge, entitles the holder to subscribe to one share; the transfer of options inter vivos is not permitted. The 2005 options were vested on the following dates: for the Management Board and other managers, 1 June 2005; for other key staff, options were vested in three tranches, on 1 September 2005, 1 September 2006 and 31 August 2007. For options vested in three tranches, at which time they were credited to recipients' accounts: 1 September 2005, 1 September 2006 and 31 August 2007. The exercise price for all three tranches was set at the average market price of Erste Group Bank AG shares quoted in April 2005 plus a 10% premium, rounded down to the nearest half euro. The resulting exercise price was EUR 43.00 per share. The option term begins on the grant date and ends on the value date of the last exercise window of the fifth calendar year after the year in which the option was vested. Every year, notices of intention to exercise may be submitted within 14 days of the day of publication of the quarterly results for the first, second and third quarter of each financial year (three exercise windows per year). The holding period runs for one year from the value date of the share purchase. Up to 25% of the purchased shares may be sold during this holding period.

The breakdown of the **MSOP 2002** options credited and exercised by the balance sheet date was as follows:

	credited	exercised	expired 2009
Andreas Treichl	12,000	12,000	0
Franz Hochstrasser	12,000	12,000	0
Herbert Juranek	3,000	3,000	0
Johannes Leobacher	3,000	3,000	0
Bernhard Spalt	3,000	3,000	0
Manfred Wimmer	3,000	3,000	0
<hr/>			
Total received by Management Board members	36,000	36,000	0
Other management	581,200	555,975	25,225
Other employees	294,914	275,342	19,572
	912,114	867,317	44,797

The breakdown of the **MSOP 2005** options granted, vested and exercised was as follows:

	granted and credited	exercised	not yet exercised
Andreas Treichl	9,000	3,000	6,000
Franz Hochstrasser	9,000	3,000	6,000
Herbert Juranek	5,000	0	5,000
Johannes Leobacher	3,000	0	3,000
Bernhard Spalt	5,000	0	5,000
Manfred Wimmer	3,000	0	3,000
<hr/>			
Total received by Management Board members:	34,000	6,000	28,000
Other management	737,500	130,610	606,890
Other employees	682,361	99,572	582,789
<hr/>			
Total options	1,453,861	236,182	1,217,679

19) Authorised but unissued capital and conditional capital and participation capital remaining at 31 December 2009:

Clause 5 of the articles of association authorises the management board until 5 July, 2011, subject to approval by the supervisory board, – if necessary in several tranches - to increase subscribed capital of Erste Group Bank AG up to EUR 47,425,528.00 by issuing up to 23,712,764 shares as follows (type of share, issuing price, terms of issuing, and – if intended – exclusion of subscription rights are assigned by the management board with approval by the supervisory board): by issuing of shares by cash contributions without exclusion of subscription rights of existing shareholders; if however capital increase is used for the issue of shares to employees, management or members of the management board of Erste Group Bank AG or a subsidiary while excluding the subscription rights of existing shareholders; by issuing of shares by contribution in kind while excluding the subscription rights of existing shareholders.

Under clause 6.10 of the articles of association there remains (after the utilisation in the financial years from 2002 to 2009) contingent capital of EUR 3,005,860.00, which may be utilised by issuing up to 1,502,930 bearer or registered shares at an issue price of at least EUR 2.00 (payable in cash) while excluding the subscription rights of existing shareholders.

According to clause 6.2 of the articles of association the company has contingent capital of EUR 124,700,000.00 available, which may be utilised by issuing up to 62,350,000 bearer shares. This contingent capital can be used for granting conversion or subscription rights to holders of convertible bonds.

Under Art. 7 of the Articles of Association, the Management Board is authorised, subject to approval by the Supervisory Board, to perform a conditional capital increase of up to EUR 20,000,000.00 by issuing up to 10,000,000 ordinary bearer or registered shares at a minimum issue price of EUR 2.00 per share (payable in cash) while excluding the subscription rights of existing shareholders. This authorisation is valid until 5 July 2011. The conditional capital is used to grant share options to employees, managers and members of the Management Board of the company or an affiliated undertaking.

20) Major shareholders

At 31 December 2009, the foundation DIE ERSTE österreichische Spar-Casse Privatstiftung (hereinafter referred to as "Privatstiftung") held a direct participating interest of approximately 26.1% in Erste Group Bank A G. This makes the Privatstiftung the biggest sole investor in Erste Group Bank AG.

The Privatstiftung received a dividend of EUR 64.1 million (prior year: EUR 73.7 million) on its stake in Erste Group Bank AG in 2009 (for fiscal year 2008). The purpose of the Privatstiftung, to be achieved notably by way of the participating interest in Erste Group Bank

AG, is to support social, scientific, cultural and charitable institutions as well as to generally promote the guiding principles of the savings bank philosophy. At 31 December 2009, the members of the Privatstiftung's Management Board were Andreas Treichl (Chairman of the Management Board of Erste Group Bank AG), Dietrich Karner, Richard Wolf and Boris Marte. The Privatstiftung's Supervisory Board had ten members at the end of 2009, three of whom are also members of the Supervisory Board of Erste Group Bank AG.

Under clause 15.1 of the Articles of Association, for the duration of its assumption of liability for all current and future debts in the event of their default on payment, DIE ERSTE oesterreichische Spar-Casse Privatstiftung is entitled, pursuant to Section 92 (9) BWG, to delegate up to one-third of the Supervisory Board members to be elected at the Annual General Shareholders' Meeting. Until now, the Privatstiftung has not exercised this right.

Criteria Caixa Corp S.A., domiciled in Barcelona, Spain, holds a total of 38,170,433 Erste Group shares, equivalent to 10.10% of the share capital of Erste Group Bank AG. Juan Maria Nin, the Deputy Chairman of Criteria Caixa Corp S.A. is a member of the Supervisory Board of Erste Group Bank AG.

Provisions concerning the appointment and dismissal of members of the Management Board and the Supervisory Board that are not prescribed by statutory law concern Art. 15.4 of the Articles of Association, pursuant to which a majority of three quarters of valid votes cast and a majority of three quarters of the subscribed capital existing at the time of resolution are required to decide on the dismissal of members of the Supervisory Board.

The articles of association contain no restrictions in respect of voting rights or the transfer of shares. The Management Board has no knowledge of limitations agreed among partners. The sole exception is the holding period of one year in connection with the employee share ownership programmes (MSOP and ESOP).

Art. 19.9 of the Articles of Association (amendments to the Articles of Association) contains a provision that does not follow directly from statutory law: amendments of the articles association, in so far as they do not alter the purpose of the company, may be passed with simple majority of votes cast and simple majority of the subscribed capital represented at the meeting considering the amendment. Where higher majority votes are required in individual provisions of the Articles of Association, these provisions can only be amended with the same higher majority vote. Furthermore, clause 19.9 of the Articles of Association can only be amended with a majority of three-quarters of votes cast and with a majority of three-quarters of the subscribed capital represented at the meeting considering the resolution.

21) Reserves

a) Changes in capital reserves:

The capital reserve at 31 December 2009 totalled EUR 6,405,455,000.00 (prior year: EUR 4,776,003 thousand). The increase in the capital reserves by EUR 1,629,452,000.00 is the result of the capital increases described in section III. 17 of these notes.

b) Changes in retained earnings:

As at 31 December 2009, retained earnings amounted to EUR 981,672,756.48. This includes a reserve for own shares of EUR 98,548,000.00.

c) Changes in the liability reserve:

As at 31 December 2009, the total liability reserve was EUR 841,000,000.00.

d) Changes in untaxed reserves

The reduction in untaxed reserves to EUR 11,870,000.00 (prior year: EUR 12,471 thousand) is the result of the reversal of valuation reserves due to special depreciations pursuant to Section 12 EStG 1988.

22) Own supplementary capital

At the balance sheet date for 2009, Erste Group Bank AG held supplementary capital issued by itself of a carrying value of EUR 3,364,473.88 (prior year: EUR 10,045 thousand).

23) Own subordinated capital

At the balance sheet date for 2009, Erste Group Bank AG held subordinated own capital with a carrying value of EUR 3,058,892.75 (prior year: EUR 4,297 thousand).

24) Own shares

Treasury shares held by Erste Bank

	no. of shares	par value (EUR)
Portfolio at 1 January 2009	371,485	742,970
Total additions	37,236,203	74,472,406
Total reductions	37,607,688	75,215,376
Portfolio as at 31 December 2009	0	0
Highest level of treasury shares held	943,200	1,886,400

Participation capital of a par value of EUR 391,000.00 was disclosed as own capital as at the balance sheet date.

The following affiliated companies have ordinary shares of Erste Group Bank AG:

Kärntner Sparkasse Aktiengesellschaft
Steiermärkische Bank und Sparkassen AG
Weinviertler Sparkasse AG
SPK Immobilien- und Vermögensverwaltungs GmbH
Sparkasse Mühlviertel-West Bank AG
Sparkasse Hartberg - Voralpe AG
Sparkasse Kremstal-Pyhrn AG
Penzijní fond Ceske sporitelny, a.s.
Banca Comerciala Romana SA

25) Own funds

Since 1 January 2007, Erste Group Bank AG has been applying the Basel II solvency rules. The advanced IRB (internal-rating-based) approach is used for the retail business; in the corporate business, for sovereigns and in interbank business, the basic approach based on the internal rating system is used. In addition, some asset categories will be measured according to the standardised approach in accordance with statutory transition regulations.

a) Assessment base pursuant to Section 22 (2) BWG:

	unweighted	weighted
Assessment base as per standardised approach	32,513,179,280.32	18,640,633,478.02
Internal-ratings-based (IRB) approach	42,102,895,934.59	18,920,451,593.96
Credit risk assessment base by exposure class at 31 December 2009 according to Basel II rules:	74,616,075,214.91	37,561,085,071.98
Assessment base as at 31 December 2009 according to Basel II rules:	80,996,289,833.26	31,706,975,433.40

b) Minimum capital requirement pursuant to Section 22 (1) BWG

	31/12/2009	31/12/2008
1. Minimum capital requirement for credit risk pursuant to Section 22 a–h BWG	3,004,886,805.75	2,536,558
a) Standardised approach	1,491,250,678.24	1,434,447
b) Internal-ratings-based (IRB) approach	1,513,636,127.51	1,102,111
2. Settlement risk	32,000.00	13
3. Minimum capital requirement for position risk	561,827,000.00	573,398
4. Minimum capital requirement for operational risk	103,615,915.00	194,986
5. Minimum qualifying capital requirement due to adoption of Basel II rules	0.00	285,407
6. Minimum capital requirement for qualified non-financial investments	0.00	0
Total minimum capital requirement	3,670,361,720.75	3,590.362

c) Own funds pursuant to Section 23 BWG

	31/12/2009	31/12/2008
Core (Tier 1) capital		
Paid-up capital	2,519,594,172.00	634,026
Less: treasury shares	-391,000.00	-6,018
Disclosed reserves	8,239,997,756.48	6,481,917
Less: intangible assets	-32,753,096.73	-35,853
Core (Tier 1) capital pursuant to Section 23 (14) no. 1 BWG (prior to deductions)	10,726,447,831.75	7,074,072
Supplementary qualifying (Tier 2) capital		
Supplementary capital	815,647,574.80	1,008,006
Revaluation reserve	55,435,117.17	54,233
Excess loan loss provision for IRB items	54,230,812.22	0
Subordinated capital	2,313,082,395.51	2,202,676
Supplementary qualifying (Tier 2) capital	3,238,395,899.70	3,264,915
Eligible short-term subordinated capital (Tier 3)	0.00	0
Rededication of own-fund components no longer eligible	559,557,786.56	327,024
Eligible short-term subordinated (Tier 3) capital	559,557,786.56	327,024
Deductions from core (Tier 1) capital pursuant to Section 23 (13) nos. 3 and 4 BWG	-161,724,028.95	-153,945
Deductions from own funds pursuant to Section 23 (13) nos. 3 and 4 BWG	-161,724,028.95	-153,945
Deductions from own funds pursuant to Section 23 (13) no. 4a BWG	-95,036,114.27	-143,977
Deductions from core (Tier 1) capital pursuant to Section 23 (13) no. 4c BWG	0.00	-1,759
Deductions from own funds pursuant to Section 23 (13) no. 4c BWG	0.00	-1,759
Deductions from core (Tier 1) capital pursuant to Section 23 (13) no. 4d BWG	32,769,362.15	-11
Deductions from own funds pursuant to Section 23 (13) no. 4d BWG	32,769,362.15	-11
Eligible capital pursuant to Section 23 BWG	14,040,378,621.54	10,210,604
Required own funds	3,670,361,720.75	3,590,362
Qualifying capital surplus	10,370,016,900.79	6,620,242
Coverage ratio	382.5%	284.4%
Solvency ratio (1), in relation to credit risk	35.61%	28.9%
of which core (Tier 1) ratio (2), in relation to credit risk	28.04%	21.8%

- (1) Total eligible capital pursuant to Section 23 BWG less risk requirements other than for capital risk (settlement risk, operational risk and position risk for trading book and foreign currencies) in relation to the assessment base for credit risk pursuant to Section 22 (2) BWG.
- (2) Core (Tier 1) capital after deductions relative to the credit risk assessment base pursuant to Section 22 (2) BWG.

26) List of assets pledged as collateral for liabilities pursuant to Section 64 (1) no. 8 BWG

Assets	31/12/2009	pledged as collateral for liabilities related to the following transactions
Fixed interest securities	49,772,880.00	ArrangementkautionCollateral for the benefit of Oesterr. Kontrollbank AG
	52,204,000.00	Collateral for intraday business
		Collateral for loans to companies of the Erste Group Bank AG:
	50,000,000.00	of Slovenská Sporitelna a.s.
	5,000,000.00	of Ceská Sporitelna a.s.
	192,263,282.92	Premium reserve for funded Erste Group Bank AG bonds
	9,740,000.00	Collateral for other liabilities
	2,161,526,388.89	Collateral for ECB account
	488,688,873.99	Margin requirements
	180,567,285.07	Premium reserve for municipal bonds
	60,061,679.28	Premium reserve for mortgage bonds
Loans and advances to customers	90,073,192.00	Premium reserve for mortgage and municipal bonds
	0.00	Premium reserve for funded Erste Group Bank AG bonds
Loans and advances to credit institutions	75,620,088.06	Collateral for loans of Erste & Steiermärkische Bank d.d. to companies of the Erste Group Bank AG Group
	334,290,478.00	Collateral for other liabilities
	235,190.14	Margin requirements

27) Total volume of unsettled derivatives

as at 31/12/2009		Par value by remaining maturity			
		< 1 year	1-5 years	> 5 years	total
INTEREST RATE CONTRACTS		403,567,342,930.20	172,287,646,715.60	96,886,283,102.20	672,741,272,747.90
<u>OTC products:</u>					
Interest rate options	purchase	18,393,827,089.90	33,408,394,102.00	9,435,774,655.40	61,237,995,847.30
	sale	17,414,615,829.20	38,947,814,735.40	9,829,573,678.10	66,192,004,242.80
Interest rate swaps	purchase	134,058,043,366.20	54,740,062,271.80	40,617,944,818.90	229,416,050,456.90
	sale	148,526,795,595.70	44,700,571,460.40	36,188,683,400.80	229,416,050,456.90
FRAs	purchase	41,578,827,344.30	221,877,080.10	0.00	41,800,704,424.40
	sale	42,834,434,476.70	73,959,026.70	0.00	42,908,393,503.40
<u>Listed products:</u>					
Futures		69,238,423.90	0.00	0.00	69,238,423.90
Interest rate options		691,560,804.40	194,968,039.10	814,306,549.00	1,700,835,392.40
CURRENCY CONTRACTS		98,456,528,422.90	9,764,379,451.70	745,079,644.00	108,965,987,518.60
<u>OTC products:</u>					
Currency options	purchase	5,120,836,692.40	3,294,495,039.10	4,520,847.50	8,419,852,579.00
	sale	5,146,788,511.40	2,681,630,710.90	11,546,989.90	7,839,966,212.20
Currency swaps	purchase	44,501,303,863.30	1,626,752,670.30	529,161,853.20	46,657,218,386.70
	sale	43,686,606,158.60	2,161,501,031.40	199,849,953.50	46,047,957,143.50
<u>Listed products:</u>					
Futures		993,197.30	0.00	0.00	993,197.30
Currency options		0.00	0.00	0.00	0.00
PRECIOUS METAL CONTRACTS		497,805.90	85,600,000.00	0.00	86,097,805.90
<u>OTC products:</u>					
Precious metal options	purchase	0.00	57,050,000.00	0.00	57,050,000.00
	sale	24,500.00	28,550,000.00	0.00	28,574,500.00
Precious metal swaps	purchase	236,720.00	0.00	0.00	236,720.00
	sale	236,000.00	0.00	0.00	236,000.00
<u>Listed products:</u>					
Futures		585.90	0.00	0.00	585.90
Precious metal options		0.00	0.00	0.00	0.00
SECURITIES-RELATED TRANSACTIONS		714,073,527.30	1,525,299,305.90	1,864,569,040.00	4,103,941,873.20
<u>OTC products:</u>					
Share options	purchase	0.00	0.00	0.00	0.00
	sale	0.00	0.00	0.00	0.00
<u>Listed products:</u>					
Futures		295,096,286.30	826,329.90	0.00	295,922,616.20
Share options		418,977,241.00	1,524,472,976.00	1,864,569,040.00	3,808,019,257.00
CREDIT DERIVATIVE CONTRACTS		581,202,086.60	6,444,174,794.60	3,334,544,256.10	10,359,921,137.30
<u>OTC products:</u>					
Credit default swaps	purchase	101,551,552.10	1,293,051,479.00	518,524,382.60	1,913,127,413.80
	sale	479,650,534.50	5,151,123,315.50	2,816,019,873.40	8,446,793,723.50
TOTAL		503,319,644,773.00	190,107,100,267.70	102,830,476,042.20	796,257,221,082.90
of which OTC products		501,843,778.20	188,386,832.90	100,151,600.50	790,382,211.60
of which listed products		1,475,866.50	1,720,267.30	2,678,875.60	5,875,009.50

**28) Derivative financial instruments and fixed-asset financial instruments
pursuant to the Fair-Value Valuation Act**

Derivative financial instruments					
at of 31/12/2009	Nominal value purchase	Nominal value sale	Carrying value	Positive fair value	Negative fair value
Interest rate contracts					
OTC products					
Interest rate options	61,237,995,847.30	66,192,004,242.80	-440,066.90	1,549,347,064.90	-1,700,732,316.70
Interest rate swaps	229,416,050,456.90	229,416,050,456.90	375,956,284.70	9,754,284,537.30	-8,790,555,227.10
FRAs	41,800,704,424.40	42,908,393,503.40	5,278,991.10	53,075,480.30	-47,796,489.20
Listed products					
Futures	67,314,672.10	1,923,751.80			
Interest rate options	690,975,053.70	1,009,860,338.70	-1,869,132.90	248,143.10	-2,117,276.10
Currency contracts					
OTC products					
Currency options	8,419,852,579.00	7,839,966,212.20	6,128,997.10	480,399,517.40	-474,270,520.30
Currency swaps	46,656,235,790.70	46,046,971,163.50	27,989,897.30	580,369,886.80	-603,204,660.20
Listed products					
Futures	993,197.30	0.00			
Currency options	0.00	0.00	-39,129.10	0.00	-39,129.10
Securities-related contracts					
OTC products					
Share options	0.00	0.00	34,648,564.40	70,168,734.20	-35,520,169.80
Listed products					
Futures	43,700,428.50	247,431,698.50			
Share options	2,321,810,118.10	1,359,452,313.00	-2,152,205.60	783,594.30	-2,935,799.90
Precious metal contracts					
OTC products					
Precious metal options	57,050,000.00	28,574,500.00	825,484.80	2,206,828.10	-1,381,343.30
Precious metal swaps	236,720.00	236,000.00	-20.70	0.00	-20.70
Listed products					
Futures	585.90	0.00			
Precious metal options	0.00	0.00	-208.70	0.00	-208.70
Commodity and other contracts					
OTC products					
Commodity options	0.00	0.00	-4,777.10	6,450,462.30	-6,455,239.40
Commodity swaps	982,596.00	985,980.00	-3,384.00	40,019.40	-43,403.50
Listed products					
Futures	820,869.80	3,969,619.40			
Commodity options	63,280,961.90	63,475,863.90	0.00	0.00	0.00
Credit derivative contracts					
OTC products					
Credit derivative options	0.00	0.00	0.00	0.00	0.00
Credit derivative swaps	1,913,127,413.80	8,446,793,723.50	8,352,744.30	186,527,489.20	-396,456,666.40
Total					
OTC products	389,502,235,828.00	400,879,975,782.20	458,732,715.10	12,682,870,019.90	-12,056,416,056.50
Listed products	3,188,895,887.30	2,686,113,585.40	-4,060,676.30	1,031,737.40	-5,092,413.70
Total	392,691,131,715.30	403,566,089,367.60	454,672,038.80	12,683,901,757.40	-12,061,508,470.30

Financial instruments of fixed assets

as of 31/12/2009	Carrying value	Fair value	Hidden liabilities	Hidden reserves
Treasury bills	502,606,111.98 449,833,862.37	488,147,940.95 462,075,009.71	14,458,171.03	12,241,147.34
Loans and advances to credit institutions	1,866,985,322.39 1,636,985,161.40	1,788,364,101.97 1,647,313,726.51	78,621,220.42	10,328,565.11
Loans and advances to customers	1,899,026,175.99 263,453,239.51	1,762,897,921.13 266,654,989.66	136,128,254.86	3,201,750.15
Debt securities	2,899,012,811.47 1,186,200,891.60	2,386,039,931.28 1,195,032,500.11	512,972,880.19	8,831,608.51
Shares	189,590,047.17 151,533,266.60	177,140,616.21 156,870,540.27	12,449,430.96	5,337,273.67
Total	7,357,220,469.00 3,688,006,421.48	6,602,590,511.54 3,727,946,766.27	754,629,957.46	39,940,344.79

Where an asset is impaired and not written off, the impairment is presumed to be impermanent. The fair value is the amount that could be attained in an active market through the sale of a financial instrument, or correspondingly the amount that would be payable for its purchase. Market prices were used where available. Where no market price was available, valuation models were used, particularly the discounted cash flow method.

29) Risk provisions

Changes in risk provisions (loans and advances to credit institutions and loans and advances to customers as well as contingent liabilities)

	2009	2008
At the start of the year	300,950,611.57	706,007
Less: EBOe		-639,373
Less: utilised	-49,742,837.72	-859
Less: releases	-25,302,095.32	-27,322
Less additions	240,915,274.60	150,458
Less: transfer	42,979,992.37	110,932
Changes in valuation of foreign currency	-3,634,237.96	1,108
At end of year	506,166,707.54	300,950

IV. Notes on the profit & loss account:

(Unless indicated otherwise, amounts for the reporting year are stated in euros, for the previous year in '000 euros).

1) Profits of affiliated undertakings (subsidiaries that are considered a tax group with Erste Group Bank AG under the group taxation regulations of 2005), which were posted in the income statement of Erste Group Bank AG under income from **participating interests and shares in affiliated undertakings**, reached a value of EUR 475,070,490.00 (prior year: EUR 350,418 thousand). During the reporting year, there were no depreciation requirements, nor other expenses for group members (prior year: EUR 0 thousand) nor profits from sales (prior year: EUR 0 thousand)

2) The breakdown by region (according to the location of entities) of **gross income** of Erste Group Bank AG was as follows:

	Domestic	International	2009 total	Domestic	International	2008 Total
Interest receivable and similar income	1,415,091,740.80	207,708,778.67	1,622,800,519.47	2,176,653	387,979	2,564,632
Income from securities and participating interests	655,785,987.39	141,065.59	655,927,052.98	1,191,694	267	1,191,961
Commissions receivable	265,452,065.85	27,979,301.48	293,431,367.33	251,887	20,630	272,517
Income from financial operations	173,027,414.72	1,341,088.59	174,368,503.31	0.00	1,609	1,609
Other operating income	5,955,912.57	206,152.98	6,162,065.55	7,064	238	7,302
Total	2,515,313,121.33	237,376,452.29	2,752,689,573.62	3,627,298	410,723	4,038,021

3) Commissions receivable included income of EUR 6,704,309.21 (prior year: EUR 20,127 thousand) from **administrative and agency services** on behalf of third parties.

4) **Other operating income** of EUR 6,162,065.55 (prior year: EUR 7,302 thousand) included income from the sale of assets and rental income.

5) Concerning **Staff costs** the item expenses for severance payments and payments to severance-payment funds includes expenses for severance payments in the amount of EUR 2,223,484.32 (prior year: EUR 7,447 thousand). The expenses for the allocation to the pension provision were in part the result of changes in calculation parameters.

6) **Other operating expenses** of Erste Group Bank AG of EUR 10,018,532.91 (prior year: EUR 940 thousand) essentially consisted of an allocation for losses (EUR 1,700,000) and from project costs for a stranded investment (EUR 7,159,721.20).

7) **Value adjustments in respect of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings** included gains write-offs for the public company "Erste Bank", Kiev, of EUR 42,944,500.00.

8) As in the previous year, the reported net **amount of extraordinary income** and **extraordinary expenses** of EUR -5,013,685.00 (prior year: EUR -5,099 thousand) was the result of expenses incurred to close the pension provision gap and the proportional amortisation of the difference from the transfer of pension expectancies for active employees to the pension fund, which was also reported as a deferred expense.

9) Under the item **taxes on profit or loss**, a tax income of EUR +41,347,075.12 (prior year: EUR +27,191 thousand) was reported.

Since 2005, Erste Group Bank AG and its main domestic subsidiaries have formed a tax group in accordance with Section 9 of the Austrian Corporate Tax Act ("Körperschaftsteuergesetz", KStG), with Erste Group Bank AG as the top-tier corporation ("Gruppenträger"). Group and tax equalisation agreements were concluded with all members of the group. Under these agreements, group members allocate amounts equivalent to the corporation tax amount on taxable profits to Erste Group Bank AG. Since tax losses from prior years are recorded and offset against their current tax liability by the group member companies themselves, there is no obligation to make tax allocation payments to Erste Group Bank AG. Moreover, Erste Group Bank AG undertakes to make compensatory payments for any tax losses utilised up to that point to group member companies leaving the group. Future tax liabilities resulting from these constellations were deferred if their realisation was probable. Liabilities with a low probability of realisation were not deferred, as doing so would cause quasi-permanent deferrals.

Net income from taxes on profit or loss includes a net income in the amount of EUR 40,525,454.26 (prior year: EUR +67,841 thousand) from the current tax allocation system pursuant to Section 9 KStG on group taxation and a yield in the amount of EUR +20,772,746.43 from foreign taxes on income from previous years. The principal expenses under this item are foreign income tax and other foreign income-related taxes of EUR 19,209,363.74.

10) The item **general administrative expenses** in particular includes audit fees and tax fees charged by the auditors (of Erste Group Bank AG and subsidiaries; the auditors include primarily Sparkassen-Prüfungsverband, Ernst & Young and Deloitte) in the fiscal years 2009:

in EUR million	2009
Audit fees	2,404,003
Fees für audit related services	4,438,168
Tax consultancy fees	941,522
Total	7,783,693

V. Information on board members and employees

1) Employees

The average number of employees at Erste Group Bank AG (weighted, excluding employees on leave and members of the Management Board) was 1,608 during fiscal year 2009 (prior year: 1,591).

Of these, 228 employees (prior year: 217) worked for other companies in exchange for reimbursed expenses. The total reimbursement was EUR 29,332,462.67 (prior year: EUR 29,222 thousand) and was recognised under general administrative expenses (staff costs) in the income statement.

2) Board members

Unless the law or the articles of association provide for a different majority, the shareholders meeting shall decide by simple majority of the votes cast and in cases where a majority of the capital is required also by simple majority of the registered capital represented at the time of passing the resolution. The shareholders meeting shall resolve on amendments to the articles of association by simple majority of the votes cast and by simple majority of the registered capital represented at the resolution, provided that the objects of the Company are not changed. Items in the articles of association which provide for increased majority requirements in order to pass a resolution can only be amended with the same increased majority requirements. This provision can be amended only with a majority of three fourths of cast votes and a majority of three fourths of the registered capital represented at the time of passing the resolution.

At the end of 2009, loans and advances to members of the Management Board totalled EUR 899,046.55 (prior year: EUR 882 thousand). Loans to members of the Supervisory Board amounted to EUR 258,772.87. (Prior year: EUR 294 thousand). The applicable interest rates and other terms (maturity dates and collateralisation) are in line with normal market practice. In the fiscal year ended 31 December 2009, members of the Managing and Supervisory board did not make any material loan repayments.

In 2009, the then members of the Management Board received cash and non-cash compensation in their capacity as Management Board members totalling EUR 4,670,647.47 (prior year: EUR 10,803 thousand)..

In fiscal year 2009, EUR 916,467.10 (prior year: EUR 1,559 thousand) was paid to former members of the Management Board or their surviving dependants.

The breakdown of the compensation of the members of the Management Board in 2009 was as follows:

Management Board member	Base salary	Performance bonus	Other compensation	Total
Andreas Treichl	1,035,980.70	0.00	448,000.75	1,483,981.45
Franz Hochstrasser	578,962.66	0.00	143,575.75	722,538.41
Herbert Juranek	578,962.66	0.00	54,023.40	632,986.06
Johannes Leobacher since 01/04/2009	427,042.09	0.00	39,727.34	466,769.43
Bernhard Spalt	578,962.66	0.00	54,023.40	632,986.06
Manfred Wimmer	578,962.66	0.00	152,423.40	731,386.06
	3,778,873.43	0.00	891,774.04	4,670,647.47

The item "other compensation" includes pension fund contributions and various types of non-cash compensation.

In 2009, the Management Board of Erste Group Bank AG did not receive board emoluments or other compensation from fully consolidated subsidiaries of Erste Group Bank AG. The compensation of the members of the Management Board was commensurate with the individual's responsibilities, the achievement of corporate targets and the group's financial situation.

The Supervisory Board shall consist of at least three and a maximum of twelve members elected by the shareholders meeting. As long as DIE ERSTE österreichische Spar-Casse Privatstiftung is liable for all present and future liabilities of the Company in the case of its insolvency pursuant to Section 92 para 9 Banking Act, the DIE ERSTE österreichische Spar-Casse Privatstiftung will be granted the right to nominate up to one third of the members of the Supervisory Board to be elected by the shareholders meeting. In addition, membership of the Supervisory Board ceases by death, by revocation and by withdrawal. For a revocation a majority of three fourths of validly cast votes and a majority of three fourths of the registered capital represented at the time of passing the resolution shall be required.

The Supervisory Board members of Erste Group Bank AG were paid EUR 478,500.00 (prior year: EUR 507 thousand) in the reporting year for their board function. Members of the Supervisory Board received the following compensation for board positions in fully consolidated subsidiaries of Erste Group Bank AG: Heinz Kessler EUR 40,535.79, Friedrich Rödler EUR 8,375.00, Werner Tessmar-Pfohl EUR 26,000.00, Georg Winckler EUR 400.00 and Gabriele Zuna-Kratky EUR 750.00. No other legal transactions were concluded with members of the Supervisory Board. The following amounts were invoiced for other legal transactions by companies related to members of the Supervisory Board: DORDA BRUGGER JORDIS Rechtsanwälte GmbH, with Theresa Jordis as one of its partners, invoiced Erste Bank Group a total of EUR 409,175.93 for several orders in 2008. Friedrich Rödler is Senior Partner of PricewaterhouseCoopers Österreich. Companies of that group invoiced Erste Bank Group a total of EUR 108,617.43 in 2009 (prior year: EUR 29 thousand).

The breakdown of compensation paid to the individual members of the Supervisory Board was as follows:

Supervisory Board member:	Supervisory Board compensation	Attendance fees	Total:
Heinz Kessler	50,000.00	15,000.00	65.000,00
Georg Winckler	37,500.00	13,500.00	51.000,00
Theresa Jordis	37,500.00	11,500.00	49.000,00
Bettina Breiteneder	25,000.00	8,500.00	33.500,00
Elisabeth Gürtler	25,000.00	7,000.00	32.000,00
Jan Homan	25,000.00	6,500.00	31.500,00
Brian D. O'Neil	0	3,000.00	3.000,00
Wilhelm Rasinger	25,000.00	12,500.00	37.500,00
Friedrich Rödler	25,000.00	15,500.00	40.500,00
Hubert Singer	8,333.00*	0	8333.00
John James Stack	25,000.00	2,000.00	27.000,00
Werner Tessmar-Pfohl	16,667.00	3,000.00	19,667.00
Gabriele Zuna-Kratky	25,000.00	1,000.00	26.000,00
Juan Maria Nin Genova	0	3,000.00	3.000,00
Christian Havelka	0	7,500.00	7.500,00
Friedrich Lackner	0	7,000.00	7.000,00
Andreas Lachs	0	13,000.00	13.000,00
Bertram Mach	0	11,000.00	11.000,00
Barbara Smrcka	0	3,000.00	3.000,00
Karin Zeisel	0	10,000.00	10.000,00

* Follow-up payment from previous years.

The compensation of Supervisory Board members was commensurate with their responsibilities, the business volume and the company's financial situation.

Pursuant to the decision at the Annual General Shareholders' Meeting of 12 May 2009, the Supervisory Board adopted the following wage schedule in its constituent meeting for the year 2009:

in EUR	Number of persons	Compensation per person	Total compensation
President	1	50,000	50,000
Vice President	2	37,500	75,000
Members	8	25,000	225,000
Total	11		325,000

As one member of the Supervisory Board was not able to participate in the meetings of the Supervisory Board in 2009 he was not compensated for this year.

Information on Erste Group Bank AG securities held by Management Board and Supervisory Board members, as well as transactions carried out with Erste Group Bank AG shares (numbers of shares):

Members of the Management Board:

	as at 31/12/2008	additions 2009	disposals 2009	as at 31/12/2009
Management Board member				
Andreas Treichl	184,640	25,000	0	209,640
Franz Hochstrasser	33,260	0	0	33,260
Herbert Juranek	656	0	0	656
Johannes Leobacher	0	2,500	0	2,500
Bernhard Spalt	6,376	0	0	6,376
Manfred Wimmer	13,132	5,000	0	18,132

When Management Board members commenced or ended their period in office during the fiscal year, their existing shareholdings at the time of commencement or their existing shareholdings at the end of their period in office were either booked in or out as additions or reductions.

Management board members held the following numbers of Erste Group Bank AG participation capital at the balance sheet date of 31 December 2009:

Managing board member:	Notional amount
Andreas Treichl	30,000
Herbert Juranek	30,000
Johannes Leobacher	20,000
Bernhard Spalt	10,000
Manfred Wimmer	30,000

The breakdown of Supervisory Board members' holdings of Erste Group Bank AG shares at the balance sheet date of 31 December 2009 was as follows:

Supervisory Board member:	No. of shares
Georg Winckler	2,500
Bettina Breiteneder	2,560
Jan Homan	4,400
Wilhelm Rasinger	13,735
Theresa Jordis	2,900
Friedrich Rödler	1,002
John James Stack	34,761
Werner Tessmar-Pfohl	1,268
Elisabeth Gürtler	700
Christian Havelka	1,651
Andreas Lachs	52
Friedrich Lackner	477
Bertram Mach	95
Barbara Smrcka	281
Karin Zeisel	35

At 31 December 2009, supervisory board members held a total of 1,000 options in Erste Group Bank AG shares.

Persons related to members of the Managing Board or Supervisory Board held 6,920 Erste Group Bank AG shares at 31 December 2009.

Supervisory board members held the following numbers of Participation capital at the balance sheet date of 31 December 2009:

Supervisory Board member	Notional amount
Heinz Kessler	30,000
Georg Winckler	5,000
Wilhelm Rasinger	28,000
Friedrich Rödler	82,000
Elisabeth Gürtler	59,000

Expenses for severance payments, pension severance payments and pensions of Erste Group Bank AG have a bearing on the income statement items "wages and salaries", "expenses for retirement benefits", "allocation to/reversals of the pension provision", "expenses for severance payments and payments to severance-payment funds" and, as far as they pertain to pro rata catch-up requirements, "extraordinary expenses". Expenses for severance payments and pensions for members of the Management Board and managers pursuant to Section 80 (1) AktG amounted to EUR 7,581,234.13 (prior year: EUR 7,335 thousand). Expenses for severance payments and pensions for other employees amounted to EUR 58,575,450.57 (prior year: EUR 52,356 thousand). Each of the amounts indicated includes the required expenses for surviving dependants.

Information pursuant to Section 239 (2) UGB regarding members of the Management Board and Supervisory Board is disclosed separately in the attachment to the notes.

VI. Proposed distribution of profit

Pursuant to Section 65 para. 5 Stock Corporation Act, the Management Board will propose at the Annual General Shareholders' Meeting that a dividend of EUR 0.65 per share will be paid out, resulting in a total dividend payment of EUR 245,651,305.90. The holders of this participation capital will receive a dividend of 8% on the nominal value, i.e. EUR 141,099,520.00.

Attachment to the Notes

Executive bodies of Erste Group Bank AG

Supervisory Board

Heinz Kessler,

President

Retired CEO

Georg Winckler

1st Vice President

Rector of the University of Vienna

Professor for Economics at the University of Vienna

Theresa Jordis

2nd Vice President

Attorney at law

Bettina Breiteneder

Businesswoman

Elisabeth Gürtler

Businesswoman

Jan Homan

Chief Executive Officer of Teich AG

Juan Maria Nin Génova

since 12/05/2009

President and CEO "La Caixa"

Brian D. O'Neill

Vice Chairman Lazard International

Wilhelm Rasinger

Consultant

Friedrich Rödler

Public accountant and tax consultant

John James Stack

Chairman & CEO (retired)

Werner Tessmar-Pfohl

Retired businessman

Gabriele Zuna-Kratky

until 12/05/2009

Manager of Technisches Museum Wien

Representatives of the Employees' Council:

Friedrich Lackner

Chairman of the Employees' Council

Christian Havelka

Member of the Employees' Council

Andreas Lachs

Member of the Employees' Council

Bertram Mach

Vice Chairman of the Employees' Council

Barbara Smrcka

Vice Chairwoman of the Employees' Council

Karin Zeisel

Vice Chairwoman of the Employees' Council

Representatives of the Supervisory Authority

Robert Spacek

State Commissioner

Dietmar Griebler

Deputy State Commissioner

Marcus Heinz

State Controller for Premium Reserve

until 31/07/2009

Tamara Els

State Controller for Premium Reserve

since 01/08/2009

Eduard Moser

Deputy State Controller for Premium Reserve

Irene Kienzl

Trustee under Mortgage Bank Act

Anton Rainer

Deputy Trustee under Mortgage Bank Act

Thomas Schimetschek

Deputy Trustee under Mortgage Bank Act

since 01/12/2009

Management Board

Andreas Treichl

Chairman

Franz Hochstrasser

Deputy Chairman

Herbert Juranek

Member of the Management Board

Johannes Leobacher

Member of the Management Board

since 01/04/2009

Bernhard Spalt

Member of the Management Board

Manfred Wimmer

Member of the Management Board

Attachment to the notes

Statement of changes in fixed assets and long-term assets 2009

in EUR millions	At cost 1 January 2009	Additions	Disposals	At cost 31 December 2009	Write-ups (Sec. 56 (3) BWG) Currency translations	Accumulated depreciation 31/12/2009	Carrying amount 31/12/2009	Carrying amount 01/01/2009	Depreciation 2009
1. Participating interests	266,568,780.81	59,381,089.12	32,828,967.84	293,120,902.09	0.00	9,177,879.14	283,943,022.95	263,358,809.36	6,209,974.00
2. Shares in affiliated undertakings	9,182,317,561.52	7,961,798,546.40	7,159,205,844.44	9,984,910,263.48	0.00	406,583,907.71	9,578,326,355.77	8,348,038,031.29	43,652,205.00
3. Intangible assets	182,050,593.02	10,706,053.49	110,874,839.91	81,881,806.60	0.00	49,128,709.87	32,753,096.73	35,852,663.23	13,767,672.14
4. Tangible assets	369,251,012.57	12,429,840.96	154,741,002.43	226,939,851.10	0.00	154,612,280.34	72,327,570.76	79,840,912.96	19,650,556.47
5. Securities									
Treasury bills and similar securities	958,825,833.47	167,508,552.62	159,878,008.05	966,456,378.04	2,563,660.74	16,580,064.43	952,439,974.35	948,125,064.22	6,287,478.45
Loans and advances to credit institutions	2,279,650,913.48	2,025,685,006.39	788,379,605.77	3,516,956,314.10	6,119,017.17	19,104,847.48	3,503,970,483.79	2,264,952,719.25	27,224.35
Loans and advances to customers	2,524,749,809.20	371,034,212.42	727,667,553.75	2,168,116,467.87	6,084,490.22	11,721,542.59	2,162,479,415.50	2,522,998,622.12	12,034,841.47
Debt securities incl. fixed-income securities	4,958,790,731.44	784,650,047.21	1,518,291,732.99	4,225,149,045.66	3,617,636.26	143,552,978.84	4,085,213,703.08	4,832,111,631.79	47,449,281.84
Shares and other variable-yield securities	277,560,812.11	108,461,448.44	44,539,543.88	341,482,716.67	192,513.49	551,916.39	341,123,313.77	277,259,282.98	115,975.52
	10,999,578,099.70	3,457,339,267.08	3,238,756,444.44	11,218,160,922.34	18,577,317.88	191,511,349.73	11,045,226,890.49	10,845,447,320.36	65,914,801.63
Total	20,999,766,047.62	11,501,654,797.05	10,696,407,099.06	21,805,013,745.61	18,577,317.88	811,014,126.79	21,012,576,936.70	19,572,537,737.20	149,195,209.24

Vienna, 2 March 2010

Management Board



Andreas Treichl
Chairman



Franz Hochstrasser
Vice Chairman



Herbert Juranek
Member



Johannes Leobacher
Member



Bernhard Spalt
Member



Manfred Wimmer
Member

Auditors' report (Report of the Independent Auditors)*

Report on the Financial Statements

Sparkassen-Prüfungsverband and Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. have audited the accompanying financial statements, including the accounting system, of Erste Group Bank AG, Vienna, for the financial year from 1 January 2009 to 31 December 2009. These financial statements comprise the balance sheet as at 31 December 2009, the income statement for the financial year ended 31 December 2009, and the notes.

Management's Responsibility for the Financial Statements and for the Accounting System

The management of Erste Group Bank AG is responsible for the accounting system as well as the preparation and fair presentation of these financial statements in accordance with Austrian Generally Accepted Accounting Principles. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and in accordance with Austrian Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Erste Group Bank AG's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. Based on the results of our audit in our opinion, the financial statements present fairly, in all material respects, the financial position of the Erste Group Bank AG as of 31 December 2009 and of its financial performance for the financial year from 1 January 2009 to 31 December 2009 in accordance with Austrian Generally Accepted Accounting Principles.

Statement on the Management Report

Law and regulations applicable in Austria require us to perform audit procedures to determine whether the management report is consistent with the financial statements and whether the other disclosures made in the management report are misleading to the bank's position. The audit report must also include a statement as to whether the management report is consistent with the financial statements.

In our opinion, the management report is consistent with the financial statements.

Vienna, 02 March 2010

Sparkassen-Prüfungsverband
(Prüfungsstelle)
(Austrian Savings Bank Auditing Association)
(Audit Agency)

(Bankprüfer)

Gerhard Margetich
Wirtschaftsprüfer

Matthäus Tuschl
Wirtschaftsprüfer

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.

Helmut Maukner
Wirtschaftsprüfer

Elisabeth Glaser
Wirtschaftsprüfer

* The report (in the German language, or translations into another language, including shortened or amended versions) may not be made public or used by third parties, when reference is made in part or in whole to the auditors report, without the express written consent of the auditors.

Statement of all members of the management board

We confirm to the best of our knowledge that the separate financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Vienna, 2 March 2010

Management Board



Andreas Treichl
Chairman



Franz Hochstrasser
Vice Chairman



Herbert Juranek
Member



Johannes Leobacher
Member



Bernhard Spalt
Member



Manfred Wimmer
Member