

Financial statements 2009

Financial Statements 2009

**Erste Bank
der oesterreichischen Sparkassen AG
FN 286283f**

Erste Bank der oesterreichischen Sparkassen AG

Assets

	€	€	K € 31.12.2008	K € 31.12.2008
1. Cash in hand and balances with central banks		152.462.877,85		147.685
2. Treasury bills and other bills eligible for refinancing at central banks		1.186.894.924,76		1.809.908
a) treasury bills and similar securities	1.186.894.924,76		1.809.908	
b) other bills eligible for refinancing at central banks	0,00		0	
3. Loans and advances to credit institutions		4.362.342.778,32		4.739.022
a) repayable on demand	259.407.190,88		216.573	
b) other loans and advances	4.102.935.587,44		4.522.449	
4. Loans and advances to customers		17.690.715.476,92		18.066.014
5. Bonds and other fixed-income securities		1.057.717.982,15		919.370
a) issued by public borrowers	0,00		0	
b) issued by other borrowers	1.057.717.982,15		919.370	
of which: own bonds	0,00		0	
6. Shares and other variable-yield securities		18.306.514,31		1.055
7. Equity interests		148.793.490,86		442.487
of which: in credit institutions	122.195.140,99		415.375	
8. Shares in group companies		1.054.710.362,60		748.235
of which: in credit institutions	830.984.042,23		518.592	
9. Intangible fixed assets		18.503.561,26		22.489
10. Tangible fixed assets		23.610.867,57		25.960
of which: land and buildings used by the credit institution for its own business operations	0,00		0	
11. Own shares and shares in a controlling company		0,00		0
of which: par value	0,00		0	
12. Other assets		592.959.891,98		1.883.732
13. Subscribed capital called-up, but not yet paid-up		0,00		0
14. Prepaid expenses		9.416.042,77		9.320
Total Assets		26.316.434.771,35		28.815.277

Items shown below the Balance Sheet

1. Foreign assets

	6.553.601.474,87		7.135.438
--	------------------	--	-----------

Balance sheet at 31 December 2009

Erste Bank der oesterreichischen Sparkassen AG

Liabilities and Equity

	€	€	K € 31.12.2008	K € 31.12.2008
1. Amounts owed to credit institutions		7.182.392.417,03		9.679.178
a) repayable on demand	171.260.595,82		80.724	
b) with agreed maturity dates or periods of notice	7.011.131.821,21		9.598.454	
2. Amounts owed to customers		16.787.264.416,48		15.747.804
a) savings deposits	10.864.761.093,15		9.362.077	
of which:				
aa) repayable on demand	3.989.592.722,90		2.462.163	
bb) with agreed maturity dates or periods of notice	6.875.168.370,25		6.899.914	
b) other liabilities	5.922.503.323,33		6.385.727	
of which:				
aa) repayable on demand	4.837.343.440,76		4.370.914	
bb) with agreed maturity dates or periods of notice	1.085.159.882,57		2.014.813	
3. Debts evidenced by certificates		0,00		0
a) bonds issued	0,00		0	
b) other debts evidenced by certificates	0,00		0	
4. Other liabilities		549.964.727,27		1.840.094
5. Deferred income		176.933.372,24		70.132
6. Provisions		103.920.923,16		102.304
a) provisions for severance payments	0,00		0	
b) pension provisions	0,00		0	
c) provisions for taxes	0,00		0	
d) other	103.920.923,16		102.304	
6.A Special fund for general banking risks		0,00		0
7. Subordinated liabilities		400.000.000,00		400.000
8. Supplementary capital		90.000.000,00		0
9. Subscribed capital		587.924.000,00		587.924
10. Capital reserves		143.627.000,00		142.808
a) subject to legal restrictions	140.062.000,00		140.062	
b) other	3.565.000,00		2.746	
c) for own shares and shares in a controlling company	0,00		0	
11. Revenue reserves		80.120.000,00		30.650
a) legal reserve	0,00		0	
b) statutory reserve	0,00		0	
c) other reserves	80.120.000,00		30.650	
d) for own shares and shares in a controlling company	0,00		0	
Carry forward		26.102.146.856,18		28.600.894

Balance sheet at 31 December 2009**Erste Bank der oesterreichischen Sparkassen AG****Liabilities and Equity**

	€	€	K € 31.12.2008	K € 31.12.2008
Carry forward		26.102.146.856,18		28.600.894
12. Reserve pursuant to Section 23 (6) of the Austrian Banking Act (BWG)		120.013.000,00		120.013
13. Retained earnings		94.274.915,17		94.370
14. Untaxed reserves		0,00		0
a) valuation reserve resulting from special depreciation	0,00		0	
b) other untaxed reserves	0,00		0	
of which:				
aa) investment reserve pursuant to Section 9 of the Austrian Income Tax Act (EStG) 1988	0,00		0	
bb) investment allowance pursuant to Section 10 of the Austrian Income Tax Act (EStG) 1988	0,00		0	
cc) rent reserve pursuant to Section 11 of the Austrian Income Tax Act (EStG) 1988	0,00		0	
dd) reserve transferred pursuant to Section 12 (7) of the Austrian Income Tax Act (EStG) 1988	0,00		0	
Total Liabilities and Equity		26.316.434.771,35		28.815.277

Items shown below the Balance Sheet

1. Contingent liabilities		6.940.978.631,17		5.844.152
of which:				
a) acceptances and endorsements	0,00		0	
b) guarantees and assets pledged as collateral security	6.940.978.631,17		5.844.152	
2. Commitments		4.780.937.276,31		4.796.094
of which: commitments arising from repurchase agreements	0,00		0	
3. Liabilities arising from transactions on a trust basis		238.421.431,52		288.812
4. Total net capital pursuant to Section 23 of the Austrian Banking Act (BWG)		1.356.300.574,97		1.214.133
of which: capital pursuant to Section 23 (14) 7 of the Austrian Banking Act (BWG)	0,00		0	
5. Capital required pursuant to Section 22 (1) of the Austrian Banking Act (BWG)		926.070.400,00		901.176
of which: capital required pursuant to Section 22 (1) 1 and 4 of the Austrian Banking Act (BWG)	921.208.693,17		900.172	
6. Foreign liabilities		696.879.492,98		649.969

Erste Bank der oesterreichischen Sparkassen AG

	€	€	K € 2008	K € 2008
1. Interest and similar income		783.053.225,89		1.213.158
of which: from fixed-income securities	75.611.388,25		124.290	
2. Interest and similar expenses		419.820.813,50		841.165
I. NET INTEREST INCOME		363.232.412,39		371.993
3. Income from securities and equity interests		79.061.608,03		62.662
a) income from shares, other ownership interests and variable-yield securities	633.325,04		129	
b) income from equity interests	7.163.492,60		9.809	
c) income from shares in group companies	71.264.790,39		52.724	
4. Fee and commission income		279.497.260,38		265.567
5. Fee and commission expenses		86.756.043,75		63.690
6. Net profit on trading activities		7.794.708,22		13.572
7. Other operating income		4.390.232,02		171
II. OPERATING INCOME		647.220.177,29		650.275
8. General administrative expenses		390.951.520,25		409.600
a) staff costs	246.414.592,67		259.873	
of which:				
aa) wages and salaries	173.640.813,16		181.641	
bb) expenses for statutory social-security contributions and compulsory contributions related to wages and salaries	45.377.793,97		45.614	
cc) other employee benefits	3.683.280,59		3.634	
dd) expenses for retirement benefits	15.035.498,55		13.069	
ee) allocation to the pension provision	0,00		0	
ff) expenses for severance payments and payments to severance-payment funds	8.677.206,40		15.915	
b) other administrative expenses	144.536.927,58		149.727	
9. Depreciation and amortisation of asset items 9 and 10		15.554.008,36		18.150
10. Other operating expenses		9.022.385,74		2.350
III. OPERATING EXPENSES		415.527.914,35		430.100
IV. OPERATING RESULTS		231.692.262,94		220.175

Erste Bank der oesterreichischen Sparkassen AG

	€	€	K € 2008	K € 2008
Carry forward (IV. Operating results)		231.692.262,94		220.175
11. Value adjustments of loans and advances and allocations to provisions for contingent liabilities and commitments		148.728.179,28		138.770
12. Release of value adjustments of loans and advances and provisions for contingent liabilities and commitments		62.572.759,39		62.746
13. Value adjustments of securities valued as financial fixed assets and of equity interests and shares in group companies		13.951.882,07		29.582
14. Release of value adjustments of securities valued as financial fixed assets and of equity interests and shares in group companies		11.982.066,27		11.046
V. RESULTS FROM ORDINARY BUSINESS ACTIVITIES		143.567.027,25		125.615
15. Extraordinary income of which: withdrawals from the special fund for general banking risks	0,00	0,00	0	0
16. Extraordinary expenses of which: allocation to the special fund for general banking risks	0,00	204.043,51	0	332
17. Extraordinary results (sub-total of items 15 and 16)		- 204.043,51		- 332
18. Taxes on income		- 534.089,21		1
19. Other taxes not included under item 18		454.325,47		261
VI. ANNUAL SURPLUS		143.442.747,48		125.021
20. Movements in reserves off which: allocation to Reserve pursuant to Section 23 (6) of the Austrian Banking Act (BWG)	0,00	49.470.000,00	1	30.651
withdrawals from Reserve pursuant to Section 23 (6) of the Austrian Banking Act (BWG)	0,00		0	
VII. PROFIT FOR THE YEAR		93.972.747,48		94.370
21. Profit brought forward from previous year		302.167,69		0
22. Profit transferred based on a profit transfer agreement		0,00		0
VIII. ACCUMULATED PROFIT		94.274.915,17		94.370

Notes to the Financial Statements 2009

Erste Bank der oesterreichischen Sparkassen AG

1	General information	9
1.1	Introduction	9
1.2	Haftungsverbund (cross guarantee system)	9
1.3	Investor information pursuant to Section 26 (1) of the BWG	10
1.4	Letters of comfort	10
2	Notes on accounting and valuation policy	11
2.1	Standard rule.....	11
2.2	Measurement methods/valuation policy.....	11
2.2.1	Receivables and liabilities in foreign currency	11
2.2.2	Participating interests and shares in affiliated undertakings.....	11
2.2.3	Loans and advances	11
2.2.4	Securities	11
2.2.5	Intangible and tangible assets	12
2.2.6	Derivatives	12
2.2.7	Liabilities	12
2.2.8	Provisions	12
2.2.9	Assets held in trust.....	13
3	Departure from accounting and valuation methods	13
4	Notes on the balance sheet.....	14
4.1	Maturity structure of loans and advances, deposits and liabilities	14
4.2	Assets and liabilities in foreign currencies	14
4.3	Loans and advances as well as liabilities to affiliated undertakings and companies in which participating interests were held	15
4.4	Relationships with affiliated undertakings	15
4.5	Group taxation.....	15
4.6	Participating interests and shares in affiliated undertakings.....	16
4.7	Trading book	16
4.8	Securities	16
4.9	Value differences for bonds and other fixed-income securities	16
4.10	Breakdown of the differences of the securities listed for trade on the stock exchange not held as financial fixed assets.....	16

4.11	Derivative financial instruments	17
4.12	Fixed-asset instruments	17
4.13	Bonds maturing in the following year	18
4.14	Treasury stock and additions	18
4.15	Fiduciary business	18
4.16	Subordinated assets	18
4.17	Fixed assets	18
4.18	Intangible fixed assets	19
4.19	Other assets	19
4.20	Deferred tax assets	19
4.21	Leasing and rental obligations	19
4.22	Other liabilities	19
4.23	Other provisions	20
4.24	New subordinated liabilities	20
4.25	Share capital	20
4.26	Own funds	20
4.27	Subordinated capital	22
4.28	Assets pledged as collateral for liabilities	22
4.29	State ward savings deposits	22
4.30	Forward agreements	22
4.31	Contingent liabilities	22
4.32	Significant credit risk	22
5	Notes on the income statement	23
5.1	Income from securities and equity interests	23
5.2	Income from administrative and agency services on behalf of third parties	23
5.3	Other operating income	23
5.4	Expenses for subordinated liabilities	23
5.5	Expenses for severance payments	23
5.6	Other operating expenses	23
5.7	Extraordinary expenses	23
5.8	Taxation of ordinary activities	23
5.9	Allocation of reserves	23
6	Information on Board Members and Employees	24
6.1	Number of employees	24
6.2	Loans to the Management Board and Supervisory Board	24

6.3	Expenses for severance payments and pensions.....	24
6.4	Board emoluments	24
6.5	List of board members.....	24

Attachment 1 to the Notes: Statement of changes in fixed assets and long-term assets

Attachment 2 to the Notes: Companies owned by Erste Bank as at 31/12/2009

1 GENERAL INFORMATION

1.1 Introduction

The 2009 annual financial statements have been prepared in accordance with the provisions of the Austrian Commercial Code (UGB) and the relevant provisions of the Austrian Banking Act (BWG), as amended.

Erste Bank der oesterreichischen Sparkassen AG (hereinafter "Erste Bank") is a subsidiary company of Erste Group Bank AG and therefore included in its consolidated financial statements.

The consolidated financial statements prepared by the group's parent company are disclosed in Vienna.

Erste Bank acquired the Vienna branch of Weinviertler Sparkasse AG on 30 June 2009, with 31 December 2008 set retroactively as the effective date. The merger was entered into the companies register on 31 August 2009. The existing customer database was migrated on 6 November 2009. The transferred amounts were disclosed in the transfer balance sheet of 31 December 2008 under asset item 4: "Loans and advances to customers" (€ 31,199,256.88) and on the liabilities side under item 2: "Amounts owed to customers" (€ 21,417,272.34). The net operating income for 2009 until the date of merger was € 525,865.46.

1.2 Haftungsverbund (cross guarantee system)

Erste Bank is a member of the Haftungsverbund which was formed by the Savings Bank Group in 2001 and became effective on 1 January 2002. In addition to Erste Group Bank AG, nearly all of Austria's savings banks belong to this system.

According to the provisions of the agreement in principle, which was concluded between Erste Group Bank AG and the member savings banks, the partners must reimburse solidarily all amounts owed to customers (all deposits pursuant to Section 1 (1) no. 1 BWG, all receivables accruing from credit balances from the banking business, all receivables accruing from the issue of securities, with the exception of receivables from qualifying capital items in accordance with Section 23 BWG and receivables from criminal transactions).

In accordance with the requirements of the BWG and in consideration of general maximum limits, individual members of the Haftungsverbund may need to provide assistance to other members (such as giving liquidity assistance, loans 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 Sections 93 ff BWG are taken into account.

The guarantee obligation is entered in the balance sheet as a memorandum item carrying the notional amount of € 1.00, as it is impossible to determine the potential liability of Erste Bank within the Haftungsverbund.

Since the amendment to the BWG, which came into effect on 1 September 2002, the members of the Haftungsverbund are considered a group of credit institutions as defined in Section 30 BWG, with Erste Group Bank AG acting as the top-tier credit institution.

This makes it necessary for Erste Group Bank AG to consolidate the qualifying capital (in acc. with Section 24 BWG) and the risk-weighted assets (in acc. with Section 22 BWG) of the members of the Haftungsverbund.

For the purpose of inclusion into the consolidated financial statements, an International Financial Reporting Standards (IFRS) reporting package is transmitted to Erste Group Bank AG. In 2007, collaboration between the savings banks was further strengthened by way of a supplementary agreement.

In December 2009, Erste Group Bank AG and Allgemeine Sparkasse Oberösterreich Bankaktiengesellschaft decided to engage in closer co-operation and jointly with Erste Bank 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 agreed to uphold the validity of the original Haftungsverbund agreement (in the 2002 version) between them until this merger was approved.

1.3 Investor information pursuant to Section 26 (1) of the BWG

For investor information pursuant to Section 26 (1) BWG, please refer to the website of Erste Group Bank AG.

1.4 Letters of comfort

A letter of support exists between Erste Bank and Die Zweite Wiener Vereins-Sparkasse (hereinafter "Die Zweite"), under which Erste Bank guarantees that "Die Zweite" will meet the requirements of banking regulations, especially those concerning qualifying capital.

In a further Letter of Comfort between Erste Bank and Sparkasse Mühlviertel West, Erste Bank undertakes to ensure that the statutory equity rules under banking law are permanently fulfilled by Sparkasse Mühlviertel West, even if, due to suitable necessary equity capital measures agreed to by the other shareholders, the participation of Erste Bank is extended to more than 50 percent.

In addition, Erste Bank, who owns Neue Eisenstädter Bau-, Wohn- und Siedlungsgesellschaft m.b.H., Eisenstadt (hereinafter "Neue Eisenstädter") jointly with Raiffeisenlandesbank Burgenland Waren- und Revisionsverband, Eisenstadt, has together with the latter entered into an obligation as the lessee of lot No. 330/2, EZ 17 GB 30110 Neudörfel to ascertain that the lessor, "Neue Eisenstädter" grant Marktgemeinde Neudörfel the option to purchase this property after a period of 12 years after the start of the lease. The purchase price should be in line with the cost of investments made.

In a further Letter of Comfort between Erste Bank and the Office of the Government of the Province of Burgenland, Erste Bank undertakes, as co-owner of Neue Eisenstädter Bau-, Wohn- und Siedlungsgesellschaft m.b.H., Eisenstadt (hereinafter "Neue Eisenstädter") to ascertain that "Neue Eisenstädter" is able to fulfil its obligations to the residential housing development organisation and the occupants, if necessary by injecting additional equity capital of up to € 3 million. Furthermore, Erste Bank will not reduce its participating interest, currently 49.98 percent until the expiration of this declaration on 31 December 2011. The second main co-owner Raiffeisenlandesbank Burgenland Waren- und Revisionsverband, Eisenstadt made an identical declaration.

2 NOTES ON ACCOUNTING AND VALUATION POLICY

2.1 Standard rule

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 true 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 (going concern principle).

The particularities of the banking business were taken into account in the application of the principle of prudence.

2.2 Measurement methods/valuation policy

2.2.1 Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency were measured at the ECB reference rate as at 31 December 2009, while currencies and foreign currency checks were measured at the foreign currency rate applicable on the balance sheet date.

MUM currencies were converted using the fixed euro factors.

Foreign exchange forward transactions and currency swaps were rated at the forward currency rate.

2.2.2 Participating interests and shares in affiliated undertakings

Participating interests and shares in affiliated undertakings were recognised at cost of acquisition, except where a downward revision was necessary due to impairments presumed to be permanent. Where necessary, adequate provisions were established to cover the losses incurred by subsidiaries.

2.2.3 Loans and advances

Loans and advances to credit institutions and customers, bills of exchange and other assets were measured in accordance with 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.

Retail and corporate micro-loans were measured in consideration of statistical risk factors. Provision in the form of portfolio corrections were made where applicable.

2.2.4 Securities

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. Where the reason for permanent impairment no longer applies, the current price or the updated acquisition price, whichever carries the lower value, is used. 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.

In accordance with a separate resolution, the following current assets were reclassified as fixed assets in November 2009:

Subordinated bonds of Weinviertler Sparkasse with a par value of € 9,000,000.00 (issued and purchased in 2008)

Supplementary capital bonds of Tiroler Sparkasse of a par value € 15,000,000.00 (issued in 2009) and of a par value of € 80,000.00 (issued in 2005) respectively (purchased in 2009).

Erste Bank intends to keep these bonds in its books until they reach maturity. There was no markdown requirement for these securities at the balance sheet date.

2.2.5 Intangible and tangible assets

Intangible and tangible assets were measured at purchase cost or production cost less planned linear depreciation and - if necessary - impairment changes.

The amortisation/depreciation period for

- intangible assets is 4 to 15 years.
- buildings is 25 to 50 years
- fixtures and fittings is 5 to 20 years

Low-value fixed assets were fully written off in the year of purchase.

2.2.6 Derivatives

In derivatives trading the assets and liabilities were measured as follows:

Hedging products and their underlying asset or liability were shown as a unit in the balance sheet. Interest income 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.

2.2.7 Liabilities

Liabilities have been recognised with their repayment values. Capital savings accounts and savings bonds were recognised at their pro rate annual values.

2.2.8 Provisions

Provisions were set aside in the amount deemed necessary in standard commercial practice.

Obligations due to severance payment entitlements of all active employees of Erste Bank AG as of 31 December 2007 were outsourced to S-Versicherung AG in 2007. Severance payment entitlements to be outsourced were measured based on 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 percent and the pension benefits were reduced from 3.0 to 2.5 percent. Severance entitlements measured under provisions of commercial law and based on the above parameters amounted to € 75,732,315.00 and were shown as a contingent liability in the balance sheet. The credit dedicated for performance of outsourced severance requirements with the insurer as of 31 December 2009 is equivalent to the amount of imputed severance provisions. The outsourcing of severance entitlements to S-Versicherung AG does not result in any changes to employee claims against Erste Bank, 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 percent was added.

2.2.9 Assets held in trust

Recoverable trust assets were declared as off-balance sheet item 3 "Commitments arising from agency service" in accordance with Section 48 (1) BWG.

3 DEPARTURE FROM ACCOUNTING AND VALUATION METHODS

No changes were made to the accounting and measurement methods vis-à-vis the prior year.

4 NOTES ON THE BALANCE SHEET

4.1 Maturity structure of loans and advances, deposits and liabilities

Maturity structure of loans and advances as well as credit liabilities to credit institutions and customers that are not payable on demand (by remaining time to maturity):

	31/12/2009 €	31/12/2008 € '000
Loans and advances, not payable on demand		
up to 3 months	5,460,148,152.68	6,040,741
more than 3 months and up to 1 year	1,978,889,768.28	2,978,108
more than 1 year and up to 5 years	5,875,848,303.86	5,112,737
more than 5 years	7,620,436,564.50	7,618,617
Liabilities, not payable on demand		
up to 3 months	2,285,645,330.55	7,030,853
more than 3 months and up to 1 year	5,738,330,962.17	6,236,420
more than 1 year and up to 5 year	6,464,632,312.43	4,179,575
more than 5 years	482,851,468.88	1,066,335

4.2 Assets and liabilities in foreign currencies

Foreign currency-denominated assets totalled € 3,475,583,410.01 (prior year: € 3,753,567 thousand), whereas foreign currency-denominated liabilities totalled € 2,839,899,650.39 (prior year: € 3,749,937 thousand).

4.3 Loans and advances as well as liabilities to affiliated undertakings and companies in which participating interests were held

	affiliated undertakings		companies in which participating interests were held	
	31/12/2009 €	31/12/2008 € '000	31/12/2009 €	31/12/2008 € '000
Loans and advances to credit institutions	4,071,778,359.54	4,327,032	98,529,277.80	152,031
Loans and advances to customers	543,025,542.93	517,539	157,548,063.47	234,963
Liabilities to credit institutions	4,791,858,804.99	6,414,822	46,986,673.20	46,927
Liabilities to customers (non-banks)	165,842,124.25	141,105	26,751,013.23	23,635

Among these the most important companies are:

Loans and advances to affiliated undertakings:

Erste Group Bank AG
Bausparkasse der österreichischen Sparkasse AG
s Wohnbaubank AG
Weinviertel Sparkasse

Loans and advances to companies with participating interest were held

Intermarket Bank AG
PayLife Bank GmbH
NÖ Beteiligungsfinanzierungen GmbH

4.4 Relationships with affiliated undertakings

Business relationships with affiliated undertakings were carried on in application of customary market conditions.

4.5 Group taxation

Erste Bank is part of a **tax group** in accordance with Section 9 (1) KStG, with **Erste Group Bank AG** acting as the top-tier corporation. Erste Bank's status as group member should remain such that it is treated as though it were an autonomous taxable entity dealing directly with the competent tax authority.

A **tax equalisation agreement** exists between the group members and the top-tier corporation. The tax equalisation amount is calculated on a **stand-alone basis**: Where a domestic group member discloses a positive tax result, a positive tax allocation of 25 percent must be made to the top-tier corporation. Where a negative tax result is disclosed, the domestic group member does not receive an immediate payment; instead, the negative result of the respective group member is carried forward internally and offset against future positive results.

As at 31 December 2009 there are no **financial obligations** for Erste Bank under the tax equalisation system.

As at 31 December 2009, Erste Bank has no **future tax obligations from quasi-permanent differences** in connection with the use of losses of foreign group members.

4.6 Participating interests and shares in affiliated undertakings

A detailed breakdown of the key participating interests and shares in affiliated undertakings is given in attachment 2 to the notes "Details on the Holdings of Erste Bank as at 31 December 2009".

4.7 Trading book

Erste Bank does not keep a trading book.

4.8 Securities

Securities, participating interests and shares in affiliated undertakings are disclosed in balance sheet asset items 5 to 8 as follows:

	listed for trade		of which measured as	
	listed	unlisted	fixed assets	other measurement
	€	€	€	€
Debt securities including				
fixed-income securities	534,793,133.93	522,924,848.22	1,031,875,118.32	25,842,863.83
Shares and other				
variable-yield securities	0.00	69,484.88	69,484.88	0.00

4.9 Value differences for bonds and other fixed-income securities

In some cases, the purchase cost for bonds and other fixed-income securities was higher than the repayable amount. The remaining difference as was € 4,700,928.75.

In some cases, the purchase cost for bonds and other fixed-income securities was lower than the repayable amount. The remaining difference was € 9,862,258.29.

4.10 Breakdown of the differences of the securities listed for trade on the stock exchange not held as financial fixed assets

The purchase cost for securities listed on the stock exchange that were not held as financial fixed assets and that were reported at market value was lower than their market value by a total of € 412,857.50.

4.11 Derivative financial instruments

	Par value purchase €	Par value sale €	Carrying value €	Fair value positive €	Fair value negative €
Interest Rate Contracts					
OTC products					
Interest rate options	3,412,026,378.68	3,412,026,378.68	0.00	60,836,909.15	60,836,909.15
Interest rate swaps	6,788,889,161.70	6,788,889,161.70	8,186,648.49	209,189,908.87	179,845,868.73
FRAs	6,941,552.13	6,941,552.13	0.00	4,479.92	4,479.92
Currency contracts					
OTC products					
Currency options	208,773,750.33	208,773,750.33	0.00	9,595,505.29	9,595,505.29
Currency swaps	2,165,717,815.17	2,174,281,101.38	2,366,325.29	38,768,521.42	35,582,950.31
Securities-related transactions					
Listed products					
Share options	7,500,000.00	20,500,000.00	0.00	0.00	0.00
TOTAL					
OTC products	12,582,348,658.01	12,590,911,944.22	10,552,973.78	318,395,324.65	285,865,713.40
Listed products	7,500,000.00	20,500,000.00	0.00	0.00	0.00
SUM TOTAL	12,589,848,658.01	12,611,411,944.22	10,552,973.78	318,395,324.65	285,865,713.40

The table above does not take into account any possible hedge connection with items on the assets and/or liabilities side.

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.

The fair value of options was determined using recognised option pricing models. The valuation models used include among others models of the Black-Scholes class, binomial, Hull-White and BGM models.

4.12 Fixed-asset instruments

	Carrying value €	Fair value €	Hidden liabilities €	Hidden reserves €
Treasury bills	15,534,946.36	15,367,025.00	167,921.36	
	671,294,620.90	696,565,700.00		25,271,079.10
Loans and advances to credit institutions	134,000,000.00	132,035,508.75	1,964,491.25	
Debt securities and other fixed-rate securities	628,805,897.21	607,890,158.01	20,915,739.20	
	403,069,221.11	415,159,895.00		12,090,673.89
Shares and other variable-rate securities	2,200,000.00	2,121,405.26	78,594.74	
	15,069,484.88	16,168,011.50		1,098,526.62
Total	780,540,843.57	757,414,097.02	23,126,746.55	
	1,089,433,326.89	1,127,893,606.50		38,460,279.61

Where an asset is impaired and not written off, the impairment is presumed to be impermanent and the price decrease is essentially a result of changes in the market.

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.

4.13 Bonds maturing in the following year

In the following year, bonds and other fixed-income securities of a total value of € 587,257,672.04 (prior year: € 746,972 thousand) are due.

4.14 Treasury stock and additions

As in the prior year, no transactions were carried out with treasury shares during the fiscal year.

4.15 Fiduciary business

The carrying values of the assets and liabilities below include the following fiduciary transactions:

	31/12/2009 €	31/12/2008 € '000
Fiduciary transactions (Section 6 (1a) Mortgage Bank Act)	3,200,139,831.74	2,594,809
Covered bonds pursuant to Section 1 (6) FBSchVG	1,011,121,164.18	0

4.16 Subordinated assets

	31/12/2009 €	31/12/2008 € '000
Loans and advances to credit institutions	9,000,000.00	9,000
Loans and advances to customers	9,805,246.50	10,055
Debt securities	14,359,045.58	14,840
Shares and other variable-interest securities	17,688,795.22	0

Thereof the following assets were subordinated vis-à-vis affiliated undertakings or businesses in which participating interests were held:

	31/12/2009 €	31/12/2008 € '000
Loans and advances to credit institutions	9,000,000.00	9,000
Loans and advances to customers	9,805,246.50	3,455
Shares and other variable-interest securities	17,269,484.88	0

4.17 Fixed assets

Changes in assets are shown in attachment 1 at the end of the notes (Statement of changes in fixed assets and long-term assets).

4.18 Intangible fixed assets

The intangible fixed assets included assets of a value of € 10,162,891.15 (prior year: € 18,275 thousand) acquired from an affiliated undertaking. During the fiscal year, € 1,600,000.00 worth of such assets were acquired (prior year: € 3,473 thousand).

Intangible fixed assets included gains due to merger and goodwill of € 2,435,936.00 (prior year: € 1,393 thousand) which are the result of cash contributions, as well as contribution of branch offices of savings banks and the obligatory continuation of the acquired carrying amounts, as related to mergers between individual savings banks.

Under a conservative estimate of the economic life of the assets, the depreciable life was set at 15 years. The amortisation period for the goodwill, totalling € 1,600,000.00, of the Vienna branch of Weinviertler Sparkasse AG, which was merged into Erste Bank in 2009, was set at 5 years.

4.19 Other assets

Other assets included the following main items:

	31/12/2009 €	31/12/2008 € '000
Receivables from the financial authorities	56,748,000.00	56,748
Receivables from securities trading (incl. securities lending)	339,336,144.65	1,598,620
Receivables from participating interests and affiliated undertakings	92,542,915.81	75,827
Recognised interest and commission income	81,111,072.09	132,499

4.20 Deferred tax assets

The deferred tax asset pursuant to Section 198 (10) UGB was € 56,748,000.00 (prior year: € 56,748 thousand) and is recognised in the assets as item 12 Other assets.

4.21 Leasing and rental obligations

In the following fiscal year, there will be obligations totalling € 18,840,000.00 (prior year: € 19,179 thousand) for leased or rented property and equipment not disclosed in the balance sheet; the sum total of these obligations over the next five years will be € 97,004,000.00 (prior year: € 105,976 thousand).

4.22 Other liabilities

Other liabilities included the following main items:

	31/12/2009 €	31/12/2008 € '000
Liabilities		
to the financial authorities	26,863,051.05	23,754
from securities transactions (including securities lending)	339,338,818.71	1,598,640
from interest and commission expenses	101,833,701.40	152,170

4.23 Other provisions

Other provisions, totalling € 103,920,923.16 (prior year: € 102,304 thousand), consisted of risk provisions of € 43,482,454.17 (prior year: € 50,791 thousand); provisions for personnel costs of € 37,347,337.00 (prior year: € 33,290 thousand), which were mainly created for performance bonuses and employee anniversaries; and general provisions of € 23,091,131.99 (prior year: € 18,223 thousand), which were mainly created for damage events and valuation losses.

4.24 New subordinated liabilities

The following subordinated debt raised during the year exceeded 10 percent of total subordinated liabilities:

	Amount in €	Currency	Interest rate	Maturity	Right of extraord. termination: yes
Supplementary capital	90,000,000.00	€	3.710%	21/12/2017	

The term “subordinated” is defined in Section 51 (9) BWG.

4.25 Share capital

The share capital was comprised of the following:

	31/12/2009 €	31/12/2008 € '000	Increase €
Ordinary shares			
Bearer shares	587,924,000.00	587,924	0.00

4.26 Own funds

Erste Bank applies 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 valued under the standard assessment rate in accordance with statutory transition regulations (transitional arrangements or unlimited use of standard assessment rate (permanent partial use)).

Assessment base pursuant to Section 22 (2) BWG

	unweighted	weighted
Assessment base as per standardised approach	14.226.454.005,39	2.019.549.085,66
Internal-ratings-based (IRB) approach	25.060.973.222,51	8.253.366.204,05
Credit risk assessment base by exposure class at 31 December 2009 according to Basel II rules:	39.287.427.227,90	10.272.915.289,71

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	821.833.223,17	867.646
a) Standardised approach	161.563.926,85	186.762
b) Internal-ratings-based (IRB) approach	660.269.296,32	680.884
2. Settlement risk	0,00	0
3. Minimum capital requirement for position risk	1.923.000,00	1.004
4. Minimum capital requirement for operational risk	99.375.470,00	32.526
5. Minimum qualifying capital requirement due to adoption of Basel II rules	2.938.706,83	0
6. Minimum capital requirement for qualified non-financial investments	0,00	0
Total minimum capital requirement	926.070.400,00	901.176

Own funds pursuant to Section 23 BWG

	31.12.2009	31.12.2008
Core (Tier 1) capital		
Paid-up capital	587.924.000,00	587.924
Less: treasury shares	0,00	0
Disclosed reserves	343.760.000,00	293.471
Less: intangible assets	-18.503.561,26	-22.489
Core (Tier 1) capital pursuant to Section 23 (14) no. 1 BWG (prior to deduction)	913.180.438,74	858.906
Supplementary qualifying (Tier 2) capital		
Supplementary capital	90.000.000,00	0
Revaluation reserve	0,00	0
Excess loan loss provision for IRB items	5.077.812,06	21.665
Subordinated capital	400.000.000,00	400.000
Supplementary qualifying (Tier 2) capital before deductions	495.077.812,06	421.665
Eligible short-term subordinated (Tier3) capital	0,00	0
Rededication of own-fund components no longer eligible	0,00	0
Eligible short-term subordinated (Tier3) capital	0,00	0
Deductions from core (Tier 1) capital pursuant to Section 23 (13) nos. 3 and 4 BWG	-25.941.967,11	-33.196
Deductions from own funds pursuant to Section 23 (13) nos. 3 and 4 BWG	-25.941.967,11	-33.196
Deduction from own funds pursuant to Section 23 (13) no. 4a BWG	-73.741,61	-47
Eligible capital pursuant to Section 23 BWG	1.356.300.574,97	1.214.133
Required own funds	926.070.400,00	901.176
Qualifying capital surplus	430.230.174,97	312.957
Coverage ratio	146,5%	134,7%
Solvency ratio (1), in relation to credit risk	12,2%	10,9%
of which core (Tier 1) ratio (2), in relation to credit risk	8,6%	7,6%

(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.

4.27 Subordinated capital

The liabilities of Erste Bank included subordinated capital of € 490.000.000,00 (prior year: € 400.000 thousand):

	31/12/2009 €	31/12/2008 € '000
Supplementary capital	90,000,000.00	0
Subordinate liabilities	400,000,000.00	400,000

4.28 Assets pledged as collateral for liabilities

Treasury bills, mortgage-type loans and loans to public-sector borrowers of a total of € 4,289,323,057.03 (prior year: € 2,654,354 thousand) were transferred as collateral for the following liabilities of Erste Bank and Erste Group Bank AG, disclosed in the balance sheet and under the line as contingent liabilities:

	31/12/2009 €	31/12/2008 € '000
State ward funds	78,062,061.11	59.544
Funded bank bonds (issued by Erste Group Bank AG))	1,011,121,164.18	0
Mortgage bonds (issued by Erste Group Bank AG)	3,200,139,831.74	2,594,809

4.29 State ward savings deposits

The balance sheet contains state ward savings deposits of € 72,042,108.75 (prior year: € 58,143 thousand).

4.30 Forward agreements

The disclosures in accordance with Section 64 (1) no. 3 can be derived from item 4.11 "Derivative financial instruments".

4.31 Contingent liabilities

The contingent liabilities disclosed under the line referred exclusively to liabilities from guarantees and warranties as well as from the pledging of collateral. The contingent liabilities totalling € 6,940,978,631.17 included guarantees for savings banks, credit institutions, customers and employees of € 2,683,902,016.34. Letters of credit totalled € 45,815,618.91 and the pledging of collateral for external liabilities totalled € 4,211,260,995.92.

4.32 Significant credit risk

The significant credit risk disclosed under the line mostly account for loan and guarantee commitments to customers that had not yet been exercised.

5 NOTES ON THE INCOME STATEMENT

5.1 Income from securities and equity interests

Profits of group members (subsidiaries that are considered part of a tax group with Erste Bank under the group taxation regulations that came into force in 2005) disclosed in the income statement under item "Income from participating interests and shares in affiliated undertakings" totalled € 65,303,908.36 (prior year: € 52,230 thousand) in the reporting year.

5.2 Income from administrative and agency services on behalf of third parties

The item "Commission income" includes income from administrative and agency services on behalf of third parties totalling € 58,416,490.40 (prior year: € 52,616 thousand).

5.3 Other operating income

The item "Other operating income" totalling € 4,390,232.02 (prior year: € 171 thousand) mainly included proceeds from income resulting from settlement of accounts.

5.4 Expenses for subordinated liabilities

Expenses for subordinated liabilities totalled € 8,597,005.13 (prior year: € 8,838 thousand)

5.5 Expenses for severance payments

The item "Expenses for severance payments and payments to severance-payment funds" included expenses for severance payments of € 8,079,500.12 (prior year: € 15,414 thousand).

5.6 Other operating expenses

The item "Other operating expenses" has a total of € 9,022,385.74 (prior year: € 2,350 thousand) and mainly includes allocations to provisions for legal risks, as well as expenses for damage events.

5.7 Extraordinary expenses

Extraordinary expenses, amounting to € 204,043.51 (prior year: € 332 thousand) result from the reversal of the 1/10 prepaid expenses from the shortfall in the transfer to the pension fund of current employees' pension rights.

5.8 Taxation of ordinary activities

No taxes on income were payable in 2009.

5.9 Allocation of reserves

From the net profit of € 143,442,747.48 (prior year: € 125,021 thousand) an amount of € 49,470,000.00 (prior year: € 30,651 thousand) was allocated to reserves in the balance sheet.

The Management Board proposes the following profit distribution:

€ 0.16 dividend per share for 587,924,000 shares	€ 94,067,840.00
Amount carried forward	€ 207,075.17

6 INFORMATION ON BOARD MEMBERS AND EMPLOYEES

6.1 Number of employees

The average number of employees was 2,956 (prior year: 2,975), none of whom were workers.

Of these 187 persons (prior year: 164) worked in other businesses in exchange for reimbursement of expenses. The reimbursed costs amounted to € 20,072,421.61 (prior year: € 18,616 thousand) and have already been deducted from Income Statement item 8a) "Staff costs".

6.2 Loans to the Management Board and Supervisory Board

Existing loans to members of the Management Board in 2009 were of a total of € 83,461.65 (prior year: € 6 thousand). Loans to members of the Supervisory Board totalled € 600,353.58 (prior year: € 779 thousand) and warranties of € 22,000.00 (prior year: € 27 thousand) were assumed. The applicable interest rates and other terms (maturity dates and collateralisation) are in line with normal market practice. During the fiscal year no substantive repayments on the granted loans were made.

6.3 Expenses for severance payments and pensions

These expenses include payments to pension funds and employee welfare funds for acting Management Board members of a total of € 224,777.43 (prior year: € 237 thousand).

Pension payments for employees and their surviving dependants amounted to € 23,487,927.52 (prior year: € 28,748 thousand).

6.4 Board emoluments

Emoluments to Management Board members totalled € 1,861,717.79 (prior year: € 3,533 thousand).

Emoluments to Supervisory Board members in 2009 totalled € 28,042.00 (prior year: € 7 thousand).

6.5 List of board members

The following persons were members of the Management Board:

Elisabeth Bleyleben-Koren (Chairwoman of the Board)

Thomas Uher (Deputy Chairman of the Board)

Peter Bosek (Member of the Board)

The following persons were members of the Supervisory Board:

Andreas Treichl (Chairman of the Board)

Heinz Kessler (Deputy Chairman of the Board)

Friedrich Rödler

Bernhard Spalt

Manfred Wimmer

Gabriele Zuna-Kratky, since 25/03/2009

Günter Benischek

Erika Hegmala

Ilse Fetik

Statement of changes in fixed assets and long-term assets

Heading	Acquisition costs as at 1/1/2009 €	Additions 2009 €	Disposals 2009 €	Transfers 2009 €	Acquisition costs as at 31/12/2009 €	Write- ups 2009 €	Accumulated depreciation €	Carrying amount as at 31/12/2009 €	Carrying amount as at 31/12/2008 €	Depreciation 2009 €
Securities										
a) Treasury bills	1.079.888.898,25	31.159.305,64	423.701.235,64	0,00	687.346.968,25	2.988.163,91	3.505.564,90	686.829.567,26	1.075.429.987,13	3.507.848,82
b) Loans and advances to credit institutions	125.000.000,00	9.000.000,00	0,00	0,00	134.000.000,00	0,00	0,00	134.000.000,00	125.000.000,00	0,00
c) Loans and advances to customers	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
d) Debt securities	827.766.855,00	234.610.750,00	25.005.000,00	0,00	1.037.372.605,00	2.268.350,62	7.765.837,30	1.031.875.118,32	812.119.645,93	111.128,23
e) Shares	0,00	17.269.320,00	0,00	0,00	17.269.320,00	164,88	0,00	17.269.484,88	0,00	0,00
Total	2.032.655.753,25	292.039.375,64	448.706.235,64	0,00	1.875.988.893,25	5.256.679,41	11.271.402,20	1.869.974.170,46	2.012.549.633,06	3.618.977,05
Participating interests	449.736.274,31	21.285.000,00	505.349,89	-314.595.333,77	155.920.590,65	0,00	7.127.099,79	148.793.490,86	442.487.172,29	375.362,36
Shares in affiliated undertakings	783.754.894,96	4.569.000,00	1.608.315,15	314.595.333,77	1.101.310.913,58	2.487.500,00	49.088.050,98	1.054.710.362,60	748.234.595,66	13.392.000,00
Intangible assets										
a) Corporate, merger premium	21.602.604,67	1.600.000,00	0,00	0,00	23.202.604,67	0,00	20.766.668,67	2.435.936,00	1.393.479,00	557.543,00
b) Other	136.064.820,90	3.984.946,30	0,00	0,00	140.049.767,20	0,00	123.982.141,94	16.067.625,26	21.095.127,82	9.012.448,86
Total	157.667.425,57	5.584.946,30	0,00	0,00	163.252.371,87	0,00	144.748.810,61	18.503.561,26	22.488.606,82	9.569.991,86
Tangible assets										
a) Land and buildings	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
b) Office furniture and equipment	156.539.985,75	3.841.311,87	29.069.792,02	0,00	131.311.505,60	0,00	107.700.638,03	23.610.867,57	25.959.770,41	5.984.016,50
c) Leased assets	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Total	156.539.985,75	3.841.311,87	29.069.792,02	0,00	131.311.505,60	0,00	107.700.638,03	23.610.867,57	25.959.770,41	5.984.016,50
Total fixed assets	3.580.354.333,84	327.319.633,81	479.889.692,70	0,00	3.427.784.274,95	7.744.179,41	319.936.001,61	3.115.592.452,75	3.251.719.778,24	32.940.347,77

*) offset against currency translations in accordance with Section 58 (1) BWG where applicable

Holdings of Erste Bank as per 31 December 2009

Equity and earnings data shown was generally calculated in accordance with the financial statements and consolidated financial statements established using the same IFRS measurement methods throughout the entire group. Dividends received in the same year are deducted from equity capital.

The net profit shown represents net profit/loss after tax (but before allocations to reserves).

Company name, domicile	Interest (%)	Shareholder's equity (EUR)	Net income (EUR)	Balance sheet date
1.) Banks				
Allgemeine Sparkasse Oberösterreich Bankaktiengesellschaft, Linz (Group)	26,93	544.951.000	51.392.000	31.12.2009
Bausparkasse der österreichischen Sparkassen Aktiengesellschaft, Vienna	95,00	142.161.000	39.243.000	31.12.2009
ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H., Vienna	44,00	14.239.000	17.760.000	31.12.2009
Intermarket Bank AG, Vienna (Group)	25,22	37.440.968	3.119.419	31.12.2008
Kärntner Sparkasse Aktiengesellschaft, Klagenfurt (Group)	25,00	283.809.000	2.769.000	31.12.2009
NÖ Beteiligungsfinanzierungen GmbH, Vienna	30,00	3.151.261	106.341	31.12.2008
NÖ Bürgschaften GmbH, Vienna	25,00	7.300.835	-368.299	31.12.2008
s Wohnbaubank AG, Vienna (Group)	90,92	37.044.045	6.795.000	31.12.2009
Salzburger Sparkasse Bank Aktiengesellschaft, Salzburg	98,69	188.172.168	11.310.000	31.12.2009
Sparkasse Hainburg-Bruck-Neusiedl Aktiengesellschaft, Hainburg	75,03	36.112.669	2.666.000	31.12.2009
Sparkasse Kremstal-Pyhrn Aktiengesellschaft, Kirchdorf	30,00	40.728.000	1.557.000	31.12.2009
Sparkasse Mühlviertel-West Bank Aktiengesellschaft, Rohrbach	40,00	52.450.000	1.548.000	31.12.2009
Steiermärkische Bank und Sparkassen Aktiengesellschaft, Graz (Group)	25,00	895.476.000	39.946.000	31.12.2009
Tiroler Sparkasse Bankaktiengesellschaft Innsbruck, Innsbruck (Group)	74,99	176.591.670	12.764.000	31.12.2009
Weinviertler Sparkasse AG, Hollabrunn	99,49	19.063.000	-15.663.000	31.12.2009
2.) Financial institutions				
EBV - Leasing Gesellschaft m.b.H. & Co. KG., Vienna (Group)	100,00	7.526.000	-4.289.000	31.12.2009
EFH-Beteiligungsgesellschaft m.b.H., Vienna	50,00	17.045	-2.479	31.12.2008
Neue Eisenstädter gemeinnützige Bau-, Wohn- und Siedlungsgesellschaft m.b.H., Eisenstadt	49,98	14.443.927	577.592	31.12.2008
Österreichisches Volkswohnungswerk, Gemeinnützige Gesellschaft mit beschränkter Haftung, Vienna	100,00	49.587.455	4.091.323	31.12.2008
s Autoleasing GmbH, Vienna	100,00	153.000	113.000	31.12.2009
3.) Others				
ASC Logistik GmbH, Vienna	23,95	15.757.921	2.492	31.12.2008
CSSC Customer Sales Service Center GmbH, Vienna	57,23	35.000	0	31.12.2009
EBB Beteiligungen GmbH, Vienna	100,00	93.267	-1.808.960	31.12.2008
EB-Beteiligungsservice GmbH, Vienna	99,86	39.978	13.000	31.12.2009
EB-Restaurantsbetriebe Ges.m.b.H., Vienna	100,00	49.000	0	31.12.2009
E-C-A-Holding Gesellschaft m.b.H., Vienna	65,54	6.812.593	3.521.343	30.04.2009
ESPA- Financial Advisors GmbH, Vienna	45,90	2.346.946	1.946.946	31.12.2008
Finanzpartner GmbH, Vienna	50,00	785.000	360.694	31.12.2008
Haftungsverbund GmbH, Vienna	62,49	506.000	0	31.12.2009
HEBRA Holding GmbH, Vienna	100,00	4.700.000	8.403.000	31.12.2009
LTB Beteiligungs GmbH, Vienna	25,00	3.554.155	2.955.424	30.11.2009
RSV Beteiligungs GmbH, Vienna	33,33	3.481.895	2.950.486	31.10.2009
s Immobilienfinanzierungsberatung GmbH, Vienna	85,12	-4.585.000	61.000	31.12.2009
s REAL Immobilienvermittlung GmbH, Vienna (Group)	96,13	2.715.000	820.000	31.12.2009
S Tourismus Services GmbH, Vienna	100,00	4.163.000	46.000	31.12.2009
Sparkassen IT Holding AG, Vienna	29,30	4.187.865	298.675	31.12.2008
Sparkassen Zahlungsverkehrabwicklungs GmbH, Linz	57,58	409.000	23.000	31.12.2009
Sparkassenbeteiligungs und Service AG für Oberösterreich und Salzburg, Linz	69,25	18.527.694	561.872	31.12.2008
S-Tourismusfonds Management Aktiengesellschaft, Vienna	83,18	49.409.000	1.982.000	31.12.2009
UBG-Unternehmensbeteiligungs-gesellschaft m.b.H., Vienna	100,00	750.985	113.056	31.12.2008
VBV - Betriebliche Altersvorsorge AG, Vienna (Sub-Group)	26,15	45.748.920	3.615.740	31.12.2008
VMG-Erste Bank Versicherungsmakler GmbH, Vienna	100,00	238.000	1.237.000	31.12.2009

Financial Statements 2009

Erste Bank der oesterreichischen Sparkassen AG

Vienna, 1 March 2010

Management Board

Elisabeth Bleyleben-Koren
Chairwoman

Thomas Uher
Deputy Chairman

Peter Bosek
Member of the Management Board

Management Report 2009

**Erste Bank
der oesterreichischen Sparkassen AG**

MANAGEMENT REPORT of Erste Bank der oesterreichischen Sparkassen AG (hereinafter “Erste Bank”) 2009

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

Economic environment

According to the preliminary calculations of the Austrian Institute of Economic Research, the Austrian economy contracted by 3.4 percent in 2009. This was largely due to the financial and economic crisis that began in 2008. Growth had still registered at 2 percent in 2008.

This means Austria did rather well in the face of the global economic slowdown, as GDP shrank by less than the eurozone average (estimated at -3.9 percent). Austria has a balanced economic structure. Despite the recession, some industries managed to bring in profits even in 2009, including the energy sector (+5 percent) and other services (+0.5 percent).

On the demand side, private and public consumption, which – as its largest single component - account for 73 percent of GDP, propped up economic growth. Due to rising wages and low inflation (preliminary annualised inflation rate: 0.5 percent) 2009 even finished with a slight growth in consumption. During the recession, investments and exports were the driving elements of the downturn. Investment growth will likely remain slow for some time as the low capacity utilisation speaks against further capital widening investments in the corporate sector.

Before the background of moderate price growth and the recession, the European Central Bank decided to lower the key interest rates from 2.5 to 1.0 percent in 2009. As the slow recovery of the worldwide economy set in, the Austrian real economy also managed to return to a positive growth figure in the 3rd quarter of 2009 (+0.5 percent). This was despite the fact that the credit volume contracted slightly from the start of the year onwards. However, the dreaded credit crunch did not materialise in 2009.

A slow Austrian economic recovery above the EU average is seen as the most likely scenario for 2010. Forecasters have announced a growth estimate of approx. 1.5 percent.

The deepening of the recession for Austria's main trading partners (Germany, Italy and the EU Member States in the CEE region) meant that the export sector contracted strongly in the first half of 2009. However, during the second half of the year, exports started gaining again.

The surpluses in the current account since 2002 confirm the high international competitiveness of the Austrian economy. In 2009, the (forecast) current account surplus was 6.3 billion euros, or 2.3 percent of GDP. Another positive point is that the majority of exports are settled in euros, and therefore without currency risk. In accordance with the Austrian “hard currency” policy tradition, the country is one of the “core members” of the eurozone and as such supports euro stability.

The public sector deficit rapidly deteriorated to an estimated 3.5 percent of GDP. Austria was therefore not spared a temporary, strong deterioration in its public finances as a result of the economic and financial crisis. The debt-to-GDP ratio is expected to rise from its 2008 value

of 62.6 percent to an estimated 66.5 percent GDP in the reporting year. Up to € 15 billion was earmarked to bolster the regulatory capital of credit institutions and insurance companies.

In 2009, Austria was still far from a property bubble: the property price index grew by a moderate 3.6 percent in the first three quarters of 2009 after being stagnant in 2008.

The job market worsened during the economic crisis. State-subsidised short-time work and economic stimulus packages stabilised the demand for work and curbed unemployment growth. With an unemployment rate of approx. 5.3 percent, Austria will likely have performed excellently measured against the EU average in 2009.

Although company insolvencies grew by 9.3 percent, the figure remained well below the forecast band of 12 to 15 percent. The trend for insolvencies usually trails the economic trend – in good and in difficult times alike – by about six to twelve months. As a result, a further increase in insolvencies should be expected for 2010.

The industry trend was as follows: despite the difficult climate Austrian banks were able to achieve significant growth in non-consolidated net operating income (+14.1 percent) during the first three quarters. This growth was due to increased interest income and the financial services business, which unlike the prior year was now back in positive territory, and a marginal reduction in operating expenses.

However, the increase in insolvencies also led to a strong growth in the provision requirement for loans; this trend is likely to increase further in 2010.

Summary of business performance

Operating income of Erste Bank declined by 0.5 percent from € 650.3 million in the previous year to € 647.2. Net interest income and income from securities and equity interests increased by 1.8 percent, while net commission income declined by 4.5 percent.

Operating expenses were reduced by 3.4 percent to € 415.5 million.

Operating results (operating income less operating expenses) grew slightly by 5.2 percent from € 220.2 million to € 231.7 million.

The **cost-income ratio** (operating expenses as a percentage of operating income) improved from 66.1 percent to 64.2 percent in 2009.

Taking into account the charges to and releases from impairment adjustments for receivables, securities and participating interests (with a significant increase of risk provisions and the need for value adjustments substantially higher above that of the previous year as a consequence of the financial crisis), **pre-tax profit for the year** was € 143.6 million, or 14.3 percent above the previous year's figure (125.6 million). In relation to the average number of 2,956 employees at Erste Bank (see details in the notes), then **employee productivity** had a value of approx. € 49 thousand (prior year: € 42 thousand).

Net income after extraordinary results and taxes, but before movement in reserves, was € 143.4 million, **up 14.7 percent** on 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 14.3 percent.

In 2009, the 143 branches of Erste Bank together generated a business volume (**balance sheet total**) of € 26.3 billion, by 8.7 percent below the previous year (€ 28.8 billion). In so doing, **loans and advances to customers** declined by 2.1 percent from € 18.1 billion to € 17.7 billion, **amounts owed to customers** increased by 6.6 percent from € 15.7 billion to € 16.8 billion. This resulted in a **loan-to-deposit ratio** (loans and advances to customers expressed as a percentage of the amounts owned to costumers) of 105 percent as per 31 December 2009 (prior year 115 percent).

The **core (Tier 1) capital** of Erste Bank, pursuant to Section 23 (14) no. 1 BWG, on 31 December 2009 totalled € 913 million (prior year € 859 million), or € 887 million (prior year: € 826 million) after deductions pursuant to Section 23 (13) nos. 3 and 4 BWG.

The **core (Tier 1) ratio** of Erste Bank expressed in proportion to credit risk – regulatory core (Tier 1) capital pursuant to BWG after deductions, expressed as a percentage of the riskweighted assets pursuant to Section 22 (2) BWG – totalled 8.6 percent at 31 December 2009 (prior year: 7.6 percent). The core (Tier 1) ratio as a proportion of overall risk (incl. market risk and operational risks) was 7.9 percent (prior year: 7.6 percent).

The **qualifying capital** of Erste Bank, pursuant to Section 23 BWG, including non-credit-risk-related risk requirements (in particular operational risks and position risk for securities and foreign exchange) amounted to € 1,356 million at 31 December 2009 (prior year: € 1,214 million).

The legal **minimum requirement** was approx. € 926 million (prior year: € 901 million) at the balance sheet date, resulting in a **coverage ratio** of approx. 146 percent (prior year: 135 percent).

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) totalled 12.2 percent at 31 December 2009 (prior year: 10.9 percent). This is markedly higher than the 8 percent minimum requirement pursuant to Section 22 (1) BWG.

The solvency ratio as a proportion of overall risk (incl. market risk and operational risks) was 11.7 percent (prior year: 10.8 percent).

On the basis of the approval notified on 26 August 2008 by the Austrian Financial Market Authority, **Erste Bank** applies the **Basel II** solvency rules as follows: 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 valued under the standard assessment rate in accordance with statutory transition regulations (transitional arrangements or unlimited use of standard assessment rate (permanent partial use)).

Details on earnings

Net interest income declined by 2.4 percent to € 363.2 million (prior year: € 372.0 million). This resulted particularly because of the decrease in the net interest margin.

Net interest income also includes the changes in provisions for interest receivables as well as the pro-rata write-ups and write-downs of long-term securities purchased above or below their redemption value.

Income from securities and equity interests rose by 26.2 percent to € 79.1 million. This is due to a marked rise in income from investments (+25.4 percent to €78.4 million).

Total **interest income**, calculated as the sum total of net interest income and income from securities and equity interests, increased by 1.8 percent from 434.7 to € 442.3 million.

Net commission income decreased by 4.5 percent, from € 201.9 million in the prior year to € 192.7 million in the reporting year. This decrease was primarily driven by the deteriorating lending business; on the other hand the securities trading business, which had declined strongly in the prior year, made a recovery.

Net profit on trading activities decreased by 42.6 percent to € 7.8 million. Considering the absolute figure, this income is of minor importance for Erste Bank. This decline resulted mainly from foreign exchange transactions.

Personnel expenses, which are included in **operating expenses**, decreased by 5.2 percent from € 259.9 million in the previous year to € 246.4 million. This was due mainly to a decline in the number of employees. In 2009, the **number of employees** decreased from 3,089 at the end of 2008 (of which 138 were on unpaid leave) to 2,947 at 31 December 2009 (of which 138 were on unpaid leave).

Other administrative expenses were reduced by 3.5 percent from € 149.7 million to € 144,5 million. IT expenses in particular fell by 8.9 percent.

Depreciation and amortisation on tangible fixed assets (assets items 9 and 10) saw a marked reduction of 14.3 percent to € 15.6 million. This is a result of the restrictive investment policy – particularly for software development – of the last three years.

Other operating expenses increased from € 2.4 million in the previous year to € 9.0 million due to increased provisions for legal risks and damage events.

The net allocation to **risk provisions** for receivables (including receivables write-offs offset against income from written-off receivables) was significantly lower 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** increased once again in 2009 - following a marked decline in the previous year due to significant markdowns on securities resulting from the financial crisis.

Results from ordinary business activities rose by 14.3 percent year-on-year from € 125.6 million to € 143.6 million.

Tax situation: In accordance with tax laws on group taxation (Section 9 (1) KStG), Erste Bank and its main subsidiaries are considered a tax group with the group parent Erste Group Bank AG.

Due to the high proportion of tax-exempt income – particularly income from participating interests – and loss carry-forwards from previous years, Erste Bank did not have to pay any Austrian corporate income tax in fiscal year 2009. At 31 December 2009, there still remained a considerable tax loss carried forward from previous years, which was carried forward once again.

After consideration of an **annual profit after net extraordinary income** of € -0.2 million, other **movements in reserves** which resulted in a net allocation of € 49.5 million (prior year: € 30.7 million), **profit for the year** was € 94.0 million and, after consideration of the **profit carried forward** of € 0.3 million, the **accumulated profit** (profit available for distribution) was € 94.3 million.

At the Annual General Shareholders' Meeting, the Management Board will propose a **dividend** payout of € 0.16 per share from the **profit available for distribution**, i.e. € 94.1 million.

Explanatory notes on the balance sheet

The **balance sheet total** of Erste Bank decreased by 8.7 percent from € 28.8 billion in the previous year to approx. € 26.3 billion. The main reasons for this are the reduction of the security portfolio, a slight drop in loans and advances to customers, a shrinking interbank business, and a reduction in other assets as a result of the cutback in securities lending transactions.

Loans and advances to customers declined by 2.1 percent from € 18.1 billion to € 17.7 billion. At € 3.4 billion, foreign currency loans accounted for approx. 19 percent of the total.

Total **securities investments** (treasury bills as well as fixed-interest and variable-yield securities) declined strongly (-17.1 percent to € 2.3 billion).

The carrying value of **equity interests and shares in group companies** increased only slightly (+1.1 percent to € 1.2 billion), with a change in the allocations prompting a shift in terms of the item shares in group companies.

The sharp decline in **other assets**, from € 1.9 billion to € 0.6 billion, was largely due to the decrease in reported securities lending transactions of the previous year– which were also reflected in the balance sheet item **other liabilities**.

The interbank business also experienced a strong decline. **Loans and advances to credit institutions**, which also include the legally required liquidity reserve of € 2.3 billion at Erste Group, decreased by 7.9 percent from € 4.7 billion to € 4.4 billion. Erste Group accounts for approx. 76 percent of receivables.

On the liabilities side, **amounts owed to credit institutions** exhibited an even stronger decline, decreasing by 25.8 percent from € 9.7 billion to € 7.2 billion. Erste Group refinancing loans accounted for approx. 64 percent of this figure at the end of 2009.

Amounts owed to customers grew 6.6 percent from € 15.7 billion to 16.8 billion. Savings deposits increased by 16.1 percent to € 10.9 billion. This favourable development represents an important contribution to ensuring the liquidity of Erste Bank and a major sign of trust on the part of customers.

Subordinated liabilities of € 400 million solely concern subordinated capital provided by Erste Group as initial capital endowment, just as the € 90 million recognised as **supplementary capital**.

Total **equity capital** (subscribed capital, reserves and reported profit), including the allocation to reserves made in 2009, was € 1,026 million at 31 December 2009 (prior year: € 976 million).

Savings Banks Haftungsverbund (cross guarantee system)

Erste Bank is a member of the **Haftungsverbund** which was formed by the **Savings Bank Group** in 2001 and became effective on 1 January 2002. In addition to Erste Bank and Erste Group Bank AG, nearly all of Austria's savings banks belong to this system.

According to the provisions of the agreement in principle, which was concluded between Erste Group Bank AG and the member savings banks, the partners must reimburse solidarily all amounts owed to customers (all deposits pursuant to Section 1 (1) no. 1 BWG, all receivables accruing from credit balances from the banking business, all receivables accruing from the issue of securities, with the exception of receivables from qualifying capital items in accordance with Section 23 BWG and receivables from criminal transactions).

In accordance with the requirements of the BWG and in consideration of general maximum limits, individual members of the Haftungsverbund may need to provide assistance to other members (such as giving liquidity assistance, giving loans or guarantees and providing equity capital), and in the case of Section 93 (3) no. 1 BWG, to service the guaranteed customer deposits of a Haftungsverbund member. 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 Sections 93 ff BWG are taken into account.

The guarantee obligation is entered in the balance sheet as a memorandum item carrying the notional amount of € 1.00, as it is impossible to determine the potential liability of Sparkassen AG within the Haftungsverbund.

Since the amendment to the BWG, which came into effect on 1 September 2002, the members of the Haftungsverbund have been considered a group of credit institutions as defined in Section 30 BWG, with Erste Group Bank AG acting as the top-tier credit institution.

This makes it necessary for Erste Group Bank AG to consolidate the qualifying capital (in acc. with Section 24 BWG) and the risk-weighted assets (in acc. with Section 22 BWG) of the members of the Haftungsverbund.

For the purpose of inclusion into the consolidated financial statements of the Haftungsverbund, an International Financial Reporting Standards (IFRS) reporting package is transmitted to Erste Group Bank AG. In 2007, collaboration between the savings banks was further strengthened by way of a supplementary agreement.

In December 2009, Allgemeine Sparkasse Oberösterreich Bankaktiengesellschaft and Erste Group Bank AG also 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 (in its 2002 version) between them until this merger was approved.

Research and development

As no separate and planned research was conducted in order to obtain scientific and technical knowledge and no upstream development was undertaken for the sake of commercial production or use, no research and development activities within the meaning of Section 243 (3) no. 3 UGB were carried out.

Events after the balance sheet date and outlook

Following the strain at the beginning of 2009, which was prompted by the worldwide financial crisis, the economic climate in Austria at the beginning of 2010 can be characterised as more stable.

Economic growth in the low positive range is forecast for most European countries – including Austria – for 2010. However, it should be expected that the real economy will continue to experience difficulties and the unemployment rate is likely to increase, which means that the banking sector will need to increase its risk provisions.

In the coming years, securing and extending Erste Bank's market position will continue to be a key objective. Cost management and process optimisation, in particular, will continue to be key tasks when it comes to improving the company's competitive position.

Erste Bank expects the operative results to improve in 2010.

For Erste Bank too the likelihood that higher risk provisions will be needed will increase in 2010.

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

As a financial services company, Erste Bank is particularly exposed to the following **risks**:

- 1. Market risk:** this risk concerns currency exchange risks relating to changes in value due to exchange rate fluctuations, interest-related risks due to interest rate fluctuations, which can in particular result in fluctuations of future cash flows, as well as price risks due to changes in market prices.
- 2. Credit risk:** credit risk is caused by the fact that the business partner may not be able to perform his contractual duties and the bank may incur losses as a result.
- 3. Liquidity risk:** this is the risk that the bank may not have enough liquid funds to meet its own obligations.
- 4. Operational risk:** this describes the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events.

Risk management objectives and methods

Knowingly and selectively accepting risks and managing them professionally are core functions of every bank. Erste Bank's approach to risk management seeks to find the optimum balance between volume, risk and returns in order to earn an adequate high return on equity.

The risk management strategy of Erste Bank is marked by a conservative approach to the risks a bank faces that is driven both by the requirements of customer-centred banking and by the legal environment.

The risk management structure:

Based on statutory provisions (especially the Austrian Banking Act), the central responsibility for risk management lies with the **Management Board** jointly.

The office of the **Chief Risk Officer (CRO)** was introduced at Management Board level to ensure effective management of risks.

The CRO heads the units “Credit Restructuring” and “Risk Management Austria” (which assists in the implementation of the risk management strategy and credit risk strategy, as well as assisting the harmonisation effort for the risk management applications within the various business units).

These units are responsible for the development, implementation and supervision of limits, risk reporting, the risk management strategy, the related standards and processes, as well as ICAAP-compliant procedures for the measurement of the equity base.

The separation of initial lending decision and second lending appraisal is ensured all the way up to the Management Board level, the responsibility covers all risks pertaining to the relevant risk-taking unit.

The Operative Risk Management unit is responsible for managing the risk process and carrying out the final evaluation of risk levels within the framework and methods defined by Erste Group’s Strategic Risk Management unit.

Identification and management of risks:

The risk management process at Erste Bank consists of five stages: risk identification, risk assessment, risk aggregation, risk mitigation and risk reporting.

The credit positions are rated according to an IRB-compatible risk class system used at Erste Group.

A standard risk cost model that uses internal default and transitory probabilities is implemented in Erste Bank’s contribution margin calculation.

In individual cases, reserves are created in the balance sheet, taking into account the securities and creditworthiness of borrowers; for private customers and small commercial customers, calculations are made on a lump-sum basis. Sufficient reserves to cover the associated risk level exist for uncollateralized shares.

Portfolio reserves are taken in addition to the individual reserves.

Foreign currency risks are of a reasonable scope and mitigated as best possible by means of currency-conform refinancing facilities or the use of hedging instruments.

Erste Bank is a member of the liquidity pool of the Savings Bank Group, which ensures that the bank currently has sufficient liquidity at its disposal.

Corporate Social Responsibility

Introduction:

To Erste Bank, Corporate Social Responsibility (CSR) 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.

CSR is part of Erste Bank's 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.

Customers:

Helping Hands

Erste Bank launched the s Österreich initiative as part of the “Helping Hands” programme. Persons hit by unemployment were given free accounts for a year. In co-operation with Caritas Österreich, the bank offered free educational accounts in order to allow persons affected by the economic crisis to pay for training and to improve their chances in the job market. These measures were supplemented by events on the topic of “making it through the economic crisis with proper preparation”. The objective was to improve people's personal financial situation.

Further measures to promote customer satisfaction

Erste Bank launched its new customer satisfaction survey titled “Qualitäts-Check” in 2009. Together with most Savings Banks, Erste Bank continuously asks customers about their level of satisfaction in relevant areas throughout the year. The quality check is carried out to gain a better understanding of customers' needs and thus to strengthen the customer relationship. This measurement tool allows for an internal and external benchmarking: it will shed light on our strengths and weaknesses.

In March 2009, Erste Bank also started improving its range of services for migrants. Customers from the former Yugoslavia are now served in their mother tongues in 17 branches, while Turkish customers are served in Turkish in 10 branches. In offering services in their mother tongues, Erste Bank serves the two largest groups of migrants, who together amount to approx. 50 percent of all migrants living in Vienna, and makes a tangible contribution to the integration process. Moreover, it results in better assistance for existing customers and is beneficial for new customer acquisition.

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 companies. Erste Bank and the Austrian Savings Banks responded by launching the s Österreich initiative for commercial customers in early 2009.

With the motto "the best bank is taking the initiative", the bank has promised to inject € 6 billion worth of credit into the domestic economy over the coming three years. Of this, € 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 "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 € 1.2 billion, which equates to 4.6 percent of total investments.

Civil society:

Erste Bank, together with Erste Group, is proud of its long-standing tradition of cultural and social sponsorship and continues to be 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 has been commissioning 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, the Erste Group has been working closely with Secession, a renowned art institution. This partnership with Secession, the renowned art institution, 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 focused 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, focusing 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.

Social activities and sports:

For nearly 190 years, helping people in need has been one of Erste Bank's biggest concerns. The "Erste oesterreichische Sparcasse" was founded in 1819 to provide basic financial services to people who until then had had no access to such services, thereby giving them a

chance to save money for the future. Thus, Erste Bank was literally committed to social responsibility in the spirit of the savings banks from day one. The idea behind the “Zweite Wiener Vereins-Sparcasse”, which reached turned three in autumn 2009, runs in a similar vein. It allows persons who, for various reasons, are no longer eligible for a regular bank account, to gain access to basic financial services, giving these persons a bank account without overdraft facility gives them a chance to find their way back into an ordered life. Zweite Sparcasse is run by more than 400 volunteers from among the Erste Bank employees in co-operation with debt advisers and experts from the Caritas charity. Zweite Sparcasse has already opened six branches in Austria.

What connects Erste Bank and Caritas is not only a long-time partnership but the common goal of helping shape the stable and peaceful social development of Central and Eastern Europe. Therefore, Erste Bank has supported its partner, Caritas, since 1999 – especially with its children's aid programmes for Europe's poorest countries.

Another important aspect of the joint effort of Caritas and Erste Bank is the fight against poverty in Austria. In 2009, Erste Bank once again supported the Caritas autumn campaign for people in need – this year with the slogan: “Deine Spende kann Wunder wirken” (“Your donation can work wonders”). Another Caritas project that receives support from Erste Bank is “Young Caritas”, which aims to motivate youngsters to act with a social conscience. Young Caritas considers itself an interface between Caritas and young persons who are interested in topics such as homelessness, old age pensioners and migrants.

The Österreichisches Hilfswerk, one of the major Austrian service companies for healthcare and nursing care, has been an important partner for Erste Bank since 2003. The partnership is focused on nursing care.

Erste Bank's cultural, social and business sponsorships are supplemented by targeted support in the sporting field. When selecting sponsorships, Erste Bank focuses on encouraging youngsters to participate, health checkups, regional flair and added value to customers.

For over 30 years Erste Bank and Savings Banks have therefore sponsored the football and volleyball school leagues. This commitment is the longest-running, and with more than 1,000 schools participating, also the largest sponsorship for youth sports in Austria.

The largest running initiative of Austria, Erste Bank Sparkasse Running, organised more than 200 running events throughout Austria in 2009. By supporting this initiative, Erste Bank is helping raise awareness of healthy living – and since this is a forward-looking issue it fits in well with the idea of providing for one's financial future.

In 2009, Erste Bank once again sponsored the Vienna City Marathon, the largest running event in Austria with more than 27,000 participants. Additionally, Erste Bank sponsored and lent its name to the Erste Bank Vienna Night Run for the third time, a charity race for the benefit of the “Light for the World” charity. The kidsrun4kids initiative, sponsored by Erste Bank, included ten races for more than 18,000 Viennese primary school children.

Employees:

Human resource activity in 2009 was significantly shaped by the financial and economic crisis. In spite of respectable results for 2008, the management and Erste Bank employees voluntarily waived part or all of their bonus payments.

Despite the crisis-hit economy in 2009, the number of employees at Erste Bank went down by only 4.6 percent. This is due to a group-wide programme to make the termination of employment for economic reasons a measure of last resort and to exploit all alternative personnel cost reduction options 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 giving financial support to employees who intend to retroactively pay insurance contributions for periods spent in education, which allows them retire sooner.

In human resource development, care was also taken to avoid limiting training programmes where possible, so as to signalise continuity to employees at all levels.

In order to promote the positioning of Erste Bank as an attractive employer in the region, 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.

The insights obtained from the group-wide employee survey in 2007 also found their way into measures implemented in 2009. The next group-wide survey is scheduled for 2011, and will from then on be conducted every four years. In the intervening time, local surveys will be carried out to answer more specific questions.

At the same time, the preliminary work for a group-wide career model was continued, both for specialist and management roles. This career model places a special emphasis on modes of behaviour – rather than being only about what it is that one does, it is also about how to behave towards supervisors, employees, colleagues and customers. For this reason, managers for the 1st and 2nd management levels underwent a 360° Feedback scheme.

By establishing a new career model, Erste Bank wishes to open up attractive prospects and development opportunities for the individual career paths of employees (specialist and management careers). The career model depicts the qualification opportunities and development conditions for each progressive step. For every position within the company there is a detailed job profile that lists the technical, personal and social requirements for each rung of the career ladder. This forms the basis for the creation of a standardised range of training programmes for personal and social requirements. The transparency created by the career model is intended to facilitate professional advancement for our employees. In 2009, the career model was implemented across all business units of Erste Bank.

In 2009, Erste Bank entered into the pilot phase of the "Flying Nannies" children's day-care project. The “Flying Nannies” are airdropped into our own offices to look after our employees' children on school holidays set by individual schools.

Erste Bank, which was recently named one of the top three training companies by the Republic of Austria, offers 90 apprentices the opportunity to obtain a double qualification as “Bankkaufmann” and “Bürokaufmann”. The apprenticeship lasts 3 years. The apprenticeship is of a high technical standard and uses a hands-on approach, while the individual personal development of each and every employee takes top priority.

“Place to perform” is a study for companies that invest in tomorrow's employees today, and which not only give students first practical experiences but the best possible environment for work and training. Erste Bank participated in the study in 2009 and achieved an excellent fifth place, which places us among the top 5 most attractive companies for internships in Austria. The study is carried out by uniforce Junior Enterprise Vienna with the support of the Institut für Wirtschaftspsychologie at the University of Vienna. The “place to perform” seal of approval stands for interesting, attractive, high-quality internships in a pleasant work environment, where interns are given optimal assistance. Future interns and top performers can safely go by this certificate when looking for their perfect internship and applying for the best companies in Austria.

In 2009, employee health was once again an important topic for Erste Bank – and one that is written into Erste Bank's corporate mission. All employees were offered a health check-up in 2009 (participation: in excess of 60 percent of all employees). For the first time this involved blood work to identify oxidative stress. In-depth lifestyle advice was given by the company physicians, which placed the emphasis on the early detection of risk factors for cardiovascular disease. The preventive health check-ups were carried out on location, i.e. at the place of work.

Additionally, "vein health" was made one of the core topics in 2009. Since our employees' work is mainly sedentary, the prevention of venous diseases is an activity-related and highly relevant topic for occupational health. More than 700 employees participated in this programme.

On the topics of "stress management" and "burn-out prevention", intensive training was offered to managers and relaxation techniques were taught to employees. These training courses took place outside core work hours and included exercises to balance out stress, but were also intended to convey strategies to regain one's balance relatively quickly in stressful situations.

All health-relevant key figures are constantly surveyed and monitored by the medical centre, including with regard to demographic key points. These figures have shown, for instance, that the number of chronic diseases (especially those of the spine and psychological disorders) among Erste Bank Oesterreich employees have decreased significantly compared to the Austrian average in the period 2006-2009. In 2009, approximately 10,000 visits were made to the medical centre. Also in 2009, Erste Bank Oesterreich was awarded the “Gütesiegel Betriebliche Gesundheitsförderung” for 3 years. This seal of approval for the promotion of public health is a special annual award that is given to approx. 1-3 companies who integrate health-promoting activities into the company's daily work routine.

Environment:

Main environmental topics of Erste Bank 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, 1 March 2010

Management Board

Elisabeth Bleyleben-Koren
Chairwoman

Thomas Uher
Deputy Chairman

Peter Bosek
Member of the Management Board

AUDITORS' REPORT

Preamble

The financial statements, including the accounting records, of Erste Bank der oesterreichischen Sparkassen AG for the fiscal year 2009 have been audited by the Sparkassen-Prüfungsverband. These financial statements comprise the balance sheet as at 31 December 2009, and the income statement for the year ended on 31 December 2009, as well as a summary of significant accounting policies and other explanatory notes.

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

The management of Erste Bank der oesterreichischen Sparkassen AG is responsible for the accounting records and the preparation and fair presentation of these financial statements in accordance with Austrian corporate law. 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 Nature and Scope of the Statutory Audit

The responsibility of the Sparkassen-Prüfungsverband is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the laws and regulations applicable in Austria. 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 the entity'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. In our opinion, which is based on the results of our audit, the financial statements present fairly, in all material respects, the financial position of the Erste Bank der oesterreichischen Sparkassen AG as of 31. December 2009, and of its financial performance for the financial year 2009 in accordance with the Austrian generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

Applicable laws and regulations require us to perform audit procedures whether the management report is consistent with the financial statements and whether the other disclosures made in the management report do not give rise to misconception of the position of the Erste Bank der oesterreichischen Sparkassen AG. The auditor's report must also state whether the management report is consistent with the financial statements. In our opinion, the management report is consistent with the financial statements.

Vienna, 1 March 2010

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

Gerhard Margetich
Certified Public Accountant

Matthäus Tuschl
Certified Public Accountant

Ernst & Young Wirtschaftsprüfungsges m b.H.

Helmut Maukner
Certified Public Accountant

Elisabeth Glaser
Certified Public Accountant