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Erste Bank increases earnings by 30% to EUR 932 million in 2006

FINANCIAL HIGHLIGHTS ¹:

- **Net interest income*** rose by 14.1% from EUR 2,794.2 million to **EUR 3,189.3 million** (excluding BCR +9.4% to EUR 3,058.3 million)
- **Net commission income** grew by 15.0% from EUR 1,256.8 million to **EUR 1,445.9 million** (excluding BCR +11.5% to EUR 1,401.1 million)
- **Operating income** rose by 14.3% from EUR 4,329.4 million to **EUR 4,948.9 million** (excluding BCR +9.7% to EUR 4,750.6 million)
- **General administrative expenses** increased by 10.3% from EUR 2,670.0 million to **EUR 2,945.3 million** (excluding BCR +6.3% to EUR 2,838.0 million)
- **Net profit before taxes** rose by 24.6% from EUR 1,221.7 million to **EUR 1,522.2 million** (excluding BCR +20.2% to EUR 1,469.0 million)
- **Net profit after minority interests** increased by 30.1% from EUR 716.7 million to **EUR 932.2 million** (excluding BCR +26.2% to EUR 904.8 million)
- **Cost/income ratio** improved from 61.7% to **59.5%**
- **Return on equity** declined from 19.5% to **13.7%** as a result of the January 2006 capital increase (Cash ROE: 13.8 %)
- **Total assets** increased by 19.0% from EUR 152.7 billion to **EUR 181.7 billion** (excluding BCR +8.4% to EUR 165.5 billion)
- **Earnings per share** rose from EUR 2.98 to **EUR 3.10** (Cash EPS: EUR 3.14)
- **Tier 1 ratio** was **6.6%** as of end 2006 (previous year: 6.8%), **solvency ratio** was **10.3%** (previous year: 11.0%)

*) Unless otherwise stated, comparisons relate to levels at the end of 2005.

“2006 was an excellent year for the Erste Bank Group and not just from a commercial perspective”, said Andreas Treichl, CEO of Erste Bank der oesterreichischen Sparkassen AG at the presentation of the preliminary results for financial year 2006. “Our acquisition of the Romanian market leader Banca Comercială Română and entry into the Ukrainian market represent two significant steps in our expansion strategy. In economic terms, our two main subsidiaries moved up a gear – with Česká spořitelna and Slovenská sporiteľňa increasing operating results by 20% and 12% respectively. Despite the difficult economic environment Erste Bank Hungary was even able to increase its operating result by more than 30%. The strong performance of our new Romanian subsidiary, BCR, is particularly pleasing. Its net

¹ When comparing the rates of change, please note that Erste Bank Serbia and Banca Comercială Română (BCR) have been included in the Group financial statements since 9 August 2005 and 12 October 2006 respectively. Due to the significant effects of the inclusion of BCR, adjusted figures have also been given for comparison purposes.

According to revised IAS 19 (Employee Benefits), actuarial profits and losses can now be charged against equity without affecting net income when calculating long-term personnel provisions. Erste Bank introduced this practice in 2006. Furthermore, in preparation for the mandatory implementation of IFRS 7 (Financial Instruments: Disclosures) from 1 January 2007, the Erste Bank Group provided more detailed information in its 2006 balance sheet and income statement. In addition, a new equity allocation has been adopted for segment reporting in parallel with the inclusion of BCR in the Group financial statements. All prior-year figures and rates of change indicated are based on the restated comparative figures in line with these changes. Details of these changes were provided in a press release published on 30 January 2007. The press release can be found on the Erste Bank website (www.erstebank.com).

profit for the year before restructuring costs rose by almost 38% to EUR 254 million”, said Treichl. “Against the backdrop of economic success, maintaining a balanced risk profile remains a key priority. Following Romania’s EU accession, 95% of our almost 16 million customers are now within the regulatory framework of the EU”, concluded Treichl.

Business performance overview

With the 14.3% rise in Erste Bank Group’s **operating income** (+9.7% excluding BCR) significantly exceeding the 10.3% increase in **general administrative expenses** (+6.3% excluding BCR), the **operating profit** improved by 20.7% (+15.3% excluding BCR) from EUR 1,659.4 million to EUR 2,003.6 million.

The Group’s strong presence in the retail sector, even without the addition of BCR, was reflected in the extremely positive development of net interest income (+9.4%) and net commission income (+11.5%). The results from the insurance business were slightly down, due to market impact on securities valuations.

Demand for **credit risk provisioning** increased only moderately within the Group, up 4.2% from EUR 421.6 million to EUR 439.1 million. Excluding BCR, credit provisions remained almost unchanged (+2.2%).

The balance of **other operating result** and **earnings from** different categories of **financial assets** declined from EUR -16.1 million last year to EUR -42.3 million. This was primarily due to the new IFRS obligation to amortize goodwill relating to the acquired customer base of BCR. Excluding BCR, the result was EUR -12.7 million, a slight improvement on 2005.

Net profit after minority interests increased by 30.1% from 716.7 million to 932.2 million, a record level for the Erste Bank Group (+26.2% to EUR 904.8 million excluding BCR). As the acquisition of Romanian market leader BCR was only completed on 12 October 2006, it just made a modest contribution to this record level.. Including restructuring costs and linear amortisation of customer relationship value, BCR’s net profit contribution amounted to EUR 27.4 million. “The overall positive result of BCR is the first sign of the additional potential created within our Group as a result of this acquisition”, said Treichl.

The capital increase to fund the BCR acquisition in 2006 led to an anticipated drop in **return on equity**, from 19.5% to 13.7%.

Earnings per share increased from EUR 2.98 to EUR 3.10 in 2006, despite the 25% increase in average number of shares following the capital increase. Cash earnings per share stood at EUR 3.14 for the year 2006.

Total assets increased by 19.0% to EUR 181.7 billion in 2006 (+8.4% excluding BCR). This included increases of 20.8% in **loans and advances to customers** to EUR 97.1 billion (+11.3% excluding BCR), and 24.8% in **amounts owed to customers** (+ 14.8% without BCR).

The **tier 1 ratio** was 6.6% as of the end of 2006 (previous year: 6.8%); the solvency ratio was 10.3% (previous year: 11.0%), significantly above the statutory minimum of 8%.

Dividends

The Management Board will propose a dividend increase for financial year 2006 from EUR 0.55 to EUR 0.65 per share at the Annual General Meeting on 31 May 2007. “We are suggesting this increase of

almost 20% because we want our shareholders to participate adequately in the commercial success of our company”, explained CFO Reinhard Ortner. The new shares issued in 2006 are entitled to dividends for the whole of financial year 2006.

Outlook

Excluding the effect of the first-time consolidation of BCR, in 2006 Erste Bank Group was able to increase its net profit by 26.2% compared to 2005. In 2007, the Group targets 25% net profit growth with an increase of at least 20% planned for the years 2008 and 2009. Given the 70% increase in equity capital in 2006, the planned return on equity for this year was 13%. The actual figure of 13.7% was above this level, bringing the Group a step closer to its ROE target of 18-20% in 2009.

Erste Bank will adopt Basel II regulations in the first quarter of 2007. This will not have a significant overall impact compared to current regulations. However, adjustments will be seen in the Group’s individual segments. For example, a decrease in capital requirements for credit risk in the retail segment is expected.

In addition to BCR, further drivers in 2007 will be the Ukrainian market entry as well as the acquisition of Diners Club in Croatia.

Exchange rate development

Euro FX rates	End of period rates			Average rates		
	Dec 06	Dec 05	Change	2006	2005	Change
CZK/EUR	27.49	29.00	5.2%	28.32	29.85	5.1%
RON/EUR	3.38	3.68	8.1%	3.53	3.65	3.4%
SKK/EUR	34.44	37.88	9.1%	37.15	38.59	3.7%
HUF/EUR	251.77	252.87	0.4%	263.25	248.39	-6.0%
HRK/EUR	7.35	7.37	0.3%	7.33	7.42	1.2%
RSD/EUR	79.05	85.12	7.1%	84.27	83.10	-1.4%

Positive change = appreciation vs EUR, negative change = depreciation vs EUR

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 This text is also available on our website at <http://www.erstebank.com/Press..>

Appendix

I. GROUP PROFIT AND LOSS ACCOUNT (IFRS)

(2005 figures restated)

in EUR million	2006	2005	Change
Net interest income	3,189.3	2,794.2	14.1%
Risk provisions for loans and advances	-439.1	-421.6	4.2%
Net commission income	1,445.9	1,256.8	15.0%
Net trading result	277.9	241.7	15.0%
General administrative expenses	-2,945.3	-2,670.0	10.3%
Income from insurance business	35.8	36.7	-2.2%
Other operating result	-144.0	-73.2	96.8%
Income from financial assets - at fair value through profit or loss	-4.5	11.4	nm
Income from financial assets - available for sale	100.0	44.2	>100.0%
Income from financial assets - held to maturity	6.2	1.5	>100.0%
Pre-tax profit	1,522.2	1,221.7	24.6%
Taxes on income	-339.8	-301.7	12.6%
Net profit before minority interests	1,182.4	920.0	28.5%
Minority interests	-250.2	-203.2	23.1%
Net profit after minorities	932.2	716.7	30.1%

I

II. CONSOLIDATED BALANCE SHEET (IFRS)

(2005 figures restated)

in EUR million	Dec 06	Dec 05	Change
ASSETS			
Cash and balances with central banks	7,378	2,728	>100.0%
Loans and advances to credit institutions	16,616	16,858	-1.4%
Loans and advances to customers	97,107	80,419	20.8%
Risk provisions for loans and advances	-3,133	-2,817	11.2%
Trading assets	6,188	5,426	14.0%
Financial assets - at fair value through profit or loss	4,682	4,370	7.1%
Financial assets - available for sale	14,927	14,537	2.7%
Financial assets - held to maturity	16,700	15,122	10.4%
Investments of insurance companies	7,329	7,066	3.7%
Equity holdings in associates accounted for at equity	383	256	49.4%
Intangible assets	6,092	1,911	>100.0%
Tangible assets	2,165	1,688	28.2%
Tax assets	317	264	20.0%
Other assets	4,952	4,852	2.1%
Total assets	181,703	152,681	19.0%
LIABILITIES AND SHAREHOLDERS' EQUITY			
Amounts owed to credit institutions	37,688	33,911	11.1%
Amounts owed to customers	90,849	72,793	24.8%
Debts evidenced by certificates	21,814	21,291	2.5%
Trading liabilities	1,200	1,304	-8.0%
Underwriting provisions	7,920	7,056	12.2%
Other provisions	1,780	1,493	19.2%
Tax liabilities	291	188	54.8%
Other liabilities	4,047	3,975	1.8%
Subordinated capital	5,210	4,290	21.4%
Total equity	10,904	6,379	70.9%
Shareholders' equity	7,979	4,065	96.3%
Minority interests	2,925	2,314	26.4%
Total liabilities and equity	181,703	152,681	19.0%

III. SEGMENT REPORTING - ERSTE BANK GROUP

Overview*

(2005 figures restated)

in EUR million	Austria		CEE		Int'l Business		Corp. Center		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Net interest income	1,592.9	1,583.9	1,444.3	1,104.6	149.0	149.6	3.2	-43.9	3,189.3	2,794.2
Risk provisions	-312.7	-351.3	-126.9	-80.2	2.1	10.2	-1.5	-0.2	-439.1	-421.6
Net commission income	891.4	825.7	575.1	459.4	33.3	29.4	-53.8	-57.7	1,445.9	1,256.8
Net trading result	126.9	116.8	149.3	120.9	-0.2	0.0	1.8	4.0	277.9	241.7
General administrative expenses	-1,645.1	-1,632.5	-1,227.5	-989.1	-34.3	-35.8	-38.3	-12.5	-2,945.3	-2,670.0
Income - insurance business	17.9	28.8	17.9	7.9	0.0	0.0	0.0	0.0	35.8	36.7
Other result	27.4	-0.1	-23.7	-22.6	10.1	2.0	-56.2	4.6	-42.3	-16.1
Pre-tax profit	698.7	571.2	808.5	600.9	160.0	155.3	-144.9	-105.7	1,522.2	1,221.7
Taxes on income	-153.6	-142.1	-191.2	-133.0	-41.8	-44.5	46.8	17.9	-339.8	-301.7
Minority interests	-199.1	-160.9	-53.6	-24.7	0.0	0.0	2.6	-17.6	-250.2	-203.2
Net profit after minorities	345.9	268.1	563.7	443.3	118.2	110.8	-95.6	-105.4	932.2	716.7
Average risk-weighted assets	49,634.7	46,575.7	24,146.7	16,562.5	7,735.9	6,547.4	331.8	339.4	81,849.1	70,025.0
Average attributed equity	1,890.8	1,776.0	1,565.8	1,115.0	503.1	425.9	2,857.0	363.0	6,816.7	3,679.9
Cost/income ratio	62.6%	63.9%	56.1%	58.4%	18.9%	20.0%	n.a.	n.a.	59.5%	61.7%
ROE based on net profit	18.3%	15.1%	36.0%	39.8%	23.5%	26.0%	n.a.	n.a.	13.7%	19.5%

*) EUR 18m linear depreciation of goodwill for BCR customer base included in Other result of Corporate Center. The "Other result" line item includes the following P&L positions: other operating result, income from financial assets - at fair value through profit or loss, income from financial assets - available for sale, income from financial assets - held to maturity.

Austria*

(2005 figures restated)

	Savings Banks		Retail & Mortgage		Large Corporates		Trading & IB	
in EUR million	2006	2005	2006	2005	2006	2005	2006	2005
Net interest income	839.7	841.2	537.3	524.6	147.6	140.2	68.3	78.0
Risk provisions	-171.3	-215.8	-88.1	-105.1	-53.3	-30.5	0.0	0.0
Net commission income	365.0	358.1	335.1	314.5	101.0	82.2	90.3	70.9
Net trading result	25.4	20.6	10.6	10.2	3.0	1.5	87.9	84.5
General administrative expenses	-824.2	-825.2	-621.0	-623.8	-97.6	-89.4	-102.3	-94.1
Income - insurance business	0.0	0.0	17.9	28.8	0.0	0.0	0.0	0.0
Other result	11.4	13.8	-13.5	16.2	14.7	-29.0	14.8	-1.1
Pre-tax profit	246.1	192.7	178.3	165.4	115.4	75.1	158.9	138.1
Taxes on income	-51.9	-48.8	-39.4	-39.5	-27.1	-18.0	-35.2	-35.9
Minority interests	-178.4	-135.2	-15.5	-22.3	-5.3	-3.6	0.0	0.1
Net profit after minorities	15.8	8.8	123.4	103.7	83.0	53.4	123.7	102.3
Average risk-weighted assets	25,543.6	23,948.7	13,233.1	12,204.0	7,766.0	6,668.4	3,092.1	3,754.7
Average attributed equity	265.5	240.0	876.8	820.1	507.0	435.9	241.5	280.0
Cost/income ratio	67.0%	67.6%	68.9%	71.0%	38.8%	39.9%	41.5%	40.3%
ROE based on net profit	6.0%	3.6%	14.1%	12.6%	16.4%	12.3%	51.2%	36.5%

*) The "Other result" line item includes the following P&L positions: other operating result, income from financial assets - at fair value through profit or loss, income from financial assets - available for sale, income from financial assets - held to maturity.

Central and Eastern Europe (CEE)*

(2005 figures restated)

in EUR million	Czech Republic		Romania		Slovakia		Hungary		Croatia		Serbia	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Net interest income	705.6	583.5	127.8	0.0	239.5	197.3	251.2	219.0	111.1	101.9	9.2	3.0
Risk provisions	-52.5	-33.7	-8.2	0.0	-16.5	-11.1	-34.2	-17.1	-12.3	-14.4	-3.3	-3.9
Net commission income	324.9	287.0	45.0	0.0	82.8	82.5	88.4	64.8	29.7	23.3	4.3	1.9
Net trading result	55.1	49.4	19.0	0.0	20.9	14.9	35.3	34.6	19.8	20.4	-0.8	2
General administrative expenses	-613.2	-550.1	-107.6	0.0	-185.0	-167.3	-206.9	-185.8	-84.5	-75.3	-30.3	-10.7
Income - insurance business	14.5	7.9	3.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other result	17.4	8.7	-11.6	0.0	-7.3	-13.2	-22.0	-16.7	0.3	-1.7	-0.3	0.2
Pre-tax profit	451.7	352.6	67.9	0.0	134.3	103.1	111.8	98.9	64.1	54.3	-21.3	-7.9
Taxes on income	-114.4	-87.4	-11.5	0.0	-26.5	-14.1	-26.3	-20.6	-12.6	-10.9	0.1	0.0
Minority interests	-12.9	-8.5	-21.8	0.0	-0.1	0.1	-0.2	-0.2	-18.5	-16.6	0.1	0.3
Net profit after minorities	324.4	256.8	34.6	0.0	107.7	89.1	85.2	78.1	32.9	26.8	-21.2	-7.5
Average risk-weighted assets	11,572.0	9,136.9	2,100.9	0.0	3,387.4	2,421.5	3,949.4	2,606.5	2,970.8	2,289.8	166.2	107.8
Average attributed equity	796.2	642.0	100.1	0.0	240.7	177.3	274.8	193.5	136.4	94.1	17.6	8.1
Cost/income ratio	55.7%	59.3%	55.1%	0.0%	53.9%	56.8%	55.2%	58.4%	52.6%	51.7%	n.n.	n.n.
ROE based on net profit	40.7%	40.0%	34.6%	0.0%	44.8%	50.3%	31.0%	40.4%	24.1%	28.5%	n.n.	n.n.

*) The "Other result" line item includes the following P&L positions: other operating result, income from financial assets - at fair value through profit or loss, income from financial assets - available for sale, income from financial assets - held to maturity.