

Vienna, 29 February 2008

Erste Bank ends 2007 on a record quarter and beats target with net profit of EUR 1,174.7 million

HIGHLIGHTS¹:

- **Record profitability and efficiency in 2007.** Net profit after minority interests grew by 26% to EUR 1,174.7 million and operating result rose by 27.2% to EUR 2,547.7 million. The cost/income ratio improved to 58.8%. Cash earnings per share rose to EUR 3.92 (reported: EUR 3.76). Cash return on equity improved to 14.6% (reported ROE: 14.1%). In Q4 2007 Erste Bank achieved the best quarterly net profit in its history (EUR 336.8 million).
- **Outlook for 2008 and 2009 confirmed (earnings growth of at least 20% and 25%, respectively).**
- **BCR reaches the set targets.** Adjusted net profit for 2007 (BCR group, IFRS, before restructuring and transformation costs) rose by 42% to EUR 361.2 million (reported net profit in 2007: up 29% to EUR 276.5 million). **Growth target reaffirmed:** Adjusted net profit is to grow by more than 40% (CAGR) from 2006 to 2009 on a euro basis. In Romania, Erste Bank expects continued strong growth in 2008 based on sound monetary and fiscal policy and a stabilisation in the currency trend.
- **No significant profit impact from ABS/CDO portfolio.** Erste Bank has no exposure in the US mortgage market and thus none in the subprime segment. Therefore there are no impairment losses resulting from direct credit losses on the underlying assets. Mark-to-market valuations in reaction to the market volatility had a negative effect of EUR 30.2 million on pre-tax profit for the full year 2007 and a negative effect of EUR 10.0 million in Q4 2007 (after taxes: EUR 23 million and EUR 8 million, respectively). **No deterioration** in underlying asset quality is expected for 2008.
- **Capital base significantly strengthened:** Tier 1 ratio (based on Basel II) surpassed the target corridor (6.6-6.8%) and rose to 7.0%.
- **Dividend proposal** to the annual general meeting: **EUR 0.75** per share, up from EUR 0.65

Unless otherwise indicated, the base data for all comparisons is at or for the year ended December 31, 2006.

Earnings performance in brief

"Despite the turmoil in international capital markets and the – in our view one-sided – criticism of the economic trends in Central and Eastern Europe, the Erste Bank group not only had an excellent year for net profit, but also closed 2007 with the best quarter it has ever recorded," says Erste Bank CEO Andreas Treichl in summing up the financial year 2007.

"We have met our forecasts and boosted net profit after minority interests by 26.0% from EUR 932.2 million to EUR 1,174.7 million. This growth was driven largely by the superb net interest income and net fee and commission income, which both rose by more than 20%. The net trading result as well improved by more than one-quarter thanks to a conservative investment strategy that did not include any investments in the US mortgage market and thus also no investments in the subprime market."

¹ When reviewing the rates of change it should be noted that several subsidiaries were newly added to the consolidated financial statements in 2007 or only in late 2006: Banca Comercială Română (BCR) is included in the consolidated accounts since 12 October 2006, Erste Bank Ukraine since 24 January 2007, Diners Club Adriatic, Croatia (DCA) since 2 April 2007 and ABS Banka, Bosnia (acquired from Steiermärkische Sparkasse) since 3 April 2007. As the inclusion of BCR had a significant impact (whereas the effect of Erste Bank Ukraine, DCA and ABS Banka was still small), the rates of change in the amounts of income statement items are presented both with and without the effects of BCR's inclusion. As part of the pro-forma presentation excluding BCR, the prior year's net interest income was also adjusted to remove the investment income of EUR 56.4 million on the proceeds of the capital increase conducted at the end of January 2006. This investment income was earned during the period ending with the deal's closing in October 2006. For balance sheet items the comparatives are as at 31 December 2006 and include BCR.

Consistently strong operating profits in 2007 also came from our subsidiaries in Central and Eastern Europe,” continues Treichl.

Operating result (operating income less general administrative expenses) expanded even more strongly at 27.2%, from EUR 2,003.6 million to EUR 2,547.7 million.

The **cost/income ratio** (general administrative expenses as a percentage of operating income) improved from the prior-year level of 59.5% to 58.8%.

For the full year 2007 this meant a **cash return on equity** of 14.6% after taxes and minority interests (reported value: 14.1%) compared to 13.8% (reported: 13.7%) in 2006. “Cash” means before the amortisation of customer relationships and distribution networks from acquisitions.

Cash earnings per share in 2007 rose to EUR 3.92 (reported: EUR 3.76) compared with EUR 3.14 (reported: EUR 3.10) in the year before.

Total assets grew by 10.4% from EUR 181.7 billion one year earlier to EUR 200.5 billion at the end of 2007.

The **solvency ratio** in respect of credit risk (defined in accordance with Basel II beginning in 2007) increased from 10.3% at the end of 2006 to 10.5% at 31 December 2007. The **Tier 1 capital ratio** in respect of credit risk rose from 6.6% to 7.0%.

“In view of the excellent profit performance, we will propose to the annual general meeting to increase the **dividend** from EUR 0.65 per share to EUR 0.75,” announced Erste Bank’s CFO, Petr Kisbenedek.

Outlook²

In view of the sustained positive outlook for growth in Central and Eastern Europe in excess of the EU average, and given the related experience in the first two months of this year and the assumption that the current situation in international capital markets will stabilise in the second half of 2008, the **Erste Bank Group** continues to expect net profit after minority interests to grow by at least 20% in 2008 and at least 25% in 2009.

² In the third quarter of 2008 Erste Bank AG plans to split off the **Austria segment** (largely the Austrian retail and corporate banking business including entities allocated to them) into a wholly-owned subsidiary. This intra-group change in structure will have no effect on the financial results of the group as a whole. The remainder of Erste Bank AG will act as a holding company for the major banking subsidiaries and the group’s infrastructure functions, as well as for operating-level entities in Global Markets and in the Large Corporates and Investment Banking units.

Segments⁴

Czech Republic

Česká spořitelna's contribution to the group's net profit after minority interests jumped from EUR 324.4 million in 2006 to EUR 407.3 million last year, an increase of EUR 82.9 million or 25.5%. Operating result also grew markedly by 24.6% from EUR 486.8 million to EUR 606.7 million. This increase was propelled mainly by the strong rise in net interest income, which went up by 18.3% (EUR 129.2 million) from EUR 705.6 million to EUR 834.9 million. The chief drivers of this advance in net interest income were growth of more than 20% in loans and advances to customers and rising market interest rates, as well as significantly improved profit contributions from the building society and pension fund activities. A 9.1% increase in net fee and commission income from EUR 324.9 million to EUR 354.5 million reflected the highly satisfactory performance in payment services and securities business. General administrative expenses went up from EUR 613.2 million to EUR 662.9 (8.1%) as a result of higher personnel costs (due to extension of working hours) and expenses related to the considerable business expansion. Other result fell to a deficit of EUR 11.7 million from a 2006 surplus of EUR 17.4 million because measurement gains in 2006 on securities not held for trading could not be duplicated in 2007. The cost/earnings ratio was 52.2% (compared to 55.7% in the prior year) and return on equity amounted to 49.2% (prior year: 40.7%).

Romania

As BCR has only been included in the group's accounts since 12 October 2006, no comparative data for the full year 2006 is available for the segmental analysis. Net profit after minority interests in the full year 2007, which was defined by the transformation projects, reached EUR 218.2 million. Operating result was EUR 377.9 million. This translated into a cost/income ratio of 58.3% and return on equity of 60.9%. Risk provisions for loans and advances were greatly enhanced by the sale of assets that had been written off and by unexpected recoveries on amounts previously written off. A positive effect also came from EUR 74.0 million in partial releases of provisions made at group level on initial consolidation. The restructuring and transformation costs of EUR 68.2 million included in the net profit figure (representing especially termination benefits, marketing, consulting and training) were a distorting factor in the result. All these measures will contribute greatly to the achievement of the profit target – a compound annual growth rate until 2009 of more than 40% in net profit after minority interests (in euro terms on a local basis and before restructuring costs). The valuation of customer relationships required by IFRS 3 (using purchase price accounting) with the associated amortisation expense of EUR 76.1 million (recognised in other result) is allocated to Corporate Center, primarily to ensure comparability with all other segments.

Slovakia

Net profit after minority interests at Slovenská sporiteľňa rose by 9.2% compared to 2006, from EUR 107.7 million to EUR 117.6 million. Net interest income improved by 25.5% (EUR 61.0 million) from EUR 239.5 million to EUR 300.5 million. This was attributable in part to a powerful increase of 27% in loans and advances to customers. Net fee and commission income (EUR 95.8 million versus EUR 82.8 in 2006) rose on the strong credit demand and higher transaction volume in payment services. From EUR 185.0 million, general administrative expenses rose EUR 37.7 million or 20.4% to a new total of EUR 222.8 million. Contributing to this were both increased expenses for IT projects (the core banking system and introduction of the euro) and the trend in the exchange rate (up 9.0%). Operating result thus improved by almost 23% from EUR 158.1 million to EUR 194.4 million (or by 11.9% excluding the currency effect). The significant increase in risk provisions from EUR 16.5 million in 2006 to EUR 37.5

⁴ The published results of the individual subsidiaries cannot be compared directly to the results in the segmental analysis. From the fourth quarter of 2006, a new method of equity allocation has been used in segment reporting. One of its effects is the allocation of investment income from the already mentioned equity allocation to the segments. The comparative data for the previous quarters of 2006 was restated accordingly. As well, in the segment reporting, the "unwinding effects" under IAS 39 (compound-interest effect from expected cash flows on defaulted loans and advances to customers) of about EUR 62 million – which, although profit-neutral on balance, have implications for net interest income and risk provisions for loans and advances – are all presented under Corporate Center.

million resulted partly from the pronounced credit growth in the last several quarters and additional provisions in the factoring business, but also from the high base created by releases of provisions in the prior year (EUR 9.5 million). The fall in other result from a 2006 deficit of EUR 7.3 million to a negative balance of EUR 27.8 million in 2007 was related primarily due to the exceptional impairment of software triggered by the implementation of a new core banking system and introduction of the euro, as well as revaluations on securities not held for trading. The decline in income tax expense is based on the release of a provision from 2006 that was no longer required as a result of a change in legislation. Return on equity was 38.1% and the cost/income ratio improved from 53.9% to 53.4%.

Hungary

Erste Bank Hungary's operating result grew from EUR 168.0 million to EUR 194.1 million or by 15.5% (EUR 26.1 million). Net interest income showed a small increase of 0.8% (EUR 2.0 million) from EUR 251.2 million to EUR 253.2 million. A factor detracting from net interest income was a correction for interest accrued in the prior year (about EUR 8 million in the first quarter of 2007). As well, the changed allocation of up-front commission income in the leasing business from net fee and commission income resulted in a decrease in the latter. [Ist hiermit „dieser Position“ richtig gedeutet?] The significant increase in risk provisions from EUR 34.2 million to EUR 59.3 million is consistent with the growth in lending and the overall macroeconomic developments. Additionally, in the fourth quarter of 2007, impairment losses of EUR 6.4 million were assessed collectively for the retail portfolio. Net fee and commission income rose substantially to EUR 133.4 million, from EUR 88.4 million in 2006. This resulted from a significant increase in payment services and securities business and also partly from the presentation changes already described. General administrative expenses rose by 11.2% from EUR 206.9 million to EUR 230.1 million, owing mainly to higher staff costs in connection with the branch network expansion and the legally required employment of temporary staff at the bank. An improvement in other result (to a negative EUR 11.3 million from a deficit of EUR 22.0 million in 2006) was attributable largely to a change in the allocation of the expense for local taxes (municipal and innovation tax) that reduced the overall tax expense. Net profit after minority interests strengthened by 8.6% from EUR 85.2 million to EUR 92.6 million. The cost/income ratio was 54.2% and return on equity eased from 31.0% to 29.8%.

Croatia

With effect from 2007, Erste Bank Croatia is consolidated as a partial group within the group accounts of Erste Bank. This produced effects in net fee and commission income and in general administrative expenses that almost completely balanced each other. From the second quarter of 2007, the results of Diners Club Adriatic d.d. (DCA) are also included in the Croatia segment.

Operating result at Erste Bank Croatia increased markedly compared to 2006, by 68.3% (EUR 52.0 million), rising from EUR 76.1 million to EUR 128.1 million. Net interest income registered considerable growth – in spite of the restrictive legal regime aimed at curbing foreign-currency lending in Croatia and generally limiting credit growth – thanks to accelerating growth in lending and to stronger margins as the retail product mix shifted in favour of higher-interest products. As a consequence, net interest income rose by EUR 48.2 million from EUR 111.1 million to EUR 159.2 million (DCA's contribution: EUR 10.3 million). Net fee and commission income more than doubled from EUR 29.7 million to EUR 68.6 million – buoyed particularly in payments and securities business, but also by the income from credit card subsidiary DCA (which contributed EUR 19.2 million). General administrative expenses expanded by EUR 34.1 million or 40.4% from EUR 84.5 million to EUR 118.6 million, due largely to the already mentioned inclusion of additional subsidiaries. Return on equity rose sharply from 24.1% to 39.2% and the cost/income ratio improved from 52.6% to 48.1%.

Serbia

Net loss after minority interests improved from a deficit of EUR 21.2 million to a net loss of EUR 2.7 million, representing a positive change of EUR 18.5 million or 87.2%. This comparison reflected heavy restructuring activity in the base year 2006. Next to significant growth in net interest income (to EUR 16.2 million from the prior year's EUR 9.2 million), which was driven by expansion in customer lending and

interbank activity, risk provisions decreased noticeably. In 2007 both net fee and commission income and net trading result improved. General administrative expenses receded somewhat from the previous year's level (to EUR 28.4 million from EUR 30.3 million); costs in 2006 had been higher mainly because of necessary restructuring. The reason for a rise of EUR 2.1 million in other result from EUR -0.3 million to EUR 1.8 million was one-off revenue from the realisation of collateral in the first quarter of 2007.

Ukraine

Following the 100% acquisition of Bank Prestige by the group in January 2007, the focus of activity in this segment became the expansion of the market position of the bank, renamed "Erste Bank Ukraine". By 2010 the objective is to increase the market share to 4% and enlarge the network of outlets to approximately 400 bank branches across the country. At the end of 2007 the bank had 1130 employees and operated 71 branches; preparations to open an additional 52 branches were underway.

In comparison to the third quarter of 2007, the fourth continued to show a highly appealing rise in net interest income, driven by growth in loans and advances to customers. General administrative expenses, as anticipated, increased significantly from the third quarter as a result of the rapid business expansion. Net loss after minority interests in the Ukraine segment for the reporting period was EUR 19.1 million.

Foreign exchange rate movements

Euro FX rates	End of period rates			Average rates		
	Dec 07	Dec 06	Change	2007	2006	Vdg.
CZK/EUR	26.63	27.49	3.1%	27.71	28.45	2.6%
RON/EUR	3.61	3.38	-6.6%	3.34	3.55	5.8%
SKK/EUR	33.58	34.44	2.5%	33.82	37.66	10.2%
HUF/EUR	253.73	251.77	-0.8%	251.40	265.40	5.3%
HRK/EUR	7.33	7.35	0.3%	7.34	7.32	-0.3%
RSD/EUR	80.05	79.05	-1.3%	79.81	85.79	7.0%
UAH/EUR	7.42	6.65	-11.6%	6.91	6.25	-10.5%

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

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Erste Bank Group is with its almost 52,500 employees serving over 16 million clients in more than 2,800 branches in 8 countries one of the leading financial providers in CEE. As of 31 December 2007 Erste Bank has reached 200.5 billion EUR total assets, net profit of EUR 1.174,7 million and ROE of 14.6 %.

Appendix

I. CONSOLIDATED INCOME STATEMENT (IFRS)

in EUR million	2007	2006	Change
Net interest income	3,945.8	3,189.3	23.7%
Risk provisions for loans and advances	-454.7	-439.1	3.6%
Net fee and commission income	1,857.9	1,445.9	28.5%
Net trading result	351.1	277.9	26.4%
General administrative expenses	-3,642.1	-2,945.3	23.7%
Income from insurance business	35.0	35.8	-2.3%
Other operating result	-169.3	-144.0	-17.5%
Result from financial assets - FV	-47.8	-4.5	na
Result from financial assets - AfS	51.0	100.0	-49.0%
Result from financial assets - HtM	0.7	6.2	-88.4%
Pre-tax profit	1,927.6	1,522.2	26.6%
Taxes on income	-377.6	-339.8	11.1%
Net profit before minority interests	1,550.0	1,182.4	31.1%
Minority interests	-375.3	-250.2	50.0%
Net profit after minorities	1,174.7	932.2	26.0%

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II. CONSOLIDATED BALANCE SHEET (IFRS)

in EUR million	Dec 07	Dec 06	Change
ASSETS			
Cash and balances with central banks	7,615	7,378	3.2%
Loans and advances to credit institutions	14,937	16,616	-10.1%
Loans and advances to customers	113,956	97,107	17.4%
Risk provisions for loans and advances	-3,296	-3,133	5.2%
Trading assets	6,637	6,188	7.2%
Financial assets - at fair value through profit or loss	4,534	4,682	-3.2%
Financial assets - available for sale	16,200	14,927	8.5%
Financial assets - held to maturity	16,843	16,700	0.9%
Investments of insurance companies	8,054	7,329	9.9%
Equity holdings in associates accounted for at equity	285	383	-25.5%
Intangible assets	5,962	6,092	-2.1%
Tangible assets	2,289	2,165	5.7%
Tax assets	446	317	40.6%
Other assets	6,057	4,952	22.3%
Total assets	200,519	181,703	10.4%
LIABILITIES AND EQUITY			
Amounts owed to credit institutions	35,165	37,688	-6.7%
Amounts owed to customers	100,116	90,849	10.2%
Debt securities in issue	31,078	21,814	42.5%
Trading liabilities	1,756	1,200	46.3%
Underwriting provisions	8,638	7,920	9.1%
Other provisions	1,792	1,780	0.7%
Tax liabilities	329	291	13.3%
Other liabilities	4,653	4,047	15.0%
Subordinated capital	5,589	5,210	7.3%
Total equity	11,403	10,904	4.6%
Shareholder's equity	8,452	7,979	5.9%
Minority interests	2,951	2,925	0.9%
Total liabilities and equity	200,519	181,703	10.4%

III. SEGMENT REPORTING – ERSTE BANK GROUP

Summary*

in EUR million	Austria		CEE		Int'l Business		Corp. Center		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Net interest income	1,649.5	1,592.9	2,140.3	1,444.3	152.7	149.0	3.3	3.2	3,945.8	3,189.4
Risk provisions	-225.2	-312.7	-170.2	-126.9	9.9	2.1	-69.3	-1.5	-454.7	-439.1
Net fee and commission income	936.8	891.4	915.1	575.1	32.4	33.3	-26.3	-53.8	1,857.9	1,445.9
Net trading result	122.6	126.9	221.6	149.3	0.0	-0.2	7.0	1.8	351.1	277.9
General administrative expenses	-1,678.1	-1,645.1	-1,816.9	-1,227.5	-36.5	-34.3	-110.7	-38.3	-3,642.1	-2,945.3
Income - insurance business	11.8	17.9	23.2	17.9	0.0	0.0	0.0	0.0	35.0	35.9
Other result	-27.2	27.4	-66.7	-23.7	3.3	10.1	-74.9	-56.2	-165.4	-42.3
Pre-tax profit	790.2	698.7	1,246.4	808.5	161.9	160.0	-270.8	-144.9	1,927.6	1,522.3
Taxes on income	-166.3	-153.6	-232.5	-191.2	-39.9	-41.8	61.1	46.8	-377.6	-339.9
Minority interests	-249.4	-199.1	-144.4	-53.6	0.0	0.0	18.6	2.6	-375.3	-250.2
Net profit after minorities	374.5	345.9	869.6	563.7	121.9	118.2	-191.2	-95.6	1,174.7	932.2
Average risk-weighted assets	49,365.8	49,634.7	34,757.9	24,146.7	6,844.8	7,735.9	1,215.3	331.8	92,183.9	81,849.1
Average attributed equity	1,997.5	1,890.8	2,112.0	1,565.8	445.2	503.1	3,784.2	2,857.0	8,338.9	6,816.7
Cost/income ratio	61.7%	62.6%	55.1%	56.1%	19.7%	18.9%	n.a.	n.a.	58.8%	59.5%
ROE based on net profit	18.7%	18.3%	41.2%	36.0%	27.4%	23.5%	n.a.	n.a.	14.1%	13.7%

* Risk-weighted assets and attributed equity are not directly comparable between periods as a result of the application of Basel II from 1 January 2007.

"Other result" in the Corporate Center segment includes amortisation of customer relationships in the amount of EUR 60.7 million.

Other result consists of four income statement items: other operating result, result from financial assets at fair value through profit or loss, result from financial assets available for sale, and result from financial assets held to maturity.

Central and Eastern Europe (CEE) segment*

	Czech Republic		Romania		Slovakia		Hungary		Croatia		Serbia		Ukraine	
in EUR million	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Net interest income	834.9	705.6	568.2	127.8	300.5	239.5	253.2	251.2	159.2	111.1	16.2	9.2	8.0	0.0
Risk provisions	-70.7	-52.5	25.4	-8.2	-37.5	-16.5	-59.3	-34.2	-17.8	-12.3	0.1	-3.3	-10.3	0.0
Net fee and commission income	354.5	324.9	256.4	45.0	95.8	82.8	133.4	88.4	68.6	29.7	5.4	4.3	1.0	0.0
Net trading result	62.5	55.1	76.5	19.0	20.9	20.9	37.6	35.3	18.8	19.8	1.5	-1	3.7	0
General administrative expenses	-662.9	-613.2	-528.8	-107.6	-222.8	-185.0	-230.1	-206.9	-118.6	-84.5	-28.4	-30.3	-25.3	0.0
Income - insurance business	17.7	14.5	5.5	3.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other result	-11.7	17.4	-12.3	-11.6	-27.8	-7.3	-11.3	-22.0	-5.3	0.3	1.8	-0.3	-0.1	0.0
Pre-tax profit	524.3	451.7	391.0	67.9	129.1	134.3	123.4	111.8	105.0	64.1	-3.4	-21.3	-23.0	0.0
Taxes on income	-105.8	-114.4	-66.2	-11.5	-11.5	-26.5	-30.6	-26.3	-22.9	-12.6	0.5	0.1	3.9	0.0
Minority interests	-11.3	-12.9	-106.5	-21.8	0.0	-0.1	-0.2	-0.2	-26.5	-18.5	0.2	0.1	0.0	0.0
Net profit after minorities	407.3	324.4	218.2	34.6	117.6	107.7	92.6	85.2	55.7	32.9	-2.7	-21.2	-19.1	0.0
Average risk-weighted assets	11,971.2	11,572.0	9,977.3	2,100.9	4,415.6	3,387.4	4,467.9	3,949.4	3,234.2	2,970.8	466.6	166.2	225.1	0.0
Average attributed equity	827.1	796.2	477.8	100.1	308.8	240.7	311.1	274.8	142.1	136.4	26.6	17.6	18.5	0.0
Cost/income ratio	52.2%	55.7%	58.3%	55.1%	53.4%	53.9%	54.2%	55.2%	48.1%	52.6%	n.a.	n.a.	n.a.	n.a.
ROE based on net profit	49.2%	40.7%	45.7%	34.6%	38.1%	44.8%	29.8%	31.0%	39.2%	24.1%	n.a.	n.a.	n.a.	n.a.

* Risk-weighted assets and attributed equity are not directly comparable between periods as a result of the application of Basel II from 1 January 2007.

Other result consists of four income statement items: other operating result, result from financial assets at fair value through profit or loss, result from financial assets available for sale, and result from financial assets held to maturity.