Consolidated Financial Statements

Consolidated Financial Statements 2007 (IFRS)

I. Consolidated Income Statement of Erste Bank for the year ended 31 December 2007

in EUR thousand	Notes	2007	2006
Interest and similar income		9,665,433	7,089,295
Interest and similar expenses		(5,743,405)	(3,928,679)
Income from associates accounted for at equity		23,759	28,709
Net interest income	**1**	**3,945,787**	**3,189,325**
Risk provisions for loans and advances	2	(454,727)	(439,097)
Fee and commission income		2,240,610	1,805,098
Fee and commission expenses		(382,742)	(359,192)
Net fee and commission income	**3**	**1,857,868**	**1,445,906**
Net trading result	4	351,139	277,867
General administrative expenses	5	(3,642,097)	(2,945,330)
Income from insurance business	6	35,010	35,849
Other operating result	7	(169,281)	(144,043)
Result from financial assets - at fair value through profit or loss	8	(47,832)	(4,487)
Result from financial assets - available for sale	9	50,969	100,011
Result from financial assets - held to maturity	10	725	6,243
Pre-tax profit		**1,927,561**	**1,522,244**
Taxes on income	11	(377,607)	(339,843)
Net profit before minority interests		**1,549,954**	**1,182,401**
Minority interests		(375,259)	(250,155)
Net profit after minority interests	**12**	**1,174,695**	**932,246**

Earnings per share

Earnings per share constitute net profit after minority interests divided by the average number of ordinary shares outstanding. Diluted earnings per share represent the maximum potential dilution (increase in the average number of shares) which would occur if all granted subscription and conversion rights were exercised (also see Note 34, Total equity).

		2007	2006
Net profit after minority interests	in EUR thousand	1,174,695	932,246
Weighted average number of shares outstanding	Number	312,039,861	300,272,502
Earnings per share	**in EUR**	**3.76**	**3.10**
Diluted weighted average number of shares outstanding	Number	312,716,331	301,289,722
Diluted earnings per share	in EUR	3.76	3.09
Dividend per share	in EUR	0.75	0.65

II. Consolidated Balance Sheet of Erste Bank at 31 December 2007

in EUR thousand	Notes	2007	2006
ASSETS			
Cash and balances with central banks	13	7,615,030	7,377,868
Loans and advances to credit institutions	14	14,937,124	16,616,331
Loans and advances to customers	15	113,955,901	97,106,741
Risk provisions for loans and advances	16	(3,296,453)	(3,132,843)
Trading assets	17	6,636,691	6,188,401
Financial assets - at fair value through profit or loss	18	4,533,598	4,682,208
Financial assets - available for sale	19	16,200,397	14,926,945
Financial assets - held to maturity	20	16,843,138	16,699,666
Investments of insurance companies	21	8,054,004	7,329,156
Equity holdings in associates accounted for at equity	22	285,064	382,551
Intangible assets	23	5,962,277	6,092,150
Property and equipment	23	2,288,706	2,164,506
Tax assets	24	446,095	317,372
Other assets	23, 25	6,057,269	4,952,153
Total assets		**200,518,841**	**181,703,205**
LIABILITIES AND EQUITY			
Deposits by banks	26	35,164,647	37,687,835
Customer accounts	27	100,116,391	90,849,400
Debt securities in issue	28	31,078,230	21,813,518
Trading liabilities	29	1,755,711	1,200,106
Underwriting provisions	30	8,638,277	7,920,055
Other provisions	31	1,791,722	1,780,140
Tax liabilities	24	329,296	290,636
Other liabilities	32	4,652,481	4,047,332
Subordinated liabilities	33	5,588,810	5,209,976
Total equity	34	11,403,276	10,904,207
Shareholders' equity		8,451,935	7,979,073
Minority interests		2,951,341	2,925,134
Total liabilities and equity		**200,518,841**	**181,703,205**

*) Including the shares held by members of the Haftungsverbund.

III. Consolidated Statement of Changes in Total Equity

A) CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY FOR THE YEAR ENDED 31 DECEMBER 2007

in EUR million	Subscribed capital	Additional paid-in capital	Retained earnings and net profit after minority interests	Total Share-holder´s equity	Minority interests	Total equity 2007
Total equity at 31 December 2006	**630**	**4,514**	**2,835**	**7,979**	**2,925**	**10,904**
Changes in own shares	0	0	(65)	(65)	0	(65)
Purchase	0	0	(1,170)	(1,170)	0	(1,170)
Sale	0	0	1,076	1,076	0	1,076
Result	0	0	29	29	0	29
Dividends	0	0	(202)	(202)	(145)	(347)
Capital increases[1)]	2	43	0	45	0	45
Net profit before minority interests	0	0	1,175	1,175	375	1,550
Income and expenses recognised directly in equity	0	0	(480)	(480)	(218)	(698)
thereof Currency translation	0	0	(224)	(224)	(40)	(264)
Change in interest in subsidiaries	0	0	0	0	14	14
Total equity at 31 December 2007	**632**	**4,557**	**3,263**	**8,452**	**2,951**	**11,403**
Cash flow hedge reserve at 31 December 2007	0	0	0	(28)	(17)	(45)
Available for sale reserve at 31 December 2007	0	0	0	(321)	(275)	(596)
Actuarial gains/losses from long-term employee provisions at 31 December 2007	0	0	0	(256)	(116)	(372)
Deferred tax reserve at 31 December 2007	0	0	0	159	104	263

1) Capital increase in connection with the Employee Share Ownership Plan (ESOP) and Management Share Option Plan (MSOP).

B) CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY FOR THE YEAR ENDED 31 DECEMBER 2006

in EUR million	Subscribed capital	Additional paid-in capital	Retained earnings and net profit after minority interests	Total Share-holder´s equity	Minority interests	Total equity 2006
Total equity at 31 December 2005	**486**	**1,464**	**2,115**	**4,065**	**2,314**	**6,379**
Changes in own shares	0	0	(187)	(187)	0	(187)
Purchase	0	0	(1,831)	(1,831)	0	(1,831)
Sale	0	0	1,612	1,612	0	1,612
Result	0	0	32	32	0	32
Dividends	0	0	(133)	(133)	(50)	(183)
Capital increases[1)]	144	3,050	0	3,194	0	3,194
Net profit before minority interests	0	0	932	932	250	1,182
Income and expenses recognised directly in equity	0	0	108	108	(277)	(169)
thereof Currency translation	0	0	337	337	36	373
Change in interest in subsidiaries	0	0	0	0	688	688
Total equity at 31 December 2006	**630**	**4,514**	**2,835**	**7,979**	**2,925**	**10,904**
Cash flow hedge reserve at 31 December 2006	0	0	(14)	(14)	(17)	(31)
Available for sale reserve at 31 December 2006	0	0	5	5	(44)	(39)
Actuarial gains/losses from long-term employee provisions at 31 December 2006	0	0	(237)	(237)	(110)	(347)
Deferred tax reserve at 31 December 2006	0	0	57	57	44	101

1) Capital increases for the acquisition of shares of Banca Comercială Română (BCR) after deduction of the expenses incurred by the capital increase net of tax of about EUR 49.0 million as well as the capital increases in connection with the Employee Share Ownership Plan (ESOP) and Management Share Option Plan (MSOP).

Income and expenses recognised directly in equity

in EUR million	2007	2006
Net profit before minority interests	**1,550**	**1,182**
Available for sale-reserve (including currency translation)	(557)	(445)
Cash flow hedge-reserve (including currency translation)	(14)	(39)
Actuarial gains and losses	(25)	(231)
Deferred taxes on items recognised directly in equity	162	173
Currency translation	(264)	373
Total gains and losses recognised directly in equity	**(698)**	**(169)**
Total	**852**	**1,013**
Shareholders' equity	695	1,040
Minority interests	157	(27)

Changes in number of shares (see Note 34)

in units	2007	2006
Shares outstanding at 1 January	**296,014,126**	**228,499,894**
Acquisition of own shares	(21,713,124)	(7,742,170)
Disposal of own shares	19,450,956	3,143,817
Capital increase for the acquisition of BCR	0	64,848,960
Capital increases in connection with share swap offer to BCR staff	0	6,287,236
Capital increases due to ESOP and MSOP	992,760	976,389
Shares outstanding at 31 December	**294,744,718**	**296,014,126**
Own shares	21,544,227	19,282,059
Number of shares at 31 December	**316,288,945**	**315,296,185**
Weighted average number of shares outstanding	312,039,861	300,272,502
Dilution due to MSOP/ESOP	676,470	1,017,220
Diluted weighted average number of shares outstanding	312,716,331	301,289,722

IV. Cash Flow Statement

in EUR million	2007	2006
Net profit before minority interests	**1,550**	**1,182**
Non-cash adjustments for items in net profit before minority interests		
Depreciation, amortisation, impairment and reversal of impairment, revaluation of assets	485	355
Allocation to and release of provisions (including risk provisions)	623	580
Gains from the sale of assets	(26)	(74)
Other adjustments	(731)	(450)
Changes in assets and liabilities from operating activities after adjustment for non-cash components		
Loans and advances to credit institutions	1,880	820
Loans and advances to customers	(15,932)	(9,831)
Trading assets	(424)	(717)
Financial assets - at fair value through profit or loss	350	(958)
Financial assets - available for sale	(2,086)	340
Other assets from operating activities	(1,578)	(480)
Deposits by banks	(2,863)	840
Customer accounts	8,418	11,901
Debt securities in issue	9,156	(569)
Trading liabilities	527	(145)
Other liabilities from operating activities	1,232	703
Cash flow from operating activities	**581**	**3,497**
Proceeds of disposal		
Financial assets - held to maturity and associated companies	2,917	3,416
Fixed assets and investment properties	679	121
Acquisition of		
Financial assets - held to maturity and associated companies	(2,782)	(4,978)
Fixed assets and investment properties	(933)	(626)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	(205)	(944)
Cash flow from investing activities	**(324)**	**(3,011)**
Capital increases	45	3,195
Dividends paid	(202)	(133)
Other financing activities (mainly changes of subordinated liabilities)	356	920
Cash flow from financing activities	**199**	**3,982**
Cash and cash equivalents*) at beginning of period	**7,378**	**2,728**
Cash flow from operating activities	581	3,497
Cash flow from investing activities	(324)	(3,011)
Cash flow from financing activities	199	3,982
Effect of currency translation	(219)	182
Cash and cash equivalents*) at end of period	**7,615**	**7,378**
Cash flows related to taxes, interest and dividends	**3,602**	**2,859**
Payments for taxes on income	(344)	(330)
Interest and dividends received	9,689	7,118
Interest paid	(5,743)	(3,929)

*) Cash and cash equivalents are equal to cash in hand and balances with central banks.

Cash flow from acquisition of subsidiaries

in EUR million (Successive) share purchase	Open Joint-Stock Company "Erste Bank" 100%	Diners Club Adriatic d.d. 100%	ABS Banka d.d. 62,94%	Sparkasse Ried and Waldviertler Sparkasse von 1842 0%	Total
Cash and cash equivalents	4	0	31	27	
Loans and advances to credit institutions	31	1	6	96	
Loans and advances to customers	87	161	67	794	
Risk provisions for loans and advances	(1)	(12)	(4)	(36)	
Financial assets - available for sale	8	3	0	118	
Property and equipment	8	4	4	12	
Customer relationships and merchant relationships	0	50	6	0	
Other assets	1	2	2	18	
Deposits by banks	80	65	8	84	
Customer accounts	12	57	75	705	
Debt securities in issue	0	0	0	109	
Other liabilities	0	16	3	54	
Total equity	46	71	26	77	-
Shares purchased	100%	100%	62.94%	0%	-
Erste Bank's stake of total equity	46	71	17	0	134
Goodwill	35	81	17	0	133
Purchase price	81	152	33	0	267
Cash and cash equivalents	4	0	31	27	(62)
Cash flow from acquisition of companies net of cash and cash equivalents acquired					**205**

V. Notes to the Consolidated Financial Statements of Erste Bank Group

A. GENERAL INFORMATION

Erste Bank der oesterreichischen Sparkassen AG is Austria's oldest savings bank and the largest wholly privately-owned Austrian credit institution listed on the Vienna Stock Exchange. Since October 2002 it is also quoted on the Prague Stock Exchange and furthermore, since February 14, 2008 it is listed on the Bucharest Stock Exchange. Erste Bank's registered office is located at Graben 21, 1010 Vienna, Austria.

Erste Bank Group offers a complete range of banking and other financial services, such as saving, asset management (including investment funds), consumer credit and mortgage lending, investment banking, securities and derivatives trading, portfolio management, project finance, foreign trade financing, corporate finance, capital market and money market services, foreign exchange trading, leasing, factoring and insurance.

The consolidated financial statements of Erste Bank for the 2007 financial year and the comparable data for 2006 were prepared in compliance with applicable International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) published by the International Accounting Standards Board (IASB) and with their interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC, formerly Standing Interpretations Committee or SIC) as adopted by the European Union, thus satisfying the requirements of section 59a Austrian Banking Act and section 245a Austrian Commercial Code.

Unless otherwise indicated, all amounts are stated in millions of euros. The tables in this report may contain rounding differences.

Date when the consolidated financial statements are authorised for issue by the Supervisory Board: 26 March 2008

B. ACQUISITIONS

After signing the purchase agreement for the acquisition of 100% of Open Joint-Stock Company "Erste Bank" (formerly called Bank Prestige), Ukraine in December 2006, the transaction closed on 24 January 2007. Open Joint-Stock Company "Erste Bank" is included in the consolidated financial statements of Erste Bank with effect from that date.

The total purchase price for the acquisition of Open Joint-Stock Company "Erste Bank", including additional expenses of the transactions involved, was EUR 81.5 million. This gave rise to goodwill of UAH 230.8 million or EUR 35.4 million.

The contribution of Open Joint-Stock Company "Erste Bank" to the operating income of the Erste Bank Group from the time of initial consolidation was EUR 29.8 million; its contribution to net profit after minority interests was EUR -3.4 million. Had Open Joint-Stock Company "Erste Bank" been included in the Erste Bank's consolidated financial statements from 1 January 2007, the contribution to net profit after minority interests would have been EUR -3.4 million.

The identifiable assets acquired and liabilities assumed, measured at fair value, had the following composition at the time of initial consolidation:

in EUR million	Carrying amount (equals fair value)
Cash and balances with central banks	4.0
Loans and advances to credit institutions	31.1
Loans and advances to customers	87.2
Risk provisions for loans and advances	(0.6)
Property and equipment	8.3
Other assets	9.1
ASSETS	**139.1**
Deposits by banks	80.4
Customer accounts	12.3
Other liabilities	0.3
Total equity	46.1
LIABILITIES AND EQUITY	**139.1**

The goodwill associated with Open Joint-Stock Company "Erste Bank" was determined as follows:

in EUR million	2007
Purchase price incl. additional expenses	81.5
Shareholder's equity	(46.1)
Goodwill	**35.4**

On 2 April 2007 the purchase agreement was signed for the acquisition of 100% of Diners Club Adriatic d.d. Croatia ("DCA"), one of the leading Croatian credit card companies. DCA is included in the consolidated financial statements of Erste Bank from that date. The purchase price including transaction costs was EUR 152.2 million. Taking into account net asset value adjustments, this gave rise to goodwill of HRK 602.7 million or EUR 81.4 million.

At end-December 2007 Erste Bank AG sold an interest of 41% of DCA to Steiermärkische Sparkasse, a subsidiary of Erste Bank Group.

The net asset value adjustments pertain to employee benefit provisions and to the intangible assets acquired in this business combination (specifically, the value of customer relationships and the merchant relationships) as well as to related deferred taxes.

Both the customer relationships and the merchant relationships are recognised separately from goodwill. Customer relationships, measured at HRK 299.1 million or EUR 40.4 million, are amortised on a straight-line basis over the estimated useful life of 8 years; the merchant relationships, measured at HRK 70.1 million or EUR 9.5 million, is amortised on a straight-line basis over 5.5 years.

The contribution of DCA to the operating income of the Erste Bank Group from the time of initial consolidation was EUR 30.4 million; its contribution to net profit after minority interests and after amortisation of the customer relationships and merchant relationships was EUR 2.6 million. Had DCA been included in Erste Bank's consolidated financial statements from 1 January 2007, its contribution to net profit after minority interests and after amortisation of the customer relationships and merchant relationships would have been EUR 2.9 million.

The identifiable assets acquired and liabilities assumed, measured at fair value, had the following composition at the time of initial consolidation:

in EUR million	Carrying amount	Fair value adjustment	Fair value
Loans and advances to credit institutions	1.0		1.0
Loans and advances to customers	160.8		160.8
Risk provisions for loans and advances	(11.7)		(11.7)
Customer relationships	0.0	40.4	40.4
Merchant relationships	0.0	9.5	9.5
Property and equipment	3.9		3.9
Other assets	4.8		4.8
ASSETS	**158.8**	**49.9**	**208.7**
Deposits by banks	65.1		65.1
Customer accounts	56.8		56.8
Other liabilities	6.0	10.0	16.0
Total equity	30.9	39.9	70.8
LIABILITIES AND EQUITY	**158.8**	**49.9**	**208.7**

The goodwill associated with DCA was determined as follows:

in EUR million	2007
Purchase price incl. additional expenses	152.2
Shareholder's equity restated	70.8
Goodwill	**81.4**

Since the beginning of April 2007, Steiermärkische Sparkasse acquired a further 14.45% of ABS Banka d.d., Bosnia-Herzegovina, and thus now owns 62.94% of the shares of ABS Banka d.d. ABS Banka d.d. is included in the consolidated financial statements of Erste Bank with effect from 3 April 2007, by full consolidation.

The total purchase price for the acquisition of the shares of ABS Banka d.d., including transaction costs, was approximately EUR 33.0 million. The resulting goodwill, after net asset value adjustments, was BAM 30.5 million or EUR 16.5 million.

The net asset value adjustments pertain to the recognition of the customer relationships acquired in the course of the successive acquisition of ABS Banka d.d. shares and to the related deferred taxes.

Customer relationships are recognised separately from goodwill. The customer relationships were valued at BAM 11.8 million or EUR 6.0 million as of the time of initial consolidation and are amortised on a straight-line basis over the expected useful life of 10 years.

The contribution of ABS Banka to the operating income of the Erste Bank Group from the time of initial consolidation was EUR 8.1 million; its contribution to net profit after minority interests and after amortisation of customer relationships was EUR 8 thousand. Had ABS Banka already been included in Erste Bank's consolidated financial statements from 1 January 2007, its contribution to net profit after minority interests and after amortisation of customer relationships would have been EUR 10 thousand.

The identifiable assets acquired and liabilities assumed, measured at fair value, had the following composition at the time of initial consolidation:

in EUR million	Carrying amount	Fair value adjustment	Fair value
Cash and balances with central banks	31.1		31.1
Loans and advances to credit institutions	6.2		6.2
Loans and advances to customers	66.9		66.9
Risk provisions for loans and advances	(4.1)		(4.1)
Customer relationships	0.0	6.0	6.0
Property and equipment	4.0		4.0
Other assets	2.2		2.2
ASSETS	**106.4**	**6.0**	**112.4**
Deposits by banks	7.6		7.6
Customer accounts	75.2		75.2
Other liabilities	2.7	0.6	3.3
Total equity	21.0	5.4	26.4
LIABILITIES AND EQUITY	**106.4**	**6.0**	**112.4**

The goodwill associated with ABS Banka d.d. was determined as follows:

in EUR million	2007
Purchase price incl. additional expenses	33.0
Shareholder's equity restated	(16.6)
Goodwill	**16.5**

Having joined the Haftungsverbund, two additional savings banks – Sparkasse Ried im Innkreis-Haag am Hausruck and Waldviertler Sparkasse von 1842 AG – are included in the consolidated financial statements of Erste Bank since 31 December 2007. Erste Bank does not hold any equity interests in those savings banks.

Had these savings banks been included in the Erste Bank Group's financial statements from 1 January 2007, the contribution to net profit after minority interests would have been EUR 0.0.

In the aggregate, the identifiable assets acquired and liabilities assumed of Sparkasse Ried and Waldviertler Sparkasse von 1842, measured at fair value, had the following composition at the time of initial consolidation:

in EUR million	Carrying amount	Fair value adjustment	Fair value
Cash and balances with central banks	26.7		26.7
Loans and advances to credit institutions	96.0		96.0
Loans and advances to customers	793.6		793.6
Risk provisions for loans and advances	(39.1)	2.9	(36.2)
Property and equipment	12.5		12.5
Other assets	131.4	4.2	135.6
ASSETS	**1,021.0**	**7.1**	**1,028.1**
Deposits by banks	83.8		83.8
Customer accounts	704.5		704.5
Debt securities in issue	108.8		108.8
Other liabilities	46.9	6.7	53.7
Total equity	76.9	0.4	77.3
LIABILITIES AND EQUITY	**1,021.0**	**7.1**	**1,028.1**

The net asset value adjustments pertain to risk provisions for loans and advances, measurement of securities, and employee benefit provisions as well as to related deferred taxes.

In 2006 Erste Bank acquired 69.15% (547,976,335 shares) of the Romanian bank Banca Comercială Română S.A. (BCR). BCR has been included in the consolidated financial statements of Erste Bank since 12 October 2006. The total purchase price for the acquisition of the BCR shares, including transaction costs, was approximately EUR 4,196.1 million. This gave rise to goodwill (taking into account net asset value adjustments) of RON 9,828.9 million or EUR 2,787.6 million.

In addition, in 2006 Erste Bank acquired a further 4.41% (17,740 shares) of Erste Bank a.d. Novi Sad. At 31 December 2006 Erste Bank thus held 99.99% of the shares of Erste Bank a.d. Novi Sad. The purchase price (including transaction costs) of the 4.41% ownership interest totalled approximately EUR 4.0 million, resulting in goodwill at the acquisition date of RSD 324.3 million or EUR 3.7 million.

Shareholdings in significant companies and their representation in the consolidated financial statements are detailed in Note 48.

C. ACCOUNTING POLICIES

a) BASIS OF CONSOLIDATION

All subsidiaries directly or indirectly controlled by Erste Bank AG are fully consolidated in the Group financial statements, on the basis of these subsidiaries' annual accounts at and for the year ended 31 December 2007.

Erste Bank is a member of the Haftungsverbund agreement of the savings bank sector. At the balance sheet date almost all of Austria's savings banks formed part of this system.

The provisions of the agreement governing the Haftungsverbund are implemented by a steering company (s Haftungs- und Kundenabsicherungs GmbH). Erste Bank AG always holds directly at least 51% of the subscribed capital of this steering company. Two of the four members of the steering company's management, including the CEO, who has the casting vote, are appointed by Erste Bank AG. The steering company is vested with the power to monitor the common risk policies of its members. In addition, if a member encounters serious financial difficulties – this can be discerned from the specific indicator data that is continually generated – the steering company has the mandate to provide support measures and/or to intervene, as required, in the business management of the affected member savings bank. As Erste Bank AG owns the controlling interest in the steering company, it exercises control over the members of the Haftungsverbund. In accordance with IFRS, all Haftungsverbund members are therefore fully consolidated.

Investments in companies over which Erste Bank AG exercises a significant influence (associated companies, or "associates") are accounted for at equity (i.e. measured at equity). As a rule, significant influence is given by an ownership interest of between 20% and 50%. Joint ventures are also included using the equity method (IAS 31.38). Entities accounted for by the equity method are recognised largely as measured in annual financial statements at and for the year ended 31 December 2007.

Business combinations are accounted for using the purchase method, by offsetting the acquisition cost against the parent company's share in identifiable assets and liabilities. The subsidiary's assets and liabilities are measured at their individual fair values at the acquisition date. The difference between acquisition costs and net assets at fair value has been recognised as goodwill since 1 January 1995. Goodwill is tested for impairment annually as required under IFRS 3 (Business Combinations) in conjunction with IAS 36 (Impairment of Assets) and IAS 38 (Intangible Assets).

Minority interests are determined on the basis of assets and liabilities at fair value.

Intercompany balances, intercompany income and expenses and intercompany profits and losses are eliminated.

b) ACCOUNTING AND MEASUREMENT METHODS

An asset is recognised in the balance sheet if it is probable that it will generate a future economic benefit for Erste Bank and if its cost can be measured reliably.

A liability is recognised in the balance sheet if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and if the amount to be paid can be measured reliably.

Regular way (spot) purchases and sales of financial investments are recognised at the trade date.

Accounting assumptions and estimates

The consolidated financial statements contain data that has necessarily been arrived at on the basis of estimates and assumptions. The estimates and assumptions used are based on historical experience and other factors, such as planning as well as expectations and forecasts of future events that are currently deemed to be reasonable. Estimation uncertainty is associated especially with the determination of risk provisions for loans and advances, pension obligations and other provisions, goodwill, deferred tax assets, and fair value.

Foreign currency translation

Assets and liabilities stated in foreign currencies and outstanding foreign currency spot transactions are translated at ECB reference rates; outstanding forward exchange contracts are translated at the forward rate at the balance sheet date.

In the currency translation of the financial statements of foreign branches and subsidiaries reporting in foreign currencies, the ECB reference rate of exchange at the balance sheet date is used for translating the balance sheet and the annual average rate is used for translating the income statement. Currency translation gains and losses as a result of the consolidation of foreign subsidiaries are offset against retained earnings.

Net interest income

Interest and similar income mainly includes interest income in the narrow sense on loans and advances to credit institutions and customers, on balances at central banks and on fixed-interest securities. Also reported under interest and similar income are current income from shares and other variable-yield securities (especially dividends), income from equity investments in companies, income from investment properties and interest-like income calculated in the same manner as interest.

Interest and similar expenses mainly include interest paid on deposits by banks and customer accounts, on deposits of central banks and on debt securities in issue and subordinated liabilities (including hybrid issues). This item also includes interest-like expenses calculated in the same way as interest.

Interest income (if deemed collectible) and interest expenses are recognised as they accrue.

Income from investments measured at equity is likewise included in net interest income. Impairment losses, reversal of impairment losses and realised gains and losses on investments accounted for at equity are included under other operating result.

Risk provisions for loans and advances

This item includes allocations to and releases of specific and general risk provisions for loans and advances for both on-balance-sheet and off-balance-sheet transactions. Also reflected in this item are direct write-offs of loans and advances as well as recoveries of loans written-off.

Amounts allocated to and released from other risk provisions that do not pertain to lending business are reported in other operating result.

Net fee and commission income

Net fee and commission income consists of income and expenses from services business accrued in the reporting period. It includes income and expenses mainly from fees and commissions payable or receivable for payment services, securities brokerage and lending business, as well as from insurance business, mortgage brokerage and foreign exchange transactions.

Net trading result

Net trading result includes all results from securities, derivatives and currencies classified as held for trading. These include realised gains and losses, unrealised changes in fair value, and dividend income and net interest from trading portfolios.

General administrative expenses

General administrative expenses represent the following expenses accrued in the reporting period: personnel and other administrative expenses, as well as depreciation and amortisation. Not included are any amortisation of customer relationships and impairment of goodwill.

Personnel expenses include wages and salaries, bonuses, statutory and voluntary social security contributions, staff-related taxes and levies, and expenses for severance benefits (i.e., termination benefits) and pensions (including amounts allocated to and released from provisions).

Other administrative expenses include IT expenses, expenses for office space, office operating expenses, advertising and marketing, expenditures for legal and other consultants as well as sundry other administrative expenses.

Income from insurance business

Income from insurance business comprises all revenues and expenses of fully consolidated insurance companies, other than commission income from the sale of insurance products, which is included in net fee and commission income.

Income includes primarily premiums earned net of ceded business, investment income from underwriting business and unrealised gains from capital investments.

The main expenses included are claims incurred, changes in underwriting provisions, expenses for bonuses to holders of with-profits policies, investment and interest expenses and all operating expenses of the insurance business.

Other operating result

Other operating result reflects all other income and expenses not attributable to Erste Bank Group's ordinary activities. This includes especially impairment losses or any reversal of impairment losses, as well as results on the sale of property and equipment, amortisation and impairment of customer relationships, any impairment losses on goodwill, and impairment and any reversal of impairment losses of other intangible assets. In addition, other operating result encompasses the following: expenses for other taxes and for deposit insurance contributions; income from the release of and expenses for allocations to other provisions; impairment losses on and reversal of impairment losses of investments accounted for at equity, as well as realised gains and losses from the disposal of investments accounted for at equity.

Result from financial assets - at fair value through profit or loss

This item consists of results of fair value measurement of and realised gains or losses from securities, derivatives, investments in companies, and credit assets/liabilities assigned to the fair value portfolio (see Note: Financial assets – at fair value through profit or loss).

Result from financial assets – available for sale

The item represents – for available for sale securities and investments in companies – gains or losses on disposal as well as impairment losses and certain types of reversal of impairment losses resulting from a change in the issuer's credit rating (see Note: Financial assets – available for sale).

Result from financial assets – held to maturity

This item is composed of gains and losses from securities classified as held to maturity (see Note: Financial assets – held to maturity). This includes especially impairment losses and any reversal of impairment losses resulting from a change in the issuer's credit rating. The reversal of an impairment loss cannot increase the amortised cost.

Taxes on income

Taxes on income consist of current and deferred income tax.

Loans and advances

Loans and advances to credit institutions and customers are reported at amortised cost, after deducting any direct write-offs of credit losses.
The allowance for impairment of loans and advances is disclosed as risk provisions for loans and advances on the face of the balance sheet.

Interest receivable is not recognised as revenue in the income statement if, regardless of any legal claims, it is highly unlikely to be collected.

Securities not quoted on an active market are also reported under loans and advances.

Risk provisions for loans and advances

The special risks inherent in the banking business are taken into account as required through an allowance for impairment of loans and advances (for lendings recognised on the balance sheet) and through provisions for off-balance-sheet transactions. Provisions for credit risks are determined using the same measurement methods throughout the Group and reflect any collateral present.

Risk provisions for loans and advances include specific risk provisions for loans and advances for which objective evidence of impairment exists. In addition, risk provisions for loans and advances include portfolio risk provisions for loans and advances for which no objective evidence of impairment exists (incurred but not detected).

When a loan or advance is uncollectible, it is written off against an existing related specific risk provision if any, or is otherwise charged off directly in the income statement.

The total amount of risk provisions for loans and advances, inasmuch as it relates to on-balance-sheet assets, is reported as a line item deduction on the face of the balance sheet under assets, below loans and advances to credit institutions and loans and advances to customers. The provisions for off-balance-sheet transactions (particularly warranties and guarantees as well as other credit commitments) are included in other provisions.

Trading assets
Securities, derivatives and other financial instruments held for trading are reported on the balance sheet at fair value as of the balance sheet date. Listed products are measured at quoted market prices. The fair values of non-listed products are measured using the net present value method or other suitable valuation models.

Financial assets - at fair value through profit or loss
Securities which, under the Group's internal guidelines, are not classified as held for trading but whose performance is evaluated on a fair value basis are reported in the item financial assets - at fair value through profit or loss; i.e. for these financial assets the fair value option is applied. These securities are measured at fair value, with changes in fair value recognised in profit or loss in the corresponding income statement item result from financial assets – at fair value through profit or loss.

Financial assets - available for sale
Securities classified as available for sale, and equity investments in unconsolidated companies, are reported in the line item financial assets – available for sale (AfS). Changes in fair value of AfS securities arising from measurement are recognised directly in equity until the financial asset is derecognised. Impairment losses on AfS securities are recognised in the income statement item result from financial assets - available for sale. If the fair value of equity investments in unconsolidated companies cannot be measured reliably, they are measured at cost.

Financial assets - held to maturity
Assets held to maturity (HtM) represent fixed-income securities held until maturity.

Investments of insurance companies
Investments of insurance companies are reported as a separate line item. They include, among other items, land and buildings, investments and equity holdings in non-consolidated companies, mortgage receivables, securities and prepayments on insurance contracts. Investments of insurance companies are measured in accordance with the standards applicable to the particular asset types concerned.

Equity holdings in associates accounted for at equity
This item represents investments in associates.

In accordance with IAS 1.68, investments in companies accounted for at equity are reported as a separate line item. Companies are accounted for at equity if the Group exercises significant influence over them; this is generally deemed to be the case when Erste Bank has an ownership interest of 20% to 50%.

Intangible assets
Intangible assets consist of goodwill resulting from business combinations and other intangibles recognised separately from goodwill (customer relationships, brands, merchant relationships) and software.

As required by IFRS 3 (in conjunction with IAS 36 and IAS 38), an annual impairment test is carried out for all cash-generating units (CGUs) to review the value of existing goodwill. A CGU is the smallest identifiable group of assets that generates cash inflows from continuing use which are largely independent of the cash inflows from other assets or groups of assets. In Erste Bank Group, all business segments distinguished in the segment reporting in the financial statements are defined as CGUs. Separate legal entities within these segments are treated as separate CGUs.

The impairment test is performed for all CGUs to which goodwill is allocated. It is assumed for all other CGUs that any impairment in assets is taken into account on the basis of individual asset valuations. The calculation of the expected cash flows is based on the normalised projected earnings of the CGU. As a rule, the basis for the normalised projected earnings is the reported pre-tax profit before minority interests in local currency before deduction of consolidation items and before financing costs for the CGU.

To determine the net present values, future cash flows, are discounted at a pre-tax discount rate. The planning period consists of a detailed forecast period (typically 3 to 5 years, or longer if warranted by exceptional circumstances) and a rough planning period (represented by a perpetuity calculated based on the latest available detailed planning period).

The discount rate used is a long-term risk-free rate before taxes in local currency, to which country- and industry-specific risk premiums are added. These risk premiums do not reflect risks for which future cash flows have already been adjusted. The discount rate used is pre-tax. The discount rates currently used range from 10.33% to 15.56%.

Based on the above parameters, the CGU's value in use is calculated in euros as of each November. Where available, the CGU's fair value less costs to sell is determined, based on recent transactions, market quotations, appraisals, etc. The higher of value in use and fair value less costs to sell is the recoverable amount.

The subsidiary's proportionate or full recoverable amount (calculated as outlined above) is compared, respectively, to the sum of proportionate or full equity in the subsidiary, and goodwill. If the proportionate or full recoverable amount is less than the sum of proportionate or full equity and goodwill, the difference is recognised as an impairment loss, in the following order. The impairment loss is allocated first to writing down the CGU's goodwill. Any remaining impairment loss reduces the carrying amount of the CGU's other assets, though not to an amount less than their fair value. There is no need to recognise an impairment loss if the proportionate or full recoverable amount of the CGU is higher than or equal to the sum of proportionate or full equity and goodwill. Once recognised, an impairment loss for goodwill cannot be reversed in later periods.

Customer relationships and brands are capitalised if they can be measured with sufficient reliability; they are recognised separately from goodwill. Customer relationships are amortised on a straight-line basis over their expected useful life. Brands are not amortised as they are assumed to have an indefinite useful life. In the event of impairment, impairment losses are recognised.

Software produced internally is capitalised if the future economic benefits associated with the software are likely to flow to the Group and the cost can be reliably determined. Such software is amortised over the estimated useful life, which is generally deemed to be four to six years; the same range is assumed for acquired software.

In the event of impairment, impairment losses are recognised.

Property and equipment

Property and equipment – land and buildings, office furniture and equipment – are measured at cost, less straight-line depreciation (according to estimated useful life) and any impairment losses.

	Useful life in years
Buildings	20–50
Office furniture and equipment	5–20
Computer hardware	4–5

Other assets
The most important items reported under other assets are accrued interest and commission income, prepaid expenses, investment properties as defined by IAS 40, and positive fair values of derivatives in the banking book.

Investment properties are measured at amortised cost (less accumulated straight-line depreciation based on useful life) using the cost model permitted by IAS 40. In the case of impairment, impairment losses are recognised as required. If the reasons which led to the impairment cease to apply, the previously recognised impairment loss is reversed to no more than the asset's amortised cost. Investment properties under IAS 40.32B are measured at fair value.

Leases
The lease agreements in force in the Erste Bank Group almost exclusively represent finance leases, defined as leases in which all of the risks and rewards associated with the leased asset are transferred to the lessee. Pursuant to IAS 17, the lessor reports a receivable from the lessee amounting to the present value of the contractually agreed payments, taking into account any residual value.

In the case of operating leases – defined as leases where the risks and rewards of ownership remain with the lessor – the leased asset is reported by the lessor in property and equipment and depreciated in accordance with the principles applicable to the assets involved.

Deposits and other liabilities
Deposits and other liabilities are stated at their redemption value or par value, except for those measured at fair value through profit or loss. Deposits and other liabilities that meet the criteria for use of the fair value option are reported at fair value. Zero coupon bonds and similar instruments are reported at their present value.

Trading liabilities
The item represents derivative financial instruments with a negative fair value, delivery obligations from securities short sales, and other trading portfolio liabilities.

Other provisions
In accordance with IAS 19 (Employee Benefits), long-term employee provisions (obligations for pension, severance and jubilee benefits) are determined using the projected unit credit method. Pension obligations for current employees were transferred to external pension funds in previous years. Pension provisions relate only to retired employees. Remaining with Erste Bank Group is a defined-benefit obligation for entitlements of former employees who were already retired as of 31 December 1998 before the pension reform took effect, and for those former employees who retired in 1999 but remained entitled to a direct pension from Erste Bank under individual agreements; and for entitlements to resulting survivor pensions.

Future obligations are determined based on actuarial expert opinions. The calculation takes into account not only those pensions and vested rights to future pension payments known at the balance sheet date, but also anticipated future rates of increase in salaries and pensions.

As of 31 December 2007 for all domestic subsidiaries, the most important actuarial assumptions used in the computation were adjusted to reflect the situation at year-end 2007. Thus, the actuarial calculation of pension, severance and jubilee benefit obligations is based on a discount rate (long-term capital market interest rate) of 5.0% per annum (previously: 4.5%). The statutory increase in pension benefits is assumed to be 2.5% per year (previously: 2.0%) and severance and jubilee benefits are calculated based on an expected average annual increase of 3.8% in salaries (previously: 3.3%).

Long-term employee provisions (pension, severance and jubilee benefit obligations) were calculated in accordance with the Pagler & Pagler mortality tables titled "AVÖ 1999 P – Rechnungsgrundlagen für die Pensionsversicherung". In addition, from 31 December 2006 onwards, a flat safety margin of 5% of the present value of the pension obligations was considered to cover the expected future adjustment of the mortality tables.

The expected retirement age for each employee was individually calculated on the basis of the changes set out in the Budget Implementation Act of 2003 (Austrian Federal Law Gazette Vol. I No. 71/2003) regarding the increase in the minimum retirement age. The currently applicable legislation on the gradual raising of the retirement age for men and women to 65 was complied with.

For the Central European subsidiaries the discount rates used range from 5.25% (previously: 4.5%) to 7.4% (previously: 7.4%) depending on the country.

The Erste Bank Group applies the option allowed by IAS 19 to recognise actuarial gains or losses in respect of employee benefit provisions (defined-benefit plans for post-employment benefits) outside profit or loss. Actuarial gains or losses in pension and severance benefit provisions are recognised directly in equity for the period in which they occur (IAS 19.93A).

Actuarial gains or losses in provisions for jubilee benefits – for which the option of recognition outside profit or loss is not allowed – are recognised in profit or loss in the period during which they occur.

Other provisions are made for contingent liabilities to outside parties in the amount of the expected expense. Also included in other provisions are restructuring provisions and provisions for off-balance sheet risks.

Underwriting provisions are presented as a main item of that name.

Share-based payments

The Erste Bank Group grants shares and share options to employees and managers as compensation for their services, under employee share ownership and management share option plans. These share-based payments are recognised and measured in accordance with IFRS 2 (Share-based Payment). Shares and share options granted under the employee share ownership plan (ESOP) and under the management share option plans (MSOP) of 2002 and 2005 are measured at fair value at grant date. Any expense incurred in granting shares at a discounted price (the difference between issue price and fair value) under the ESOP is recognised immediately in profit or loss under personnel expenses. Any expense resulting from option grants under the MSOP is spread over the vesting period (the period between the grant date and the first permitted exercise date) and recognised in personnel expenses. Fair value is determined by means of generally accepted option pricing models (Black and Scholes, Binomial model).

Tax assets and liabilities

Assets and liabilities in respect of current and deferred taxes are recorded in tax assets and tax liabilities.

Current tax assets and liabilities are recognised at the amounts expected to be paid to or credited by the tax authorities concerned.

In measuring deferred taxes, the balance sheet liability method is used for temporary differences. Under this method the carrying amount of an asset or liability in the balance sheet is compared with its tax base for the respective subsidiary. Differences between these amounts represent temporary differences for which deferred tax assets or deferred tax liabilities are recognised regardless of when such differences cease to exist. The deferred taxes for the subsidiaries are measured at the local future tax rates that are expected to be applied. The deferred tax assets and deferred tax liabilities of any subsidiary are netted only if the taxes in question are levied by the same tax authority.

Deferred tax assets for unused tax losses are recognised inasmuch as it is likely that these loss carryforwards will be used in the future by offsetting against taxable income to realise a tax benefit. Deferred taxes are not discounted.

Financial guarantees

An obligation arising from a financial guarantee is recognised as soon as Erste Bank Group becomes a contracting party, i.e. when the guarantee offer is accepted.

Initial valuation is at fair value at the time of recognition. Considered in its entirety, the fair value of a financial guarantee at the time of contract conclusion is nil because for fair market contracts the value of the premium agreed generally corresponds to the value of the guarantee obligation. A check is performed for subsequent measurement to determine whether a risk provision is necessary.

c) APPLYING AMENDED AND NEW IFRS/IAS

In August 2005 the IASB adopted IFRS 7 (Financial Instruments: Disclosures). The purpose of IFRS 7 is to integrate all disclosure requirements regarding financial instruments in a single standard. In particular, the provisions of IFRS 7 replace the disclosure requirements previously contained in IAS 32 on financial instruments and in the bank-specific IAS 30. The application of the new IFRS 7 results in a significant expansion of risk reporting as regards financial instruments. IFRS 7 became effective on 1 January 2007. At the Erste Bank Group the disclosures in the Notes were expanded accordingly; the risk-related disclosures are presented in Note 40 Risk report.

In November 2006 the IASB adopted IFRS 8 (Operating Segments). IFRS 8 replaces IAS 14 and prescribes segment reporting based on operating segments. Under IFRS 8, operating segments are defined as those components of an entity for which separate financial information is available that is regularly reviewed by the entity's chief operating decision maker (a definition based on the so-called "management approach"). Application of IFRS 8 is mandatory from 1 January 2009. Erste Bank Group has applied IFRS 8 early.

In March 2007 the revised IAS 23 (Borrowing Costs) was issued. The application of the amended IAS 23 is mandatory for financial years beginning on or after 1 January 2009. The standard requires the capitalisation of borrowing costs that can be attributed to qualifying assets. A qualifying asset is an asset that requires a substantial period of time to get ready for its intended use or sale. Erste Bank Group did not apply the revised IAS 23 early in 2007. Due to the requirement that IAS 23 is to be amended prospectively, no reactive changes will affect previous years.

In July 2007, IFRIC Interpretation 14 (The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction) was published. Its application is mandatory for financial years beginning on or after 1 January 2008. IFRIC 14 provides guidance for determining the maximum amount of surplus in a defined-benefit plan that may be recognised as an asset under IAS 19 (Employee Benefits). This interpretation is not expected to have a bearing on the Group's financial position and results of operations.

D. NOTES TO THE CONSOLIDATED INCOME STATEMENT AND THE CONSOLIDATED BALANCE SHEET OF ERSTE BANK

1) Net interest income

in EUR million	2007	2006
Interest income		
Lending and money market transactions with credit institutions	1,342.8	990.7
Lending and money market transactions with customers	6,334.1	4,273.5
Fixed-income securities	1,521.7	1,364.6
Other interest and similar income	54.4	58.8
Current income		
Shares and other variable-yield securities	120.9	163.2
Investments		
Non-consolidated subsidiaries	9.5	11.2
Other investments	17.6	6.9
Investment properties	72.2	69.6
Interest and similar income	**9,473.2**	**6,938.5**
Interest income from financial assets - at fair value through profit or loss	192.2	150.8
Total interest and similar income	**9,665.4**	**7,089.3**
Interest expenses		
Deposits by banks	(1,829.0)	(1,288.6)
Customer accounts	(2,404.1)	(1,562.9)
Debt securities in issue	(1,135.2)	(787.7)
Subordinated liabilities	(351.3)	(282.2)
Other	(23.4)	(7.3)
Interest and similar expenses	**(5,743.0)**	**(3,928.7)**
Interest expenses from financial assets - at fair value through profit or loss	(0.4)	0.0
Total interest and similar expenses	**(5,743.4)**	**(3,928.7)**
Income from associates accounted for at equity	**23.8**	**28.7**
Total	**3,945.8**	**3,189.3**

Net interest income includes the net interest income of EUR 295.4 million (2006: EUR 194.4 million) from finance leases.

2) Risk provisions for loans and advances

in EUR million	2007	2006
Allocation to risk provisions for loans and advances	(1,308.6)	(1,070.5)
Release of risk provisions for loans and advances	849.4	636.0
Direct write-offs of loans and advances	(89.4)	(49.3)
Recoveries on written-off loans and advances	93.9	44.7
Total	**(454.7)**	**(439.1)**

3) Net fee and commission income

in EUR million	2007	2006
Lending business	346.3	211.2
Payment transfers	742.0	551.0
Card business	152.3	102.6
Securities transactions	517.8	454.3
Investment fund transactions	239.8	212.8
Custodial fees	53.2	52.1
Brokerage	224.8	189.4
Insurance business	59.7	63.9
Building society brokerage	38.2	31.8
Foreign exchange transactions	37.2	38.6
Investment banking business	27.8	21.7
Other	88.9	73.4
Total	**1,857.9**	**1,445.9**

4) Net trading result

in EUR million	2007	2006
Securities and derivatives trading	102.1	104.1
Foreign exchange transactions	249.0	173.8
Total	**351.1**	**277.9**

5) General administrative expenses

in EUR million	2007	2006
Personnel expenses	(2,189.3)	(1,750.5)
Other administrative expenses	(1,070.5)	(848.2)
Depreciation and amortisation	(382.3)	(346.6)
Total	**(3,642.1)**	**(2,945.3)**

Personnel expenses

in EUR million	2007	2006
Wages and salaries	(1,618.9)	(1,288.1)
Compulsory social security contributions	(440.1)	(342.1)
Long-term employee provisions	(83.0)	(86.0)
Other personnel expenses	(47.3)	(34.3)
Total	**(2,189.3)**	**(1,750.5)**

Personnel expenses include expenses of EUR 41.6 million (2006: EUR 43.1 million) for defined-contribution plans.

Average number of employees during the financial year (weighted according to the level of employment)

	2007	2006
Employed by Erste Bank Group	**52,352**	**40,032**
Domestic	15,128	14,796
Haftungsverbund savings banks	6,906	6,841
Abroad	37,224	25,236
Banca Comercială Română Group[1)]	13,084	3,345
Česká spořitelna Group	10,897	10,809
Slovenská sporiteľňa Group	4,812	4,869
Erste Bank Hungary Group	3,064	2,819
Erste Bank Croatia Group	1,827	1,735
Erste Bank Serbia	906	885
Erste Bank Ukraine	784	0
Other subsidiaries and foreign branch offices	1,850	774

1) BCR is consolidated since October 2006, therefore the average number of employees for the fourth quarter 2006 was allocated for the whole business year 2006 (the average number of employees of BCR for the entire fiscal year amounts to 13,380).

At the end of 2007, loans and advances to members of the management board totalled EUR 663 thousand (31 December 2006: EUR 603 thousand). Loans and advances to persons related to members of the management board totalled EUR 29 thousand at 31 December 2007 (31 December 2006: EUR 0 thousand). Loans to members of the supervisory board totalled EUR 362 thousand (end of 2006: EUR 400 thousand). Loans and advances to persons related to members of the supervisory board totalled EUR 15 thousand (31 December 2006: EUR 31 thousand). The applicable interest rates and other terms (maturity dates and collateral) are in line with standard market practice. In 2007 members of the management board made loan repayments totalling EUR 12 thousand (2006: EUR 10 thousand) and repayments amounting to EUR 400 thousand were made by the members of the supervisory board (2006: EUR 0).

In the year under review, management board members who held office in 2007 received remuneration (including compensation in kind) totalling EUR 15,190 thousand (2006: EUR 11,219 thousand) in this capacity. This represented 0.7% of the total personnel expenses of the Erste Bank Group. In the 2007 financial year, EUR 664 thousand (2006: EUR 647 thousand) was paid to former members of the management board or their surviving dependants.

The breakdown of management board compensation in 2007 was as follows:

in EUR thousand	Salary	Bonus	Other compensation	Total
Managing board member				
Andreas Treichl	1,239	2,820	361	4,420
Elisabeth Bleyleben-Koren	831	1,023	196	2,050
Peter Bosek, since 1 July 2007	230	0	18	248
Erwin Erasim, until 30 June 2007	267	438	1,191	1,896
Franz Hochstrasser	702	656	165	1,523
Herbert Juranek, since 1 July 2007	305	0	22	327
Johannes Kinsky, since 1 July 2007	305	0	16	321
Peter Kisbenedek, since 1 July 2007	355	0	26	381
Reinhard Ortner, until 30 June 2007	399	1,002	1,544	2,945
Bernhard Spalt	510	226	72	808
Thomas Uher, since 1 July 2007	254	0	19	273

The item “other compensation” includes pension fund contributions and various non-cash compensation. For the two members who retired from the management board as of 30 June 2007, the severance payments are also included in other compensation.

In 2007 the management board of Erste Bank AG did not receive board emoluments or other compensation from fully consolidated subsidiaries of Erste Bank. The compensation of the members of the management board depends on the individual’s responsibilities, the achievement of corporate targets and the group’s financial situation.

In 2007, members of the supervisory board of Erste Bank who held office in 2007 were paid a combined total of EUR 491 thousand (2006: 517 thousand) in this capacity. Members of the supervisory board received the following compensation for board positions in fully consolidated subsidiaries of Erste Bank: Heinz Kessler: EUR 31,881 and Georg Winckler EUR 800. No other transactions were entered into with members of the supervisory board. Companies related to members of the supervisory board invoiced the following amounts from other transactions:

In 2007, DORDA BRUGGER JORDIS Rechtsanwälte GmbH, a law firm in which Theresa Jordis is a partner, invoiced Erste Bank EUR 307,693.98 for several orders.

The following amounts of compensation were paid to the individual members of the supervisory board:

in EUR thousand	Supervisory Board compensation	Meeting fees	Total
Supervisory Board member			
Heinz Kessler	50	17	67
Georg Winckler	38	15	52
Theresa Jordis	38	13	51
Bettina Breiteneder	25	7	32
Elisabeth Gürtler	25	6	31
Jan Homan	25	7	32
Josef Kassler, until 31 May 2007	25	1	26
Brian Deveraux O´Neill, since 31 May 2007	0	2	2
Lars-Olof Ödlund, until 31 May 2007	25	1	26
Wilhelm Rasinger	25	11	36
Friedrich Rödler	25	14	39
Hubert Singer	25	3	28
John James Stack, since 31 May 2007	0	2	2
Gabriele Zuna-Kratky	17	5	21
Günter Benischek	0	6	6
Erika Hegmala	0	7	7
Ilse Fetik	0	4	4
Joachim Härtel, until 1 May 2007	0	3	3
Anton Janku, until 26 November 2007	0	8	8
Friedrich Lackner, since 1 May 2007	0	8	8
Christian Havelka	0	6	6
Karin Zeisel, from 26 November 2007 until 17 January 2008	0	1	1
Werner Hutschinski until 19 May 2006	8	0	8

The compensation of the supervisory board members depends on the individual's responsibilities, the business volume and the company's financial situation.

Based on a resolution of the annual general meeting held on 31 May 2007, the supervisory board at its constituting meeting set the following annual compensation structure:

in EUR thousand	Number	Allowance per person	Total allowance
President	1	50,000	50,000
Vice Presidents	2	37,500	75,000
Members	9	25,000	225,000
Total	**12**		**350,000**

The specific compensation of each member is calculated by dividing the annual allowance by twelve and multiplying the result by the number of months served in the respective position during the year.

Other administrative expenses

in EUR million	2007	2006
IT expenses	(244.4)	(169.8)
Expenses for office space	(233.5)	(179.2)
Office operating expenses	(164.7)	(158.2)
Advertising/marketing	(179.6)	(152.6)
Legal and consulting costs	(123.5)	(84.0)
Sundry administrative expenses	(124.8)	(104.4)
Total	**(1,070.5)**	**(848.2)**

Depreciation and amortisation

in EUR million	2007	2006
Software and other intangible assets	(163.5)	(147.1)
Real estate used by the Group	(71.4)	(53.6)
Office furniture and equipment and sundry property and equipment	(147.4)	(145.9)
Total	**(382.3)**	**(346.6)**

Amortisation of customer relationships is not included in the item depreciation and amortisation, but in other operating result.

6) Income from insurance business

in EUR million	2007	2006
Premiums earned	1,199.6	1,081.3
Investment income from technical business	304.6	336.0
Claims incurred	(672.1)	(393.9)
Use	(592.0)	(831.1)
Expenses for policyholder bonuses	(55.4)	(66.0)
Operating expenses	(145.8)	(124.0)
Sundry underwriting profit/loss	0.0	38.6
Underwriting profit/loss	**38.9**	**40.9**
Financial profit/loss	296.7	329.8
Carry forward-underwriting	(300.6)	(334.9)
Total	**35.0**	**35.8**

7) Other operating result

in EUR million	2007	2006
Other operating income	198.8	169.5
Other operating expenses	(368.1)	(313.5)
Total	**(169.3)**	**(144.0)**
Result from real estate/properties	25.1	29.9
Allocation/release of other provisions/risks	8.3	(38.6)
Expenses for deposit insurance contributions	(37.6)	(29.5)
Amortisation of intangible assets (customer relationships)	(81.8)	(18.0)
Other taxes	(26.0)	(25.1)
Result from other operating expenses/income	(57.3)	(62.7)
Total	**(169.3)**	**(144.0)**

8) Result from financial assets – at fair value through profit or loss

in EUR million	2007	2006
Gain/(loss) from measurement/sale of financial assets at fair value through p&l	(47.8)	(4.5)

9) Result from financial assets – available for sale

in EUR million	2007	2006
Gain/(loss) from sale of financial assets available for sale	54,5	104,8
Impairment of financial assets available for sale	-3,5	-4,8
Total	**51,0**	**100,0**

During the reporting period the amount removed from equity and recognised in result from financial assets – available for sale was EUR 36 million.

10) Result from financial assets – held to maturity

in EUR million	2007	2006
Income		
Income from sale of financial assets held to maturity	0,7	0,7
Appreciation of financial assets held to maturity	0,2	6,9
Expenses		
Loss from sale of financial assets held to maturity	-0,2	-1,4
Impairment of financial assets held to maturity	0,0	0,0
Total	**0,7**	**6,2**

11) Taxes on income

Taxes on income are made up of current taxes on income calculated in each of the group companies based on the results reported for tax purposes, corrections to taxes on income for previous years, and the change in deferred taxes.

in EUR million	2007	2006
Current tax expense	(344.3)	(257.1)
Deferred tax expense	(33.3)	(82.7)
Total	**(377.6)**	**(339.8)**

The following table reconciles pre-tax profit at the Austrian tax rate to the income taxes reported in the income statement:

in EUR million	2007	2006
Pre-tax profit	1,927.6	1,522.2
Income tax expense for the financial year at the domestic statutory tax rate (25%)	(481.9)	(380.6)
Impact of different foreign tax rates	24.9	13.3
Impact of tax-exempt earnings of investments and other tax-exempt income	134.3	105.5
Tax increases due to non-deductible expenses	(55.0)	(106.5)
Tax expense/income not attributable to the reporting period	0.1	28.5
Total	**(377.6)**	**(339.8)**

12) Appropriation of the net profit

in EUR million	2007	2006
Net profit after minority interests	1,174.7	932.2
Changes in reserves	(938.2)	(727.4)
Profit carried forward of the parent company	0.9	0.2
Distributable profit of the parent company	**237.4**	**205.0**

It will be proposed to the annual general meeting of Erste Bank AG to pay shareholders a dividend of EUR 0.75 per share (prior year: EUR 0.65 per share), or EUR 237,216,708.75 in total, and to carry forward the retained profit remaining under section 65 (5) Austrian Stock Corporation Act.

13) Cash and balances with central banks

in EUR million	2007	2006
Cash in hand	1,894	1,619
Balances with central banks	5,721	5,759
Total	**7,615**	**7,378**

14) Loans and advances to credit institutions

in EUR million	2007	2006
Loans and advances to domestic credit institutions	1,556	1,610
Loans and advances to foreign credit institutions	13,381	15,006
Total	**14,937**	**16,616**

15) Loans and advances to customers

in EUR million	2007	2006
Loans and advances to domestic customers		
Public sector	2,934	2,812
Commercial customers	31,357	28,323
Private customers	21,463	20,466
Unlisted securities	20	20
Other	114	126
Total loans and advances to domestic customers	**55,888**	**51,747**
Loans and advances to foreign customers		
Public sector	1,978	1,898
Commercial customers	32,932	25,958
Private customers	21,878	15,963
Unlisted securities	1,084	1,225
Other	196	316
Total loans and advances to foreign customers	**58,068**	**45,360**
Total	**113,956**	**97,107**

Loans and advances to customers includes receivables from finance lease agreements totalling EUR 5,733 million (2006: EUR 4,814 million). The gross investment in leases, i.e. the minimum lease payments receivable as well as any unguaranteed residual value, was EUR 7,488 million (2006: EUR 6,133 million). Of this 970 million (2006: 572 million) represented unguaranteed residual values. The related unearned finance income was EUR 1,754 million (2006: EUR 1,318 million).

16) Risk provisions for loans and advances

in EUR million	2006	Acquisition of subsidiaries	Currency translation	Allocations	Use	Releases	Unwinding[4]	Reclassification[2]	2007
Specific provisions	2,476	48	(6)	1,030	(375)	(612)	(62)	(68)	2,431
General provisions	657	3	(33)	228	0	(204)	0	214	865
Risk provisions for loans and advances [1]	**3,133**	**51**	**(39)**	**1,258**	**(375)**	**(816)**	**(62)**	**146**	**3,296**
Other risk provisions [3]	105	0	1	22	(3)	(10)	0	28	143
Provision for guarantees	70	0	0	30	(1)	(25)	0	(8)	66
Total	**3,308**	**51**	**(38)**	**1,310**	**(379)**	**(851)**	**(62)**	**166**	**3,505**

1) Risk provisions for loans and advances are recognised in the balance sheet as a deduction from assets.
2) Reclassifications include reintegrations of loans written off.
3) Other risk provisions mainly include provisions for legal proceedings, realisation losses, and liabilities for statements made in offering circulars.
4) In the 2006 financial year unwinding amounted to EUR 44.5 million.

17) Trading assets

in EUR million	2007	2006
Bonds and other fixed-income securities		
Listed	3,900	3,534
Unlisted	121	159
Shares and other variable-yield securities		
Listed	507	201
Unlisted	299	807
Positive fair value of derivative financial instruments		
Currency-related derivatives	433	159
Interest-rate-related derivatives	1,286	1,242
Other derivatives	91	86
Total	**6,637**	**6,188**

18) Financial assets – at fair value through profit or loss

in EUR million	2007	2006
Bonds and other fixed-income securities		
Listed	3,534	3,541
Unlisted	117	223
Shares and other variable-yield securities		
Listed	883	918
Total	**4,534**	**4,682**

19) Financial assets – available for sale

in EUR million	2007	2006
Bonds and other fixed-income securities		
Listed	9,190	8,600
Unlisted	3,665	2,771
Shares and other variable-yield securities		
Listed	529	516
Unlisted	2,460	2,744
Equity holdings	356	296
Total	**16,200**	**14,927**

20) Financial assets – held to maturity

in EUR million	2007	2006
Listed	15,209	14,600
Unlisted	1,634	2,100
Total	**16,843**	**16,700**

In 2007, EUR 5.9 million of financial assets – held to maturity were reclassified to the available for sale portfolio due to regulatory changes in Central Europe.

21) Investments of insurance companies

in EUR million	2007	2006
Held to maturity portfolio	1,532	1,467
Fair value portfolio (fair value option)	2,615	2,755
Available for sale portfolio	3,683	2,794
Other	224	313
Total	**8,054**	**7,329**

22) Equity holdings in associates accounted for at equity

in EUR million	2007	2006
Credit institutions	112	102
Non-credit institutions	173	281
Total	**285**	**383**

At 31 December 2007, the fair value of listed equity holdings amounted to EUR 99.6 million.

23) Movements in fixed assets and financial investments

Movements in fixed assets and financial investments 2007

in EUR million	At cost 2006	Acquisition of subsidiaries (+)	Currency translation (+/–)	Additions (+)	Disposals (–)	At cost 2007
Intangible assets	**7,426**	**206**	**(247)**	**255**	**(121)**	**7,519**
Goodwill	4,852	149	(183)	0	0	4,818
Customer relationships	833	56	(51)	0	0	838
Brand	384	0	(24)	0	0	360
Other (primarily software)	1,357	1	11	255	(121)	1,503
Property and equipment	**4,187**	**102**	**(2)**	**386**	**(230)**	**4,443**
Land and buildings (used by the group)	2,439	93	(5)	169	(85)	2,611
Office furniture and equipment, hardware and sundry property and equipment	1,748	9	3	217	(145)	1,832
Investment properties and other movable properties[1]	**1,242**	**22**	**10**	**292**	**(90)**	**1,476**
Investment properties	1,191	22	10	280	(83)	1,420
Other movable properties	51	0	0	12	(7)	56
Total	**12,855**	**330**	**(239)**	**933**	**(441)**	**13,438**

1) Investment properties and other movable properties are reported in other assets.

Tangible assets include assets under operating lease agreements with a total carrying amount of EUR 251 million (31 December 2006: EUR 248 million).

in EUR million	Accumulated depreciation 2007	Currency translation (+/–)	Amortisation and depreciation (–)[2]	Impairment (+/–)[3]	Carrying amounts 2007
Intangible assets	**(1,556)**	**(2)**	**(246)**	**(16)**	**5,963**
Goodwill	(428)	0	0	(5)	4,390
Customer relationships	(94)	7	(82)	0	744
Brand	0	0	0	0	360
Other (primarily software)	(1,034)	(9)	(164)	(11)	469
Property and equipment	**(2,154)**	**(8)**	**(218)**	**(7)**	**2,289**
Land and buildings (used by the group)	(788)	(4)	(71)	(7)	1,823
Office furniture and equipment, hardware and sundry property and equipment	(1,366)	(4)	(147)	0	466
Investment properties and other movable properties[1]	**(245)**	**(8)**	**(28)**	**6**	**1,231**
Investment properties	(211)	(9)	(24)	6	1,209
Other movable properties	(34)	1	(4)	0	22
Total	**(3,955)**	**(18)**	**(492)**	**(17)**	**9,483**

1) Investment properties and other movable properties are reported in other assets.
2) Including amortisation and depreciation reported by non-bank companies, which is reflected in other operating result.
3) Impairment losses are included in other operating result.

Goodwill at 31 December 2007 comprised especially goodwill from Banca Comercială Română S.A. of EUR 2,729.9 million (31 December 2006: EUR 2,904.9 million), from Česká spořitelna a.s. of EUR 543.1 million (31 December 2006: EUR 543.1 million), from Erste Bank Hungary Rt. of EUR 312.7 million (31 December 2006: EUR 312.7 million) and from Slovenská sporiteľňa a.s. of EUR 221.5 million (31 December 2006: EUR 220.5 million).

At 31 December 2007, the item customer relationships includes customer relationships of Banca Comercială Română, at EUR 693.1 million (31 December 2006: 814.2 million), the customer relationships and merchant relationships of Diners Club Adriatic d.d. Croatia, at EUR 45.2 million, and the customer relationships of ABS Banka d.d., at EUR 5.4 million.

The item brand at 31 December 2007 consisted of the brand of Banca Comercială Română, at EUR 359.7 million (31 December 2006: 383.6 million).

Movements in fixed assets and financial investments 2006

in EUR million	At cost restated 2005	Acquisition of subsidiaries (+)	Currency translation (+/–)	Additions (+)	Disposals (–)	At cost 2006
Intangible assets	**3,114**	**4,040**	**194**	**219**	**(141)**	**7,426**
Goodwill	1,952	2,791	109	0	0	4,852
Customer relationships	0	797	36	0	0	833
Brand	0	367	17	0	0	384
Other (primarily software)	1,162	85	32	219	(141)	1,357
Property and equipment	**3,501**	**671**	**120**	**263**	**(368)**	**4,187**
Land and buildings (used by the group)	1,960	444	69	116	(150)	2,439
Office furniture and equipment, hardware and sundry property and equipment	1,541	227	51	147	(218)	1,748
Investment properties and other movable properties[1]	**1,129**	**53**	**16**	**144**	**(100)**	**1,242**
Investment properties	1,059	53	16	144	(81)	1,191
Other movable properties	70	0	0	0	(19)	51
Total	**7,744**	**4,764**	**330**	**626**	**(609)**	**12,855**

1) Investment properties and other movable properties are reported in other assets.

in EUR million	Accumulated depreciation 2006	Currency translation (+/–)	Amortisation and depreciation (–)[2]	Impairment (+/–)[3]	Carrying amounts 2006
Intangible assets	**(1,334)**	**(23)**	**(165)**	**(2)**	**6,092**
Goodwill	(423)	(1)	0	0	4,429
Customer relationships	(19)	(1)	(18)	0	814
Brand	0	0	0	0	384
Other (primarily software)	(892)	(21)	(147)	(2)	465
Property and equipment	**(2,022)**	**(51)**	**(200)**	**(16)**	**2,165**
Land and buildings (used by the group)	(728)	(18)	(54)	(15)	1,711
Office furniture and equipment, hardware and sundry property and equipment	(1,294)	(33)	(146)	(1)	454
Investment properties and other movable properties[1]	**(231)**	**0**	**(29)**	**21**	**1,011**
Investment properties	(197)	1	(26)	21	994
Other movable properties	(34)	(1)	(3)	0	17
Total	**(3,587)**	**(74)**	**(394)**	**3**	**9,268**

1) Investment properties and other movable properties are reported in other assets.
2) Including amortisation and depreciation reported by non-bank companies, which is reflected in other operating result.
3) Impairment losses are included in other operating result.

24) Deferred tax assets and liabilities

in EUR million	Tax assets 2007	Tax assets 2006	Tax liabilities 2007	Tax liabilities 2006
Deferred tax assets				
Temporary differences relate to the following items:				
Loans and advances to credit institutions and customers	34	15	(136)	(89)
Risk provisions for loans and advances	17	44	(11)	11
Financial assets - at fair value through profit or loss	4	0	(2)	7
Financial assets - available for sale	179	48	39	23
Property and equipment	6	7	80	67
Deposits by banks and customer accounts	(27)	(1)	(17)	(36)
Long-term employee provisions	115	77	26	50
Sundry provisions	7	17	10	(4)
Tax loss carry forward	47	65	27	18
Customer relationships and brand	0	0	(178)	(191)
Other	33	45	(100)	(97)
Total deferred taxes	**415**	**317**	**(262)**	**(241)**
Current taxes	**31**	**0**	**(67)**	**(50)**
Total taxes	**446**	**317**	**(329)**	**(291)**

In compliance with IAS 12.39, no deferred tax liabilities were recognised for temporary differences relating to investments in subsidiaries in the amount of EUR 331 million (31 December 2006: EUR 352 million), as they will not reverse in the foreseeable future.

No deferred taxes were recognised for tax loss carryforwards of EUR 541 million (31 December 2006: EUR 587 million).

25) Other assets

in EUR million	2007	2006
Accrued interest and commissions	1,756	1,677
Deferred income	331	133
Investment properties	1,209	994
Positive fair values of derivatives (banking book)	144	111
Sundry assets	2,617	2,037
Total	**6,057**	**4,952**

The item sundry assets consists mainly of clearing items from the settlement of securities and payment transactions.

26) Deposits by banks

in EUR million	2007	2006
Deposits by banks - domestic credit institutions	10,497	9,191
Deposits by banks - foreign credit institutions	24,668	28,497
Total	**35,165**	**37,688**

Deposits by banks include a total of EUR 105.7 million (31 December 2006: EUR 0 million) of items for which the fair value option was applied. The total amount repayable on these liabilities at 31 December 2007 was EUR 109.6 million (31 December 2006: EUR 0 million). The difference between the fair value of these liabilities and the amount repayable at 31 December 2007 totalled EUR -3.9 million (31 December 2006: EUR 0 million).

27) Customer accounts

in EUR million	Domestic 2007	Domestic 2006	Abroad 2007	Abroad 2006	Total 2007	Total 2006
Savings deposits	35,035	32,963	10,168	9,544	45,203	42,507
Sundry						
Public sector	695	535	4,071	3,176	4,766	3,711
Commercial customers	9,777	8,014	14,227	13,869	24,004	21,883
Private customers	4,145	3,788	21,332	17,637	25,477	21,425
Sundry	263	191	403	1,132	666	1,323
Total other	**14,880**	**12,528**	**40,033**	**35,814**	**54,913**	**48,342**
Total	**49,915**	**45,491**	**50,201**	**45,358**	**100,116**	**90,849**

28) Debt securities in issue

in EUR million	2007	2006
Bonds	17,457	13,992
Certificates of deposit	8,784	3,690
Other certificates of deposits/ name certificates	1,538	1,683
Mortgage and municipal bonds	3,289	2,288
Other	212	187
Repurchased own issues	(202)	(26)
Total	**31,078**	**21,814**

In August 2007 the size of the debt issuance programme (DIP) launched in 1998 by Erste Bank increased to EUR 25 billion. The DIP is a programme for issuing debt instruments in various currencies, with a wide array of available structures and maturities.

In 2007, 129 new issues with total volume of about EUR 5.3 billion were floated under the DIP. As of 31 December 2007 the DIP's utilisation rate was about 63%.

The volume of the Euro-commercial paper programme (including certificates of deposits) increased to EUR 10 billion in December 2007. In all, 148 issues were placed in 2007, with total proceeds of approximately EUR 5.3 billion; issues totalling approximately EUR 3.8 billion were redeemed over the same period. As of 31 December 2007 the utilisation rate was about 27%.

Debt securities in issue include EUR 44.7 million (31 December 2006: EUR 0 million) of liabilities for which the fair value option was applied. The total amount repayable for these liabilities at 31 December 2007 was EUR 48.9 million (31 December 2006: EUR 0 million). The difference between the fair value of these liabilities and the amount repayable totalled EUR -4.2 million at 31 December 2007 (31 December 2006: EUR 0 million).

29) Trading liabilities

in EUR million	2007	2006
Currency-related derivatives	211	163
Interest-rate-related derivatives	1,158	946
Other trading liabilities	387	91
Total	**1,756**	**1,200**

30) Underwriting provisions

in EUR million	2007	2006
Provision for unearned premium	81	59
Actuarial reserve	8,379	7,675
Provision for non-transacted insurance claims	94	72
Provision for profit-sharing	80	77
Other underwriting provisions	4	37
Total	**8,638**	**7,920**

Development of underwriting provisions 2007

Gross in EUR million	Provision for unearned premium	Actuarial reserve	Provision for non-transacted insurance claims	Provision for profit-sharing	Other underwriting provisions
As at 1 Jan 2007	**72**	**7,762**	**83**	**77**	**37**
Currency translation	(2)	16	(1)		
Premiums earned	1,310				
Premiums written	(1,283)				
Interest		215			
Additions		1,105			4
Disposals		(596)			(37)
Claims			511		
Claims paid			(490)		
Allocation to reserve for future policy benefits				(65)	
Requirement from 2007				68	
More-/Less allocation				(2)	
Other changes		(33)		2	
As at 31 Dec 2007	**97**	**8,469**	**103**	**80**	**4**

Reinsurance in EUR million	Provision for unearned premium	Actuarial reserve	Provision for non-transacted insurance claims	Provision for profit-sharing	Other underwriting provisions
As at 1 Jan 2007	**13**	**87**	**11**	**-**	**-**
Currency translation				-	-
Premiums earned	78			-	-
Premiums written	(75)			-	-
Interest		5		-	-
Additions		10		-	-
Disposals		(9)		-	-
Claims			11	-	-
Claims paid			(13)	-	-
Allocation to reserve for future policy benefits				-	-
Requirement from 2007				-	-
More-/Less allocation				-	-
Other changes		(3)		-	-
As at 31 Dec 2007	**16**	**90**	**9**	**-**	**-**

Retention in EUR million	Provision for unearned premium	Actuarial reserve	Provision for non-transacted insurance claims	Provision for profit-sharing	Other underwriting provisions
As at 1 Jan 2007	**59**	**7,675**	**72**	**77**	**37**
Currency translation	(2)	16			
Premiums earned	1,232				
Premiums written	(1,208)				
Interest		210			
Additions		1,095			4
Disposals		(587)			(37)
Claims			499		
Claims paid			(477)		
Allocation to reserve for future policy benefits				(65)	
Requirement from 2007				68	
More-/Less allocation				(2)	
Other changes		(30)		2	
As at 31 Dec 2007	**81**	**8,379**	**94**	**80**	**4**

The provision for unearned premium for property and casualty insurance is determined on a pro-rata basis. In life insurance, unearned premiums are provided based on actuarial methods.

The actuarial reserve was calculated on the basis of statutory requirements and actuarial principles. The most important principles in calculating the actuarial reserve depend on the type of insurance and the premium schedule.

The interest rates used to calculate the actuarial reserves are 3% for contracts up to 1996, 4% from 1997, 3.25% from July 2000, 2.75% from January 2004 and 2.25 % from January 2006.

The provision for non-transacted insurance claims in casualty and life insurance sold directly was set up for claims reported up to the balance sheet date, based on individual valuation of unsettled claims.

The provision for profit-sharing of policyholders contains the amounts earmarked in business plans for bonuses to with-profits policyholders but which had not yet been decided upon as at the balance sheet date.

The risk that material payment streams in the insurance business differ from their expected levels – a risk driven especially by the fact that premiums are received at the beginning of the policy term but that contractual benefit payments are stochastic in nature – is referred to as underwriting risk. The following types of **technical risk** can be identified for the Erste Bank Group:

The risk in casualty insurance arising from having to pay future benefits (of an amount unknown at the time the premiums are set out) of premiums that are set in advance is known as **premium/damage loss risk.**

The risk arising in life insurance from having to pay, for an extended period and out of premiums set in advance, an annuity that is dependent on future developments is referred to as **premium/claim risk.**

The risk of insurance with guaranteed interest payments is known as **interest guarantee risk.**

The risk of setting aside insufficient underwriting provisions is referred to as **reserve risk.**

31) Other provisions

in EUR million	2007	2006
Long-term employee provisions	1,448	1,453
Sundry provisions	344	327
Total	**1,792**	**1,780**

a) Long-term employee provisions

in EUR million	Pension provisions	Provisions for serverance payment	Jubilee provisions	Total long-term provisions
Long-term employee provisions (net present value) 31 Dec 2003	**822**	**311**	**54**	**1,187**
Long-term employee provisions (net present value) 31 Dec 2004 restated	**802**	**317**	**56**	**1,175**
Long-term employee provisions (net present value) 31 Dec 2005 restated	**793**	**330**	**57**	**1,180**
Increase from acquisition	2	37	0	39
Settlements	1	0	0	1
Service cost	1	14	5	20
Interest cost	41	18	3	62
Payments	(69)	(10)	(6)	(85)
Exchange rate difference	0	2	0	2
Actuarial gains/(losses) recognised directly in equity	212	19	0	231
Actuarial gains/(losses) recognised in income	0	0	3	3
Long-term employee provisions (net present value) 31 Dec 2006	**981**	**410**	**62**	**1,453**
Increase from acquisition	7	4	1	12
Settlements	0	0	0	0
Service cost	0	17	4	21
Interest cost	43	19	3	65
Payments	(71)	(46)	(5)	(122)
Exchange rate difference	0	(3)	0	(3)
Actuarial gains/(losses) recognised directly in equity	31	(6)	0	25
Actuarial gains/(losses) recognised in income	0	0	(3)	(3)
Long-term employee provisions (net present value) 31 Dec 2007	**991**	**395**	**62**	**1,448**

b) Sundry provisions

in EUR million	2006	Acquisition of subsidiaries	Currency translation	Allocations	Use	Releases	Reclassification[2]	2007
Provision for off-balance-sheet and other risks	175	0	1	52	(4)	(35)	20	209
Sundry other provisions[1]	152	1	1	24	(9)	(29)	(5)	135
Total	**327**	**1**	**2**	**76**	**(13)**	**(64)**	**15**	**344**

1) Sundry other provisions consist mainly of provisions for litigation and restructuring. It is considered highly likely that use will be made of sundry other provisions next year.

32) Other liabilities

in EUR million	2007	2006
Deferred income	356	250
Accrued interest and commissios	1,039	873
Negative fair values of derivatives (banking book)	742	345
Sundry liabilities	2,516	2,579
Total	**4,653**	**4,047**

Sundry liabilities consist mainly of clearing items from the settlement of securities and payment transactions.

33) Subordinated liabilities

in EUR million	2007	2006
Subordinated issues and deposits	2,377	2,154
Supplementary capital	1,982	1,806
Hybrid issues	1,247	1,250
Repurchased own issues	(17)	0
Total	**5,589**	**5,210**

34) Total equity

in EUR million	2007	2006
Subscribed capital	632	630
Additional paid-in capital	4,557	4,514
Retained earnings	3,263	2,835
Shareholders' equity	**8,452**	**7,979**
Minority interests	2,951	2,925
Total[1]	**11,403**	**10,904**

1) Details on equity are provided in section III, Consolidated Statement of Changes in Total Equity.

At 31 December 2007, subscribed capital (also known as share capital) – the capital paid in by shareholders – consisted of 316,288,945 voting bearer shares (ordinary shares). Additional paid-in capital (or share premium) represents the amount by which the issue price of the shares exceeded their accounting par value. Retained earnings represent accumulated net profits brought forward, as well as income and expenses recognised directly in equity.

Under the **MSOP 2002,** in the April 2007 exercise window, 61,214 options were exercised, resulting in the subscription for 244,856 bearer shares at an issue price of EUR 16.50. This generated issue proceeds of EUR 4,040,124.00, of which EUR 489,712.00 was allocated to subscribed capital and EUR 3,550,412.00 to additional paid-in capital. A total of 17,297 options were exercised from the first tranche (10,575 by managers and 6,722 by other employees). Of the second tranche, 20,031 options were exercised (800 by board members, 12,200 by managers and 7,031 by other staff). Of the third tranche, 23,886 options were exercised (1,000 by board members, 17,523 by managers and 5,363 by other employees). The difference between the exercise price (EUR 16.50) and the closing price of the Erste Bank shares at the value date (EUR 59.25) was EUR 42.75.

The exercise price of the individual options (the average of all closing prices in March 2002, rounded down to the nearest half euro) was EUR 66.00; taking account of the four-for-one stock split carried out since then, this gives a value of EUR 16.50 per share. The estimated value of the individual options at the balance sheet date of 31 December 2007 was EUR 31.52 for options vested in 2003 and EUR 32.30 for options vested in 2004.

Under the **MSOP 2005,** in the first exercise window (from 2 to 15 May 2007), 63,735 options were exercised. Thus 63,735 bearer shares were issued, at a price of EUR 43.00. This resulted in issue proceeds of EUR 2,740,605.00, of which EUR 127,470.00 was allocated to subscribed capital and EUR 2,613,135.00 to additional paid-in capital. The difference between the exercise price (EUR 43.00) and the closing price of the Erste Bank shares at the value date (EUR 59.25) was EUR 16.25.

In the **second exercise window** (from 1 to 14 August 2007), a further 11,887 options were exercised, resulting in the subscription of 11,887 bearer shares at an issue price of EUR 43.00. This generated issue proceeds of EUR 511,141.00, of which EUR 23,774.00 was allocated to subscribed capital and EUR 487,367 to additional paid-in capital. The difference between the exercise price (EUR 43.00) and the closing price of the Erste Bank shares at the value date (EUR 54.10) was EUR 11.10.

In the **third exercise window** (from 2 to 15 November 2007), a further 8,933 options were exercised, resulting in the subscription of 8,933 bearer shares at an issue price of EUR 43.00. This generated issue proceeds of EUR 384,119.00, of which EUR 17,866.00 was allocated to subscribed capital and EUR 366,253 to additional paid-in capital. The difference between the exercise price (EUR 43.00) and the closing price of the Erste Bank shares at the value date (EUR 45.49) was EUR 2.49.

All 84,555 options exercised in the 2007 financial year under the MSOP 2005 represented the first tranche. Of these, 3,000 were exercised by board members, 40,550 by managers and 41,005 by other employees. The estimated value of the individual options at the balance sheet date of 31 December 2007 was EUR 12.99 for options vested in 2005, EUR 14.44 for options vested in 2006 and EUR 15.60 for options vested in 2007.

Under the **ESOP 2007,** between 7 and 18 May 2007, a total of 663,349 shares were subscribed, at a price of EUR 47.50. The resulting issue proceeds of EUR 31,509,077.50 plus EUR 1,294,356.50 (from the difference between the issue price of EUR 47.50 and the quoted price on the 6 June 2007 value date of EUR 59.25 for 110,158 shares subscribed for by employees of Erste Bank AG, charged to personnel expenses in the income statement) totalled EUR 32,803,434.00. Of this amount, EUR 1,326,698.00 was allocated to subscribed capital and EUR 31,476,736.00 to additional paid-in capital.

Employee share ownership plan and management share option plan

MSOP 2002: The MSOP comprises a maximum of 4,400,000 ordinary shares of Erste Bank after the stock split, represented by 1,100,000 options. The distribution of vested options by the balance sheet date among management board members, managers and eligible other staff of the Erste Bank Group is shown in the tables below.

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

MSOP 2005: The MSOP comprises a maximum of 2,000,000 ordinary shares of Erste Bank, represented by 2,000,000 options. In the financial year 2007, 527,355 options were vested. The distribution of vested options by the balance sheet date among management board members, managers and eligible other staff of the Erste Bank Group is shown in the tables below.

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

The **MSOP 2002** options credited and exercised by the balance sheet date had the following distribution among recipients:

	Credited	Exercised	Not yet exercised	Expired 2007
Andreas Treichl	12,000	12,000	0	0
Elisabeth Bleyleben-Koren	12,000	12,000	0	0
Reinhard Ortner, until 30 June 2007	12,000	12,000	0	0
Franz Hochstrasser	12,000	12,000	0	0
Erwin Erasim, until 30 June 2007	12,000	12,000	0	0
Bernhard Spalt	3,000	3,000	0	0
Peter Bosek, since 1 July 2007	3,000	1,000	2,000	0
Herbert Juranek, since 1 July 2007	3,000	3,000	0	0
Peter Kisbenedek, since 1 July 2007	6,000	6,000	0	0
Total received by management board members	**75,000**	**73,000**	**2,000**	**0**
Other management	542,200	506,795	31,405	4,000
Other staff	295,463	268,343	23,219	3,901
Total options	**912,663**	**848,138**	**56,624**	**7,901**

The **MSOP 2005** options granted, vested and exercised had the following distribution among recipients:

	Granted	Credited	Exercised	Not yet exercised
Andreas Treichl	9,000	9,000	3,000	6,000
Elisabeth Bleyleben-Koren	9,000	9,000	3,000	6,000
Reinhard Ortner, until 30 June 2007	9,000	9,000	3,000	6,000
Franz Hochstrasser	9,000	9,000	3,000	6,000
Erwin Erasim, until 30 June 2007	9,000	9,000	3,000	6,000
Bernhard Spalt	5,000	5,000	0	5,000
Peter Bosek, since 1 July 2007	5,000	5,000	0	5,000
Herbert Juranek, since 1 July 2007	5,000	5,000	0	5,000
Peter Kisbenedek, since 1 July 2007	9,000	9,000	3,000	6,000
Thomas Uher, since 1 July 2007	3,000	3,000	0	3,000
Total received by management board members	**72,000**	**72,000**	**18,000**	**54,000**
Other management	697,500	697,500	116,460	581,040
Other staff	687,376	687,376	98,724	588,652
Total options	**1,456,876**	**1,456,876**	**233,184**	**1,223,692**

Information about holdings of and transactions in Erste Bank shares by members of the management board and supervisory board (in number of shares):

Management board members:

Managing board member	At 31 Dec 2006	Additions 2007	Disposals 2007	At 31 Dec 2007
Andreas Treichl	123,440	47,000	3,000	167,440
Elisabeth Bleyleben-Koren	25,600	3,200	6,000	22,800
Peter Bosek, since 1 July 2007	0	1,572*)	0	1,572
Erwin Erasim, until 30 June 2007	13,916	200	14,116*)	0
Franz Hochstrasser	47,256	0	10,000	37,256
Herbert Juranek, since 1 July 2007	0	656*)	0	656
Peter Kisbenedek, since 1 July 2007	0	3,400*)	0	3,400
Reinhard Ortner, until 30 June 2007	125,600	200	125,800*)	0
Bernhard Spalt	256	7,200	1,080	6,376
Thomas Uher, since 1 July 2007	0	1,400*)	0	1,400

*) For members of the management board whose office term began or ended during the financial year 2007 their holdings in Erste Bank shares as of the date of inception or termination of the office term were considered as addition or disposal.

Supervisory board members held the following numbers of Erste Bank shares at the balance sheet date of 31 December 2007:

Supervisory Board member	Shares held
Georg Winckler	1,500
Theresa Jordis	1,000
Bettina Breiteneder	2,560
Jan Homan	4,400
Wilhelm Rasinger	2,935
Friedrich Rödler	549
John James Stack, since 31 May 2007	26,381
Gabriele Zuna-Kratky	630
Günter Benischek	1,317
Ilse Fetik	116
Christian Havelka	1,200
Erika Hegmala	140
Friedrich Lackner, since 1 May 2007	236
Karin Zeisel, from 26 November 2007 until 17 January 2008	27
Anton Janku, until 26 November 2007	364
Joachim Härtel, until 1 May 2007	36

As of 31 December 2007 members of the supervisory board held 11,650 options in Erste Bank shares.

As far as can be determined, persons related to members of the management board or supervisory board held 20,251 shares of Erste Bank as of 31 December 2007.

Personnel expenses include EUR 31.3 million (prior year: EUR 20.6 million) related to the MSOP, ESOP and profit-sharing.

Authorised but unissued capital and contingent capital remaining at 31 December 2007

Under clause 4.5 of the articles of association, in accordance with the resolution by the annual general meeting held on 8 May 2001, there remains (after the utilisation in the financial years from 2002 to 2007) contingent capital of EUR 6,278,142.00. It may be utilised by issuing up to 3,139,071 bearer or registered shares at an issue price of at least EUR 2.00 (payable in cash) while excluding the subscription rights of the existing shareholders.

Under clause 4.6 of the articles of association, in accordance with a resolution of the annual general meeting on 19 May 2006, the management board is authorised, for a period of five years from the date of registration of the amendment of the company's articles of association in the commercial register to perform a contingent issue of up to EUR 20,000,000.00 of subscribed capital in the form of up to 10,000,000 ordinary bearer or registered shares at an issue price of at least EUR 2.00 per share (payable in cash) while excluding the subscription rights of the existing shareholders. This contingent capital serves to grant share options to employees, managers and management board members of Erste Bank AG or Group companies.

As stated in clause 4.7 of the articles of association, resolutions of the annual general meetings on 21 August 1997 and 4 May 2004 authorised a contingent increase of EUR 48,000,000.00 in subscribed capital at an issue price of EUR 2.00 per share, in the event and to the extent that holders of convertible bonds exercise their conversion rights. Maintaining the proportion between the new shares and existing shares, the conversion right relates to 24,000,000 bearer shares, reflecting the ratio resulting from the granted conversion option.

Principal shareholder and information according to section 243a Austrian Commercial Code

At 31 December 2007, DIE ERSTE oesterreichische Spar-Casse Privatstiftung, a foundation, held a direct equity interest of approximately 30.95% in Erste Bank AG. The foundation is Erste Bank AG's largest shareholder.

The foundation received a dividend of EUR 62,663,000.00 on its shareholding in Erste Bank AG in 2007 (for the 2006 financial year). The purpose of the foundation, which shall be achieved through holding of a substantial equity interest in Erste Bank AG, is to support social, scientific, cultural and charitable institutions as well as to generally promote the guiding principles of the savings bank philosophy. At 31 December 2007 the members of the foundation's management board were Andreas Treichl (chairman of the management board of Erste Bank AG), Franz Ceska and Dietrich Karner. The foundation's supervisory board had nine members at the end of 2007, two of whom are also members of the supervisory board of Erste Bank AG.

Under clause 12.1 of the articles of association, the shareholder DIE ERSTE oesterreichische Spar-Casse Privatstiftung is entitled for the term of its shareholding in Erste Bank to delegate up to one-third of the supervisory board members to be elected by the annual general meeting. To date this right of delegation has not been exercised.

A provision relating to the appointment and withdrawal of members of the management board and supervisory board that does not follow directly from legislation is clause 12.4. of the articles of association. Under this clause, the withdrawal of supervisory board members requires a majority of three-quarters of valid votes cast and a majority of three-quarters of the subscribed capital represented at the meeting considering the resolution.

The articles of association contain no restrictions in respect of voting rights or the transfer of shares. To the management board's knowledge, no restrictions are provided by agreements between shareholders. Only the share ownership and share option plans (MSOP and ESOP) involve a one-year holding period.

A provision not established directly by the law, and relating to the process of changing the articles of association, is found in clause 16.9 of the articles. Under this clause, provisions of the articles that require larger majorities can only be changed with the approval of the same respective larger majorities. Furthermore, the last two sentences of clause 16.9. can only be changed with a majority of three-quarters of votes cast and with a majority of three-quarters of the subscribed capital represented at the meeting considering the resolution.

The following are significant agreements and their effects to which Erste Bank is a party and which become effective, change, or end in the event of a change of control resulting from a takeover offer:

For the event of a takeover bid, the share option plan of Erste Bank sets out the following special provisions (section 17 of the share option plan):

(1) Should a takeover offer for the shares of Erste Bank be announced to the public, all options that have been granted to the management board members and eligible managers by that time but have not yet vested will immediately vest for those management board members and eligible managers who fulfil the personal requirements for participation.

(2) In this case the vesting date, the end of the exercise window and the value date will be determined by the management board of Erste Bank. They are to be chosen such that the exercise of the options and sale of the shares can be effected during the takeover offer process.

(3) In the event of a takeover offer, no "key personnel" (i.e. no persons outside the group of management board members and managers referred to above) will be selected as recipients of options and no options will be granted to them.

(4) All options that have vested may be exercised by the eligible recipient from the day following the vesting date; the provisions of section 11 (1) (2) (minimum holding period for options) and section 12 (1) sentence 1 (exercise window) do not apply. The shares obtained may be offered for sale to the prospective acquiring entity in the takeover bid; section 16 (holding period) does not apply.

(5) In addition, for all shares previously purchased that are still subject to a holding period (section 16), this holding period ends when the takeover bid is announced to the public.

(6) Should the takeover offer be withdrawn without the presence of a rival takeover offer, the options vested under subsection 1 above that are not yet exercised cannot be exercised for a period of one year from the publication of the withdrawal of the takeover offer, while shares already purchased through options vested under subsection 1 become subject to a holding period of one year from the vesting date. However, holding periods that have ended pursuant to subsection 5 above are not revived.

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

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

Directors and officers insurance

Changes of control

(1) In the event that any of the following transactions or processes occur during the term of the policy (each constituting a "change of control") in respect of the insured
   a) the insured ceases to exist as a result of merger or consolidation, unless the merger or consolidation occurs between two insured parties, or
   b) another company, person or group of companies or persons acting in concert that is/are not insured parties, acquire more than 50% of the insured's outstanding equity or more than 50% of its voting power (this gives rise to the right to control the voting power represented by the shares, and the right to appoint the management board members of the insured), then the insurance cover under this policy remains in full force and effect for claims relating to unlawful acts committed or alleged to have been committed before this change of control took effect. However, no insurance cover is afforded for claims relating to unlawful acts committed or allegedly committed after that time (unless the insured and insurer agree otherwise). The premium for this insurance cover is deemed to be completely earned.

(2) In the event that, during the life of the policy, a subsidiary ceases to be a subsidiary, the insurance cover under this policy shall remain in full force and effect for that entity until the end of the policy period or (if applicable) until the end of the extended discovery period, but only in respect of claims brought against an insured in relation to unlawful acts committed or alleged to have been committed by the insured during the existence of this entity as a subsidiary. No insurance cover is afforded for claims brought against an insured in relation to unlawful acts committed or allegedly committed after this entity ceased to exist.

In the event of a take-over ("Change of Control"), Peter Kisbenedek is entitled to, according to his management contract, to resign with a notice period of three months. In this case he receives a compensation of 200% of his fixed salary.

In respect of the repurchasing of shares, the management board members have the following powers not established directly by the law:

By a resolution of the annual general meeting on 31 May 2007,

- Erste Bank is authorised to purchase its own shares under section 65 (1) (7) Austrian Stock Corporation Act for the purpose of securities trading; at the end of each day the balance of shares acquired for this purpose must not exceed 5% of Erste Bank's total share capital. The price paid per share must be not less than EUR 10.00 and not more than EUR 120.00. This authorisation is effective for the period of 18 months ending 30 November 2008;

- the management board is authorised to purchase, subject to the approval of the supervisory board, Erste Bank's own shares under section 65 (1) (8) Austrian Stock Corporation Act; the total of the shares purchased under this authorisation and under section 65 (1) (1), 65 (1) (4) and 65 (1) (7) of the Act must not exceed 10% of Erste Bank's total share capital. The price paid per share must be not less than EUR 10 and not more than EUR 120. Erste Bank is required to publish the relevant management board decision as well as publicly announce the resulting repurchase programme and its duration. Erste Bank's own shares purchased under these provisions may, subject to the approval of the supervisory board, be disposed of in a manner other than via the stock market or than by public offering; for instance, they may be used as compensation when acquiring, or to finance the acquisition of, companies, partial ownership, or other interests in companies in Austria or abroad. The management board is also empowered to retire Erste Bank's own shares without a further resolution to this effect by the annual general meeting. This authorisation is effective for the period of 18 months ending 30 November 2008;

All acquisitions and disposals made were consistent with the authorisation granted by the annual general meeting.

The qualifying capital of the Erste Bank Group of credit institutions as determined under the Austrian Banking Act had the following composition:

in EUR million	2007 BASEL II	2006 BASEL I
Subscribed capital (less own shares)	633	629
Reserves and minority interests	6,655	6,065
Intangible assets	(485)	(509)
Core capital (Tier 1) before deductions	**6,802**	**6,185**
Deductions from core capital (Tier 1) pursuant to section 23 (13/3) Austrian Banking Act	(128)	0
Core capital (Tier 1) after deductions	**6,674**	**6,185**
Eligible subordinated liabilities	3,875	3,604
Revaluation reserve	130	216
Excess risk provisions	250	0
Qualifying supplementary capital (Tier 2)	**4,255**	**3,820**
Short-term subordinated capital (Tier 3)	**386**	**331**
Deductions from qualifying supplementary capital (50% pursuant to section 23 (13/3) and deduction according to section 23 (13/4a) Austrian Banking Act	(201)	(225)
Total eligible qualifying capital	**11,114**	**10,111**
Capital requirement	8,769	7,952
Surplus capital	2,345	2,159
Cover ratio	126.7%	127.2%
Tier 1 ratio	**7.0%**	**6.6%**
Solvency ratio	**10.5%**	**10.3%**

The minimum capital requirement according to the Austrian Banking Act was fulfilled at all times during the current and previous reporting period.

The capital requirement of Erste Bank Group as a group of credit institutions under the Austrian Banking Act was as follows:

in EUR million	2007 BASEL II	2006 BASEL I
Risk-weighted assessment basis pursuant to section 22 (2) Austrian Banking Act	95.091	94.129
8% minimum capital requirement	7.607	7.530
a) Standardised approach	3.706	0
b) Internal ratings based approach (IRB)	3.901	0
Settlement Risk	0	0
Position-risk in debt instruments, intrinsic value, foreign currencies and commodity risks	394	422
Capital requirement for operational risks	768	0
Capital requirements for qualified non-financial subsidiaries	0	0
Capital requirement	**8.769**	**7.952**

Under Austria's Financial Conglomerates Act, Erste Bank Group is considered a financial conglomerate. Regarding the capital requirement according to Austria`s Financial Conglomerate Act, Erste Bank had a surplus regulatory capital of EUR 1,935.5 million at 31 December 2007.

35) Segment reporting

Segment reporting of Erste Bank Group follows the presentation and measurement requirements according to IFRS.

Segmentation by core business

The top-level segmentation consists of the three market segments Austria, Central and Eastern Europe, and International Business, as well as the Corporate Center segment.

Austria segment

The Austria segment comprises all business units and subsidiaries operating in Austria. It is subdivided according to core business activity into further segments: Savings Banks, Retail & Mortgage, Large Corporates, and Treasury & Investment Banking.

The Retail & Mortgage segment also encompasses those savings banks in which Erste Bank holds a majority stake (Salzburger Sparkasse, Tiroler Sparkasse and Sparkasse Hainburg-Bruck-Neusiedl). The savings banks that are consolidated as a result of their membership in the Haftungsverbund or in which Erste Bank holds no equity, or holds only a minority interest, are grouped in the Savings Banks segment.

Central and Eastern Europe segment

The Central and Eastern Europe market segment, which is subdivided into the major national subsidiaries operating in the CEE countries, encompasses the results of Banca Comercială Română S.A. (Romania segment), Česká spořitelna, a.s. (Czech Republic segment), Slovenská sporiteľňa (Slovakia segment), Erste Bank Hungary Rt. (Hungary segment), Erste & Steiermärkische banka d.d. (Croatia segment), Erste Bank a.d. Novi Sad (formerly Novosadska Banka a.d.; Serbia segment), and Erste Bank Ukraine (formerly Bank Prestige, from January 2007; Ukraine segment). The profit contributions from Diners Club Adriatic d.d. are assigned to the Croatia segment.

International Business segment

The International Business reporting segment includes both the International Business unit in Vienna and the commercial lending business of the London, New York and Hong Kong profit centres.

Corporate Center segment

Corporate Center encompasses several types of items: the results of those companies which cannot be clearly assigned to another business segment; refinancing costs for investments in companies; elimination of profits and losses between segments; and one-off items that, in order to ensure comparability with prior-period segment data, have not been allocated to a business segment.

The allocation of results to the segments is based on contribution margin analysis at the business unit level. Net interest income is determined based on opportunity cost (market spread, maturity mismatch), with the contribution from maturity transformation attributed entirely to the Treasury & Investment Banking segment.

Fees and commissions, net trading result, risk costs and other result ("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) are allocated to the business units where they are generated.

General administrative expenses are derived from activity-based costing (product cost, indirect costs and general overhead) at the business unit level.

In addition, amortisation of customer relationships of BCR and DCA of EUR 81,1 million (2006: EUR 18 million) and impairment of goodwill of Kärntner Sparkasse amounting to EUR 5 million are reported in other operating result within the corporate center segment.

Segmentation by core business

	Total		Austria		Central and Eastern Europe	
in EUR million	2007	2006	2007	2006	2007	2006
Net interest income	3,945.8	3,189.4	1,649.5	1,592.9	2,140.3	1,444.3
Risk provisions for loans and advances	(454.7)	(439.1)	(225.2)	(312.7)	(170.2)	(126.9)
Net fee and commission income	1,857.9	1,445.9	936.8	891.4	915.1	575.1
Net trading result	351.1	277.9	122.6	126.9	221.6	149.3
General administrative expenses	(3,642.1)	(2,945.3)	(1,678.1)	(1,645.1)	(1,816.9)	(1,227.5)
Income from insurance business	35.0	35.9	11.8	17.9	23.2	17.9
Other result[1]	(165.4)	(42.3)	(27.2)	27.4	(66.7)	(23.7)
Pre-tax profit	1,927.6	1,522.3	790.2	698.7	1,246.4	808.5
Taxes on income	(377.6)	(339.9)	(166.3)	(153.6)	(232.5)	(191.2)
Minority interests	(375.3)	(250.2)	(249.4)	(199.1)	(144.4)	(53.6)
Net profit after minority interests	**1,174.7**	**932.2**	**374.5**	**345.9**	**869.6**	**563.7**
Average risk-weighted assets	92,183.9	81,849.1	49,365.8	49,634.7	34,757.9	24,146.7
Average attributed equity	8,338.9	6,816.7	1,997.5	1,890.8	2,112.0	1,565.8
Cost/income ratio	**58.8%**	**59.5%**	**61.7%**	**62.6%**	**55.1%**	**56.1%**
ROE based on net profit after minority interests[2]	**14.1%**	**13.7%**	**18.7%**	**18.3%**	**41.2%**	**36.0%**

1) 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.

2) ROE = return on equity.

in EUR million	International Business 2007	International Business 2006	Corporate Center 2007	Corporate Center 2006
Net interest income	152.7	149.0	3.3	3.2
Risk provisions for loans and advances	9.9	2.1	(69.3)	(1.5)
Net fee and commission income	32.4	33.3	(26.3)	(53.8)
Net trading result	0.0	(0.2)	7.0	1.8
General administrative expenses	(36.5)	(34.3)	(110.7)	(38.3)
Income from insurance business	0.0	0.0	0.0	0.0
Other result	3.3	10.1	(74.9)	(56.2)
Pre-tax profit	161.9	160.0	(270.8)	(144.9)
Taxes on income	(39.9)	(41.8)	61.1	46.8
Minority interests	0.0	0.0	18.6	2.6
Net profit after minority interests	**121.9**	**118.2**	**(191.2)**	**(95.6)**
Average risk-weighted assets	6,844.8	7,735.9	1,215.3	331.8
Average attributed equity	445.2	503.1	3,784.2	2,857.0
Cost/income ratio	**19.7%**	**18.9%**	-	-
ROE based on net profit after minority interests	**27.4%**	**23.5%**	-	-

in EUR million	Austria 2007	Austria 2006	Savings Banks 2007	Savings Banks 2006	Retail & Mortgage 2007	Retail & Mortgage 2006
Net interest income	1,649.5	1,592.9	864.6	839.7	552.8	537.3
Risk provisions for loans and advances	(225.2)	(312.7)	(96.2)	(171.3)	(95.5)	(88.1)
Net fee and commission income	936.8	891.4	374.1	365.0	354.6	335.1
Net trading result	122.6	126.9	23.6	25.4	12.0	10.6
General administrative expenses	(1,678.1)	(1,645.1)	(828.3)	(824.2)	(622.8)	(621.0)
Income from insurance business	11.8	17.9	0.0	0.0	11.8	17.9
Other result	(27.2)	27.4	(17.3)	11.4	(14.5)	(13.5)
Pre-tax profit	790.2	698.7	320.4	246.1	198.4	178.3
Taxes on income	(166.3)	(153.6)	(64.9)	(51.9)	(42.5)	(39.4)
Minority interests	(249.4)	(199.1)	(235.4)	(178.4)	(12.8)	(15.5)
Net profit after minority interests	**374.5**	**345.9**	**20.0**	**15.8**	**143.1**	**123.4**
Average risk-weighted assets	49,365.8	49,634.7	22,993.6	25,543.6	11,548.8	13,233.1
Average attributed equity	1,997.5	1,890.8	229.0	265.5	761.5	876.8
Cost/income ratio	**61.7%**	**62.6%**	**65.6%**	**67.0%**	**66.9%**	**68.9%**
ROE based on net profit after minority interests	**18.7%**	**18.3%**	**8.8%**	**6.0%**	**18.8%**	**14.1%**

in EUR million	Large Corporates 2007	Large Corporates 2006	Treasury & Investment Banking 2007	Treasury & Investment Banking 2006
Net interest income	177.6	147.6	54.5	68.3
Risk provisions for loans and advances	(33.6)	(53.3)	0.0	0.0
Net fee and commission income	100.2	101.0	107.9	90.3
Net trading result	2.3	3.0	84.8	87.9
General administrative expenses	(111.0)	(97.6)	(116.0)	(102.3)
Income from insurance business	0.0	0.0	0.0	0.0
Other result	21.9	14.7	(17.2)	14.8
Pre-tax profit	157.4	115.4	114.0	158.9
Taxes on income	(34.0)	(27.1)	(24.8)	(35.2)
Minority interests	(1.1)	(5.3)	0.0	0.0
Net profit after minority interests	**122.2**	**83.0**	**89.1**	**123.7**
Average risk-weighted assets	11,119.7	7,766.0	3,703.7	3,092.1
Average attributed equity	725.2	507.0	281.8	241.5
Cost/income ratio	**39.6%**	**38.8%**	**46.9%**	**41.5%**
ROE based on net profit after minority interests	**16.9%**	**16.4%**	**31.6%**	**51.2%**

in EUR million	Central and Eastern Europe 2007	Central and Eastern Europe 2006	Czech Republic 2007	Czech Republic 2006	Romania 2007	Romania 2006
Net interest income	2,140.3	1,444.3	834.9	705.6	568.2	127.8
Risk provisions for loans and advances	(170.2)	(126.9)	(70.7)	(52.5)	25.4	(8.2)
Net fee and commission income	915.1	575.1	354.5	324.9	256.4	45.0
Net trading result	221.6	149.3	62.5	55.1	76.5	19.0
General administrative expenses	(1,816.9)	(1,227.5)	(662.9)	(613.2)	(528.8)	(107.6)
Income from insurance business	23.2	17.9	17.7	14.5	5.5	3.5
Other result	(66.7)	(23.7)	(11.7)	17.4	(12.3)	(11.6)
Pre-tax profit	1,246.4	808.5	524.3	451.7	391.0	67.9
Taxes on income	(232.5)	(191.2)	(105.8)	(114.4)	(66.2)	(11.5)
Minority interests	(144.4)	(53.6)	(11.3)	(12.9)	(106.5)	(21.8)
Net profit after minority interests	**869.6**	**563.7**	**407.3**	**324.4**	**218.2**	**34.6**
Average risk-weighted assets	34,757.9	24,146.7	11,971.2	11,572.0	9,977.3	2,100.9
Average attributed equity	2,112.0	1,565.8	827.1	796.2	477.8	100.1
Cost/income ratio	**55.1%**	**56.1%**	**52.2%**	**55.7%**	**58.3%**	**55.1%**
ROE based on net profit after minority interests	**41.2%**	**36.0%**	**49.2%**	**40.7%**	**45.7%**	**34.6%**

in EUR million	Slovakia 2007	Slovakia 2006	Hungary 2007	Hungary 2006
Net interest income	300.5	239.5	253.2	251.2
Risk provisions for loans and advances	(37.5)	(16.5)	(59.3)	(34.2)
Net fee and commission income	95.8	82.8	133.4	88.4
Net trading result	20.9	20.9	37.6	35.3
General administrative expenses	(222.8)	(185.0)	(230.1)	(206.9)
Income from insurance business	0.0	0.0	0.0	0.0
Other result	(27.8)	(7.3)	(11.3)	(22.0)
Pre-tax profit	129.1	134.3	123.4	111.8
Taxes on income	(11.5)	(26.5)	(30.6)	(26.3)
Minority interests	0.0	(0.1)	(0.2)	(0.2)
Net profit after minority interests	**117.6**	**107.7**	**92.6**	**85.2**
Average risk-weighted assets	4,415.6	3,387.4	4,467.9	3,949.4
Average attributed equity	308.8	240.7	311.1	274.8
Cost/income ratio	**53.4%**	**53.9%**	**54.2%**	**55.2%**
ROE based on net profit after minority interests	**38.1%**	**44.8%**	**29.8%**	**31.0%**

in EUR million	Croatia 2007	Croatia 2006	Serbia 2007	Serbia 2006	Ukraine 2007	Ukraine 2006
Net interest income	159.2	111.1	16.2	9.2	8.0	-
Risk provisions for loans and advances	(17.8)	(12.3)	0.1	(3.3)	(10.3)	-
Net fee and commission income	68.6	29.7	5.4	4.3	1.0	-
Net trading result	18.8	19.8	1.5	(0.8)	3.7	-
General administrative expenses	(118.6)	(84.5)	(28.4)	(30.3)	(25.3)	-
Income from insurance business	0.0	0.0	0.0	0.0	0.0	-
Other result	(5.3)	0.3	1.8	(0.3)	(0.1)	-
Pre-tax profit	105.0	64.1	(3.4)	(21.3)	(23.0)	-
Taxes on income	(22.9)	(12.6)	0.5	0.1	3.9	-
Minority interests	(26.5)	(18.5)	0.2	0.1	0.0	-
Net profit after minority interests	**55.7**	**32.9**	**(2.7)**	**(21.2)**	**(19.1)**	**-**
Average risk-weighted assets	3,234.2	2,970.8	466.6	166.2	225.1	-
Average attributed equity	142.1	136.4	26.6	17.6	18.5	-
Cost/income ratio	**48.1%**	**52.6%**	**-**	**-**	**-**	**-**
ROE based on net profit after minority interests	**39.2%**	**24.1%**	**-**	**-**	**-**	**-**

36) Additional information

Assets and liabilities denominated in foreign currency were as follows:

in EUR million	2007	2006
Assets	99,632	90,944
Liabilities	82,951	75,327

Goodwill resulting from business combinations that came into being before 1 January 2005 is not reported as an asset denominated in foreign currencies as it is carried in euros.

The assets and liabilities outside Austria are given below:

in EUR million	2007	2006
Assets	131,708	108,824
Liabilities	101,191	89,949

37) Related party transactions

Compensation and other benefits provided to board members and staff of Erste Bank Group are presented and explained in Note 5, General and administrative expenses and in Note 34, Equity.

Loans and advances to and amounts owed to unconsolidated subsidiaries and to other investments were as follows:

in EUR million	2007	2006
Loans and advances to credit institutions		
Associates accounted for at equity	73	32
Other investments	27	1
Total	**100**	**33**
Loans and advances to customers		
Associates accounted for at equity	233	242
Other investments	1,020	1,146
Total	**1,253**	**1,388**
Financial assets - at fair value through profit or loss		
Associates accounted for at equity	1	57
Other investments	8	6
Total	**9**	**63**
Financial assets - available for sale		
Associates accounted for at equity	11	0
Other investments	10	6
Total	**21**	**6**
Financial assets - held to maturity		
Associates accounted for at equity	4	4
Other investments	6	4
Total	**10**	**8**
Deposits by banks		
Associates accounted for at equity	47	26
Other investments	20	32
Total	**67**	**58**
Customer accounts		
Associates accounted for at equity	37	27
Other investments	194	377
Total	**231**	**404**
Debt securities in issue		
Associates accounted for at equity	26	45
Other investments	68	16
Total	**94**	**61**
Subordinated liabilities		
Other investments	4	24
Total	**4**	**24**

At the end of 2007, DIE ERSTE oesterreichische Spar-Casse Privatstiftung, a foundation, held approximately 30.95% of the shares of Erste Bank AG, making it the largest shareholder. In 2007 the foundation received a dividend of EUR 62.7 million on its shareholding in Erste Bank AG (for the 2006 financial year). The purpose of the foundation, in addition to holding a substantial equity interest in Erste Bank AG, is to support social, scientific, cultural and charitable institutions as well as to generally promote the guiding principles of the savings bank philosophy. The current members of the foundation's management board are Andreas Treichl (chairman of the management board of Erste Bank AG), Franz Ceska and Dietrich Karner. The foundation`s supervisory board had nine members at the end of 2007, two of whom are also members of the supervisory board of Erste Bank AG.

As at 31 December 2007, in respect of the foundation, Erste Bank AG had accounts payable of EUR 53.6 million and accounts receivable of EUR 7.3 million. Standard derivative transactions at market conditions for hedging purposes were in place between Erste Bank and the foundation at the end of 2007. These were interest rate swaps with a notional value of EUR 75 million and interest rate swaps with caps and floors in the notional amount of EUR 247.4 million each.

In 2007 Erste Bank AG accrued interest income of EUR 4.3 million receivable and interest expenses of EUR 3.4 million payable to the foundation from accounts receivable and payable and from the derivative transactions outlined.

38) Collaterals

The following assets were pledged as security for liabilities:

in EUR million	2007	2006
Loans and advances to credit institutions	382	329
Loans and advances to customers	2,266	1,621
Trading assets	295	207
Other financial assets[1]	9,006	8,901
Total	**11,949**	**11,058**

1) Other financial assets consist of financial assets held to maturity, available for sale, at fair value through profit or loss.

Collaterals were pledged in the context of repurchase transactions, securities lending with cash collaterals and other collateral agreements.

The fair value of collaterals received that may be repledged or resold even without the security provider`s default was EUR 4,268 million (31 December 2006: EUR 7,481 million). Of this total, collateral with a fair value of EUR 125 million (31 December 2006: EUR 198 million) was resold or repledged.

39) Securities lending and repurchase transactions

	2007		2006	
in EUR million	Carrying amount of assets pledged as collateral	Carrying amount of liabilities	Carrying amount of assets pledged as collateral	Carrying amount of liabilities
Repurchase transactions	4,708	4,628	4,930	4,831
Securities lending agreement	24	0	0	0
Total	**4,732**	**4,628**	**4,930**	**4,831**

40) Risk report, risk policy and risk strategy

The conscious and selective assumption of risks and their professional management represent a core task for every bank. The Erste Bank Group's risk management policies are designed for the early identification and effective, active management and limitation of risks. The central focus of these risk management activities is on employing available equity as efficiently as possible while bearing in mind the Group's medium- and long-term strategic goals and growth opportunities. The Erste Bank Group seeks an optimum balance of risks and rewards in order to achieve a sustained high return on equity.

The risk management strategy of the Erste Bank Group is marked by a conservative approach to banking risks that is driven both by the requirements of customer-centred banking and by the legal environment. Under this risk management strategy, the Erste Bank Group uses a group-wide system of risk oversight and control designed to identify all risks throughout the Group (market, credit, business and operational risks), measure them and enable the management to exert active control over the identified and measured risks so as to reach the goal of optimising the risk-return relationship.

Disclosure pursuant to sec. 26 Austrian Banking Act and the Disclosure Directive

Erste Bank has chosen to publish information pursuant to section 26 of the Austrian Banking Act and the Disclosure Directive on the internet. Details are available on Erste Bank's website: www.erstebank.com/investorrelations.

Risk management organisation

In keeping with relevant law (especially the Austrian Banking Act), the central responsibility for risk management lies with the roup management board. One way in which the management board fulfils this responsibility is by calling the quarterly meeting of the **Risk Committee (RC).**

As set out in the Erste Bank risk rulebook, the role of the Risk Committee is to approve amendments to the rules where appropriate, allocate capital at the macro level, set an aggregate risk limit for the bank as a whole based on the bank's risk-bearing capacity, set an aggregate limit based on Value at Risk for market risk activities in the trading book, and define medium term objectives for risk management.

In order to ensure comprehensive risk management across the Erste Bank Group, risk control and management are designated as management board level functions exercised by the Group's **chief risk officer (CRO).** The CRO's area of responsibility includes the following service units:

_Group Risk Management
_Risk Management International
_Group Legal
_Group Compliance

The **Group Risk Management** service unit, exercising the risk control function, supports the chief risk officer in furthering the disciplined handling of risks and in harmonising risk management applications for all risk types in the business units. Working closely with the risk management departments of the business units, this unit also ensures the implementation of the risk management strategy.

At every level of the risk management process – particularly concerning market and credit risks – the measurement and monitoring functions are exercised independently of the front office functions supervised, thus safeguarding the separation of market and after-market.

In addition, the chief risk officer is responsible for the development, implementation and review of limits, risk reporting, risk management strategy and of the associated standards and processes.

The chief risk officer also has oversight of credt risk control for the Erste Bank Group. Under the chief risk officer's direction, standards are defined for credit policy and processes, credit portfolio management and risk-adjusted pricing. In addition, the chief risk officer is the functional head of the entire credit risk management organisation.

In view of the growing demands placed on risk control, and in the interest of the clear definition of the roles and areas of authority of all units involved, the Group`s credit risk reporting and risk control activities are combined under the **Group Risk Management** service unit. At the banking subsidiaries, the respective local CRO is responsible for risk management.

As part of the restructuring of the Erste Bank Group, two new committees were set up: the CRO Board and the Group Risk Management Committee. On the CRO Board, every bank in the Group is represented by its CRO. The board is chaired by the chief risk officer of the Erste Bank Group. The CRO board has responsibility for the group-wide coordination of risk management and for ensuring uniform risk management standards across the Group. On the Group Risk Management Committee, the subsidiaries' department heads for strategic risk management provide decision support to the CRO Board and direct working groups on current risk-related topics.

Risk Control

The Group Risk Control department forms part of the **Group Risk Management** service unit. Group Risk Control acts as the central and independent risk control unit required by section 39 (2) of the Austrian Banking Act and formulates group guidelines for processes relating to risk management (these guidelines are codified in the Erste Bank risk rulebook). As an organisational unit independent of the business units, Group Risk Control thus ensures that all measured risks are within the limits set by the management board.

The core competencies of **Group Risk Control** in the risk control process include the daily computation, analysis and reporting of market risks for the whole Group and the timely and continuous monitoring of credit, business and operational risks. Another key function is the aggregation of all risks into a measure of enterprise-wide risk (economic capital) as part of the determination of risk-bearing capacity.

To do justice to this broad mandate, **Group Risk Control** is divided into four groups focusing respectively on market risk, credit risk, operational risk, and rating methods. The market, credit and operational risk sub-units each calculate risk on an ongoing basis with the aid of the models implemented. Their other responsibilities include the refinement and updating of the models and measurement methods employed and the rollout of the risk control process in the Group. The **Group Rating Methods** group is responsible for developing and implementing group-wide uniform rating methods.

Risk control process

The Erste Bank Group's independent risk control process consists of five main steps:

_**Risk identification** at the Erste Bank Group means the detection of all relevant risks related to banking operations. A systematic and structured approach to this task is emphasised. In addition to existing risks, potential risks also need to be identified. The aim of risk identification is the permanent, timely, rapid, complete and cost-effective capture of all individual risks that have a bearing on the achievement of the Erste Bank Group's business targets. However, risk identification is concerned not only with the early detection of risks themselves, but also with the most complete possible recognition of all sources of risk.

_**Risk measurement** – the valuation and analysis of all quantifiable risks with the help of statistical methods. In addition, stress scenarios are defined, with the goal of quantifying losses that may be triggered by extremely adverse, highly unlikely events. The information gained from stress test scenarios complements Value-at-Risk (VaR) results, making it easier to predict the effects of potential extreme market movements.

_**Risk aggregation** – the compilation of the results of risk measurement for the individual risk types (taking into account diversification effects) into an aggregate potential loss from the assumption of risk. This resulting aggregate measure is known as economic capital (representing VaR at a confidence level of 99.95% over a one-year time period). In a multi-stage process, this aggregate total potential loss from the assumption of risk (i.e., economic capital) is compared to the resources (earnings potential, reserves and equity) available to cover potential losses. At Erste Bank this is done as part of the determination of risk-bearing capacity.

_**Risk limit-setting** – the setting of a loss ceiling (aggregate bank limit) by management through the Risk Committee based on the periodic determination of risk-absorbing capacity, which takes into account the bank's equity base and profitability situation.

_**Risk reporting** – the continual reporting of the risk calculation results for the individual risk types to management.

Risk types

Market risk

Fluctuation in interest rates, exchange rates, security prices and commodity prices creates market risks. Market risks derive from short-term trading (the trading book) in instruments whose prices are fixed daily, as well as from the traditional banking business (the banking book).

Taking into account the bank's risk-bearing capacity and projected earnings, the management board sets the aggregate limit for the trading book in the Risk Committee. The aggregate limit is then allocated by the Market Risk Committee based on a recommendation by the **Risk Management Group Capital Markets** unit. All market risk activities in the trading book are assigned risk limits that, in the aggregate, are statistically consistent with the aggregate Value-at-Risk limit covering all market risks of Erste Bank. Limit compliance is verified at several levels: by the appropriate local decentralised risk management unit, by the **Risk Management Group Capital Markets** unit and by the independent Group Risk Control unit.

A key step in limit-setting is the estimation of the potential losses that could result from market movements. This amount, Value-at-Risk, is calculated at group level on a daily basis and relayed to the management board via the electronic management information system. Value-at-Risk is determined by the historical simulation method. In its analysis Erste Bank uses a 99% confidence level and holding periods of one and ten days. The validity of the statistical methods applied is continually verified by backtesting.

Extreme market situations can exert a strong influence on the value of trading positions and may thus have extraordinary effects on trading results. The main such events are market movements that have a low probability of occurrence. Relying on purely statistical methods such as Value-at-Risk to measure risk does not adequately take into account the consequences of crisis situations. Erste Bank therefore reinforces its Value-at-Risk-based risk measurement with stress testing by several methods (historical worst, extreme value theory, scenario analysis). The results of these assessments are made available to the management board via the electronic management information system.

The market risk model approved by the Austrian Financial Market Authority is used to determine the minimum regulatory capital requirements of the Erste Bank Group under the Austrian Banking Act. The calculation employs the most favourable multiplier possible (3), assigned by the Financial Market Authority on the basis of an appraisal by the Austrian National Bank.

The following table shows the value-at-risk amounts for the end of December 2007 and December 2006 (in EUR thousand, 99% confidence level, holding period of one day):

2007	Total	Interest	Currency	Shares	Commodity	Volatility
Erste Bank Group	**26,811**	**24,172**	**1,230**	**9,417**	**166**	**1,558**
Banking book	23,562	22,907	490	3,906	102	0
Trading book	5,543	1,752	873	5,716	128	1,558

2006	Total	Interest	Currency	Shares	Commodity	Volatility
Erste Bank Group	**31,057**	**28,499**	**1,140**	**8,222**	**111**	**1,887**
Banking book	27,321	26,938	159	3,826	0	0
Trading book	5,643	2,630	1,264	4,526	111	1,887

Operational management of market risk

The Risk Management Group Capital Markets unit is responsible for day-to-day control of the market risk associated with trading activities. Its duties are the monitoring of compliance with the market risk, position risk and transaction risk limits; risk reporting; supporting the trading desk; monitoring of market prices; participation in the product testing process for new products; preparation of the risk manual; and – in coordination with Group Risk Control –the management of market risks.

The Treasury performs the measurement of market risks relating to the banking book. The Balance Sheet Management unit submits monthly reports to the Asset Liability Committee (ALCO) on the interest rate risk of the Erste Bank Group and the savings bank group, as decision support for the adjustment of balance sheet risks.

Credit risk

Credit risk arises in traditional lending business (losses incurred by the default of obligors or by the need to provision assets as a result of deteriorating credit quality of borrowers) as well as from trading in market risk instruments (counterparty risk). Country risks are recognised implicitly in the calculation of credit risk.

The central database used for credit risk management is the group data pool, in which all relevant data for credit risk management, for measuring risk control effectiveness and for determining risk weighted assets and the regulatory capital requirement are periodically gathered.

Thanks to this single data pool, all risk control activities of the credit risk management and of the performance management and reporting units group-wide can be harmonised on the basis of the most convergent and consistent data possible.

The Group Credit Risk Reporting unit uses the group data pool for credit risk reporting (both at group level and for the individual group companies). This allows analysis based on the reporting tool implemented across the Erste Bank Group (COGNOS) and on data and segments determined by uniform methods.

The credit risk reporting established on this strong foundation comprises regular reports on the Group's risk portfolio for external and internal audiences and thus permits the continuous monitoring of risk developments and enables management to take appropriate control measures. In-house users include, above all, the supervisory board and management board of the Erste Bank Group, as well as the risk managers, business unit directors and internal audit staff.

This organisational unit is also in charge of the rollout and continual technical improvement of a group-wide online limit system for capping counterparty risk arising from treasury transactions, as well as for surveillance of credit risk from exposure to clients that fall into the financial institutions, sovereigns or international large corporates asset segments and which do business with several members of the Erste Bank Group.

The task of the **Group Credit Risk Control** unit within the Group Risk Control department is the measurement of credit risk, using a portfolio model based on credit Value-at-Risk, for the entire credit business of Erste Bank AG including its foreign branches. Domestic and foreign subsidiaries report their credit risk based on risk weighted assets.

The operational credit decisions are made by the decentralised credit risk management units (Risk Management International and the credit risk management units at the banking subsidiaries (including Credit Risk Management Austria at the future Erste Bank Austria, currently still called Erste Bank AG)).

Risk Management International is the operational credit risk man-agement arm of the holding company. This department covers the customer groups and asset classes from a credit risk perspective where a top-level, group-wide view is required. The asset classes involved are country risks, sovereigns, banks, securitisations (ABS and CDO), large corporates, and real estate risks. Risk Management International also provides specific credit risk reports on these centrally managed portfolios of the holding company and is in charge of process development for credit risk management and of the implementation of group standards for the asset classes named above.

BASEL II

Having passed the required audit conducted by the Austrian supervisory authority in 2006, Erste Bank (including almost all Haftungsverbund savings banks and Ceská Sporitelna) successfully qualified for Basel II advanced internal ratings based approaches to the measurement of credit risk, effective from the entry of the new regulations into force on 1 January 2007. For credit risk, Erste Bank applies the Advanced IRB Approach in the retail segment and the Foundation IRB Approach in all other Basel segments.

According to the current rollout plan for the Erste Bank Group, the transition from the Standard Approach to the IRB Approach is to be made in 2008 for Erste Bank Hungary Rt and Slovenská Sporitelna, in 2009 for Erste Bank Croatia and in the subsequent years for Banca Comerciala Romana, Erste Bank Serbia and Bank Prestige (Erste Bank Ukraine).

Operational risk

In line with banking law, Erste Bank defines operational risk as "the risk of loss resulting from inadequacy or failure of internal processes, people or systems, or from external events." Both quantitative and qualitative methods are used to identify operational risks, and are refined further in order to capture all information relevant to risk management. Consistent with international practice, the responsibility for managing operational risk rests with line management.

The quantitative measurement methods are based on internal loss experience data, which are collated across the Group using a standard methodology and entered in a central data pool. Additionally, in order to be able to model losses that have not occurred in the past but are nonetheless possible, scenarios and external data are also used (Erste Bank is a member of ORX, the international loss data consortium).

Next to quantitative methods, qualitative approaches are used to determine operational risk, primarily by performing risk assessment surveys. The results and risk control suggestions from these responses by experts are reported to line management and thus serve as decision support to reduce operational risks.

In order to also ensure early detection of changes in risk potential that may lead to losses, Erste Bank is working to define key risk indicators.

Since the beginning of 2004 the insurance cover procured by the Erste Bank Group is combined in a group-wide insurance programme. By means of this approach, the cost for the Group's traditional property insurance needs was reduced, making it possible to buy additional insurance for previously uninsured banking specific risks. The combination of potential economies and additional insurance cover, without an increase in overall cost, is achieved by retaining part of the losses in a captive reinsurance firm, thus permitting diversification of risk in the Group.

The quantitative and qualitative methods outlined, including the insurance strategy and the modelling approaches, form the operational risk framework of Erste Bank. Through periodic reporting, relevant information from these areas is communicated to the management board on a quarterly basis. A key measure in this context is operational Value-at-Risk, which is calculated for the Group as a whole.

The operational risk framework and the structure of operational risk management and control at Erste Bank are also defined in the risk rulebook, thus safeguarding the complete identification and consistent treatment of all operational risks.

Erste Bank is currently preparing to qualify for an Advanced Measurement Approach (the loss distribution approach) in the course of 2008 at group level and for major subsidiaries (Ceská Sporitelna, Slovenská Sporitelna and Erste Bank Hungary) and to apply this approach from 2009. In 2007 the regulatory capital required to cover operational risk was determined by the Basic Indicator Approach.

Group-wide Risk Management

At Erste Bank Group, the regulatory requirements for qualitative risk management that result from pillar 2 of Basel II (Supervisory Review Process) and from the ICAAP (Internal Capital Adequacy Assessment Process) consultation paper of the CEBS (Committee of European Banking Supervisors) are fulfilled by the well-proven calculation of risk-bearing capacity.

Determination of risk-bearing capacity

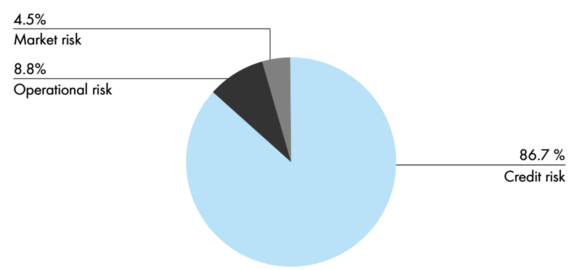
The central tool for controlling the Erste Bank Group's group-wide risk is the calculation of risk-bearing capacity. In this computation, the risk data for the different risk types are aggregated to arrive at the total potential loss from the assumption of risk (i.e., at economic capital) and this loss potential is then compared in a multi-stage process to the resources (earnings potential, reserves and equity) available to cover these potential losses. The aim of this comparison is to determine the extent to which the bank is in a position to absorb potential unexpected losses (the bank's risk-bearing capacity). Risk-bearing capacity thus represents a limit on the aggregate risk activities of Erste Bank. Based on the bank's measured ability to absorb risk, the management board establishes an aggregate bank limit at the quarterly Risk Committee meeting.

The measure of risk used to calculate this aggregate bank limit is the economic capital that the bank must hold in order to cover its risk. This economic capital is defined as the minimum capital necessary on an annual basis to cover unexpected losses at a confidence level of 99.95% derived from the default probability of Erste Bank's target rating. The objective of calculating this figure is to determine the amount of capital needed in order to ensure Erste Bank's continued viability even in extreme loss scenarios. This figure also allows for comparative measurement and aggregation of all risks. In parallel with this approach based on economic capital, the risk-bearing capacity is also calculated at a much lower confidence level of 95% and conveyed to the management as supplementary information.

Erste Bank Group´s aggregate risk by risk type

In 2007 the regulatory capital requirement was for the first time calculated according to the Basel II rules. The chart shows the composition of the regulatory capital requirement as of 31 December 2007.

Allocation of Erste Bank Group regulatory capital requirement



Credit risk

Credit exposure represents the total of the following balance sheet items: loans and advances to credit institutions and loans and advances to customers; fixed-income securities held for trading, at fair value through profit or loss, or available for sale; investments of insurance companies; held-to-maturity investments; and derivatives and credit risks held off-balance sheet (including undrawn credit commitments, which are included in the disclosure of credit risk for the first time). The data for 2006 was correspondingly restated to include the derivative financial instruments and undrawn credit commitments. The changes in risk provisions are explained in Notes 2 and 16.

in EUR million	Total loans and advances to credit institutions and customers (incl. fixed-income securities)	Guarantees/letters of credit Undrawn commitments	Total 2007	Total 2006
Banking and insurance	42,536	12,672	55,208	56,852
Private customers	42,188	2,334	44,522	37,787
Public administration, social security	21,494	4,037	25,531	23,759
Real estate and other business activities	23,044	6,839	29,883	22,831
Manufacturing	10,528	5,040	15,568	14,561
Trade	10,065	3,241	13,306	12,123
Construction	3,763	2,701	6,464	6,290
Hotels and restaurants	3,402	498	3,900	3,657
Transport and communication	3,520	902	4,422	3,827
Energy and water supply	1,951	634	2,585	2,346
Other	9,558	1,060	10,618	7,757
Total	**172,049**	**39,958**	**212,007**	**191,789**

The total credit exposure of the Erste Bank Group as of 31 December 2007 was up by 10.5% or EUR 20.2 billion from the previous year, to EUR 212.0 billion. Of this increase, EUR 10.3 billion was contributed by the banking subsidiaries in the Central and Eastern European core markets, as a result of continued growth in the credit portfolio, especially in consumer lending.

The rest of the expansion in total credit risk was distributed as follows: Erste Bank AG accounted for EUR 6.0 billion due to an increase (albeit smaller than in the previous years) in interbank business and growth in financing for large corporate customers. EUR 4.3 billion represented the savings banks – the Haftungsverbund members as well as Erste Bank's own savings banks – thanks especially to growth in SME and mortgage lending. Other group entities saw a small decrease in their share of the overall credit risk.

The classification of credit assets into the risk classes used here is based on Erste Bank's internal customer ratings. As a Group standard, the Erste Bank Group employs internal rating systems that, for private individuals, have eight rating grades for customers not in default and one grade for customers in default; for all other clients, the internal rating systems have 13 rating grades for customers not in default and one rating grade for those in default. For new subsidiaries, the respective local risk classification is reconciled to internal rating systems mapped to group standard classifications until these are introduced. Credit exposure is divided into the following risk classes:

Low risk: the borrower demonstrates a strong repayment capacity. New business is generally with clients in this risk class.

Management attention: the borrower's financial situation is in effect good, but his repayment ability may be negatively affected by unfavourable economic conditions. New business with clients in this risk class requires adequate structuring (securing) of the credit risks.

Substandard: the borrower is vulnerable to negative financial and economic impacts; such loans are managed in specialised risk management departments.

Non-performing: one or more of the default criteria under Basel II are met: full repayment unlikely, interest or principal payments on a material exposure are more than 90 days past due, restructuring resulting in a loss to the lender, realisation of a loan loss, or opening of bankruptcy proceedings.

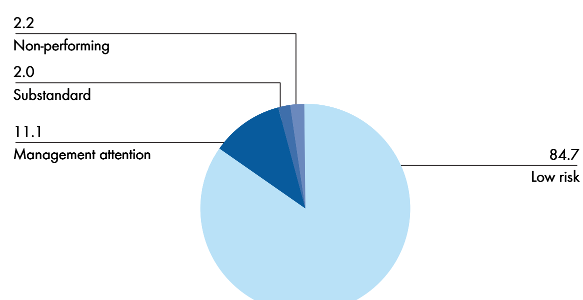
CREDIT RISK REVIEW

Overall trend

The increase in overall credit exposure occurred largely in the best risk class (low risk). The increase in management attention assets was slightly higher than that in total exposure, and substandard loans increased at a stronger rate, which was attributable to the normalisation in the very positive credit cycle experienced in the past several years and the maturing of the portfolio especially in Central and Eastern Europe. The non-performing portion of the exposure eased slightly to 2.2%.

Credit exposure by risk class

at 31 December 2007 in %



Of the Erste Bank Group's total credit exposure, 84.7% constituted the best risk class and 11.1% was in the management attention class; the combined proportion of the two poorer risk classes rose from 3.9% to 4.2%.

Trend in Austria and abroad

In this section, credit exposure is broken down by the home country of the borrower; the distribution among Erste Bank Group entities is discernable from the composition of credit risk by reporting segments, shown in a subsequent section.

Credit exposure by risk class: Total

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total exposure
Total exposure at 31 Dec 2007	179,643	23,496	4,105	4,763	212,007
Share of total exposure	84.7%	11.1%	2.0%	2.2%	100.0%
Risk provisions at 31 Dec 2007	72	152	466	2,671	3,362
Covered by risk provisions	0.0%	0.6%	11.4%	56.1%	1.6%
Total exposure at 31 Dec 2006	163,471	20,937	3,019	4,363	191,789
Share of total exposure	85.2%	10.9%	1.6%	2.3%	100.0%
Risk provisions at 31 Dec 2006	106	218	388	2,491	3,203
Covered by risk provisions	0.1%	1.0%	12.9%	57.1%	1.7%
Change in total exposure in 2007	16,172	2,559	1,086	400	20,217
Change	9.9%	12.2%	36.0%	9.2%	10.5%
Change in risk provisions in 2007	(33)	(66)	78	181	159
Change	(31.5)%	(30.4)%	20.0%	7.3%	5.0%

Credit exposure by risk class: Austria

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total exposure
Total exposure at 31 Dec 2007	66,900	10,216	1,714	3,361	82,191
Share of total exposure	81.4%	12.4%	2.1%	4.1%	100.0%
Risk provisions at 31 Dec 2007	10	46	71	1,806	1,933
Covered by risk provisions	0.0%	0.5%	4.1%	53.7%	2.4%
Total exposure at 31 Dec 2006	65,138	9,709	1,743	3,066	79,656
Share of total exposure	81.8%	12.2%	2.2%	3.8%	100.0%
Risk provisions at 31 Dec 2006	31	100	271	1,604	2,007
Covered by risk provisions	0.0%	1.0%	15.6%	52.3%	2.5%
Change in total exposure in 2007	1,761	507	(29)	296	2,535
Change	2.7%	5.2%	(1.7)%	9.6%	3.2%
Change in risk provisions in 2007	(22)	(54)	(200)	202	(74)
Change	(69.1)%	(53.9)%	(73.9)%	12.6%	(3.7)%

In Austria, total credit exposure rose by EUR 2.5 billion or 3.2% compared to the end of the previous year, driven mainly by growth in retail lending at the Haftungsverbund savings banks and the mortgage subsidiaries.

While the low-risk category expanded by EUR 1.8 billion or 2.7% and the management attention category increased by EUR 0.5 billion or 5.2%, substandard exposure eased by EUR 29 million or 1.7% and non-performing assets increased by EUR 296 million or 9.6%.

Credit exposure by risk class: Outside Austria

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total exposure
Total exposure at 31 Dec 2007	112,744	13,279	2,391	1,401	129,816
Share of total exposure	86.8%	10.2%	1.8%	1.1%	100.0%
Risk provisions at 31 Dec 2007	63	105	395	865	1,428
Covered by risk provisions	0.1%	0.8%	16.5%	61.7%	1.1%
Total exposure at 31 Dec 2006	98,333	11,227	1,276	1,297	112,134
Share of total exposure	87.7%	10.0%	1.1%	1.2%	100.0%
Risk provisions at 31 Dec 2006	74	118	117	886	1,196
Covered by risk provisions	0.1%	1.0%	9.2%	68.3%	1.1%
Change in total exposure in 2007	14,411	2,052	1,115	105	17,682
Change	14.7%	18.3%	87.3%	8.1%	15.8%
Change in risk provisions in 2007	(12)	(12)	278	(21)	233
Change	(15.7)%	(10.4)%	237.2%	(2.4)%	19.5%

Credit exposure outside Austria grew by EUR 17.7 billion or 15.8%. Large contributions to this rise came from the lending growth in Central and Eastern Europe and the interbank, Large Corporates and International Business activities of Erste Bank AG. More than 90% of the increase occurred in the best risk categories. Substandard assets showed higher growth compared to the previous year due to the normalisation of the previously very positive credit cycle and the maturing of the portfolio.

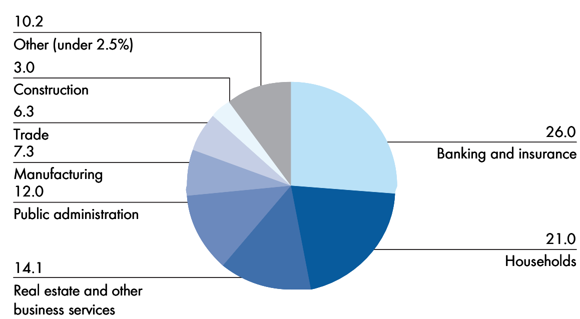
CREDIT RISK BY SECTOR

The combination of sectors where credit exposure was highest was little changed from the years before: The largest exposure remained in the banking and insurance industry, ahead of households; together, these two sectors made up just under 50% of the total exposure. For the first time, public administration was surpassed by real estate and other business services as the next most important sector. Real estate and other business services comprises not only commercial property finance and residential mortgage lending but also holding companies, and thus includes general corporate finance. These four top sectors collectively accounted for almost three-quarters of total credit exposure. They were followed by manufacturing and trade.

Except for construction, the shares of the other sectors were less than 2.5%. The sector mix thus remained balanced, with an appropriate degree of risk diversification.

Credit exposure by sector

at 31 December 2007 in %



Credit exposure by sector: Total

2007 in EUR million	Gross Exposure Low risk	Management attention	Sub-standard	Non-per-forming	Total exposure
Agriculture and forestry	1,094	631	182	127	2,033
Mining	764	214	28	11	1,016
Manufacturing	11,787	2,747	524	510	15,568
Energy and water supply	2,214	242	67	62	2,585
Construction	4,569	1,331	225	339	6,464
Trade	8,896	3,334	515	561	13,306
Tourism	2,040	1,158	258	443	3,900
Transport and communication	3,102	894	236	189	4,422
Banking and insurance	53,876	1,137	155	40	55,208
Real estate and other business activities	23,827	4,898	431	728	29,883
Public administration	25,005	495	17	14	25,531
Healthcare and social services	1,146	252	38	73	1,509
Other services	2,129	570	110	149	2,957
Private households	36,913	5,439	685	1,485	44,522
Other	2,281	152	634	33	3,101
Total	**179,643**	**23,496**	**4,105**	**4,763**	**212,007**

2006 in EUR million	Gross Exposure Low risk	Management attention	Sub-standard	Non-per-forming	Total exposure
Agriculture and forestry	922	730	117	93	1,862
Mining	564	246	33	12	855
Manufacturing	10,686	2,771	483	622	14,561
Energy and water supply	1,981	295	53	18	2,346
Construction	4,440	1,301	214	335	6,290
Trade	7,899	3,159	556	509	12,123
Tourism	1,717	1,231	306	403	3,657
Transport and communication	2,512	871	246	198	3,827
Banking and insurance	55,189	1,586	41	36	56,852
Real estate and other business activities	17,594	4,197	406	634	22,831
Public administration	23,117	602	30	9	23,759
Healthcare and social services	1,051	251	34	50	1,386
Other services	1,640	629	109	123	2,501
Private households	33,162	2,929	389	1,307	37,787
Other	998	138	3	15	1,154
Total	**163,471**	**20,937**	**3,019**	**4,363**	**191,789**

Credit exposure by sector: Austria

2007 in EUR million	Gross Exposure Low risk	Management attention	Sub-standard	Non-per-forming	Total exposure
Agriculture and forestry	524	283	50	96	952
Mining	110	54	4	8	176
Manufacturing	5,264	873	76	265	6,478
Energy and water supply	689	100	8	29	826
Construction	3,037	646	131	277	4,091
Trade	4,343	1,433	180	423	6,378
Tourism	967	905	168	363	2,402
Transport and communication	1,342	314	119	121	1,897
Banking and insurance	10,242	107	6	16	10,372
Real estate and other business activities	14,182	2,930	233	643	17,988
Public administration	5,829	22	3	12	5,865
Healthcare and social services	897	194	27	50	1,169
Other services	900	421	47	125	1,494
Private households	18,544	1,922	194	934	21,594
Other	29	11	469	1	510
Total	**66,900**	**10,216**	**1,714**	**3,361**	**82,191**

2006 in EUR million	Gross Exposure Low risk	Management attention	Sub-standard	Non-per-forming	Total exposure
Agriculture and forestry	487	317	48	57	908
Mining	100	60	25	6	191
Manufacturing	4,891	848	188	357	6,284
Energy and water supply	807	129	4	15	956
Construction	3,004	716	149	279	4,148
Trade	4,093	1,379	311	375	6,159
Tourism	986	938	270	328	2,522
Transport and communication	1,184	301	132	117	1,734
Banking and insurance	13,926	256	10	26	14,218
Real estate and other business activities	9,330	2,768	298	524	12,920
Public administration	5,708	78	6	7	5,798
Healthcare and social services	800	201	27	39	1,066
Other services	938	430	72	84	1,524
Private households	18,857	1,264	202	852	21,174
Other	28	25	1	0	54
Total	**65,138**	**9,709**	**1,743**	**3,066**	**79,656**

Credit exposure by sector: Outside Austria

2007 in EUR million	Gross Exposure Low risk	Management attention	Sub-standard	Non-performing	Total exposure
Agriculture and forestry	570	348	132	31	1,081
Mining	653	160	24	3	841
Manufacturing	6,523	1,874	448	245	9,091
Energy and water supply	1,525	142	59	33	1,759
Construction	1,532	685	94	63	2,373
Trade	4,553	1,902	335	138	6,928
Tourism	1,074	253	91	80	1,498
Transport and communication	1,760	580	118	68	2,525
Banking and insurance	43,634	1,030	149	24	44,837
Real estate and other business activities	9,645	1,967	198	85	11,895
Public administration	19,176	473	14	3	19,666
Healthcare and social services	249	58	11	22	340
Other services	1,228	149	62	25	1,464
Private households	18,369	3,517	492	550	22,929
Other	2,252	141	165	32	2,590
Total	**112,744**	**13,279**	**2,391**	**1,401**	**129,816**

2006 in EUR million	Gross Exposure Low risk	Management attention	Sub-standard	Non-performing	Total exposure
Agriculture and forestry	435	414	69	35	953
Mining	464	186	8	6	664
Manufacturing	5,794	1,923	295	265	8,277
Energy and water supply	1,174	166	48	2	1,391
Construction	1,436	585	65	55	2,141
Trade	3,806	1,780	245	134	5,965
Tourism	731	293	36	75	1,135
Transport and communication	1,328	570	114	81	2,093
Banking and insurance	41,264	1,329	31	10	42,634
Real estate and other business activities	8,263	1,429	108	111	9,911
Public administration	17,409	525	24	2	17,960
Healthcare and social services	251	50	7	12	320
Other services	703	199	37	39	978
Private households	14,305	1,665	187	455	16,612
Other	970	113	2	14	1,100
Total	**98,333**	**11,227**	**1,276**	**1,297**	**112,134**

The volume growth in Austria of a total of EUR 2.0 billion was driven exclusively by lending in real estate and other business services, while outstandings in all other sectors decreased on balance.

Outside Austria, EUR 6.3 billion or a good one-third of the total increase of EUR 17.7 billion in credit exposure occurred within households; this rise was explained almost entirely by the increased retail lending in Central and Eastern Europe, notably at BCR and Česká spořitelna.

In 2007 the foreign component of credit exposure rose from slightly less than 58.5% to more than 61.2%. However, both the already described sectoral breakdown of this increase and its regional distribution presented below demonstrate that the growth did not significantly change the Erste Bank Group's credit risk profile.

CREDIT EXPOSURE BY REGION

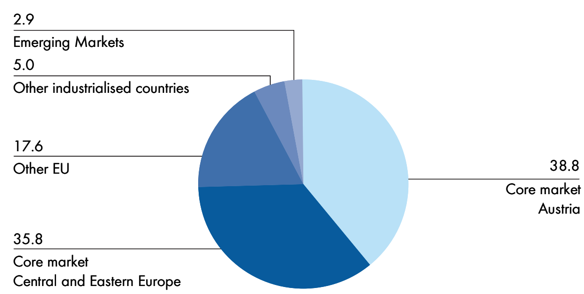
Of the total increase of EUR 20.2 billion in credit exposure, EUR 2.5 billion or 13% occurred in Austria, EUR 8.7 billion or 43% was achieved in the Central and Eastern European core market and EUR 8.2 billion or 40% came from the rest of the European Union.

The volume expansion in Central and Eastern Europe resulted from the organic growth of the banking subsidiaries. In the other EU countries and other industrialised nations, the increase mainly represented higher investments in the interbank area and in Large Corporates and International Business.

The following table shows a breakdown of, credit exposure by the home country of the borrower; the distribution among Erste Bank Group entities is discernable from the composition of credit risk in terms of reporting segments.

Credit exposure by region

at 31 December 2007 in %



The countries of Erste Bank Group's core market and the European Union accounted for 92% of credit exposure.

Volume in the emerging markets increased by a total of EUR 1.1 billion, but remained of relatively little significance at a share of 2.9%.

Credit exposure by region

2007 in EUR million	Gross Exposure Low risk	Management attention	Sub-standard	Non-performing	Total exposure
Core market	128,152	21,636	3,728	4,487	158,143
Austria	66,900	10,216	1,714	3,361	82,191
Croatia	5,630	1,417	155	153	7,355
Romania	7,471	6,387	1,204	309	15,372
Serbia	495	153	8	32	688
Slovakia	8,429	1,243	223	201	10,097
Slovenia	1,805	250	89	69	2,213
Czech Republic	28,155	574	112	198	29,038
Ukraine	387	270	46	5	708
Hungary	8,880	1,126	318	158	10,481
Other EU	35,918	1,084	69	190	37,261
Other industrialised countries	10,214	240	25	41	10,519
Emerging markets	5,359	536	144	44	6,083
Southeastern Europe / CIS	1,272	174	86	2	1,534
Asia	1,482	60	35	34	1,611
Latin America	868	34	12	5	919
Middle East / Africa	1,738	267	11	3	2,019
Total	**179,643**	**23,496**	**4,105**	**4,763**	**212,007**

2006 in EUR million	Gross Exposure Low risk	Management attention	Sub-standard	Non-performing	Total exposure
Core market	120,983	18,844	2,926	4,135	146,888
Austria	65,138	9,709	1,743	3,066	79,656
Croatia	5,240	787	125	139	6,290
Romania	5,256	4,430	523	260	10,469
Serbia	380	70	3	33	486
Slovakia	8,099	1,186	209	150	9,644
Slovenia	1,644	131	72	79	1,926
Czech Republic	26,650	1,561	156	258	28,624
Ukraine	80	62	0	0	142
Hungary	8,497	908	96	150	9,651
Other EU	27,759	1,074	58	183	29,074
Other industrialised countries	10,483	286	25	35	10,830
Emerging markets	4,245	733	10	10	4,998
Southeastern Europe / CIS	1,119	278	0	6	1,403
Asia	1,612	113	1	1	1,728
Latin America	591	70	9	2	672
Middle East / Africa	923	271	0	1	1,196
Total	**163,471**	**20,937**	**3,019**	**4,363**	**191,789**

Credit exposure by BASEL II exposure class

2007 in EUR million*)	Gross Exposure	Collaterals and other credit risk mitigation Guaran-tees	Real estate	Others
Central governments and central banks	20,559	110	0	157
Regional governments and local authorities	6,453	214	21	915
Administrative bodies and non-commecial undertakings	1,037	206	6	27
Multilateral development banks	119	0	0	0
International organisations	0	0	0	0
Institutions	36,857	188	26	638
Corporates	84,462	2,388	15,997	6,643
Retail (incl. SME)	58,359	198	24,321	6,098
Securitisation positions	2,145	0	0	0
Covered Bonds	2,017	0	0	0
Total	**212,007**	**3,304**	**40,371**	**14,478**

*) As a result of the conversion of systems to Basel II, the data for the prior periods could not be restated.

The credit assets are grouped into exposure classes according to Basel II, using the more detailed classification of the Standardised Approach.

The major types of collateral are mortgages on residential real estate and commercial properties, as well as guarantees. Among other types of collateral, financial collateral is the most common. The valuation of collateral takes into account the requirements for risk mitigation under Basel II.

The collateral composition remains largely unchanged from the prior year.

Performing assets (i.e. assets that were neither past due nor impaired) based on the Basel II exposure classes were distributed across risk classes as follows:

	Gross Exposure		
2007 in EUR million	**Low risk**	**Management attention**	**Sub-standard**
Central governments and central banks	20,282	268	9
Regional governments and local authorities	6,329	118	5
Administrative bodies and non-commecial undertakings	918	119	0
Multilateral development banks	119	0	0
International organisations	0	0	0
Institutions	36,109	597	127
Corporates	66,346	13,402	2,683
Retail (incl. SME)	45,382	8,925	1,269
Securitisation positions	2,069	63	13
Covered Bonds	2,013	3	0
Total	**179,567**	**23,496**	**4,105**
Total 2006	**163,471**	**20,957**	**3,019**

The carrying amount of assets for which new terms were negotiated because they would otherwise have fallen into arrears or would have been impaired was EUR 168 million at 31 December 2007. EUR 74 million of this total related to the Corporates exposure class and EUR 94 million pertained to the Retail category (which includes SME). These are assets in the non-performing risk class where the renegotiation of terms caused a financial loss to the lending bank on a present value basis. At the Erste Bank Group this is used as a default criterion.

At 31 December 2007 the balances of assets which were past due but for which specific provisions had not yet been established were as follows:

2007 in EUR million*)	Gross Exposure thereof 91 - 180 days past due	thereof more than 180 days past due	Total loans and advances past due	Thereof collateralised thereof 91 - 180 days past due	thereof more than 180 days past due	Total loans and advances past due
Central governments and central banks	0	0	0	0	0	0
Regional governments and local authorities	1	2	3	0	0	0
Administrative bodies and non-commecial undertakings	0	0	0	0	0	0
Multilateral development banks	0	0	0	0	0	0
International organisations	0	0	0	0	0	0
Institutions	0	4	4	0	0	0
Corporates	48	77	125	19	32	51
Retail (incl. SME)	92	493	585	42	143	185
Securitisation positions	0	0	0	0	0	0
Covered Bonds	0	0	0	0	0	0
Total	**141**	**577**	**717**	**61**	**175**	**236**

*) As a result of the conversion of systems to Basel II, the data for the prior periods could not be restated.

All assets presented in this table were classified as non-performing. Provisions are as a rule established for assets that are more than 90 days past due. However, these individual provisions are not established if the asset is covered by portfolio provisions or collateral.

At 31 December 2007, specific provisions existed for the following exposures:

2007 in EUR million*)	Total loans under specific provisions	thereof 91 – 180 days past due	thereof more than 180 days past due
Loans and advances to credit institutions	10	0	4
Loans and advances to customers	3,759	174	1,390
Total	**3,769**	**174**	**1,394**

*) As a result of the conversion of systems to Basel II, the data for the prior periods could not be restated.

Provisions for impairment are established based on a standardised process whereby risk provisions are created for that portion of the exposure not covered by collateral or expected recoveries. In addition, portfolio provisions are made on the basis of default probabilities and loss ratios for non-provisioned exposures.

CREDIT EXPOSURE BY SEGMENTS

This section describes the composition of credit exposure according to reporting segments. Exposure is classified to segments based on the domicile of the Group entities that carry the credit risk on their books. The differences in provisioning levels for the segments result from the risk situation in the respective markets, regulatory requirements and the local legal environment.

Credit exposure by segment at 31 December 2007

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total exposure	Risk provisions	NPL coverage
Austria	92,507	12,676	1,959	3,772	110,914	2,024	53.7%
Central and Eastern Europe	57,912	10,148	2,018	953	71,032	1,271	133.4%
International Business	27,600	599	119	18	28,337	49	265.6%
Corporate Center	1,623	72	9	20	1,724	18	88.7%
Total	179,643	23,496	4,105	4,763	212,007	3,362	70.6%

Credit exposure by segment at 31 December 2006

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total exposure	Risk provisions	NPL coverage
Austria	92,473	11,543	1,971	3,457	109,444	2,166	62.6%
Central and Eastern Europe	50,177	8,607	1,022	890	60,696	967	108.6%
International Business	20,403	786	27	16	21,231	69	439.5%
Corporate Center	417	1	0	0	418	1	-
Total	163,471	20,937	3,019	4,363	191,789	3,203	73.4%

As a result of the inclusion of derivatives and undrawn credit commitments, the NPL coverage shown for 2006 is lower than the 75.4% reported in the 2006 annual report.

NON-PERFORMING ASSETS AND RISK PROVISIONS

Credit assets are classified and reported as non-performing (NPL) if one or more of the default criteria under Basel II are met: full repayment unlikely, interest or principal payments on a material exposure more than 90 days past due, restructuring resulting in a loss to the lender, realisation of a loan loss, or opening of bankruptcy proceedings.

On average in the Group, risk provisions covered 70.6% of reported NPL assets. For the portion of NPL not covered by provisions there are appropriate levels of conservatively valued, bankable collateral, hence this level of provisioning is considered sufficient. In accordance with the Basel II definition of default, the NPL category also includes debt on which interest and principal payments are being made.

In 2007, NPL increased by EUR 400 million or 9.2% to EUR 4,763 million. Risk provisions were reinforced by EUR 159 million or 5.0% to EUR 3,362 million; a decrease in Austria and in International Business was offset by a rise in Central and Eastern Europe. This resulted in a net reduction of 2.8 percentage points in NPL provision coverage. Taking into account the conservatively valued bankable collateral held against the exposure, the risks remain sufficiently secured.

ERSTE BANK GROUP AND THE US SUBPRIME CRISIS

Overview of the ABS and CDO portfolio

Erste Bank Group is not invested in US subprime securities or their derivatives. In view of the deteriorating creditworthiness of borrowers and the laxer lending standards in the American residential mortgage market, and in anticipation of a market correction, Erste Bank Group decided at the end of 2006 and the beginning of 2007, respectively, to sell all credit assets directly or indirectly connected with the US property market. Typically, these were loans to construction companies, building suppliers, mortgage brokers and real estate developers.

As a result, at 31 December 2007 Erste Bank Group held a conservative portfolio of securitised assets and their derivatives (only investment grade asset-backed securities and investment grade collateralised debt obligations, with the exception of a EUR 2 million BB-rated instrument) with a total value of EUR 3.4 billion. This includes:

- **Prime British residential mortgage-backed securities (RMBS).** Erste Bank Group is solely invested in prime RMBS. These include portfolios of individual mortgage loans, which normally have satisfactory ratings. In the non-conforming segment (individual mortgage loans of lower ratings, no proof of income, etc.) no more investments have been made since 2002. All exposure to this sector has been repaid in full.

- **UK commercial mortgage-backed securities (CMBS).** The portfolio comprises loans with commercial property collateral (mostly offices but also retail, leisure and other). Despite the decrease of 15% in British commercial real estate prices, the CMBS are sufficiently protected by the long seasoning, by low loan-to-value ratios, and by structural support through subordination.

- **Investments in continental Europe:** Securitisations from the Netherlands and Germany with the following underlying assets: residential and commercial mortgages, loans to small and medium enterprises, and leases; Italian RMBS and lease ABS; Spanish securitisations mainly of SME loans, and a lower percentage of RMBS; and smaller positions in Irish, Central and Eastern European and Australian transactions.

- **Collateralised loan obligations (CLOs),** which make up the bulk of the collateralised debt obligations (CDOs) held. This portfolio consists largely of US CLOs with ratings of A to AAA. Here too the investment strategy was conservative. For instance, in order to incur a partial loss of principal on an A/A2-rated tranche, the default rate of US leveraged loans (these are secured corporate loans) would have to rise by more than 450% from its historic high of 8.23% in 2000 and this would have to coincide with a fall in the recovery rate by another 10 percentage points from its 2003 historic low of 72%. Furthermore, CLOs were purchased only from experienced managers, not from new and unknown firms. In addition to US CLOs, the CDO portfolio also contains investment grade tranches of European CLOs. Other CDO products were largely avoided over the last few years. Although there are small positions in synthetic CDOs, collateralised bond obligations, and CDOs of CDOs, no new investments have been made in these types of instruments since the middle of 2006. The remaining securitisation products were purchased relatively long ago, will soon mature, and do not represent additional risk of loss of principal even in the current market setting. This also applies to some other CDOs with mixed portfolios that do not fit into the product categories discussed above.

Investment process, portfolio allocation and portfolio valuation

The general screening criterion for purchasing securitised products or their derivatives is to avoid product categories that lack historical default data and loss data over a full economic cycle. Additionally, all ABS and CDO investments are centrally analysed and approved. All securities are as a rule held until maturity; earlier disposal is the exception. Approximately 42% of the assets are classified under the held to maturity (HTM) portfolio, 43% under the available for sale (AfS) portfolio and 15% under the fair value (FV) portfolio. In the present market environment, the great majority of the securities have a market price lower than cost. Nevertheless, based on careful and continual analysis, there are no particular risk concerns.

The securities of the ABS and CDO portfolios involve standard structures, frequently also benchmark securitisations. The securitisation products in the AfS and FV portfolios are therefore valued at market prices. ABS and CDO papers are not traded on a liquid securities exchange. Our prices are provided by various market participants (investment banks) on a regular basis. No model valuations are performed.

In addition to that, Erste Bank Group is also invested in US collateralised mortgage obligations (CMOs) issued by Ginnie Mae, Fannie Mae and Freddie Mac. These are considered US-government-sponsored or US government guaranteed institutions and these issuers have stable AAA ratings. We therefore do not regard these investments as susceptible to US real estate market risk.

Credit insurance

Erste Bank Group has no direct exposure to monoline insurers. There are project financings existent, which in addition have a guarantee by a credit insurance company. However, these exposures are with borrowers which have investment grade ratings with either stable or positive outlook, whose performance is not directly correlated to the financial guarantors as they are all in operating businesses and do not rely significantly on income from financial investments; borrowers represent key and well established infrastructure providers that are natural monopolies in their home states. This portfolio comprises 4 loans with a volume of EUR 89 million with credit insurers MBIA, AMBAC and FSA. In addition we have EUR 11 million in securitisations which are guaranteed by monolines. These securitisation structures have been in place for several years, are amortised, respectively their risk parameters have improved since issuance. In addition Erste Bank Group is invested in EUR 58 million of Australian RMBS, where not the tranche of the securitisation is wrapped by a monolines, but the underlying mortgages are fully or partly guaranteed by credit insurance companies. All guaranteed securitisations were analysed and reported under the ABS/CDO limits.

Liquidity risk

The liquidity risk management focuses on short-term liquidity risk, long-term structural funding needs, crisis scenario-based analysis and contingency planning. The common standards of liquidity management are defined by Erste Bank and followed by subsidiaries, members of the Group. Results of the analysis is reported and consolidated on the Group level.

The short term liquidity position is monitored on a daily basis. The bank is particularly focusing on the net cash outflow projection for next 5 business days and its coverage by collateral.The long term liquidity mismatch is measured by the liquidity gaps. The liquidity gaps are prepared under the assumption of ordinary course of business. All items are displayed based on legal maturities. Where appropriate, maturity assumptions are adjusted (for the assets and liabilities without contractual maturity or for high liquid and pledgeable assets) based on the historical experience and modelled and verified on a regular basis.

Erste Bank models its liquidity position under different combinations of time and crisis scenarios in Crisis Scenario Analysis. Dynamic aspects of renewal of existing balance sheet items are incorporated through the setting of crisis- and time- specific assumptions. The result of analysis shows the ability of the bank to withstand distress situations before they really occur. Acting upon the results of this analysis, the bank could take all necessary steps in order to be prepared to face the potential crisis in advance. The Comprehensive Contingency Plan assures the necessary coordination of all involved parties in the liquidity management process in case of crisis. The contingency plans of the subsidiaries are coordinated by the plan of the parent company. The Comprehensive Contingency Plan assures the necessary coordination of all involved parties in the liquidity management process in case of crisis. The contingency plans of the subsidiaries are coordinated by the plan of the parent company.

Communication of Liquidity risk: The liquidity risk is discussed at Board level at ALCO meetings. ALCO is regularly informed about the fulfilment of all liquidity limits and updated about the internal and external liquidity situation. The special committees on senior management level are established to coordinate the operational tasks related to liquidity management and to report to ALCO members if necessary. The important channel for steering the liquidity risk within the Bank and towards its subsidiaries is the FTP system and prices of Intragroup funding.

Managing of the liquidity during the Market Liquidity Crisis. Since August 2007 all major markets are operating in a distressed market environment, resulting in credit spread widening and decrease in debt capital market issuance activity. Since that time the bank has not tapped the market with a benchmark issue. Private placements are however continuing. To our advantage the issuance activity of the bank was strong in the first half of the year and covered majority of the yearly plan. All additional funding needs were covered on the money market, where the liquidity on shortest time periods remains sufficient due to supportive actions of the Central Banks.

	< 1 month		1-2 months		1-5 years		> 5 years	
in EUR million	2007	2006	2007	2006	2007	2006	2007	2006
Liquidity GAP	(3,049)	(7,620)	352	(564)	(1,309)	2,011	4,006	6,173

The liquidity risk was held on a moderate level. The amount of net cash outflows in next 5 working days didn't exceed the free collateral and all funding requirements were met smoothly. The aim to stay within the internal limits for crisis scenario analysis was achieved, signalling that the bank has the capacity to face a liquidity crisis. The FMA requirement for the ratios of liquid assets to liquid liabilities were comfortably achieved in average of 9.95% (requirement <2.5%) and 52.25% (requirement >20%) for the assets and liabilities of the first or second degree respectively.

Interest rate risk

Interest rate risk is the risk of adverse change in the fair value of financial instruments caused by movement in market interest rates. This type of risk arises when mismatches exist between assets and liabilities (including off-balance-sheet items) in respect of their maturities or of the timing of interest rate adjustments.

In order to identify interest rate risk, all financial instruments, including transactions not recognised in the balance sheet, are grouped into maturity bands based on their remaining term to maturity or term to an interest rate adjustment.

The following tables list the open fixed-income positions held by the group in the five currencies that carry interest rate risk: the euro, Czech koruna, Slovak koruna, Hungarian forint, Romanian leu.

Only those open fixed-income positions which are not allocated to the trading book are shown. Positive values indicate fixed-income risks on the asset side, i.e. a surplus of asset items; negative values represent a surplus on the liability side.

Open fixed-income positions not assigned to the trading book

2007 in EUR million	1-3 years	3-5 years	5-7 years	7-10 years	over 10 years
Fixed-interest gap in EUR positions at 31 December 2007	310.8	2,448.1	1,296.0	1,004.3	349.6
Fixed-interest gap in CZK positions at 31 December 2007	(42,504.3)	4,408.8	23,215.3	10,977.3	9,229.4
Fixed-interest gap in SKK positions at 31 December 2007	(12,631.3)	11,189.2	10,321.8	1,601.6	4,388.8
Fixed-interest gap in HUF positions at 31 December 2007	99,638.7	8,968.8	279.9	129.6	2.9
Fixed-interest gap in RON positions at 31 December 2007	(71.5)	(904.9)	54.2	147.9	23.1

2006 in EUR million	1-3 years	3-5 years	5-7 years	7-10 years	over 10 years
Fixed-interest gap in EUR positions at 31 December 2006	(535.8)	694.8	2,062.6	1,229.0	406.0
Fixed-interest gap in CZK positions at 31 December 2006	(48,053.2)	10,071.2	18,936.5	9,542.4	6,343.9
Fixed-interest gap in SKK positions at 31 December 2006	(8,782.0)	1,588.8	12,317.1	1,243.3	1,961.2
Fixed-interest gap in HUF positions at 31 December 2006	7,859.4	15,074.4	562.3	183.6	33.7

Hedging

The goals of market risk management for the banking books of Erste Bank Group are to optimise the risk position while taking into account the economic environment, competitive situation, fair value risk and effect on net interest income; to maintain an appropriate liquidity position for the Group; and to centrally manage all market risks inherent in the banking book via the Group's asset liability committee.

In keeping with the goals of risk management, hedging activities focus on the two main control variables – net interest income and fair value risk. Two kinds of instruments are available with which to manage these variables: cash flow hedges are used to hedge the exposure to variability in cash flows. Fair value hedges are employed to reduce market risk. In order to reduce currency risk (currency translation), hedges of a net investment in a foreign operation are applied.

Fair value hedges are currently used to turn fixed-income or structured transactions into variable-income transactions. The current policy on debt securities in issue is to use fair value hedges to convert those issues that are not money-market-linked into issues that are. Other fair value hedges were set up for part of the syndicated loan portfolio and for fixed-interest loans.

Interest rate swaps and floors are the main instruments used for these fair value hedges. In connection with issuance, fair value is also hedged by means of cross-currency swaps, swaptions, caps, floors and other types of options.

in EUR million	2007	2006
Profit/loss fair value - underlying	346.1	533.7
Profit/loss in fair value - hedging instrument	(341.8)	(523.7)

Cash flow hedges are used for three objectives: to turn money-market-linked transactions into fixed-interest transactions and thus reduce interest rate risk; to safeguard a minimum interest rate via floors; and to hedge anticipated foreign currency interest income against exchange rate risk. Some of the revolving money market liabilities are currently converted into fixed interest transactions. Floors are used to secure a minimum interest rate on money-market-linked loans in case of declining market interest rates.

Interest rate swaps and floors were employed to hedge interest cash flows. Currency risk was hedged with spot transactions and currency swaps.

In the reporting period, EUR 2 million were removed from cash flow hedge reserve and recognised as income in the consolidated income statement; EUR -12 million were recognised directly in equity. The majority of the hedged cash flows is likely to occur within the next five years and will then be recognised in the consolidated income statement. Inefficiencies from cash flow hedges amounting to EUR -0.5 million are reported in the net trading result.

		2007		2006
in EUR million	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Hedging instrument - fair value hedge	67	611	33	232
Hedging instrument - cash flow hedge	2	47	2	33

Fair values of hedging instruments are reported in other assets and respectively in other liabilities.

41) Total volume of unsettled derivatives at 31 December 2007*)

in EUR million	Notional amounts Total	Fair value Positive	Fair value Negative	Fair value Total	Fair values by maturity < 1 year	Fair values by maturity 1-5 years	Fair values by maturity > 5years
Interest rate contracts							
Interest rate swaps							
Purchase	241,300	42,455	(68)	42,387	23,934	5,974	12,479
Sale	234,878	121	(42,861)	(42,740)	(24,058)	(5,540)	(13,143)
FRA's							
Purchase	18,526	20	0	20	18	2	0
Sale	3,583	0	(17)	(17)	(16)	(1)	0
Futures							
Purchase	3,091	7	0	7	7	0	0
Sale	2,605	0	(3)	(3)	(3)	0	0
Interest rate options							
Purchase	65,625	777	(10)	767	80	326	362
Sale	62,554	5	(786)	(781)	(125)	(313)	(342)
Currency contracts							
Currency swaps							
Purchase	51,715	946	(936)	10	(285)	93	203
Sale	51,432	793	(478)	315	370	(86)	32
Futures							
Purchase	158	43	0	43	42	0	0
Sale	175	0	(44)	(44)	(44)	0	0
Currency options							
Purchase	6,520	104	(11)	93	59	32	1
Sale	6,679	11	(128)	(117)	(74)	(41)	(1)
Index and asset value agreements							
Forward agreements							
Purchase	193	5	0	5	4	0	0
Sale	209	0	(6)	(6)	0	(4)	(2)
Futures							
Purchase	133	1	0	1	1	0	0
Sale	198	0	(3)	(3)	(3)	0	0
Share options							
Purchase	925	133	0	133	25	107	0
Sale	1,032	1	(145)	(144)	(131)	(13)	0

*) The presentation of this table has been changed due to changes in requirements according to banking law. Comparable figures are not available following this structure.

in EUR million	Notional amounts Total	Fair value Positive	Negative	Total	Fair values by maturity < 1 year	1-5 years	> 5years
Precious metal contracts							
Forward agreements							
Purchase	7	0	0	0	0	0	0
Sale	7	0	0	0	0	0	0
Futures							
Purchase	0	0	0	0	0	0	0
Sale	0	0	0	0	0	0	0
Precious metal options							
Purchase	0	0	0	0	0	0	0
Sale	20	0	(2)	(2)	0	(2)	0
Commodity contracts							
Forward agreements							
Purchase	53	1	0	1	1	0	0
Sale	53	0	(1)	(1)	(1)	0	0
Futures							
Purchase	3	0	0	0	0	0	0
Sale	2	0	(1)	(1)	(1)	0	0
Commodity options							
Purchase	81	1	0	1	0	1	0
Sale	81	3	(2)	1	0	(2)	3
Credit risk derivatives							
Credit risk swaps							
Purchase	869	12	(6)	6	12	(5)	0
Sale	0	0	0	0	0	0	0
Forward agreements							
Purchase	0	0	0	0	0	0	0
Sale	0	0	0	0	0	0	0
Credit risk options							
Purchase	0	0	0	0	0	0	0
Sale	0	0	0	0	0	0	0
Total							
Purchase	**389,199**	**44,505**	**(1,031)**	**43,474**	**23,898**	**6,530**	**13,045**
Sale	**363,508**	**934**	**(44,477)**	**(43,543)**	**(24,086)**	**(6,002)**	**(13,453)**

42) Fair value of financial instruments

In the table below, the fair values of individual balance sheet items are compared to the corresponding carrying amounts. Fair values are basically market values.

Fair value is the amount which could be obtained by the sale of a financial instrument on an active market or which would have to be paid in order to purchase the instrument in question. Financial instruments are measured at fair value where available. The fair value-measurement in Erste Bank Group is based on external data sources (stock exchange or broker-quotations). Models for the determination of a fair value are used only in minor exceptional cases. In this case, standardised, generally accepted valuation models are used. Net present values are determined for linear derivatives (e.g. interest rate swaps, cross currency swaps, foreign exchange forwards and forward rate agreements) by discounting the replicating cash flows. Plain vanilla OTC options (on shares, currencies and interest rates) are valued using option pricing models of the Black-Scholes class, complex interest rate derivatives are measured using Hull-White and/or BGM models.

Erste Bank only uses valuation models which have been tested internally and for which the valuation parameters (such as interest rates, exchange rates and volatility) have been determined independently.

For items without a contractual fixed maturity, the carrying amount was used.

in EUR million	2007 Fair value	2007 Carrying amount	2006 Fair value	2006 Carrying amount
ASSETS				
Cash and balances with central banks	7,615	7,615	7,378	7,378
Loans and advances to credit institutions	14,908	14,937	16,595	16,616
Loans and advances to customers	113,746	113,956	97,017	97,107
Risk provisions for loans and advances	(3,296)	(3,296)	(3,133)	(3,133)
Financial assets - held to maturity	16,804	16,843	16,818	16,700
Investments of insurance companies[1)]	1,588	1,647	1,717	1,704
LIABILITIES				
Deposits by banks	35,013	35,165	37,603	37,688
Customer accounts	99,768	100,116	90,512	90,849
Debt securities in issue	31,046	31,078	21,814	21,814
Subordinated liabilities	5,593	5,589	5,210	5,210

1) Investments of insurance companies contain financial assets – held to maturity and loans and advances.

43) Financial instruments per category according to IAS 39

in EUR million	Loans and receivables	Held to maturity	Trading	Designated at fair value	Available for sale	Financial assets and financial liabilities at amortised cost	Derivatives designated as fair value hedging instruments	Derivatives designated as cash flow hedging instruments	Total
	At 31 December 2007								
ASSETS									
Cash and balances with central banks						7,615			7,615
Loans and advances to credit institutions	14,937								14,937
Loans and advances to customers	113,956								113,956
Risk provisions for loans and advances	(3,296)								(3,296)
Trading assets			6,637						6,637
Financial assets - at fair value through profit or loss				4,534					4,534
Financial assets - available for sale					16,200				16,200
Financial assets - held to maturity		16,843							16,843
Investments of insurance companies[1]	116	1,532		2,615	3,683				7,946
Derivatives in banking book[2]			75				67	2	144
Accruals[2]						2,172			2,172
Total financial assets	**125,713**	**18,375**	**6,712**	**7,149**	**19,883**	**9,787**	**67**	**2**	**187,688**
LIABILITIES									
Deposits by banks				106		35,059			35,165
Customer accounts						100,116			100,116
Debt securities in issue				45		31,033			31,078
Trading liabilities			1,756						1,756
Subordinated liabilities						5,589			5,589
Derivatives in banking book[3]			84				611	47	742
Accruals[3]						1,096			1,096
Total financial liabilities	**0**	**0**	**1,840**	**151**	**0**	**172,893**	**611**	**47**	**175,542**

1) Investments of insurance companies contain solely financial assets: loans and advances, financial assets – at fair value through profit or loss, financial assets – available for sale and financial assets – held to maturity.
2) Derivatives and accruals are reported in other assets.
3) Derivatives and accruals are reported in other liabilities.

	At 31 December 2006								
in EUR million	Loans and receivables	Held to maturity	Trading	Designated at fair value	Available for sale	Financial assets and financial liabilities at amortised cost	Derivatives designated as fair value hedging instruments	Derivatives designated as cash flow hedging instruments	Total
ASSETS									
Cash and balances with central banks						7,378			7,378
Loans and advances to credit institutions	16,616								16,616
Loans and advances to customers	97,107								97,107
Risk provisions for loans and advances	(3,133)								(3,133)
Trading assets			6,188						6,188
Financial assets - at fair value through profit or loss				4,682					4,682
Financial assets - available for sale					14,927				14,927
Financial assets - held to maturity		16,700							16,700
Investments of insurance companies[1)]	237	1,467		2,755	2,794				7,253
Derivatives in banking book[2)]			76				33	2	111
Accruals[2)]						1,913			1,913
Total financial assets	**110,827**	**18,167**	**6,264**	**7,437**	**17,721**	**9,291**	**33**	**2**	**169,743**
LIABILITIES									
Deposits by banks						37,688			37,688
Customer accounts						90,849			90,849
Debt securities in issue						21,814			21,814
Trading liabilities			1,200						1,200
Subordinated liabilities						5,210			5,210
Derivatives in banking book[3)]			80				232	33	345
Accruals[3)]						904			904
Total financial liabilities	**0**	**0**	**1,280**	**0**	**0**	**156,465**	**232**	**33**	**158,010**

1) Investments of insurance companies contain solely financial assets: loans and advances, financial assets – at fair value through profit or loss, financial assets – available for sale and financial assets – held to maturity.
2) Derivatives and accruals are reported in other assets.
3) Derivatives and accruals are reported in other liabilities.

44) Contingent liabilities and other obligations

in EUR million	2007	2006
Contingent liabilities		
Guarantees and warranties	18,765	14,661
Other	429	380
Total	**19,194**	**15,041**
Other obligations		
Undrawn credit and loan commitments, promissory notes	21,193	19,217
Other	307	1,109
Total	**21,500**	**20,326**

Legal proceedings

Erste Bank and some of its subsidiaries are involved in legal disputes, most of which have arisen in the course of its ordinary banking business. These proceedings are not expected to have a material negative impact on the financial position of the Group. Erste Group is also subject to the following ongoing proceedings:

Haftungsverbund

In 2002 Erste Bank formed the Haftungsverbund on the basis of a set of agreements with the majority of the Austrian savings banks. Purpose of the Haftungsverbund was to establish a joint early-warning system as well as a cross-guarantee for certain liabilities of member savings banks and to strengthen the Group's cooperation in the market.

In competition proceedings before the Austrian Cartel Court, both a competitor of Erste Bank and the Austrian Federal Competition Authority requested the court to set aside the Haftungsverbund agreements because of an alleged infringement of Article 81 of the EC Treaty.

In March 2007 the Supreme Court handed down a resolution and confirmed that the agreements which constitute the Haftungsverbund are for the most part in compliance with Article 81 of the EC Treaty. However, the Supreme Court also held that certain aspects of the agreements could be critical under competition aspects.

The Supreme Court did not stipulate any explicit consequences. Rather, in order to specify the conclusions to be drawn from the court ruling, the proceeding will now be continued at the court of first instance.

The Supreme Court's decision does not yet affect the consolidation of the Qualifying Capital of the savings banks as part of Erste Bank's balance sheet.

In December 2004, Erste Bank, together with some other members of the Haftungsverbund, filed an application with the Austrian Cartel Court for a declaratory decision that the Haftungsverbund qualifies as a "Zusammenschluss" (merger) within the meaning of the Austrian Cartel Act. This application was widened in November 2005 to also encompass a Supplementary Agreement to the Haftungsverbund, which includes the granting of extended management rights to Erste Bank.

In March 2007, in parallel with the above mentioned ruling in the competition proceedings, the Supreme Court handed down its respective ruling, which is legally binding. In this ruling, which was welcomed by Erste Bank as being very favourable, the Supreme Court determined that the Supplementary Agreement of November 2005 qualifies as a Zusammenschluss (merger) within the meaning of the Austrian Cartel Act.

Erste Bank has since entered into similar agreements with all Austrian savings banks with the exception of two. Following the filing of the official applications the formal authorisations were granted for these Zusammenschlüsse (mergers) by the competition authorities in October 2007 and in January 2008. Only one application procedure, in relation to the savings bank with the greatest turnover, is still pending because in this case the European competition authorities are also involved in the approval process.

As a consequence of the formal approval for the Zusammenschluss the participating members will qualify as a Group under competition law, to the effect that (according to the ruling of the European courts in the Viho case) the internal relationship between Erste Bank and the respective savings bank will no longer be subject to anti-trust rules.

State aid to Erste Bank Hungary

In the course of its review of past state aid granted by the governments of newly acceded EU member states, the European Commission has initiated the formal investigation procedure laid down in Article 88 (2) of the EC Treaty against Hungary, as it has serious doubts about the compatibility of an "indemnity for unknown claims", granted by the Republic of Hungary to Erste Bank in relation to the acquisition of Postabank, with the acquis communautaire. This investigation, in which Erste Bank participates as an affected third party, is still pending and no decision has yet been taken.

Potential law suit by Deloitte Hungary against Erste Bank Hungary

Deloitte Hungary has been sued by the Hungarian State alleging that, as the majority shareholder of former Postabank, the Hungarian State suffered substantial losses as a result of negligence by Deloitte Hungary in respect of its work as auditor of Postabank's financial statements for the year ended 31 December 1997, as well as the six-month period ended 30 June 1997 and the period ended 31 July 1998. The Hungarian state alleges that Deloitte Hungary was negligent in not uncovering certain transactions which disguised losses suffered by Postabank, as well as uncertainties in relation to Postabank's provisioning and certain other matters. The State alleges that if Deloitte Hungary had uncovered these problems as part of its audit, the shareholders of Postabank would have taken corrective action which would have prevented further losses.

After the court of first instance had found that Deloitte Hungary and the Hungarian State were each 50 per cent liable for the errors in Postabank's financial statements, in early 2007 the Court of Appeal overturned the ruling and sent the case back to the court of first instance. In its ruling it stated, with final and binding effect, that some moneys lost by the State may as a matter of law not be seen as damages. The amount requested by the Hungarian State is in the region of HUF 130 billion.

Deloitte Hungary has indicated to Erste Bank Hungary that it will bring suit against Erste Bank Hungary as the successor to Postabank alleging that any errors in the financial statements of Postabank were the result of erroneous data provided by Postabank to Deloitte Hungary.

45) Analysis of remaining maturities at 31 December 2007

2007 in EUR million	On demand	Up to 3months	3months -1 year	1-5 years	> 5 years
Loans and advances to credit institutions	2,568	7,695	2,424	1,859	391
Loans and advances to customers	8,765	12,187	13,151	29,612	50,241
Trading assets	824	826	772	1,887	2,328
Financial assets - at fair value through profit or loss	103	76	247	2,546	1,562
Financial assets - available for sale	881	1,191	1,081	4,087	8,960
Financial assets - held to maturity	37	1,197	2,476	8,725	4,408
Total	**13,178**	**23,172**	**20,151**	**48,716**	**67,890**
Deposits by banks	2,078	26,776	1,770	2,311	2,230
Customer accounts	36,299	25,853	16,738	11,359	9,867
Debt securities in issue	78	9,201	2,710	9,608	9,481
Trading liabilities	485	137	50	244	840
Subordinated liabilities	4	19	39	678	4,849
Total	**38,944**	**61,986**	**21,307**	**24,200**	**27,267**

2006 in EUR million	On demand	Up to 3months	3months -1 year	1-5 years	> 5 years
Loans and advances to credit institutions	1,164	11,606	2,123	1,489	234
Loans and advances to customers	6,950	11,301	12,103	26,341	40,412
Trading assets	381	174	639	1,849	3,145
Financial assets - at fair value through profit or loss	489	122	127	2,031	1,913
Financial assets - available for sale	567	598	881	4,327	8,554
Financial assets - held to maturity	1	699	1,999	9,796	4,205
Total	**9,552**	**24,500**	**17,872**	**45,833**	**58,463**
Deposits by banks	1,855	28,364	2,198	3,126	2,145
Customer accounts	33,767	21,149	12,437	11,059	12,437
Debt securities in issue	6	2,808	3,128	7,629	8,243
Trading liabilities	331	94	34	167	574
Subordinated liabilities	0	122	24	631	4,433
Total	**35,959**	**52,537**	**17,821**	**22,612**	**27,832**

46) Events after the balance sheet date

Effective from 12 January 2008 the following savings bank joined the Haftungsverbund: Sparkasse Mittersill Bank AG, Sparkasse der Stadt Kitzbühel, Sparkasse Reutte AG and Sparkasse Schwaz AG. All of these savings banks are included in the consolidated financial statements of Erste Bank with effect from that date.

In the course of realising a new structur of Erste Bank Group an organisational split of the Holding and the Austrian Business was implemented in 2007. However, this factual split had no legal impact on third parties. The legal split with a corresponding entry in the commercial register is scheduled for the third quarter. This legal split will have an impact on third parties.

In January 2008, Erste Bank started preparations for the disposal of Anglo-Romanian Bank, a 100% subsidary of BCR.

47) Boards of Erste Bank der oesterreichischen Sparkassen AG

SUPBERVISORY BOARD

Heinz Kessler, President	Retired CEO
Georg Winckler, First Vice President	Rector of the University of Vienna Professor of Economics at the University of Vienna
Theresa Jordis, Second Vice President	Attorney at law
Bettina Breiteneder	Businesswoman
Elisabeth Gürtler	Businesswoman
Jan Homan	Chief Executive Officer of Teich AG
Josef Kassler, until 31 May 2007	Retired CEO
Brian Deveraux O´Neill, since 31 May 2007	Retired Businessman
Lars-Olof Ödlund, until 31 May 2007	Advisor
Wilhelm Rasinger	Businessman
Friedrich Rödler	Public Accountant and Tax Consultant
Hubert Singer	Chief Executive Officer of Dornbirner Sparkasse AG
John James Stack, since 31 May 2007	Retired Businessman
Gabriele Zuna-Kratky	Manager of Technisches Museum Wien

REPRESENTATIVES OF THE STAFF COUNCIL

Günter Benischek	Chairman of the Central Staff Council
Erika Hegmala	Vice Chairwoman of the Central Staff Council
Ilse Fetik	Member of the Central Staff Council
Joachim Härtel, until 1 May 2007	Member of the Central Staff Council
Christian Havelka	Member of the Central Staff Council
Anton Janku, until 26 November 2007	Member of the Central Staff Council
Friedrich Lackner, since 1 May 2007	Member of the Central Staff Council
Karin Zeisel; from 26 November 2007 until 17. January 2008	Member of the Central Staff Council
David Krieber, since 17. January 2008	Member of the Central Staff Council

REPRESENTATIVES OF THE SUPERVISORY AUTHORITY

Robert Spacek	Senior Senate Councillor, State Commissioner
Dietmar Griebler	Senate Councillor, Deputy State Commissioner
Marcus Heinz	State Controller for Premium Reserve
Eduard Moser	Deputy State Controller for Premium Reserve
Irene Kienzl	Trustee under Mortgage Bank Act
Anton Rainer	Deputy Trustee under Mortgage Bank Act

MANAGEMENT BOARD

Andreas Treichl	Chairman
Elisabeth Bleyleben-Koren	Deputy Chairwoman
Peter Bosek, since 1 July 2007	Member
Franz Hochstrasser	Member
Herbert Juranek, since 1 July 2007	Member
Johannes Kinsky, since 1 July 2007	Member
Peter Kisbenedek, since 1 July 2007	Member
Bernhard Spalt	Member
Thomas Uher, since 1 July 2007	Member
Erwin Erasim, until 30 June 2007	Member
Reinhard Ortner, until 30 June 2007	Member

48) Details of the companies wholly or partly owned by Erste Bank Group at 31 December 2007

Equity and earnings data shown was generally calculated in accordance with IFRS and may therefore differ from the financial statements of the individual companies prepared under national accounting standards and from the presentation in segment reporting. The net profit shown represents net profit/loss after tax (but before allocations to reserves).

Directly and indirectly held shares disclosed in the following tables do not include shares held through savings banks consolidated as a result of the Haftungsverbund agreements.

Company name, domicile	Interest	Shareholders´ equity in EUR million	Net income in EUR million	Profit-transfer[1]	Balance sheet date	Inclusion in Consolidated Financial Statements[2]
Credit institutions						
Allgemeine Sparkasse Oberösterreich Bankaktiengesellschaft, Linz (Group)	26.9%	457.1	55.9		31.12.2007	V
Banca Comercială Română S.A., Bukarest (Group)	69.2%	1,349.2	279.1		31.12.2007	V
Bausparkasse der österreichischen Sparkassen Aktiengesellschaft, Vienna	95.0%	151.3	26.3		31.12.2007	V
Česká spořitelna a.s., Prague (Group)	98.0%	2,148.5	446.6		31.12.2007	V
Dritte Wiener Vereins-Sparcasse AG, Vienna	100.0%	5.5	0.0		31.12.2007	V
Erste & Steiermärkische banka d.d., Rijeka	55.0%	538.9	82.2		31.12.2007	V
Erste Bank (Malta) Limited, Sliema	100.0%	140.6	13.3		31.12.2007	V
ERSTE BANK AD NOVI SAD, Novi Sad	74.0%	123.4	0.2		31.12.2007	V
Erste Bank Hungary Nyrt., Budapest (Group)	99.9%	515.9	98.6		31.12.2007	V
ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H., Vienna	84.3%	12.9	32.2		31.12.2007	V
Intermarket Bank AG, Vienna (Group)	21.3%	29.2	4.4		31.12.2006	E
Kapital-Beteiligungs Aktiengesellschaft, Vienna	15.0%	8.8	0.3		30.09.2007	A
Kärntner Sparkasse Aktiengesellschaft, Klagenfurt (Group)	25.0%	331.8	20.6		31.12.2007	V
NÖ Beteiligungsfinanzierungen GmbH, Vienna	30.0%	3.0	0.1		30.09.2007	E
NÖ Bürgschaften GmbH, Vienna	25.0%	6.7	(1.4)		31.12.2006	E
Oesterreichische Kontrollbank Aktiengesellschaft, Vienna (Group)	12.9%	399.5	46.7		31.12.2006	A
Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H., Vienna	18.8%	25.4	1.0		31.12.2007	A
Open Joint-Stock Company "Erste Bank", Kiev	100.0%	88.1	(3.4)		31.12.2007	V
PayLife Bank GmbH (former Europay Austria Zahlungsverkehrssysteme GmbH), Vienna	3.1%	67.9	32.6		31.12.2006	E
Prvá stavebná sporitelna, a.s., Bratislava (Group)	35.0%	233.7	24.3		31.12.2007	E
s Wohnbaubank AG, Vienna (Group)	90.4%	34.0	3.6		31.12.2007	V

1) Profit transfer agreement with Erste Bank AG
2) V = Fully consolidated, E = accounted for at-equity, A = not consolidated

Company name, domicile	Interest	Shareholders´ equity in EUR million	Net income in EUR million	Profit-transfer[1)]	Balance sheet date	Inclusion in Consolidated Financial Statements[2)]
Salzburger Sparkasse Bank Aktiengesellschaft, Salzburg	98.7%	178.8	18.2		31.12.2007	V
Slovenská sporiteľňa a.s., Bratislava (Group)	100.0%	657.1	123.2		31.12.2007	V
„Spar - Finanz" - Investitions- und Vermittlungs-Aktiengesellschaft, Vienna	50.0%	3.7	0.1		31.12.2006	E
Sparkasse Hainburg-Bruck-Neusiedl Aktiengesellschaft, Hainburg	75.0%	34.7	6.5	X	31.12.2007	V
Sparkasse Kremstal-Pyhrn Aktiengesellschaft, Kirchdorf	24.1%	45.4	3.0		31.12.2007	V
Sparkasse Mühlviertel-West Bank Aktiengesellschaft, Rohrbach	40.0%	54.9	2.6		31.12.2007	V
Sparkasse Voitsberg-Köflach Bankaktiengesellschaft, Voitsberg	6.4%	21.0	2.6		31.12.2007	V
Steiermärkische Bank und Sparkassen Aktiengesellschaft, Graz (Group)	25.0%	798.1	106.4		31.12.2007	V
Tiroler Sparkasse Bankaktiengesellschaft Innsbruck, Innsbruck (Group)	75.0%	156.0	9.9		31.12.2007	V
Other financial institutions						
EBV - Leasing Gesellschaft m.b.H. & Co. KG., Vienna	100.0%	14.3	0.8		31.12.2007	V
Diners Club Adriatic d.d., Zagreb	59.0%	37.8	9.6		31.12.2007	V
Erste Corporate Finance GmbH, Vienna	100.0%	1.3	0.4		31.12.2007	V
Erste Securities Polska S.A., Warsaw (Group)	100.0%	11.2	2.4		31.12.2007	V
Erste Securities Zagreb d.o.o., Zagreb	97.7%	4.4	1.9		31.12.2007	V
IMMORENT Aktiengesellschaft, Vienna (Group)	100.0%	466.6	66.7		31.12.2007	V
Neue Eisenstädter gemeinnützige Bau(,) Wohn- und Siedlungsgesellschaft m.b.H., Eisenstadt	50.0%	7.1	0.7		31.12.2006	A
Österreichisches Volkswohnungswerk, Gemeinnützige Gesellschaft mit beschränkter Haftung, Vienna	100.0%	40.7	3.7		31.12.2006	A
s Autoleasing GmbH, Vienna	100.0%	0.2	0.2		31.12.2007	V
Synergy Capital a.d., Belgrad	75.0%	2.1	0.7		31.12.2007	V
„Wohnungseigentümer" Gemeinnützige Wohnbaugesellschaft m.b.H., Mödling	26.0%	30.0	5.5		31.12.2006	A
Others						
ARWAG Holding-Aktiengesellschaft, Vienna (Group)	19.2%	63.0	7.1		31.12.2006	A
Budapesti Értéktözsde Zrt, Budapest	12.2%	30.9	9.1		31.12.2006	A
Capexit Private Equity Invest AG, Vienna (Group)	93.9%	13.4	2.7		31.12.2007	V
CSSC Customer Sales Service Center GmbH, Vienna	46.9%	0.0	0.0		31.12.2007	V
Dezentrale IT-Infrastruktur Services GmbH, Vienna	74.4%	0.4	0.5		31.12.2007	V
Donau Allgemeine Versicherungs-Aktiengesellschaft, Vienna	8.8%	96.9	21.6		31.12.2006	A
EB-Beteiligungsservice GmbH, Vienna	99.8%	0.0	0.0		31.12.2007	V
EB-Malta-Beteiligungen Gesellschaft m.b.H., Vienna	100.0%	139.5	12.2		31.12.2007	V

1) Profit transfer agreement with Erste Bank AG
2) V = Fully consolidated, E = accounted for at-equity, A = not consolidated

Company name, domicile	Interest	Shareholders´ equity in EUR million	Net income in EUR million	Profit-transfer[1]	Balance sheet date	Inclusion in Consolidated Financial Statements[2]
EB-Restaurantsbetriebe Ges.m.b.H., Vienna	100.0%	0.1	0.0		31.12.2007	V
ecetra Internet Services AG, Vienna(Group)	100.0%	20.0	2.4		31.12.2007	V
ECO Unternehmensbeteiligungs-GmbH, Vienna	100.0%	18.7	2.0		31.12.2007	V
Erste Reinsurance S.A., Luxemburg	100.0%	12.8	0.0		31.12.2007	V
Informations-Technologie Austria GmbH, Vienna	25.9%	22.5	0.2		31.12.2007	E
OM Objektmanagement GmbH, Vienna (Group)	100.0%	81.4	3.5		31.12.2007	V
Procurement Services GmbH, Vienna	99.8%	(7.9)	(9.0)		31.12.2007	V
s Haftungs- und Kundenabsicherungs GmbH, Vienna	62.6%	0.2	0.0		31.12.2007	V
s Immobilienfinanzierungsberatung GmbH, Vienna	72.6%	(4.7)	0.2		31.12.2007	V
s REAL Immobilienvermittlung GmbH, Vienna (Group)	96.1%	2.6	1.2		31.12.2007	V
S Tourismus Services GmbH, Vienna	100.0%	15.2	10.0		31.12.2007	V
s IT Solutions AT Spardat GmbH, Vienna	73.4%	2.6	0.9		31.12.2007	V
s IT Solutions SK, spol. s.r.o., Bratislava	99.5%	1.2	0.8		31.12.2007	V
Sparkassen Immobilien Aktiengesellschaft, Vienna (Group)	15.7%	558.1	15.7		31.12.2006	E
Sparkassen Versicherung Aktiengesellschaft, Vienna (Group)	67.3%	18.0	15.3		31.12.2007	V
Sparkassen Zahlungsverkehrabwicklungs GmbH, Linz	40.0%	0.3	0.0		31.12.2007	V
„Sparkassen-Haftungs Aktiengesellschaft“, Vienna	38.3%	0.2	0.0		31.12.2007	V
S-Tourismusfonds Management Aktiengesellschaft, Vienna	99.9%	48.4	1.8		31.12.2007	V
UBG-Unternehmensbeteiligungs-gesellschaft m.b.H., Vienna	100.0%	0.6	0.0		31.12.2007	A
VBV - Betriebliche Altersvorsorge AG, Vienna	27.4%	32.9	0.9		31.12.2006	E
VERMREAL Liegenschaftserwerbs- und -betriebs GmbH, Vienna	25.6%	7.1	(0.3)		31.12.2007	E
VMG-Erste Bank Versicherungsmakler GmbH, Vienna	100.0%	1.0	0.8		31.12.2007	V
WED Holding Gesellschaft m b H., Vienna	19.2%	11.5	0.0		31.12.2006	A
Wiener Börse AG, Vienna	10.1%	64.6	25.2		31.12.2006	A

1) Profit transfer agreement with Erste Bank AG
2) V = Fully consolidated, E = accounted for at-equity, A = not consolidated

Vienna, 12 March 2007

The Management Board

Andreas Treichl mp
Chairman

Elisabeth Bleyleben-Koren mp
Vice Chairwoman

Peter Bosek mp
Member

Franz Hochstrasser mp
Member

Herbert Juranek mp
Member

Johannes Kinsky mp
Member

Peter Kisbenedek mp
Member

Bernhard Spalt mp
Member

Thomas Uher mp
Member

AUDITOR´S REPORT (REPORT OF THE INDEPENDENT AUDITORS)*)

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Erste Bank der oesterreichischen Sparkassen AG, Wien and its subsidiaries (hereinafter referred to as "the Company"), for the financial year from 1 January 2007 to 31 December 2007. These consolidated financial statements comprise the balance sheet as at 31 December 2007, and the income statement, cash flow statement and statement of changes in equity for the year ended 31 December 2007, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Erste Bank's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU. 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

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and in accordance with International Standards on Auditing, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). 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 consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

Our audit did not give rise to any objections.

Based on the results of our audit in our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as of 31 December 2007, and of its financial performance and its cash flows for the financial year from 1 January 2007 to 31 December 2007 in accordance with International Financial Reporting Standards as adopted by the EU.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Laws and regulations applicable in Austria require us to perform audit procedures whether the consolidated management report is consistent with the consolidated financial statements and whether the other disclosures made in the consolidated management report do not give rise to misconception of the position of the group.

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

Vienna, 12. March 2008

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

(Bank auditor)

Friedrich Hief mp Certified Public Accountant	Erich Kandler mp Certified Public Accountant

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Helmut Maukner mp Certified Public Accountant	Elisabeth Glaser mp Certified Public Accountant

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

STATEMENT OF THE LEGAL REPRESENTATIVES

As legal representatives, the under-signed members of the board confirm recording to the § 82 art. 4 Z 3 Austrian Stock Exchange Act that

a) the group financial statements compiled in accordance with ruling accounting standards gives a true and fair view about the financial position and performance of the company and the entirety of the companies which are consolidated in the group financial statement has been produced to the best of their knowledge and under their responsibility.

b) the group management report/group status report represents the business development, company results and status of the entirety of the companies which are consolidated in the group financial statement in a way that gives a true and fair view about the financial position and performance of the company and that describes the essential risks and uncertainties affecting the issuer.

Vienna, 12 March 2008

Andreas Treichl mp
Chairman of the Board

Elisabeth Bleyleben-Koren mp
Deputy Chairwoman of the Board

Peter Bosek mp
Member of the Board

Franz Hochstrasser mp
Member of the Board

Herbert Juranek mp
Member of the Board

Johannes Kinsky mp
Member of the Board

Peter Kisbenedek mp
Member of the Board

Bernhard Spalt mp
Member of the Board

Thomas Uher mp
Member of the Board

Glossary

Average total shareholder return
Average of the annual total shareholder returns since the IPO in 1997.

Book value per share
Equity capital of a company divided by the number of shares outstanding excluding treasury shares.

Cash return on equity
Also referred to as cash-ROE. Calculated as return on equity, but excluding the impact of non-cash items on net profit after minorities, such as goodwill impairments and depreciation of the value customer relationships.

Cash earnings per share
Calculated as earnings per share, but excluding the impact of non-cash items on net profit, such as goodwill impairments and depreciation of the value customer relationships.

CEE (Central and Eastern Europe)
Covers the new member states of the EU that joined in 2004 and 2007 as well as the CIS countries and the states that evolved from the former Yugoslavia.

Cost/Income Ratio
General administrative expenses as a percentage of operating income.

Coverage ratio (own funds)
Own funds as a percentage of the statutory minimum capital requirement.

Coverage ratio (risk provisions)
Risk provisions as a percentage of non-performing loans excluding collateral.

Dividend yield
Dividend payment of the fiscal year as a percentage of the year-end closing price or the most recent price of the share.

Earnings per share
Net profit after minorities divided by average shares outstanding.

Interest-bearing assets
Total assets less cash, trading assets, investments of insurance companies, tangible and intangible fixed assets, tax assets and other assets.

Net interest margin
Net interest income as a percentage of average interest-bearing assets, calculated on a monthly basis.

Operating income
Consists of net interest income, net commission income, trading result and income from insurance business.

Operating result
Operating income less operating expenses (=general administrative expenses).

Price/earnings ratio
Closing share price of the fiscal year divided by earnings per share. Usually used for valuation comparisons.

Market capitalisation
Overall value of a company calculated by multiplying the share price by the number of shares outstanding.

NPL ratio
Non-performing loans as a percentage of total credit exposure.

Return on equity
Also referred to as ROE. Net profit after minorities as a percentage of average equity. Average equity is calculated on the basis on month-end values.

Return on investment
A measurement of yield which reflects the interest on the capital invested. It is calculated as a percentage profit on the capital.

Risk categories
The classification of credit assets into the risk classes is based on Erste Bank's internal rating of customers. Erste Bank Group employs internal rating systems that, for private individuals, have eight rating grades for customers not in default and one grade for customers in default; for all other clients, the internal rating systems have 13 rating grades for customers not in default and one rating grade for those in default.

Risk category – low risk
The borrower demonstrates a strong repayment capacity; new business generally involves clients in this risk class.

Risk category – management attention
The borrower's financial situation is in effect good, but his repayment ability may be negatively affected by unfavourable economic conditions. New business with clients in this risk class requires adequate structuring of the credit risks, e.g. by way of collateral.

Risk category – substandard
The borrower is vulnerable to negative financial and economic impacts; such loans are managed in specialised risk management departments.

Risk category – non-performing
Non-performing: at least one of the default criteria under Basle II, e.g. total repayment unlikely, interest or principal payment more than 90 days past due, restructuring resulting in a loss to lender, realisation of a loan loss, or opening of bankruptcy proceedings.

Share capital
The equity capital of a company subscribed by the shareholders at par.

Solvency ratio
Total own funds less trading book requirements, unsettled currency positions and operational risk as a percentage of risk-weighted assets under section 22 (2) of the Austrian banking Act (BWG).

Tax rate
Taxes on income as a percentage of pre-tax profit.

Tier 1 ratio
Regulatory core capital according to Austrian Banking Act as a percentage of risk weighted assets under section 22 (2) Austrian Banking Act (BWG).

Total shareholder return
Annual performance of an investment in Erste Bank shares including all income streams, such as dividends.

Your Notes

Imprint

Publisher and copyright owner:
Erste Bank der oesterreichischen Sparkassen AG,
Graben 21, A-1010 Vienna

Editor:
Thomas Sommerauer, Erste Bank

Production:
Erste Bank with the assistance of FIRE.sys (Konrad GmbH)

Photography:
Peter Rigaud c/o Shotview Photographers (Seite: 4, 5)
Elisabeth Kessler (Seite:6)

Printer:
Holzhausen Druck & Medien GmbH,
Holzhausenplatz 1, A-1140 Vienna

IMPORTANT INFORMATION: We have prepared this annual report with the greatest possible care and have thoroughly checked the data presented in it. However, we cannot rule out errors associated with rounding, transmission, typesetting or printing. The English–language annual report is a translation. Only the German version is definitive.