

**Erste Bank der
oesterreichischen
Sparkassen AG**

2007 Annual Report

[The German text of this 2007 Annual Report shall be binding. The English translation is for information purposes only.]

ERSTE

Erste Bank der oesterreichischen Sparkassen AG

Assets

	€	€	Tsd € Vorjahr	Tsd € Vorjahr
1. Cash in hand and balances with central banks		492.937.393,99		1.150.941
2. Treasury bills and other bills eligible for refinancing at central banks				
a) treasury bills and similar securities	5.107.967.298,37		5.428.645	
b) other bills eligible for refinancing at central banks	0,00	5.107.967.298,37	0	5.428.645
3. Loans and advances to credit institutions				
a) repayable on demand	1.463.149.416,24		393.377	
b) other loans and advances	29.246.984.258,90	30.710.133.675,14	25.979.133	26.372.510
4. Loans and advances to customers		29.827.748.947,16		25.470.528
5. Bonds and other fixed-income securities				
a) issued by public borrowers	700.578.967,97		1.131.404	
b) issued by other borrowers	9.106.614.336,16	9.807.193.304,13	8.388.850	9.520.254
of which: own bonds	107.656.403,55		84.119	
6. Shares and other variable-yield securities		1.600.474.941,07		1.794.695
7. Equity interests		564.301.399,59		653.614
of which: in credit institutions	450.650.710,04		449.033	
8. Shares in group companies		8.773.856.822,82		8.424.137
of which: in credit institutions	7.728.784.190,05		7.517.452	
9. Intangible fixed assets		62.062.563,41		75.021
10. Tangible fixed assets		77.147.629,80		86.844
of which: land and buildings used by the credit institution for its own business operations	35.875.555,13		42.770	
11. Own shares and shares in a controlling company		42.798.437,00		44.053
of which: par value	1.764.884,00		1.516	
12. Other assets		4.294.287.701,82		4.517.717
13. Subscribed capital called-up, but not yet paid-up		0,00		0
14. Prepaid expenses		254.332.792,91		153.415
Total Assets		91.615.242.907,21		83.692.374

Items shown below the Balance Sheet

1. Foreign assets

	56.454.959.178,51		49.470.703
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Erste Bank der oesterreichischen Sparkassen AG

Liabilities and Equity

	€	€	Tsd € Vorjahr	Tsd € Vorjahr
1. Amounts owed to credit institutions				
a) repayable on demand	984.732.696,91		1.084.492	
b) with agreed maturity dates or periods of notice	32.811.692.092,15	33.796.424.789,06	33.333.779	34.418.271
2. Amounts owed to customers				
a) savings deposits	7.976.841.606,41		7.646.439	
of which:				
aa) repayable on demand	1.949.925.022,58		1.937.006	
bb) with agreed maturity dates or periods of notice	6.026.916.583,83		5.709.433	
b) other liabilities	13.627.548.195,58		10.055.085	
of which:				
aa) repayable on demand	5.311.416.726,79		5.206.164	
bb) with agreed maturity dates or periods of notice	8.316.131.468,79	21.604.389.801,99	4.848.921	17.701.524
3. Debts evidenced by certificates				
a) bonds issued	14.180.703.913,15		11.033.700	
b) other debts evidenced by certificates	5.983.435.416,54	20.164.139.329,69	4.676.187	15.709.887
4. Other liabilities		3.528.609.965,72		3.822.788
5. Deferred income		165.973.363,46		105.866
6. Provisions				
a) provisions for severance payments	0,00		115.279	
b) pension provisions	360.729.443,00		357.024	
c) provisions for taxes	5.325.528,51		5.308	
d) other	169.952.027,46	536.006.998,97	179.886	657.497
6.A Special fund for general banking risks		0,00		0
7. Subordinated liabilities		1.929.440.710,03		1.727.835
8. Supplementary capital		2.522.268.399,63		2.471.078
9. Subscribed capital		632.577.890,00		630.592
10. Capital reserves				
a) subject to legal restrictions	4.630.879.000,00		4.589.686	
b) other	0,00		0	
c) for own shares and shares in a controlling company	0,00	4.630.879.000,00	0	4.589.686
11. Revenue reserves				
a) statutory reserve	34.156.000,00		34.156	
b) reserves provided for by the bye-laws	0,00		0	
c) other reserves	923.091.000,00		706.291	
d) for own shares and shares in a controlling company	42.799.000,00	1.000.046.000,00	44.054	784.501
Carry forward		90.510.756.248,55		82.619.525

Erste Bank der oesterreichischen Sparkassen AG

Liabilities and Equity

	€	€	Tsd € Vorjahr	Tsd € Vorjahr
Carry forward		90.510.756.248,55		82.619.525
12. Reserve pursuant to Section 23 (6) of the Austrian Banking Act (BWG)		854.000.000,00		854.000
13. Retained earnings		237.356.658,66		205.035
14. Untaxed reserves				
a) valuation reserve resulting from special depreciation	13.130.000,00		13.814	
b) other untaxed reserves	0,00	13.130.000,00	0	13.814
of which:				
aa) investment reserve pursuant to Section 9 of the Austrian Income Tax Act (EStG) 1988	0,00		0	
bb) investment allowance pursuant to Section 10 of the Austrian Income Tax Act (EStG) 1988	0,00		0	
cc) rent reserve pursuant to Section 11 of the Austrian Income Tax Act (EStG) 1988	0,00		0	
dd) reserve transferred pursuant to Section 12 (7) of the Austrian Income Tax Act (EStG) 1988	0,00		0	
Total Liabilities and Equity		91.615.242.907,21		83.692.374

Items shown below the Balance Sheet

1. Contingent liabilities		12.340.967.814,68		8.843.939
of which:				
a) acceptances and endorsements	0,00		0	
b) guarantees and assets pledged as collateral security	5.862.146.406,72		8.843.939	
2. Commitments		7.774.832.903,21		8.798.257
of which: commitments arising from repurchase agreements	0,00		0	
3. Liabilities arising from transactions on a trust basis		245.694.023,03		308.605
4. Total net capital pursuant to Section 23 in conjunction with Section 29 of the Austrian Banking Act (BWG)		10.072.490.339,32		9.490.653
of which: capital pursuant to Section 23 (14) 7 of the Austrian Banking Act (BWG)	183.820.746,21		181.540	
5. Capital required pursuant to Section 22 (1) of the Austrian Banking Act (BWG)		3.611.470.332,14		3.331.707
of which: capital required pursuant to Section 22 (1) 1 and 4 of the Austrian Banking Act (BWG)	2.966.246.163,86		2.956.056	
6. Foreign liabilities		36.126.869.756,36		35.492.510

Erste Bank der oesterreichischen Sparkassen AG

	€	€	Tsd € Vorjahr	Tsd € Vorjahr
1. Interest and similar income		3.363.396.733,20		2.728.470
of which: from fixed-income securities	929.462.540,71		844.184	
2. Interest and similar expenses		3.029.029.333,44		2.275.833
I. NET INTEREST INCOME		334.367.399,76		452.637
3. Income from securities and equity interests				
a) income from shares, other ownership interests and variable-yield securities	29.894.233,12		31.700	
b) income from equity interests	22.447.177,91		24.298	
c) income from shares in group companies	460.858.028,22	513.199.439,25	386.838	442.836
4. Fee and commission income		468.007.518,94		449.774
5. Fee and commission expenses		116.853.869,50		155.388
6. Net profit on trading activities		98.205.590,27		109.568
7. Other operating income		4.964.898,32		5.519
II. OPERATING INCOME		1.301.890.977,04		1.304.946
8. General administrative expenses		705.620.440,95		667.732
a) staff costs	461.230.108,90		442.282	
of which:				
aa) wages and salaries	284.073.054,86		268.065	
bb) expenses for statutory social-security contributions and compulsory contributions related to wages and salaries	68.601.632,42		65.457	
cc) other employee benefits	4.633.863,69		4.114	
dd) expenses for retirement benefits	52.458.956,72		53.797	
ee) allocation to the pension provision	22.769.997,00		30.074	
ff) expenses for severance payments and payments to severance-payment funds	28.692.604,21		20.775	
b) other administrative expenses	244.390.332,05		225.450	
9. Depreciation and amortisation of asset items 9 and 10		49.623.199,86		51.782
10. Other operating expenses		2.133.316,11		11.257
III. OPERATING EXPENSES		757.376.956,92		730.771
IV. OPERATING RESULTS		544.514.020,12		574.175

Erste Bank der oesterreichischen Sparkassen AG

	€	Tsd € Vorjahr
Carry forward (IV. Operating results)	544.514.020,12	574.175
11. Value adjustments of loans and advances and allocations to provisions for contingent liabilities and commitments	195.144.119,14	250.349
12. Release of value adjustments of loans and advances and provisions for contingent liabilities and commitments	119.475.701,31	201.890
13. Value adjustments of securities valued as financial fixed assets and of equity interests and shares in group companies	21.032.294,91	32.071
14. Release of value adjustments of securities valued as financial fixed assets and of equity interests and shares in group companies	9.072.020,72	8.594
V. RESULTS FROM ORDINARY BUSINESS ACTIVITIES	456.885.328,10	502.239
15. Extraordinary income	0,00	0
of which: withdrawals from the special fund for general banking risks	0,00	0
16. Extraordinary expenses	11.757.763,13	11.758
of which: allocation to the special fund for general banking risks	0,00	0
17. Extraordinary results (sub-total of items 15 and 16)	- 11.757.763,13	- 11.758
18. Taxes on income	- 7.628.892,59	- 19.758
19. Other taxes not included under Item 18	1.389.256,49	30.338
VI. ANNUAL SURPLUS	451.367.201,07	479.901
20. Movements in reserves	214.861.950,24	275.032
off which: allocation to Reserve pursuant to Section 23 (6) of the Austrian Banking Act (BWG)	0,00	87.000
withdrawals from Reserve pursuant to Section 23 (6) of the Austrian Banking Act (BWG)	0,00	0
VII. PROFIT FOR THE YEAR	236.505.250,83	204.869
21. Profit brought forward from previous year	851.407,83	166
VIII. ACCUMULATED PROFIT	237.356.658,66	205.035

Notes to the 2007 financial statements of Erste Bank AG

I. General information

The 2007 financial statements of Erste Bank der oesterreichischen Sparkassen AG (Erste Bank) have been prepared in accordance with the regulations of the Austrian Commercial Code (UGB, Unternehmensgesetzbuch), in connection with the applicable provisions of the Austrian Banking Act (BWG, Bankwesengesetz).

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

1. Ongoing legal cases

Haftungsverbund

In 2002 Erste Bank formed the Haftungsverbund on the basis of a set of agreements with the majority of the Austrian savings banks. The 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 affect the consolidation of the Qualifying Capital of the savings banks as part of Erste Bank's balance sheet yet.

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 also the European competition authorities are involved in the approval process.

As a consequence of the formal approval for the Zusammenschluss (merger) 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.

2. Letter of comfort

A letter of support exists between Erste Bank and Die Zweite Wiener Vereins-Sparcasse ("Die Zweite"), under which Erste Bank guarantees that "Die Zweite" will meet the requirements of banking regulations, especially those concerning qualifying capital. This guarantee obligation is recorded in the balance sheet as a memorandum item of a value of EUR 1.00, as it is not possible to derive a fixed liability from this agreement.

II. Notes on accounting and valuation methods

- 1) The financial statements have been prepared in accordance with **generally accepted accounting principles** and according to the standard principle that the financial statements should give a fair and accurate view of the financial position, income and expenses of the company. The principle of individual measurement was applied in the assessment of the company's assets and liabilities, and it was assumed that the company would continue to operate. The particularities of the banking business were taken into account in the application of the principle of prudence.
- 2) **Receivables and liabilities in foreign currency** were valued at the ECB reference rate as of the balance sheet date. Foreign currencies were valued at their purchase rate on the balance sheet date. All non-euro currencies are considered foreign currencies.
- 3) **Participations** were recognised at cost of acquisition. Where permanent impairments have resulted from sustained losses or other circumstances, valuations were written down accordingly. Where necessary, sufficient provisions were established to cover the losses incurred by the subsidiaries.
- 4) **For bonds and other fixed income securities**, the difference between acquisition cost and redemption value is amortised pro rata temporis pursuant to sec. 56 (2) BWG, or recognised as income pro rata temporis over the residual time to maturity until redemption pursuant to sec. 56 (3) BWG. Sustained depreciation is written off pursuant to sec. 204 (2) UGB at the lower present value as of the balance sheet date. **Securities in the trading portfolio** and other **current asset securities** are assessed in accordance with the current value principle pursuant to sec. 207 UGB and sec. 56 (5) BWG.
- 5) **Loans and advances to credit institutions and customers, bills of exchange and other assets** were assessed pursuant to sec. 207 UGB. Appropriate value adjustments have been made to account for recognisable risks. Write-ups have been made from the reversal of value adjustments. Loans to private persons were valued in consideration of statistical risk factors, and provisions in the form of portfolio corrections have been made where applicable. Receivables from borrowers in high-risk countries have been assessed conservatively in consideration of the opinion of the Expert Senate for Commercial Law and Auditing (Fachsenat für Handelsrecht and Revision) of the Chamber of Tax Advisors and Certified Accountants (Kammer der Wirtschaftstreuhänder).
- 6) **Intangible assets and tangible fixed assets** were valued at cost of purchase or production less planned and unplanned depreciation/amortisation. Straight-line depreciation was employed where planned. The useful life for buildings is 25 to 50 years, for fixtures and fittings 5 to 20 years; the amortisation period for intangible assets is 4 to 15 years. Capitalised goodwill is written off over 5 to 15 years. Small value assets were fully written off in the year in which they were obtained.
- 7) **Securitized and subordinated liabilities** were recognised in the balance sheet with their repayment values or the pro rata annual values (zero coupon bonds).
- 8) **Costs of issues of securities** were expensed immediately; **premiums and discounts on issues** were amortised over the term of the securities.
- 9) **Provisions** were set aside in the amounts deemed necessary in standard commercial practice.

The **provisions for employer pension plans** for those in retirement were measured based on actuarial expertise according to IFRS principles. The entitlements to pensions were measured in accordance with IAS 19 using the Projected Unit Credit Method and in application of the corridor method. The defined PBO as of 31 December 2007 is EUR 400,810,492,00. In the reporting year, the parameters used in calculations were adapted as follows to take into account the changed market conditions: the discount rate was increased from 4.5% to 5.0% and the pension benefits were increased from 2.0% to 2.5%. As in the previous year, 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 based on the AVÖ 1999 P-Rechnungsgrundlagen (the actuarial basis for pension insurance of the Austrian Association of Actuaries). The pension expectancies of Erste Bank employees who were in active employment on 31 December 2007 and those who have entered retirement since 1 January 1999, who have been given definitive status or have accrued pension rights, have been transferred to the company VBV-Betriebliche Altersvorsorge AG. The resulting difference between the coverage capital transferred to the pension

fund since 1998 and the existing pension provision formed for these assets has been disclosed under deferred expenses in pursuant to the transitional provisions of section XII of the Austrian Pension Fund Act and will be amortised over a period of ten years.

Obligations due to **severance payment entitlements** of all active employees of Erste Bank AG as of 31 December 2007 in the reporting year were outsourced to S-Versicherung AG. **Severance payment entitlements** to be outsourced were measured based on actuarial expertise according to IFRS principles. Entitlements for severance payments have been measured in accordance with IAS 19 using the Projected Unit Credit Method. In the reporting year, the parameters used in calculations were adapted as follows to take into account the changed market conditions: the discount rate was increased from 4.5% to 5.0% and the pension benefits were increased from 2.0% to 2.5%. Severance entitlements measured under provisions of commercial law and based on the above parameters amount to Euro 116,813,761.00 and is shown in the balance sheet as contingent liability. The credit dedicated for performance of outsourced severance requirements with the insurer as of 31 December 2007 is equivalent to the amount of imputed severance provisions. The outsourcing of severance entitlements to S-Versicherung AG does not result in any changes to employee claims against Erste Bank, which continues to be liable for employees' severance entitlements.

The **provision for anniversary bonuses** was measured in the same way as the severance payment provision and ancillary wage costs additions of 8% was added.

10) Trust funds are stated in the balance sheet pursuant to sec. 48 (1) BWG.

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

Hedging products and their underlying asset of liability were shown in the balance sheet as a unit. Interest flows on other products of the banking book (strategic positions) during the reporting period were recognised in the income statement. Negative market values are recognised in the income statement, while positive market values are not recognised. Trading portfolios were valued at "mark to market".

III. Notes on the balance sheet

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

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

a) Loans and advances

	31/12/2007	31/12/2006
Loans and advances to credit institutions	30,710,133,675.14	26,372,000
up to 3 months	18,400,775,752.55	16,095,000
more than 3 months to 1 year	5,632,843,108.45	4,605,000
more than 1 to 5 years	4,138,736,592.53	2,450,000
more than 5 years	1,074,828,805.37	829,000
payable upon demand	1,463,149,416.24	393,000
Loans and advances to customers	29,827,748,947.16	25,471,000
up to 3 months	7,029,603,441.52	5,623,000
more than 3 months to 1 year	2,212,467,930.95	1,913,000
more than 1 to 5 years	7,063,585,519.26	6,142,000
more than 5 years	12,322,807,790.14	10,706,000
payable upon demand	1,199,284,265.28	1,087,000

b) Amounts owed

	31/12/2007	31/12/2006
Amounts owed to credit institutions	33,796,424,789.06	34,418,000
up to 3 months	28,810,788,509.96	29,107,000
more than 3 months to 1 year	1,570,245,175.27	1,415,000
more than 1 to 5 years	744,491,238.12	973,000
more than 5 years	1,686,167,168.80	1,839,000
payable upon demand	984,732,695.91	1,084,000
Amounts owed to customers	21,604,389,801.99	17,702,000
Savings deposits		
up to 3 months	925,015,729.04	253,000
more than 3 months to 1 year	2,073,696,634.18	1,236,000
more than 1 to 5 years	1,483,854,942.46	1,059,000
more than 5 years	3,328,673,488.28	3,162,000
payable upon demand	165,600,812.45	1,937,000
Other		
up to 3 months	7,819,852,609.26	4,182,000
more than 3 months to 1 year	145,484,168.54	319,000
more than 1 to 5 years	5,709,352.00	31,000
more than 5 years	345,085,348.99	317,000
payable upon demand	5,311,416,726.79	5,206,000
Securitized liabilities	20,164,139,329.69	15,710,000
up to 3 months	4,765,153,002.33	2,297,000
more than 3 months to 1 year	1,527,613,067.93	2,312,000
more than 1 to 5 years	7,707,792,620.08	6,056,000
more than 5 years	6,163,580,639.35	5,045,000
payable upon demand	0	0

For the savings deposits, the residual periods was calculated based on the average holding period.

2) The amounts for bonds due within one year

As of 31 December 2007 **bonds and other fixed income securities** for Erste Bank maturing within one year of the balance sheet date amounted to EUR 1,114,206,899.04 (prior year: EUR 1.311.700).

As of 31 December 2007 **debt securities** maturing within one year of the balance sheet date amounted to EUR 6,292,766,070.26 (prior year: EUR 4,729,900).

3) Assets and liabilities in foreign currencies

	Fixed assets		Liabilities	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Total of Erste Bank as a whole	30,432,748,000.00	30,132,000	26,675,312,000.00	26,460,000

4) Advances and loans as well as amounts owed to subsidiaries and companies, in which equity interests are held (participations)

	Advances and loans to subsidiaries		Advances and loans to companies in which equity interests are held	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Loans and advances to credit institutions	14,350,064,310.59	9,358,000	4,752,419,600.64	3,766,000
Loans and advances to customers	3,638,416,992.15	3,142,000	628,760,482.45	476,000
Bonds and other fixed income securities	231,190,867.82	288,000	699,731,305.99	694,000
Shares and other non-fixed income securities	197,480,539.80	218,000	86,854,109.85	96,000

	Amounts owed to subsidiaries		Amounts owed to companies in which equity interests are held	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Amounts owed to credit institutions	1,458,143,982.00	1,409,000	5,647,781,632.03	2,215,000
Amounts owed to customers	4,496,459,048.44	620,000	72,768,425.87	198,000

Among these the most important companies are:

Amounts owed to subsidiaries:

Tiroler Sparkasse Bankaktiengesellschaft, Innsbruck
 Erste Bank Hungary Rt, Budapest
 Salzburger Sparkasse Bank AG, Salzburg
 Banca Comerciala Romana SA, Bukarest
 Diners Club Adriatic d.d., Zagreb

Loans and advances to companies, in which equity interests are held:

Kärntner Sparkasse AG, Klagenfurt
 Allgemeine Sparkasse Oberösterreich Bank AG, Linz
 Steiermärkische Bank and Sparkassen AG, Graz

Amounts owed to subsidiaries:

Salzburger Sparkasse Bank AG, Salzburg
 s Wohnbaubank AG, Vienna
 Tiroler Sparkasse Bankaktiengesellschaft, Innsbruck
 Erste Finance (Delaware) LLC, Wilmington, USA

Amounts owed to companies in which equity interests are held:

Kärntner Sparkasse AG, Klagenfurt
Allgemeine Sparkasse Oberösterreich Bank AG, Linz
Steiermärkische Bank and Sparkassen AG, Graz

5) Subordinated assets

	31/12/2007	31/12/2006
a) Loans and advances to credit institutions	312,518,294.50	348,000
of which:		
to subsidiaries:	280,873,549.20	320,000
to companies in which equity interests are held	6,303,196.30	7,000
b) Loans and advances to customers	218,454,994.21	116,000
of which:		
to subsidiaries:	10,811,080.82	9,000
to companies in which equity interests are held	570,481.75	1,000
c) Bonds and other fixed income securities	376,553,943.08	256,000
of which:		
to subsidiaries:	20,980,666.47	20,000
to companies in which equity interests are held	0	0

6) Fiduciary business

The above items include fiduciary business in the amount of:	31/12/2007	31/12/2006
Loans and advances to credit institutions	20,934,925.00	18,000
Loans and advances to customers	32,121,586.08	30,700
Amounts owed to credit institutions	53,056,511.08	48,700

7) Participations

A detailed Breakdown of the key participations is disclosed in the appendix to the notes "Details of the Holdings of Erste Bank as of 31 December 2007."

8) Securities.

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

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

	listed		not listed	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
a) Bonds and other fixed income securities	6,810,798,080.21	8,038,000	2,996,395,223.92	1,482,000
b) Shares and other non-fixed income securities	534,945,827.93	648,000	188,185,936.47	164,000
c) Equity interests	51,389,340.98	51,000	0	0
d) Holdings in associated and subsidiaries	246,472,627.84	189,000	0	0
Total	7,643,605,876.96	8,926,000	3,184,581,160.39	1,646,000

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

	Fixed assets		Current assets	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
a) Bonds and other fixed income securities	7,169,012,499.06	6,531,000	2,638,180,805.07	2,989,000
b) Shares and other non-fixed income securities	94,274,393.17	94,000	628,857,371.23	718,000
Total	7,263,286,892.23	6,625,000	3,267,038,176.30	3,707,000

Allocation pursuant to section 64 (1) (11) Austrian Banking Act was in accordance with the organisational policies adopted by the Management Board. Also included in fixed assets are positions taken under strategic aspects for a long-term profitable investment. The difference to the redemption value resulting from the pro-rata write-downs pursuant to section 56 (2) as of 31 December 2007 amounts to EUR 41,968,818.59 (prior year: EUR 70,700), while the difference to the redemption value from the pro-rata write-ups pursuant to section 56 (3) Austrian Banking Act amounts to EUR 23,963,548.12 (prior year: EUR 19,000).

b) Breakdown of the differences of the securities listed for trade in the stock exchange not held as financial fixed assets

	31/12/2007	31/12/2006
Difference between the higher market value recognised on the balance sheet date and the cost of purchase pursuant to section 56 (5) Austrian Banking Act	51,210,997.14	100,000

c) Repurchase agreements

The carrying value of the assets subject to sale and repurchase agreements amounts to EUR 4,194,013,205.32 on the balance sheet date (prior year: EUR 4,172,400).

d) Breakdown of bonds and other fixed income securities

	31/12/2007	31/12/2006
Issued by public-sector issuers	700,578,967.97	1,131,000
Issued by other issuers	9,106,614,336.16	8,389,000
of which:		
own issues	107,656,403.66	84,000
bonds - domestic credit institutions	858,239,503.69	949,000
bonds - foreign credit institutions	3,487,360,212.66	3,084,000
mortgage and municipal securities	538,658,768.05	572,000
convertible	6,406,087.31	27,000
other bonds	4,138,293,361.00	3,673,000

9) Trading book

Erste Bank kept a trading book pursuant to sec. 22b BWG throughout the fiscal year. The securities portfolio apportioned to the trading book as of 31 December 2007 was EUR 3,845,626,000.00 (prior year: EUR 5,784,800).

Exercising the option of sec. 22 lit. b BWG, money market instruments of EUR 23,930,051,000 (EUR 19,903,900 on 31 December 2006) were apportioned to the trading book on 31 December 2007.

The volume of other financial instruments included in the trading book had a par value of EUR 349,902,266.00 on 31 December 2007, compared to EUR 300,218,000.00 in the previous year, as follows:

	Long position		Short position		Total	
	2007	2006	2007	2006	2007	2006
Options:	3,050,827,000.00	4,397,000	3,573,188,000.00	5,101,000	6,624,015,000.00	9,498,000
Caps and Floors	62,629,453,000.00	54,283,000	59,604,707,000.00	50,552,000	119,234,160,000.00	104,835,000
Currency Swaps	31,825,952,000.00	30,424,000	0.00	0	31,825,952,000.00	30,424,000
Interest Swaps	181,047,725,000.00	150,751,000	0.00	0	181,047,725,000.00	150,751,000
Fwd Rate Agreem.	758,993,000.00	127,000	642,616,000.00	340,000	1,401,609,000.00	467,000
Financial Futures	2,973,254,000.00	919,000	2,509,739,000.00	3,324,000	5,482,993,000.00	4,243,000
Loan Derivatives	733,326,000.00	0	552,486,000.00	0	1,285,812,000.00	0
Total	283,019,530,000.00	240,901,000	66,882,736,000.00	59,317,000	349,902,266,000.00	300,218,000

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

10) Fixed assets

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

The carrying value of developed land was EUR 12,757,297.33 as of 31 December 2007 (prior year: EUR 13,000).

Leased assets were not included in the carrying value as of 31 December 2007.

For the next fiscal year, Erste Bank will have expenses from the use of tangible assets not declared in the balance sheet (rental and leasing contracts) of a total of EUR 34,496,000.00 (prior year figure: EUR 32,500) and of a total of EUR 190,614,000.00 for the next five fiscal years (prior year figure: EUR 179,300).

The intangible fixed assets include assets of a value of EUR 35,337,256.00 (prior year: EUR 52,000) that has been acquired from subsidiaries. During the year, EUR 6,951,087.22 worth of such assets were acquired (prior year: EUR 15,700).

11) Deferred expenses

Deferred expenses have increased to EUR 254,332,792.91 at 31 December 2007 (prior year: EUR 153,400).

The remaining difference between the coverage requirement of the pension fund and the pension provision for transfers of pension entitlements of active employees since 1998, was recognised in deferred expenses on 31 December 2007, totalling EUR 893,518.50 (prior year: EUR 7,800). The difference will be amortised in 10 equal annual instalments as of the year of transfer. Refer to Section II 9 of these notes for details on the transfer of employer pension plans.

The pension provision gap pursuant to art. X (3) RLG will be recognised as an expense after proportional amortization. This amount totalling EUR 19,510,626.00 will be amortised in equal instalments over the next four years.

As of the 2005 reporting year the pension provision, severance payment provision and the provision for anniversary bonuses are measured in accordance with IAS 19 principles. The resulting discrepancy was included in deferred expenses on 31 December 2007 at a value of EUR 39,723,722.00, and will be amortised in 5 equal annual instalments starting with the 2005 reporting year. Through 31 December 2006 the above also included the resulting discrepancy for severance provisions applying the same method. As discussed in Section II 9 of these notes, as of 31 December 2007 the latter has been outsourced to S-Versicherung AG resulting in the remaining difference being amortised over the current reporting year.

12) Other assets

	31/12/2007	31/12/2006
Total:	4,294,287,701.82	4,518,000
of which from securities transactions	1,838,226,497.20	2,020,000
of which from derivative products	980,972,818.47	1,135,000
of which from recognized interest and commission income	774,511,685.18	736,000
of which from receivables from equity interests and subsidiaries	477,894,906.26	525,000

13) Debt securities in issue

	31/12/2007	31/12/2006
Total:	20,164,139,329.69	15,710,000
of which consolidated loans and bank bonds	95,928,141.10	96,000
of which non-consolidated loans and bank bonds	14,141,566,679.22	11,460,000
of which mortgage and municipal securities	1,623,579,854.28	1,079,000
of which certificates of deposit and commercial paper	4,127,244,655.09	2,899,000

14) Other liabilities

	31/12/2007	31/12/2006
Total:	3,528,609,965.72	3,823,000
of which from derivative products	949,172,105.89	1,027,000
of which from investment transactions	1,869,878,817.89	2,081,000
of which from interest and commission expenses	539,522,004.63	511,000

15) Provisions

	31/12/2007	31/12/2006
Provision for severance payments	0	115,000
Pension provision	360,729,443.00	357,000
Tax provision	5,325,528.51	5,000
Risk provision	79,770,043.54	80,000
Other	90,181,983.92	100,000
Total	536,006,998.97	657,000

The increase in the pension provision in the reporting year by EUR 3,705,000.00 is mainly the result of changes to entitlements and changes in parameters of the valuation method as described in Section II 9 of these notes. The complete reversal of severance provisions was the reason for the outsourcing, also as described in Section II 9 of these notes.

16) Subordinated debts

Total subordinated debt on 31 December 2007 was EUR 4,451,709,109.66 (prior year: EUR 4,199,000), of which EUR 1.0 million is attributed to 14,281 GIRO CREDIT participating certificates (unchanged at the end of 2006) issued in 1984 (participation rights pursuant to sec. 174 of the Austrian Stock Corporation Act (AktG). The participating certificates securitize a share in profit and loss, but not in capital, and do not give the holder voting rights .

Of the subordinated loans taken by Erste Bank in the balance sheet year (including supplementary capital), there is no loan above the 10 percent limit (EUR 445,170,910.97) of the total subordinated debt.

Movements in total subordinated debt are as follows:

Increase due to new issues	EUR 494,654,000.00
Decrease due to maturity	EUR 220,957,625.59
Carrying value reductions caused by price fluctuations	EUR 20,900,716.13

On the balance sheet date, the bank held no own issues from subordinated debt that were not listed on stock exchanges.

In 2007, Erste Bank expenses for subordinated liabilities and supplementary capital was EUR 212,710,995.61 (prior year: EUR 170,700).

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

17) Subscribed capital

Subscribed capital was EUR 632,577,890.00 as of 31 December 2007 (prior year: EUR 630,592) Share capital as of 31 December 2007 was represented by 316,288,945 voting bearer shares (ordinary shares).

Capital increases in 2007

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, plus EUR 2,214,792.00 from the difference between the issue price of EUR 16.50 and the price on the value date of 6 June 2007 of EUR 59.25 for 51,808 shares subscribed by Erste Bank AG employees, passed to the account of income statement position 8a (personnel expenses), totalled EUR 6,254,916.00 of which EUR 489,712.00 was allocated to subscribed capital and EUR 5,765,204.00 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, plus EUR 422,500.00 from the difference between the issue price of EUR 43.00 and the price on the value date of 6 June 2007 of EUR 59.25 for 26,000 shares subscribed by Erste Bank AG employees, passed to the account of income statement position 8a (personnel expenses) of which EUR 127,470.00 was allocated to subscribed capital and EUR 3,035,635.00 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, plus EUR 48,917.70 from the difference between the issue price of EUR 43.00 and the price on the value date of 27 August 2007 of EUR 54.10 for 4,407 shares subscribed by Erste Bank AG employees, passed to the account of income statement position 8a (personnel expenses) totalled EUR 560,058.70 of which EUR 23,774.00 was allocated to subscribed capital and EUR 536,284.70 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, plus EUR 11,937.06 from the difference between the issue price of EUR 43.00 and the price on the value date of 26 November 2007 of EUR 45.49 for 4,794 shares subscribed by Erste Bank AG employees, passed to the account of income statement position 8a (personnel expenses), totalled EUR

396,056.06; of which EUR 17,866.00 was allocated to subscribed capital and EUR 378,190.06 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.

18) 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:

	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 30/06/2007	12,000	12,000	0	0
Franz Hochstrasser	12,000	12,000	0	0
Erwin Erasim until 30/06/2007	12,000	12,000	0	0
Bernhard Spalt	3,000	3,000	0	0
Peter Bosek since 01/07/2007	3,000	1,000	2,000	0
Herbert Juranek 01/07/2007	3,000	3,000	0	0
Peter Kisbenedek 01/07/2007	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 employees	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	Allocated	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 30/06/2007	9,000	9,000	3,000	6,000
Franz Hochstrasser	9,000	9,000	3,000	6,000
Erwin Erasim until 30/06/2007	9,000	9,000	3,000	6,000
Bernhard Spalt	5,000	5,000	-	5,000
Peter Bosek since 01/07/2007	5,000	5,000	-	5,000
Herbert Juranek since 01/07/2007	5,000	5,000	-	5,000
Peter Kisbenedek since 01/07/2007	9,000	9,000	3,000	6,000
Thomas Uher since 01/07/2007	3,000	3,000	-	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 employees	687,376	687,376	98,724	588,652
Total options	1,456,876	1,456,876	233,184	1,223,692

19) Authorised but unissued capital and contingent capital remaining at 31 December 2007:

Under clause 4.5. of the articles of association, in accordance with a resolution by the Annual General Shareholders Meeting 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 Shareholders 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 sub-scribed 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.

20) 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 Privatstiftung received a dividend of EUR 62,662,783.95 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 Privatstiftung's management board were Andreas Treichl (chairman of the management board of Erste Bank AG), Franz Ceska and Dietrich Kamer. The Privatstiftung'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 of 31 December 2007, the Privatstiftung reported accounts receivable from Erste Bank AG of EUR 53,649,395.45 and accounts owed to Erste Bank AG totalling EUR 7,267,283.42. Standard derivative transactions for hedging purposes were in place between Erste Bank and the Privatstiftung at the end of 2007 (interest rate swaps with a nominal volume of EUR 75 million and caps and floors of EUR 247.4 million each).

As a result of accounts receivable and/or accounts payable of Erste Bank AG and the above derivate mentioned transactions, the Privatstiftung generated interest income of EUR 3,373,003.49 and paid interest of EUR 4,253,717.89 in 2007, which was expensed in the reporting period.

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 Shareholders 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 take-over 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 affected 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) As well, for all shares purchased previously 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 & 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..

21) Reserves

b) Changes in capital reserves:

Capital reserves on 31 December 2007 totalled EUR 4,630,879,000.00 (prior year: EUR 4,589,686). The increase in capital reserves by EUR 41,193,000.00 is the result of the capital increases described in Section III 17 of these notes.

b) Changes in revenue reserves:

Revenue reserves increased from EUR 784,501,000.00 to EUR 1,000,046,000.00 in the reporting year. This change is the result of the allocation of EUR 216,800,000.00 to unrestricted revenue reserves, and the reserve for own shares of EUR 1,255,000.00.

c) Changes in the reserve pursuant to section 23 (6) BWG:

No additional reserve pursuant to section 23 (6) BWG was required as of the balance sheet date. Accordingly, the reserve pursuant to section 23 (6) BWG as of 31 December 2007 is unchanged over the prior year's balance of EUR 854,000,000.00.

d) Changes in untaxed reserves

The reduction in untaxed reserves to a new total of EUR 13,130,000.00 (prior year: EUR 13,814) is the result of the reversal of valuation reserves due to special depreciation pursuant to sec. 12 of the Austrian Income Tax Act of 1988 (EStG).

22) Own supplementary capital

On the balance sheet date 2007, Erste Bank held supplementary capital issued by itself of a carrying value of EUR 13,591,598.26 (prior year: EUR 12,900).

23) Own subordinated capital

On the balance sheet date 2007, Erste Bank held subordinated capital with a carrying value of EUR 2,335,822.60 (prior year: EUR 1,900).

24) Own shares**Treasury shares held by Erste Bank**

	No. of shares	Par value (EUR)
Portfolio on 1 January 2007	758,231	1,516,462
Total additions	17,334,579	34,669,158
Total disposals	17,210,368	34,420,736
Portfolio on 31 December 2007	882,442	1,764,884
Highest level of treasury shares	2,228,932	4,457,864

Additional disclosures pursuant to sec. 243a UGB

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

Concerning the repurchase of shares, the Annual General Shareholders Meeting of 31 May 2007 has decided the following:

The company is entitled to purchase treasury shares pursuant to sec. 65 (1) 7 of the Austrian Stock Corporation Act ("Aktiengesetz") for the purpose of trading securities. However, the trading portfolio of these shares may not exceed five percent of the share capital at the end of any calendar day. The market price of each of the shares to be purchased may not be lower than EUR 10.00 or higher than EUR 120.00. This authorization is valid for 18 months, i.e. until 30 November 2008.

The Management Board is entitled, upon approval by the Supervisory Board, to purchase treasury shares pursuant to sec. 65 (1) 8 of the Austrian Stock Corporation Act. However, the shares purchased under this authorisation and pursuant to sec. 65 (1) 1, 4 and 7 AktG may not exceed ten percent of the share capital. The market price of each of the shares to be purchased may not be lower than EUR 10.00 or higher than EUR 120.00. The company is obliged to publish the relevant Management Board decision and the details of the repurchase programme, as well as its duration. The shares purchased can be sold, upon approval by the Supervisory Board, in the form of an issue of shares as consideration for the acquisition of companies, businesses, workshops or shares of one or more domestic or foreign companies. Such an offering would be conducted outside the stock markets and does not constitute a public offering. Furthermore, the Management Board is entitled to draw shares without a decision at the Annual General Shareholders Meeting. This authorization is valid for 18 months, i.e. until 30 November 2008.

All sales and purchases are carried out as authorised by the Annual General Shareholders Meeting.

25) Qualifying capital

Since 1 January 2007, Erste Bank has been applying the solvability rules under Basel II, using the IRB (internal rating based) in retail business and the internal rating-based approach in corporate business, for sovereigns and inter-bank business. In addition, under the statutory transition provisions several share categories are also included under the standard approach.

a) Assessment base pursuant to sec. 22 (2) BWG

	unweighted	weighted
Assessment base as per standard approach	32,423,856,680.97	20,284,248,230.44
Internal rating-based approach (IRB)	59,671,061,039.21	16,793,828,817.83
Credit risk assessment base per category as of 31 December 2007 pursuant to Basel II:	92,094,917,720.18	37,078,077,048.27
Assessment base as of 31 December 2006 pursuant to Basel II:	83,692,000,000.00	36,951,000,000.00

b) Required qualifying capital pursuant to sec. 22 (1) BWG

	31/12/2007	31/12/2006
1. Required qualifying capital due to credit risk pursuant to sec. 22a – 22h BWG	2,966,246,163.86	2,956,056
a) Standard approach	1,622,739,858.43	
b) Internal rating-based approach (IRB)	1,343,506,305.43	
2. Processing risk	57,000.00	
3. Required qualifying capital for item risk	451,519,000.00	375,651
4. Required qualifying capital for operational risk	193,648,168.28	
5. Minimum qualifying capital requirement due to change to Basel II	0.00	
6. Required qualifying capital for qualified non-financial investments	0.00	
Total required qualifying capital	3,611,470,332.14	3,331,707

c) Qualifying capital pursuant to sec. 23 BWG

	31/12/2007	31/12/2006
Core capital (tier 1)		
Paid-in capital	632,577,890.00	630,592
Less: Treasury shares	-42,798,437.00	-44,053
Open provisions	6,498,055,000.00	6,242,001
Less: intangible assets	-62,062,563.41	-75,021
Core capital (tier 1) pursuant to sec. 23 (14) 1 BWG (prior to deductions)	7,025,771,889.59	6,753,519
Qualifying additional qualifying capital (tier 2)		
Supplementary capital	979,076,637.69	1,026,505
Revaluation surplus	229,800,316.00	201,171
Excess loan loss provision for IRB items	101,078,298.08	-
Subordinated capital	1,866,769,769.36	1,544,409
Qualifying additional qualifying capital (tier 2) prior to deductions	3,176,725,021.13	2,772,085
Eligible short-term subordinated capital (tier 3)		
Rededication of non-qualifying eligible subordinated liabilities	183,820,746.21	181,540
Eligible short-term subordinated capital (tier 3)	183,820,746.21	181,540
Deductions as per sec. 23 (13) 3 and 4 from core capital	-123,536,828.85	-
Deductions as per sec. 23 (13) 3 and 4 from other qualifying capital	-123,536,828.85	-156,046
Deductions as per sec. 23 (13) 4a BWG from other qualifying capital	-66,753,659.91	-60,445
Eligible qualifying capital as per sec. 23 BWG	10,072,490,339.32	9,490,653
Required qualifying capital	3,611,470,332.14	3,331,707
Qualifying capital surplus	6,461,020,007.18	6,158,946
Coverage ratio	278.9%	284.9%
Qualifying capital ratio (1), relative to credit risk	25.4%	24.7%
thereof core capital ratio (2), relative to credit risk	18.6%	18.3%

(1) Total eligible qualifying capital pursuant to section 23 Austrian Banking Act less trading book requirements and open foreign currency positions in relation to the risk-weighted assets pursuant to sec 22 (2) BWG

(2) Core capital after deductions relative to credit risk assessment base pursuant to sec 22 (2) BWG.

26) List of assets which serve as deposits for security for liabilities pursuant to section 64 (1) (8) Austrian Banking Act

Assets	31/12/2007	deposits for security for liabilities related to the following business
Fixed interest securities	36,345,135.80	Collateral for the benefit of Oesterr Kontrollbank AG
	58,262,826.90	Collateral for intraday business
	249,230,087.50	Securities for loans to companies of the Erste Bank Group: of Slovenská Sporitelna a.s.
	18,941,486.65	of Ceska Sporitelna a.s.
	72,672,834.17	Reserve for consolidated Erste Bank bonds
	8,250,000.00	Securities for other liabilities
	49,449,795.80	Premium reserve for state ward savings deposits
	4,049,652,347.48	Securities for ECB custody account
	414,753,389.58	Margin requirements
	51,234,348.09	Reserve for Erste Bank bonds
Loans and advances to customers	10,577,657.08	Margin requirements
	2,211,121,954.02	Premium reserve for mortgage and municipal bonds
	108,781,047.92	Securities for loans of Erste & Steiermärkische Bank d.d. to companies of the Erste Bank Group
Loans and advances to credit institutions	288,000,000.00	Securities for other liabilities

27) Total volume of unsettled derivatives

as of 31/12/2007	Nominal amounts by remaining maturity			total
	> 1 year	1-5 years	> 5 years	
Interest rate contracts	307,553,120,274.32	118,231,170,591.63	71,090,077,633.84	496,874,368,499.79
OTC products:				
Interest rate options				
purchase	22,852,208,322.20	29,919,840,358.77	9,869,864,283.89	62,641,912,964.86
sale	22,996,955,095.55	26,430,250,409.92	10,802,288,290.18	60,229,493,795.65
Interest rate swaps				
purchase	122,153,469,092.06	33,609,480,932.60	27,737,531,433.16	183,500,481,457.82
sale	133,692,889,370.20	27,583,421,252.95	22,224,170,834.67	183,500,481,457.82
FRAs				
purchase	758,993,417.54	0	0	758,993,417.54
sale	642,616,113.91	0	0	642,616,113.91
Listed products:				
Futures	4,211,970,963.26	688,177,637.39	323,535,310.10	5,223,683,910.75
Interest rate options	244,017,899.60	0	132,687,461.84	376,705,361.44
Currency contracts	70,001,103,929.37	3,036,457,342.05	574,636,829.82	73,612,198,101.24
OTC products:				
Currency options				
purchase	1,932,146,636.75	211,363,954.69	2,520,847.46	2,146,031,438.90
sale	2,101,850,712.96	109,281,052.25	5,954,447.46	2,217,086,212.68
Currency swaps				
purchase	33,136,211,376.56	1,123,300,381.87	392,976,390.25	34,652,488,148.68
sale	32,805,792,185.00	1,592,511,953.24	173,185,144.65	34,571,489,282.89
Listed products:				
Futures	25,103,018.09	0	0	25,103,018.09
Currency options	0	0	0	0
Precious metal contracts	13,676,133.56	0	0	13,676,133.56
OTC products:				
Precious metal options				
purchase	0	0	0	0
sale	0	0	0	0
Precious metal swaps				
purchase	6,791,886.21	0	0	6,791,886.21
sale	6,884,247.35	0	0	6,884,247.35
Listed products:				
Futures	0	0	0	0
Precious metal options	0	0	0	0
Securities-related transactions	756,958,777.85	946,887,971.87	151,746,301.93	1,885,593,051.65
OTC products:				
Stock options				
purchase	127,983,094.67	428,610,705.18	89,037,913.00	645,631,712.85
sale	263,557,274.99	415,907,019.85	3,613,000.00	683,077,294.84
Listed products:				
Futures	234,206,512.37	0	0	234,206,512.37
Stock options	131,211,895.82	102,370,246.84	59,095,388.93	292,677,531.59
Credit derivative contracts	2,073,197,943.62	1,606,660,281.23	2,638,480,198.36	6,318,338,423.21
OTC products:				
Credit default swaps				
purchase	834,202,472.72	0	0	834,202,472.72
sale	1,238,995,470.90	1,606,660,281.23	2,638,480,198.36	5,484,136,950.49
Total	380,398,057,058.71	123,821,176,186.78	74,454,940,963.94	578,674,174,209.44
of which OTC products:	339,714	109,508	59,132	508,354
of which listed products:	4,811	621	589	6,021

Note: Interest rate and currency swaps are one-sided (purchase), currency options are two-sided.

28) Derivatives financial instruments and financial instrument fixed assets pursuant to the Fair-Value Valuation Act

Derivative financial instruments					
as of 31/12/2007	Nominal value purchase	Nominal value sale	Book value	Positive fair value	Negative fair value
Interest rate contracts					
OTC products					
Interest rate options	62,641,912,964.86	59,611,706,778.13	36,621,364.56	763,172,277.07	-777,949,288.07
Interest rate swaps	183,500,481,457.82	183,500,481,457.82	62,920,279.34	3,909,679,389.62	-4,288,084,609.70
FRA's	758,993,417.54	642,616,113.90	64,410.50	1,542,747.00	-1,478,336.49
Listed products					
Futures	2,861,781,129.00	2,361,902,781.75			
Interest rate options	295,113,980.03	699,378,418.93	1,030,224.35	1,421,620.99	-391,396.64
Currency contracts					
OTC products					
Currency options	2,146,031,438.90	2,217,086,212.68	-628,967.49	54,618,636.81	-55,247,604.30
Currency swaps	34,652,258,148.68	34,571,244,989.02	20,789,543.34	1,197,206,533.74	-1,162,178,151.86
Listed products					
Futures	378,710.69	24,724,307.40			
Currency options			218,123.77	218,123.77	
Securities-related contracts					
OTC products					
Stock options	645,631,712.85	683,077,294.84	2,766,763.83	122,876,388.84	-120,109,625.01
Listed products					
Futures	109,901,225.40	123,112,255.75			
Stock options	61,962,709.74	128,224,848.09	1,983,859.93	2,412,493.12	-428,633.19
Precious metal contracts					
OTC products					
Precious metal swaps	6,791,886.21	6,884,247.35	-90,631.31	101,274.97	-191,906.28
Commodity and other contracts					
OTC products					
Commodity swaps	230,000.00	244,293.87	-17,783.87		-17,783.87
Listed products					
Futures	1,193,031.21	0			
Commodity options	51,185,123.42	51,304,850.34	-9,102.52	852,615.16	-861,717.68
Credit derivative contracts					
OTC products					
Credit derivative options			859,936.30	13,429,126.95	-42,696,453.57
Credit derivative swaps	834,202,472.72	5,484,135,950.49			
OTC products	285,186,533,499.58	286,717,477,338.10	123,284,915.20	6,062,626,375.00	-6,447,953,759.15
Listed products	3,361,515,909.49	3,388,647,462.27	3,223,105.53	4,904,853.04	-1,681,747.51
Total	288,568,049,409.07	290,106,124,800.37	126,508,020.73	6,067,531,228.04	-6,449,635,506.66

Financial instrument fixed assets

as of 31/12/2007	Book value	Fair value	Hidden liabilities	Hidden reserves
Treasury bills	2,600,295,183.21	2,568,618,485.33	31,676,697.88	
	436,443,444.97	437,320,899.44		877,454.47
Loans and advances to credit institutions	1,154,764,672.43	1,151,287,423.13	3,477,249.30	
	1,294,230,781.79	1,297,867,691.44		3,636,909.65
Loans and advances to customers	1,795,374,942.26	1,754,933,843.40	40,441,098.86	
	936,241,806.50	938,308,113.89		2,066,607.39
Bonds	4,540,542,242.72	4,413,319,231.77	127,223,010.95	
	1,754,893,501.06	1,762,909,343.94		8,015,842.88
Shares	73,428,904.33	71,940,101.64	1,488,802.69	
	263,635,904.38	264,186,525.12		550,620.74
Total	10,164,405,944.95	9,960,099,085.27	204,306,859.68	
	4,685,445,438.70	4,700,592,573.83		15,147,135.13

When an asset is impaired and not written off the impairment is presumed to be not permanent. The fair value is the amount that could be attained in an active market through the sale of a financial instrument or that would be payable for the corresponding purchase thereof. Where market prices were available they have been used. Where no market prices were available, valuation models, particularly the discounted cash flow method, was used.

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

	2007	2006
At beginning of year:	719,552,253.55	786,000
less: used	-86,298,335.75	-154,000
less: releases	-92,132,303.57	-109,000
plus: additions	171,768,459.00	208,000
Currency fluctuations, transfers and changes to the provisions recognised in the provisions for interest receivables	-6,873,045.29	-11,000
At end of year:	706,007,027.94	720,000

IV. Notes on the Income Statement

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

1) Group members' (subsidiaries that are considered a fiscal unit with Erste Bank AG under the group taxation regulations of 2005) profits posted in the income statement of Erste Bank under **Income from participations** reached a value of EUR 117.627,809.95 in the reporting year (prior year: EUR 109,400). Depreciation requirements and other expenses for Group members totalling EUR 587,847.96 (prior year: none), and profits from sales in the amount of EUR 987,767.48 (prior year: none) arose during the reporting year.

2) The regional distribution of **gross income** for Erste Bank is as follows:

	Domestic	International	2007 total	Domestic	International	2006 total
Interest and similar income	2,663,815,393.96	699,581,339.24	3,363,396,733.20	2,093,000	635,000	2,728,000
Income from securities and participations	512,927,861.71	271,577.54	513,199,439.25	441,000	2,000	443,000
Commission income	457,508,802.79	10,498,716.15	468,007,518.94	436,000	14,000	450,000
Trading income	97,748,954.14	456,636.13	98,205,590.27	108,000	2,000	110,000
Other operating income	4,661,897.64	303,000.68	4,964,898.32	5,000	1,000	6,000
Total	3,736,662,910.24	711,111,269.74	4,447,774,179.98	3,083,000	654,000	3,737,000

3) Commission income includes income from **administrative and agency services** of the credit institution vis-à-vis third parties of EUR 73,331,086.11 (prior year: EUR 69,091).

4) **Other operating income** of EUR 4,964,898.32 (prior year: EUR 5,519) included income primarily from the sale of assets and rent.

5) Personnel expenses include **expenses for severance payments and payments to severance-payment funds** of EUR 28,692,604.21 (prior year: EUR 20,775), expenses for retirement benefits of EUR 52,458,956.72 (prior year: EUR 53,797) and an allocation to the pension provision of 22,769,997.00 (prior year: 30,074). The expenses for the allocation to the pension provision are the result of changes in measurement parameters, specifically related to the reduction of the discount rate.

6) **Other operating expenses** of Erste Bank of EUR 2,133,316.11 (prior year: EUR 11,257) in general consist of losses in sales of real estate purchased at auctions, as well as legal proceedings and damage events.

7) The reported net amount of **extraordinary income** and **extraordinary expenses** of EUR -11,757,763.13 (prior year: EUR -11,758) as in the previous year is the result of expenses incurred to close the pension provision gap and the proportional amortisation of the difference from the transfer of pension expectancies for active employees to the pension fund, which is also reported as a deferred expense.

8) Under the item **income taxes**, a tax income of EUR +7,628,892.59 (prior year: EUR +19,757) was reported. This tax income includes tax income of EUR 37,016,126.03 (prior year: EUR 43,082) from the tax allocation to subsidiaries under the group taxation scheme pursuant to sec. 9 KStG 1988. The principal expenses under this item are foreign income tax and other foreign income-related taxes of EUR 29,553,095.84.

V. Information on board members and employees

1) Employees

The average number of employees at Erste Bank (weighted, excluding employees on leave and members of the Management Board) was 4,315 during fiscal year 2007 (prior year: 4,193).

Of these, 424 employees (prior year: 456) worked for other companies in exchange for reimbursed expenses. The total reimbursement was EUR 36,848,421.70 (prior year: EUR 35,362) and is recognised in general administrative expenses (personnel expenses) in the income statement.

2) Board members

At the end of 2007, loans and advances to members of the Management Board totalled EUR 662,717.30 (prior year: EUR 603). Loans to members of the Supervisory Board were EUR 361,875.16 (prior year: EUR 400). The applicable interest rates and other terms (maturity dates and collateralisation) are in line with normal market practice. In the current fiscal year, members of the Management Board made loan repayments totalling EUR 11,496.44 (prior year: EUR 10), and members of the Supervisory Board made repayments of EUR 400,375.00 (prior year: none).

In 2007, the then members of the Management Board received remuneration (including non-cash compensation) in their capacity as Management Board members totalling EUR 15,190,473.88 (prior year: EUR 11,219), which represented 3,29% of the total personnel expenses of the Erste Bank. These payments also included severance payments of EUR 2,516,782.00.

In fiscal year 2007, EUR 663,930 (EUR 647 in the previous year) was paid to former members of the Management Board or their surviving dependants.

The breakdown of the remuneration of the members of the Management Board in 2007 was as follows:

Name of the Management Board member	Salary	Bonus	Other compensation	Total
Andreas Treichl	1,238,521,01	2,820,116.40	361,091,76	4,419,729,17
Elisabeth Bleyleben-Koren	831,321,05	1,023,230.77	195,905,50	2,050,457,32
Reinhard Ortner until 30/06/2007	398,619,13	1,002,057.00	1,544,523,11	2,945,199,24
Franz Hochstrasser	702,270,95	656,250.00	164,522,40	1,523,043,35
Erwin Erasim until 30/06/2007	267,154,08	437,500.00	1,191,068,09	1,895,722,17
Bernhard Spalt	509,738,25	225,556.00	72,038,44	807,332,69
Peter Kisbenedek since 01/07/2007	354,869,12	-	25,565,38	380,434,50
Johannes Kinsky since 01/07/2007	304,869,10	-	15,525,61	320,394,71
Herbert Juranek since 01/07/2007	304,869,10	-	22,490,88	327,359,98
Thomas Uher since 01/07/2007	253,651,88	-	19,401,35	273,053,23
Peter Bosek since 01/07/2007	229,869,14	-	17,878,38	247,747,52
	5,395,752,81	6,164,710.17	3,630,010,90	15,190,473,88

The item "other compensation" includes pension fund contributions and various non-cash compensation. Severance payments during the reporting period are also included in "other earnings". 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.

The Supervisory Board members of Erste Bank were paid EUR 490,499.96 (prior year: EUR 517). Members of the Supervisory Board received the following compensation for board positions in fully consolidated subsidiaries of Erste Bank: Heinz Kessler EUR 31,881.00 and Georg Winckler EUR 800.00. No other transactions were entered into with members of the Supervisory Board. The following amounts have been invoiced for other legal transactions by companies related to members of the Supervisory Board: DORDA BRUGGER JORDIS Rechtsanwälte GmbH, with Theresa Jordis as partner, invoiced Erste Bank in 2007 for several orders a total of EUR 307,693.98.

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

Name of the Supervisory Board member	Supervisory Board compensation	Meeting fees	Total
Heinz Kessler	50,000.00	16,500.00	66,500.00
Georg Winckler	37,500.00	14,500.00	52,000.00
Theresa Jordis	37,500.00	13,000.00	50,500.00
Bettina Breiteneder	25,000.00	7,000.00	32,000.00
Elisabeth Gürtler	25,000.00	5,500.00	30,500.00
Jan Homan	25,000.00	6,500.00	31,500.00
Josef Kassler until 31/05/2007	25,000.00	1,000.00	26,000.00
Lars-Olof Ödlund until 31/05/2007	25,000.00	1,000.00	26,000.00
Wilhelm Rasinger	25,000.00	10,500.00	35,500.00
Friedrich Rödler	25,000.00	14,000.00	39,000.00
Hubert Singer	25,000.00	2,500.00	27,500.00
Gabriele Zuna-Kratky	16,666.64	4,500.00	21,166.64
Brian D. O'Neill since 31/05/2007	0	1,500.00	1,500.00
Jack Stack since 31/05/2007	0	1,500.00	1,500.00
Werner Hutschinski – from 2006 activity	8,333.32	0	8,333.32
Günter Benischek	0	6,000.00	6,000.00
Erika Hegmala	0	7,000.00	7,000.00
Ilse Fetik	0	3,500.00	3,500.00
Joachim Härtel until 01/05/2007	0	2,500.00	2,500.00
Anton Janku until 26/11/2007	0	7,500.00	7,500.00
Christien Havelka	0	6,000.00	6,000.00
Friedrich Lackner since 01/05/2007	0	8,000.00	8,000.00
Karin Zeisel since 26/11/2007 until 17/01/2008	0	500.00	500.00

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

Information on securities held by and Erste Bank share transactions of Management Board and Supervisory Board members (in numbers of shares):

Members of the Management Board:

Name of the Management Board member.	as of 31/12/2006	additions 2007	reductions 2007	as of 31/12/2007
Andreas Treichl	123,440	47,000	3,000	167,440
Elisabeth Bleyleben-Koren	25,600	3,200	6,000	22,800
Reinhard Ortner until 30/06/2007	125,600	200	125,800	N/A
Franz Hochstrasser	47,256	0	10,000	37,256
Erwin Erasim until 30/06/2007	13,916	200	14,116	N/A
Bernhard Spalt	256	7,200	1,080	6,376
Peter Bosek since 01/07/2007	N/A	1,572	0	1,572
Peter Kisbenedek since 01/07/2007	N/A	3,400	0	3,400
Herbert Juranek since 01/07/2007	N/A	656	0	656
Thomas Uher since 01/07/2007	N/A	1,400	0	1,400

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

The following members of the Supervisory Board held the following Erste Bank shares as of 31/12/2007:

Name of the Supervisory Board member.	No. of shares
Georg Winckler	1,500
Bettina Breiteneder	2,560
Jan Homan	4,400
Wilhelm Rasinger	2,935
Theresa Jordis	1,000
Friedrich Rödler	549
Jack Stack since 31/05/2007	26,381
Gabriele Zuna-Kratky	630
Günter Benischek	1,317
Ilse Fetik	116
Erika Hegmala	140
Christian Havelka	1,200
Joachim Härtl until 01/05/2007	36
Friedrich Lackner since 01/05/2007	236
Anton Janku until 26/11/2007	364
Karin Zeisel since 26/11/2007 until 17/1/2008	27

Members of the Supervisory Board held 11,650 Erste Bank options as of 31 December 2007. As far as can be determined, persons related to members of the Managing Board or Supervisory Board held 20,251 shares of Erste Bank on 31 December 2007.

Expenses for severance payments, pension severance payments and pensions of Erste Bank pertain to the positions "Wages and salaries", "Expenses for retirement benefits", "Allocation to the pension provision", in the income statement and, if it pertains to the pro-rata catch-up requirements as in "Extraordinary expenses." Expenses for severance payments and pensions for members of the Management Board and managers pursuant to section 80 (1) Stock Corporation Act amounted to EUR 10,065,820.00 (prior year: EUR 12,416,000). Expenses for severance payments and pensions for other employees amounted to EUR 94,487,182.00 (prior year: EUR 94,899,000). Each of the amounts indicated includes the required expenses for surviving dependants.

The information regarding members of the Management Board and Supervisory Board pursuant to section 239 (2) UGB has been disclosed separately in the attachment to the notes.

VI. Proposed distribution of profit

Pursuant to section 65 (5) Austrian Stock Corporation Act, the Management Board will propose at the Annual General Shareholders Meeting the payment of a dividend of EUR 0.75 per share. Hence, the dividend totals EUR 237,216,708.75; the remaining retained profit of EUR 139,949.91 is to be carried forward.

Attachment to the Notes

Executive bodies of Erste Bank der oesterreichischen Sparkassen AG:

Supervisory board

Heinz Kessler,
President
Retired CEO

Georg Winckler
1st Vice President
Rector of the University of Vienna
Professor for Economics at the University of Vienna

Theresa Jordis
2nd Vice President
Attorney at law

Bettina Breiteneder
Businesswoman

Ellsabeth Gürtler
Businesswoman

Jan Homan
Chief Executive Officer of Teich AG

Josef Kassler until 31/05/2007
Retired CEO

Brian D. O'Neill since 31/05/2007
Retired Businessman

Lars-Olof Ödlund until 31/05/2007
Advisor

Wilhelm Rasinger
Businessman

Friedrich Rödler
Public accountant and tax consultant

Hubert Singer
Chief Executive Officer of Dornbirner Sparkasse AG

Jack Stack since 31/05/2007
Retired Businessman

Gabriele Zuna-Kratky
Manager of Technisches Museums 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

Member of the Central Staff Council

until 01/05/2007

Christian Havelka

Member of the Central Staff Council

Anton Janku

Member of the Central Staff Council

until 26/11/2007

David Kriieber

Member of the Central Staff Council

since 17/01/2008

Friedrich Lackner

Member of the Central Staff Council

since 01/05/2007

Karin Ziesel

Member of the Central Staff Council

since 26/11/2007 until 17/01/2008

Representatives of the Supervisory Authority

Robert Spacek

Senate Councillor, State Commissioner

Dietmar Griebler

Senate Councillor, Deputy State Commissioner

Dr. Marcus Heinz

State Controller for Premium Reserve

Eduard Moser

Deputy State Controller for Premium Reserve

Irene Klenzl

Trustee under Mortgage Bank Act

Anton Rainer

Deputy Trustee under Mortgage Bank Act

Management Board**Andreas Treichl**

Chairman

Ellsabeth Bleyleben-Koren

Deputy Chairwoman

Peter Bosek

Member of the Management Board

since 01/07/2007

Erwin Erasim

Member of the Management Board

until 30/06/2007

Franz Hochstrasser

Member of the Management Board

Herbert Juranek

Member of the Management Board

since 01/07/2007

Johannes Kinsky

Member of the Management Board

since 01/07/2007

Peter Kisbenedek

Member of the Management Board

since 01/07/2007

Reinhard Ortner

Member of the Management Board

until 30/06/2007

Bernhard Spalt

Member of the Management Board

Thomas Uher

Member of the Management Board

since 01/07/2007

Attachment to Notes

Statement of changes in fixed assets and long-term assets 2007

	At Cost at 1 Jan 2007	Additions	Disposals	At Cost at 31 Dec 2007	Write-down (sec. 56 (3) BWG) Currency Imposition	Accumulated depreciation 31 Dec 2007	Carrying amount 31 Dec 2007	Carrying amount 1 Jan 2007	Depreciation 2007
1. Equity interests									
2. Shares in associates and subsidiaries	675,149,410.75	17,581,401.35	102,575,449.39	590,155,362.71	0.00	25,853,963.12	564,301,399.59	653,614,209.73	5,375,000.00
3. Intangible assets	8,673,633,323.87	504,165,241.77	149,922,917.32	9,227,875,648.32	0.00	454,018,825.50	8,773,856,822.82	8,424,137,423.56	8,587,847.96
Goodwill	21,602,604.00	0.00	0.00	21,602,604.00	0.00	19,800,483.23	1,802,120.77	5,556,687.00	3,754,566.00
Other	273,272,867.00	24,074,038.69	431,352.00	296,915,553.69	0.00	236,655,111.02	60,260,442.67	69,464,591.00	30,704,725.16
	284,875,471.00	24,074,038.69	431,352.00	310,518,157.69	0.00	256,455,594.25	62,062,563.44	75,021,278.00	34,459,291.16
4. Tangible assets	345,618,297.23	8,417,735.32	8,329,423.06	345,706,609.49	0.00	268,558,979.30	77,147,630.19	86,844,343.25	15,163,908.70
5. Securities									
Treasury bills and similar securities	3,406,615,529.45	71,276,389.43	386,091,023.58	3,091,800,895.30	16,370,000.43	71,432,267.55	3,036,738,628.18	3,363,078,358.14	0.00
Loans and advances to credit institutions	3,135,721,481.79	456,626,842.84	1,121,428,241.18	2,470,920,083.45	332,951.71	22,257,560.94	2,448,995,454.22	3,127,974,843.74	0.00
Loans and advances to customers	1,983,063,690.20	1,209,548,871.12	450,951,275.88	2,741,661,285.44	12,428.01	10,056,994.69	2,731,616,748.76	1,976,806,671.88	0.00
Bonds and other fixed income securities	5,488,513,660.12	2,263,905,522.74	1,390,714,549.57	6,361,704,633.29	6,078,371.77	72,347,261.28	6,295,435,743.78	5,468,489,730.75	0.00
Shares and other non-fixed income securities	390,676,617.76	1,254,269.27	54,478,767.90	337,462,119.13	142,868.64	530,179.06	337,064,808.71	390,456,522.57	0.00
	14,404,590,979.32	4,002,611,895.40	3,403,663,858.11	15,003,939,076.61	22,936,620.56	176,624,253.52	14,849,851,383.65	14,326,806,127.09	0.00
Total	24,593,867,482.17	4,556,850,312.53	3,664,922,999.88	25,485,794,794.82	22,936,620.56	1,181,511,615.69	24,327,219,799.69	23,566,423,381.63	63,586,047.82

Appendix to the Notes

Details of the Holdings of Erste Bank as of 31 December 2007

Holdings of Erste Bank AG

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.

Publishing figures from the Group-wide financial statements leads to an improvement in the quality of information presented.

The net profit/loss reported is equivalent to Net profit for the year (after tax but before movement in reserves).

Company name, domicile	Interest	Shareholders' equity	Net income	Profit transfer 1)	Balance sheet date	Inclusion in consolidated financial
1.) Credit institutions						
Allgemeine Sparkasse Oberösterreich Bankaktiengesellschaft, Linz (Group)	26,9%	457.100.000,00	55.900.000,00		31.12.2007	V
Banca Comerciala Romana SA, Bucharest (Group)	69,2%	1.349.200.000,00	279.100.000,00		31.12.2007	V
Bausparkasse der österreichischen Sparkassen Aktiengesellschaft, Vienna	95,0%	151.300.000,00	26.300.000,00		31.12.2007	V
Česká spořitelna a.s., Prague (Group)	98,0%	2.148.500.000,00	446.600.000,00		31.12.2007	V
Dritte Wiener Vereins-Sparcasse AG	100,0%	5.500.000,00	0,00		31.12.2007	V
Erste & Steiermärkische banka d.d., Rijeka	55,0%	538.900.000,00	82.200.000,00		31.12.2007	V
Erste Bank (Malta) Limited, Sliema	100,0%	140.600.000,00	13.300.000,00		31.12.2007	V
ERSTE BANK AD NOVI SAD, Novi Sad	74,0%	123.400.000,00	200.000,00		31.12.2007	V
Erste Bank Hungary Nyrt., Budapest (Group)	99,9%	515.900.000,00	98.600.000,00		31.12.2007	V
ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H., Vienna	64,3%	12.900.000,00	32.200.000,00		31.12.2007	V
Intermarket Bank AG, Vienna (Group)	21,3%	29.200.000,00	4.400.000,00		31.12.2006	E
Kapital-Beteiligungs Aktiengesellschaft, Vienna	15,0%	8.800.000,00	300.000,00		30.09.2007	A
Kärntner Sparkasse Aktiengesellschaft, Klagenfurt (Group)	25,0%	331.800.000,00	20.600.000,00		31.12.2007	V
NÖ Beteiligungsfinanzierungen GmbH, Vienna	30,0%	3.000.000,00	100.000,00		30.09.2007	E
NÖ Bürgschaften GmbH, Vienna	25,0%	6.700.000,00	-1.400.000,00		31.12.2006	E
Oesterreichische Kontrollbank Aktiengesellschaft, Vienna (Group)	12,9%	399.500.000,00	46.700.000,00		31.12.2006	A
Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H., Vienna	18,8%	25.400.000,00	1.000.000,00		31.12.2007	A
Open Joint-Stock Company "Erste Bank", Kiev	100,0%	88.100.000,00	-3.400.000,00		31.12.2007	V
PayLife Bank GmbH (formerly Europay Austria Zahlungsverkehrssysteme GmbH), Vienna	3,1%	67.900.000,00	32.600.000,00		31.12.2006	E
Prvá stavebná sporiteľna, a.s., Bratislava (Group)	35,0%	233.700.000,00	24.300.000,00		31.12.2007	E
s Wohnbaubank AG, Vienna (Group)	90,4%	34.000.000,00	3.600.000,00		31.12.2007	V
Salzburger Sparkasse Bank Aktiengesellschaft, Salzburg	98,7%	178.800.000,00	18.200.000,00		31.12.2007	V
Slovenská sporiteľňa a.s., Bratislava (Group)	100,0%	657.100.000,00	123.200.000,00		31.12.2007	V
"Spar - Finanz" - Investitions- und Vermittlungs-Aktiengesellschaft, Vienna	50,0%	3.700.000,00	100.000,00		31.12.2006	E
Sparkasse Hainburg-Bruck-Neusiedl Aktiengesellschaft, Hainburg	75,0%	34.700.000,00	6.500.000,00	X	31.12.2007	V
Sparkasse Kremstal-Pyhm Aktiengesellschaft, Kirchdorf	24,1%	45.400.000,00	3.000.000,00		31.12.2007	V
Sparkasse Mühlviertel-West Bank Aktiengesellschaft, Rohrbach	40,0%	54.900.000,00	2.600.000,00		31.12.2007	V
Sparkasse Voitsberg-Köflach Bankaktiengesellschaft, Voitsberg	6,4%	21.000.000,00	2.600.000,00		31.12.2007	V

Company name, domicile	Interest	Shareholders' equity	Net income	Profit transfer 1)	Balance sheet date	Inclusion in consolidated financial
Steiermärkische Bank und Sparkassen Aktiengesellschaft, Graz (Group)	25,0%	798.100.000,00	106.400.000,00		31.12.2007	V
Tiroler Sparkasse Bankaktiengesellschaft Innsbruck, Innsbruck (Group)	75,0%	156.000.000,00	9.900.000,00		31.12.2007	V
2.) Other financial institutions						
EBV - Leasing Gesellschaft m.b.H. & Co. KG., Vienna (Group)	100,0%	14.300.000,00	800.000,00		31.12.2007	V
Diners Club Adriatic d.d.	59,0%	37.800.000,00	9.600.000,00		31.12.2007	V
Erste Corporate Finance GmbH, Vienna	100,0%	1.300.000,00	400.000,00		31.12.2007	V
Erste Securities Polska S.A., Warsaw (Group)	100,0%	11.200.000,00	2.400.000,00		31.12.2007	V
Erste Securities Zagreb d.o.o., Zagreb	97,7%	4.400.000,00	1.900.000,00		31.12.2007	V
IMMORENT Aktiengesellschaft, Vienna (Group)	100,0%	466.600.000,00	66.700.000,00		31.12.2007	V
Neue Eisenstädler gemeinnützige Bau-, Wohn- und Siedlungsgesellschaft m.b.H., Eisenstadt	50,0%	7.100.000,00	700.000,00		31.12.2006	A
Österreichisches Volkswohnungswerk, Gemeinnützige Gesellschaft mit beschränkter Haftung, Vienna	100,0%	40.700.000,00	3.700.000,00		31.12.2006	A
s Autoleasing GmbH, Vienna	100,0%	200.000,00	200.000,00		31.12.2007	V
Synergy Capital a.d.	75,0%	2.100.000,00	700.000,00		31.12.2007	V
"Wohnungseigentümer" Gemeinnützige Wohnbaugesellschaft m.b.H., Mödling	26,0%	30.000.000,00	5.500.000,00		31.12.2006	A
3.) Other						
ARWAG Holding-Aktiengesellschaft, Vienna (Group)	19,2%	63.000.000,00	7.100.000,00		31.12.2006	A
Budapesti Értéktőzsdé Zrt, Budapest	12,2%	30.900.000,00	9.100.000,00		31.12.2006	A
Capexit Private Equity Invest AG, Vienna (Group)	93,9%	13.400.000,00	2.700.000,00		31.12.2007	V
CSSC Customer Sales Service Center GmbH, Vienna	46,9%	0,00	0,00		31.12.2007	V
Dezentrale IT-Infrastruktur Services GmbH, Vienna	74,4%	400.000,00	500.000,00		31.12.2007	V
Donau Allgemeine Versicherungs-Aktiengesellschaft, Vienna	8,8%	96.900.000,00	21.600.000,00		31.12.2006	A
EB-Beteiligungsservice GmbH, Vienna	99,8%	0,00	0,00		31.12.2007	V
EB-Malta-Beteiligungen Gesellschaft m.b.H., Vienna	100,0%	139.500.000,00	12.200.000,00		31.12.2007	V
EB-Restaurantsbetriebe Ges.m.b.H., Vienna	100,0%	100.000,00	0,00		31.12.2007	V
ecetra Internet Services AG, Vienna (Group)	100,0%	20.000.000,00	2.400.000,00		31.12.2007	V
ECO Unternehmensbeteiligungs-GmbH, Vienna	100,0%	18.700.000,00	2.000.000,00		31.12.2007	V
Erste Reinsurance S.A., Luxemburg	100,0%	12.800.000,00	0,00		31.12.2007	V
Informations-Technologie Austria GmbH, Vienna	25,9%	22.500.000,00	200.000,00		31.12.2007	E
OM Objektmanagement GmbH, Vienna (Group)	100,0%	81.400.000,00	3.500.000,00		31.12.2007	V
Procurement Services GmbH, Vienna	99,8%	-7.900.000,00	-9.000.000,00		31.12.2007	V
s Haftungs- und Kundenabsicherungs GmbH, Vienna	62,6%	200.000,00	0,00		31.12.2007	V
s Immobilienfinanzierungsberatung GmbH, Vienna	72,6%	-4.700.000,00	200.000,00		31.12.2007	V
s REAL Immobilienvermittlung GmbH, Vienna (Group)	96,1%	2.600.000,00	1.200.000,00		31.12.2007	V
S Tourismus Services GmbH, Vienna	100,0%	15.200.000,00	10.000.000,00		31.12.2007	V
s IT Solutions AT Spardat GmbH, Vienna	73,4%	2.600.000,00	900.000,00		31.12.2007	V
s IT Solutions SK, spol. s.r.o., Bratislava	99,5%	1.200.000,00	800.000,00		31.12.2007	V

Company name, domicile	Interest	Shareholders' equity	Net income	Profit transfer 1)	Balance sheet date	Inclusion in consolidated financial
Sparkassen Immobilien Aktiengesellschaft, Vienna (Group)	15,7%	558.100.000,00	15.700.000,00		31.12.2006	E
Sparkassen Versicherung Aktiengesellschaft, Vienna (Group)	67,3%	18.000.000,00	15.300.000,00		31.12.2007	V
Sparkassen Zahlungsverkehrabwicklungs GmbH, Linz	40,0%	300.000,00	0,00		31.12.2007	V
"Sparkassen-Haftungs Aktiengesellschaft", Vienna	38,3%	200.000,00	0,00		31.12.2007	V
S-Tourismusfonds Management Aktiengesellschaft, Vienna	99,9%	48.400.000,00	1.800.000,00		31.12.2007	V
UBG-Unternehmensbeteiligungs-gesellschaft m.b.H., Vienna	100,0%	600.000,00	0,00		31.12.2007	A
VBV - Betriebliche Altersvorsorge AG, Vienna	27,4%	32.900.000,00	900.000,00		31.12.2006	E
VERMREAL Liegenschaftserwerbs- und -betriebs GmbH, Vienna	25,6%	7.100.000,00	-300.000,00		31.12.2007	E
VMG-Erste Bank Versicherungsmakler GmbH, Vienna	100,0%	1.000.000,00	800.000,00		31.12.2007	V
WED Holding Gesellschaft m b H., Vienna	19,2%	11.500.000,00	0,00		31.12.2006	A
Wiener Börse AG, Vienna	10,1%	64.600.000,00	25.200.000,00		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 2008

Management Board

Andreas Treichl
Chairman

Elisabeth Bleyleben-Koren
Deputy Chairwoman

Peter Bosek
Member of the Management Board

Franz Hochstrasser
Member of the Management Board

Herbert Juranek
Member of the Management Board

Johannes Kinsky
Member of the Management Board

Peter Kisbenedek
Member of the Management Board

Bernhard Spalt
Member of the Management Board

Thomas Uher
Member of the Management Board

Auditors' report

The long form report on the financial statements as of 31 December 2007 ends with the following unqualified auditor's report pursuant to section 274 UGB:

We have audited the financial statements, including the accounting records, of Erste Bank der oesterreichischen Sparkassen AG as of 31 December and for the year then ended. Erste Bank der oesterreichischen Sparkassen AG's management is responsible for the accounting records, the preparation and the content of the financial statements and the management report in accordance with Austrian company law, the supplementary provisions under Austrian banking law and the articles of incorporation. Our responsibility is to express an opinion on these financial statements based on our audit and to state whether the management report is in consistent with the financial statements.

We conducted our audit in accordance with laws and regulations applicable in Austria and in accordance with Austrian Standards on Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement and whether we can state that the management report is in consistent with the financial statements. In determining the audit procedures, we considered our knowledge of the business, the economic and legal environment that Erste Bank der oesterreichischen Sparkassen AG operates in as well as the risk of misstatements.

An audit includes examining, on a test basis, evidence supporting the amounts and other disclosures in the accounting records and in the financial statements predominantly on a sample basis. An audit also includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall assertions of the financial statements. We believe that our audit provides a reasonable basis for our opinion. Our audit did not give rise to any objections. In our opinion based on the results of our audit the financial statements are in compliance with legal requirements under company law, the supplementary provisions under banking law and the articles of incorporation, and present fairly, in all material respects, the financial position and the results of operations of Erste Bank der oesterreichischen Sparkassen AG in consistent with Austrian accounting principles. The management report is in accordance with the financial statements.

,

Vienna, 12 March 2008

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

(Bank auditor)

Friedrich O. Hief
Certified Accountant

Erich Kandler
Certified Accountant

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.

Helmut Maukner
Certified Accountant

Elisabeth Glaser
Certified 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.

Management Report 2007
Erste Bank der oesterreichischen Sparkassen AG

2007 Erste Bank AG MANAGEMENT REPORT

Summary Financial Review of Erste Bank AG for 2007

Economic environment: In 2007, the Austrian economy showed sustained strong growth, registering above the euro zone growth figure for the sixth time in succession. At 3.3 percent, real GDP growth remained more or less unchanged at last year's level. The unemployment rate fell to 4.3 percent, which is significantly below the euro zone average. The rate of inflation increased from 1.7 percent in 2006 to 1.9 percent in 2007 due to rising raw materials costs. Since economic growth also picked up in the other euro-zone countries, the European Central Bank decided to continue its policy of small interest rate hikes in 2007. It began the small interest rate hikes in December 2005: the key interest rate was raised to 4 percent by the mid-year. Due to the US sub-prime crisis and the resultant credit crunch, short-term market interest rates rose more sharply from an annualised average of 2.9 percent in 2006 to 4.4 percent in 2007. The sub-prime mortgage crisis led to falling prices at all major international stock exchanges – including the Vienna Stock Exchange.

At EUR 1,301.9 million, **operating income** of Erste Bank AG remained virtually unchanged on the prior year (EUR 1,304.9 million). Overall interest income and expense (net interest income plus income from securities and equity interests) fell by 5.4 percent, mainly due to the non-recurrence of the investment income on the investments associated with the capital increase carried out in early 2006 (in October 2006, Banca Commerciale Romana was acquired using the funds of the capital increase, and in 2007, only small payouts were realised from this investment).

Operating expenses grew by 3.6 percent to a level of EUR 757.4 million.

Net operating income and similar income (operating income less operating expenses) was reduced by 5.2 percent to EUR 544.5 million.

The **cost-income ratio** (operating expenses as a percentage of operating income) was 58.2 percent, or slightly above the prior year's figure of 56.0 percent.

Taking into account the charges to and releases from impairment adjustments for receivables, securities and equity interests (risk provision requirement and securities and equity interests were slightly below the prior year's figures), **pre-tax profit for the year** was EUR 456.9 million, which is 9.0 percent below the prior year's figure.

Based on average number of employees of Erste Bank AG in 2007 of 4,235 (prior year: 4,193 – see the notes to these financial statements for details), **employee productivity** was approximately EUR 108,000 (prior year: EUR 120,000).

Net profit for the year was EUR 451.4 million, down 5.9 percent on the prior year.

Return on equity (ROE), net profit for the year, expressed as a percentage of average equity capital, which consists of subscribed capital, reserves less treasury shares and profit available for distribution) was 6.3 percent (prior year: 7.9 percent).

In 2007, the 143 domestic and 3 international branches of Erste Bank AG together comprised **total assets** of EUR 91.6 billion, up by 9.5 percent on the prior year (EUR 83.7 billion). **Loans and advances to customers** increased by 17.1 percent to EUR 29.8 billion (prior year:

EUR 25.5 billion), while **amounts owed to customers** rose by 22.0 percent from EUR 17.7 billion to EUR 21.6 billion.

The **Core (Tier 1) capital** of Erste Bank AG, pursuant to sec. 23 (14) 1 BWG, on 31 December 2007 totalled EUR 7.0 billion, or EUR 6.9 billion after deductions pursuant to sec. 23 (13) 3 and 4 BWG (prior year: EUR 6.8 billion).

The **Core (Tier 1) ratio** of Erste Bank AG expressed in proportion to credit risk (regulatory Core (Tier 1) capital pursuant to BWG after deductions, expressed as a percentage of the risk-weighted assets pursuant to sec. 22 (2) BWG), totalled 18.6 percent at 31 December 2007 (prior year: 18.3 percent).

The **qualifying capital** of Erste Bank AG, pursuant to sec. 23 BWG, including non-credit-risk-related risk requirements (in particular operational risk and position risk for securities and foreign exchange) amounted to EUR 10.1 billion at 31 December 2007 (prior year: EUR 9.5 billion). The legal minimum requirement was approximately EUR 3.6 billion at the balance sheet date, resulting in a coverage ratio of approximately 279 percent (285 percent in the prior year).

The **solvency ratio**, in relation to credit risk (qualified capital less requirements for risks other than credit risk, in particular operational risks and position risk for securities and foreign exchange, expressed as a percentage of risk-weighted assets pursuant to sec. 22 (2) BWG) totalled 25.4 percent at 31 December 2007 (prior year: 24.7 percent). This is significantly higher than the minimum requirement of 8 percent pursuant to sec. 22 (1) BWG.

Since 1 January 2007, **Erste Bank AG** has implemented the **Basel-II** solvency rules. The advanced IRB (internal-rating-based) assessment method is used for the retail business; in the corporate business, for sovereigns and in interbank business the basic assessment based on the internal rating system is used. In addition, some asset categories will be valued on the standard assessment rate in accordance with statutory transition regulations.

Details on earnings

In line with expectations, **net interest income and similar income** declined significantly by 26.1 percent, from EUR 452.6 million in the prior year to EUR 334.4 million. The main reason for the decrease was investment income accrued between the time of the capital increase in January 2006 and the completion of the acquisition of Banca Comerciala Romana (BCR) in October 2006 (the capital increase was carried out for the purpose of this transaction) was included in the prior year's figure. Thus, the position grew at an atypical rate in 2006.

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

Income from securities and participations showed a marked increase of 15.9 percent, to EUR 513.2 million. The reason for this increase is income from participations, grew by 17.5 percent from EUR 411.2 million in the prior year to EUR 483.3 million. The 2007 figure includes relatively small payouts from BCR, which was acquired only recently (pro rata for fiscal year 2006).

The **net interest income after income from securities and participations**, calculated as the sum of net interest income and similar expenses and income from securities and participations, decreased by 5.4 percent, to EUR 847.6 million.

Net commission income showed strong growth of 19.2 percent, growing from EUR 294.4 million in the prior year to EUR 351.2 million. However, in the prior year the amount included non-recurring expenses of EUR 25.1 million, incurred in connection with the prior year's capital increase. Net of this effect, the growth rate was 9.9 percent. An above-average increase was achieved in securities trading, which grew by 36.2 percent.

Net trading income decreased slightly by 10.4 percent, from EUR 109.6 million in the prior year to EUR 98.2 million, mainly caused by foreign currency trading results.

Personnel expenses, as a sub-item of **operating expenses**, includes extraordinary expenses for long-term employee provisions (pension provision, severance payment provision, and the provision for anniversary bonuses), among other things due to changes of measurement parameters as required due to changing current market conditions, as well as the closing of the provision gap. In total personnel expenses grew by 4.3 percent to EUR 461.2 million; this increase is the result of rising wages and an increase in the number of employees.

The **number of employees** at Erste Bank AG (weighted according to their number of man hours worked) also grew by 4.8 percent in the financial year. The employment figures at Erste Bank AG in the current and prior years are as follows:

	Date 31/12/2007	Date 31/12/2006
Domestic	4,545	4,351
International	112	94
Total	4,657	4,445
<i>of which on unpaid leave</i>	253	272

Other administrative expenses grew by 8.4 percent from EUR 225.5 million in the prior year to EUR 244.4 million. The above-average increases were related to IT, office and training expenses.

In 2007, consistent with recent years, the restrictive investment policy again led to a reduction in **depreciation on tangible fixed assets**. This year the total amount decreased 4.2 percent from EUR 51.8 million in the prior year to EUR 49.6 million.

Other operating expenses declined by a significant 81.1 percent, falling from EUR 11.3 million in the prior year to EUR 2.1 million, due to a non-recurring expense of EUR 7 million in the prior year.

The net allocation to **risk provisions** for receivables (including receivables write-offs offset against income from written-off receivables) in 2007 was slightly lower than in the prior year. Due to the high quality of the foreign credit portfolios it was possible to reverse some provisions.

Current asset securities' valuation and price earnings as well as the income and value adjustment positions on **equity interests and securities** all decreased slightly in 2007 (prior year: increased slightly), such that **pre-tax profit for the year** declined by 9.0 percent, from EUR 502.2 million in the prior year to EUR 456.9 million.

In 2007, consistent with the prior year, **extraordinary expenses** consisted solely of expenses recognised to close the pension provision gap and the amortisation of the shortfall generated by transfers of pension obligations.

Tax situation: in accordance with the tax laws on group taxation, the main domestic subsidiaries and Erste Bank are considered as a fiscal unity.

Due to the high proportion of exempt tax income largely attributed to income from participations, as well as existing loss carried forward from prior years, and the possibility to off-set capital gains taxes, no Austrian corporate income tax was payable in the financial year 2007. At 31 December 2007, there still remained a substantial tax loss carried forward from prior years, which was carried forward once again.

Income tax mainly comprised expenses from foreign capital gains and other income-related taxes, as well as tax revenue from the tax allocation to subsidiary companies that form a tax group ("Gruppenbesteuerung") together with Erste Bank under group taxation regulations.

The sharp decline in **other taxes** of EUR 30.3 million in the prior year to a current EUR 1.4 million is the effect of non-recurrent company tax expenses of EUR 29.5 million in 2006, which had been incurred due to the capital increases in 2006.

Changes in reserves, during the year resulted in the addition of EUR 214.9 million (prior year: EUR 275.0 million), net profit for the year after changes in the reserves was 15.4 percent higher than in the prior year, at EUR 236.5 million.

The Management Board will propose to the Annual General Shareholders Meeting that a **dividend** of EUR 0.75 per share, constituting an increase of approximately 15 percent on the prior year (2006: EUR 0.65 per share) be paid out from reported **profit available for distribution** (which includes the profit carried forward), which was approximately EUR 237.4 million for year 2007.

Explanatory notes on the balance sheet

The **balance sheet total** of Erste Bank AG increased by 9.5 percent in 2007, from EUR 83.7 billion to approximately EUR 91.6 billion.

Loans and advances to customers increased by 17.1 percent to a total of EUR 29.8 billion. This above-average growth is the result of the continued development of loans and advances to foreign customers, which increased by 25.9 percent to a new total of EUR 14.4 billion. Domestic business grew a satisfactory 9.9 percent, reaching EUR 15.4 billion.

Total **securities investments** (treasury bills as well as fixed- and non-fixed interest securities) remained almost unchanged at EUR 16.5 billion.

The carrying value of **participations** showed marginal growth of 2.9 percent, to EUR 9.3 billion. This increase is mainly the result of the acquisition of **Bank Prestige (Ukraine) and Diners Club Adriatic (Croatia)**, as well as capital increases at **ERSTE & STEIERMÄRKISCHE BANKA (Croatia)** and **Erste Bank Novi Sad (Serbia)**.

Other assets include interest accruals, accrued premiums, securities lending transactions and other receivables. Other assets decreased by 4.9 percent during the year to EUR 4.3 billion.

On the assets side, **loans and advances to credit institutions** grew by 16.4 percent, from EUR 26.4 billion in the prior year to EUR 30.7 billion. This increase is mainly related to investments in foreign credit institutions; however, deposits with domestic Savings Banks also saw above-average growth.

On the liabilities side, **accounts owed to credit institutions** dropped by 1.8 percent to EUR 33.8 billion (prior year: EUR 34.4 billion). Deposits from foreign credit institutions, in particular, showed a marked decline falling 9.7 percent to EUR 19.5 billion.

Accounts owed to customers have developed remarkably well, growing by 22.0 percent from EUR 17.7 billion in the prior year to EUR 21.6 billion. Growth in accounts owed to foreign customers was above average, at a rate of 59.4 percent totalling EUR 6.9 billion. This was caused by strong growth in deposits from institutional customers at the New York branch. Domestic customers' deposits increased by 10.0 percent to EUR 14.7 billion.

Refinancing via **own issues** (securitised liabilities, subordinated liabilities and Supplementary liabilities) grew above average. Only a relatively low volume of subordinated bonds and supplementary capital was issued to boost qualifying capital. The largest part of the increase is the result of the issuance of other certificates, especially bonds, commercial papers and certificates of deposit denominated in euro.

Other liabilities were slightly reduced, declining by 7.7 percent to EUR 3.5 billion; the largest items in other liabilities included interest and commission accruals, accrued premiums from derivatives trading, liabilities from securities lending transactions and other offsetting liabilities.

Subscribed capital increased slightly by EUR 2.0 million to a new total of EUR 633 million due to capital increases for employee stock ownership programmes. The **capital reserve** grew by EUR 41 million to EUR 4,631 million.

For the investor information pursuant to sec. 243a of the Austrian Commercial Code (“Unternehmensgesetzbuch”, UGB) please refer to section III of the notes to these financial statements - Notes on the balance sheet.

In addition, it should be noted that Erste Bank AG, as well as nearly all Austrian Savings Banks, are members of the **Haftungsverbund of the Savings Bank Group**.

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

In addition, it is the purpose of this combination is:

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

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

Under the requirements of the BWG, individual members of the Haftungsverbund may need to provide assistance to other members (such as giving liquidity assistance, giving credits or guarantees and providing equity capital), and in the case of sec. 93 (3) 1 BWG, to meet the guaranteed customer deposits of a member of the Haftungsverbund. The scope of the individual services to be provided by individual members of the Haftungsverbund therefore cannot be determined beforehand. Any contributions made by the members of the Haftungsverbund under the statutory deposit guarantee system pursuant to sec. 93 ff BWG are taken into account.

Events after the balance sheet date and outlook

Erste Bank AG is planning to spin off the **Austria business segment** in a 100% owned subsidiary in the 3rd quarter of 2008, with a 1 January 2008 effective date. This spin off will mainly affect domestic private and commercial business as well as related units. After the spin-off Erste Bank AG will be comprised of the holding company for the main bank participations, the main bank infrastructure segment of the group, operative units in the treasury and operative units in the international business.

We at Erste Bank AG expect **the business development in 2008 to be positive**. In particular, higher dividend payouts are expected from the Central-European subsidiaries, especially BCR. However, in future the profits will be distributed over the two newly restructured company units, as mentioned above.

Erste Bank Group has made it its aim to grow its annual profit after tax and minorities by at least 20 percent in 2008 and at least 25 percent in 2009.

The **cost-income ratio** is targeted to be reduced below 55 percent by 2009. **Return on equity** is once again targeted to increase to 18-20 percent in 2009.

Explanatory notes on the financial risks of Erste Bank and its risk management goals and methods

As a financial services company, Erste Bank exposed to the following **risks** in particular:

- a.) **Market risks:** These cover currency exchange risks relating to changes in value due to exchange rate fluctuation, interest-related risks due to fluctuations in interest rates, which can in particular result in fluctuations of future cash flows, as well as price risks due to changes in market prices.
- b.) **Credit risks:** This is the risk that the business partners may not be able to perform their contractual duties thus causing financial losses to the bank.
- c.) **Liquidity risk:** This is the risk that the bank may not have enough funds to meet its own obligations.
- d.) **Operational risk:** This describes the risk of loss resulting from inadequate or failed internal processes, people, systems, or from external events.

Risk management aims and methods:

Consciously and selectively accepting risks and managing them in a professional manner are core functions of every bank. Erste Bank Group's approach to risk management seeks to find the optimum balance between risks and returns in order to earn a sustained high return on equity. The risk management strategy of Erste Bank Group is marked by a conservative approach to risks facing the bank that is driven both by the requirements of customer-centred banking and by the legal environment.

In the application of this risk management strategy, Erste Bank Group has implemented a Group-wide system for risk monitoring and controlling, which has the task to identify risks

that arise throughout the Group, to measure them on a “Value at Risk” (VaR) basis and to facilitate their active management. The ultimate aim is to optimise the risk-benefit ratio.

The following risk assessment methods are employed by Erste Bank for the ALCO process: Fixed interest statements, reports on interest rate terms, capital maturity statements, gap analyses, cash value fluctuations, net interest income simulations, Monte-Carlo simulations of net interest income and Value-at-Risk.

In risk management, the market risk is calculated using historic simulations, while credit and operational risk are calculated using Monte Carlo simulations. Risk is limited for each product either on the basis of nominal, sensitivity or Value-at-Risk limits.

In order to ensure that the main aim of overall bank risk control is met (i.e. the continued existence of the institute) its risk-absorbing capacity is determined in quarterly intervals and reported to the Management Board.

Hedging operations are conducted primarily to cover against the risk of interest fluctuations of our own issues, securities investments, the balance sheet structure, foreign currency risks on outstanding loans and securities, share price risks, as well as to secure dividend income and to mitigate partner risk.

Organisation of the risk management department:

In keeping with relevant law (particularly the BWG), the central responsibility for risk management lies with the **Group Management Board**. One way in which the Management Board performs this role is by setting an aggregate bank risk limit based on VaR at the quarterly meeting of the **Risk Committee (RC)**. As laid down in the Erste Bank Risk Rulebook, the role of the Risk Committee is to approve amendments to the rules where appropriate, to allocate capital at the macro level, to set an aggregate risk limit for the bank as a whole (based on the bank’s risk absorbing capacity), to set an aggregate limit (based on VaR for market risk activities on the trading book), and to define medium-term objectives for risk management. At the Management Board level, the position of **Chief Risk Officer (CRO)** was created. The CRO acts as the head of “Group Risk Management” (which assists in the implementation of the risk management strategy, as well as the harmonisation of risk management applications in the individual business units), of “Credit Risk Management Austria,” “Credit Risk Management International” and “Credit Restructuring”.

Within the **Group Risk Management** service department, the “**Group Risk Control**” section assumes the function of central and independent risk controlling unit, as required by the Austrian Banking Act, and draws up Group-wide guidelines for processes relevant to risk management (Erste Bank Risk Rulebook).

In view of growing requirements, all Group credit risk reporting activities are assumed by the **Group Credit Risk Reporting** department.

Identification and management of existing risks:

The risk management process at Erste Bank can be divided into 5 steps: risk identification, risk assessment, risk aggregation, risk mitigation and risk reporting.

Credit risk, the biggest risk category by far, is determined for the entire lending business of Erste Bank AG using a Credit-Value-at-Risk-based portfolio model.

Credit commitments are rated on the basis of Erste Bank Group's own credit rating system. In 2005, a new standard risk cost model was implemented by Erste Bank AG, using the internal default rate and transition probabilities, which anticipated the operative application of the Basel-II rules for credit pricing.

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

In addition to the required individual provisions, portfolio provisions have been made.

The foreign currency risk exposure is low and largely mitigated by currency-compliant refinancing or the use of hedging instruments.

Since August 2007, all large financial markets have been confronted with a liquidity crisis that was set off by the difficulties encountered in the US sub-prime mortgage market, leading to a widening of the credit spread and reduced issuing activity in the capital markets. Due to an elevated issuing activity of Erste Bank in the first half of 2007, the issue volume planned for 2007 was largely reached. Additional refinancing needs were covered by money-market transactions. Current liquidity risk is at a moderate level.

Concerning the share and index positions entered into, price risks mainly exist in the large European markets (including the Austrian market) and American markets, all of which have a high liquidity. Security investments are mainly made in liquid markets.

Cash value risk can be said to be low.

Corporate Social Responsibility

Introduction

The principle of social responsibility is deeply rooted in Erste Bank Group. In 2007, this has again manifested itself in number of awards for Erste Bank Group. For the ESPA WWF STOCK UMWELT fund (as described in last year's annual report) Erste Group received the TRIGOS award which is awarded for responsible entrepreneurship. Furthermore, the Federal Ministry of Social Affairs and Consumer Protection has honoured Erste Group by awarding the NESTOR in view of Erste Group's endeavour to introduce diversity in generations into the workplace, to create an ageing-appropriate work environment suitable for persons of all ages and to give support in the development of older employees.

For "Kontakt. The Arts and Civil Society Program of Erste Bank Group," Erste Group was awarded the MAECENAS art sponsors' award, attesting to the fact that this programme is a role model for Austria. In 2007 the Center For Corporate Citizenship conducted an online survey titled "VERANTWORTUNGSINDEX" ("responsibility index"), in which 200 employees of nongovernmental and non-profit organisations participated. The survey gauges the social commitment of the 22 ATX-listed companies. Erste Bank ended up in 1st place, consistent the results of the CSR Austria Award in 2006.

CSR programme update

The main event in connection with the implementation of our action plan for 2005 was the Group-wide employee survey carried out in autumn 2007. The main findings will be briefly introduced under the heading EMPLOYEES. In addition, details on the main CSR activities of the Central- and Eastern-European subsidiaries are presented for the first time in order to give an impression of their integration into our CSR development process.

Customers

Customer satisfaction is one of the decisive factors for the success of Erste Group. The development of relevant products is closely tied to this, as are the ongoing support in financial life planning and targeted education in dealing with money.

In the Austrian retail segment, product development was focused on retirement planning, the 60+ customer group and increasing the range of ecological investment funds on offer. For both retirement planning and the 60+ customer group, the bank concentrated on improving the amount of information and advice available. For this reason, 20 events concerning the topic of inheritance were organised and a telephone hotline established in co-operation with the Austrian Bar Association and the Austrian Chamber of Civil Law Notaries. The new s-Pflegevorsorge product helps to minimise the financial strain caused when a person requires nursing care, and provides various supplementary services, such as the s-Pflege-Telefon, a round-the-clock hotline for emergencies.

The funds offered by Erste Bank have also been expanded by another ethical, ecological fund. This year Erste Bank reissued the ESPA WWF STOCK UMWELT fund, jointly issued with the WWF, together with the ESPA WWF STOCK CLIMATE CHANGE fund, which invests mainly in companies whose business activity is related to slowing down global climate

change. As with ESPA WWF STOCK UMWELT, Erste Bank forgoes part of its income for this fund, which is instead channelled to climate protection projects in Austria via the WWF.

In addition, Erste Bank created an Austrian product innovation in 2007 related to microfinance. With this bond issue, Erste Bank succeeded in opening up a whole new type of investment to its retail customers, and to strengthen Erste Bank's commitment to ethical social governance.

The total volume of ethical investments at the end of 2007 was EUR 1.27 billion, which equates to a share of 4.2% in the total investment volume, and a market share of more than 60% of the ethical and ecological investment market.

In the commercial customer segment, the emphasis was again on supporting start-up entrepreneurs with restructuring, as helping young companies secure credit lines is one way to assume social responsibility, especially in an economy characterised by small and medium enterprises (SMEs). The range of activities put on by Erste Bank included offering consulting and training schemes as part of the GO! Gründer Akademie (start-up academy) or giving free expert feedback for business plans submit as part of the i2b & GO! business plan competition.

Due to the development of relevant product and consulting offers, the bank was able to improve the customer satisfaction figures once again slightly in 2007. Customer satisfaction tests are conducted a number of times each year, by using anonymous test buyers in branches, among other things, and comprehensive surveys are carried out every three years. When making a test purchase, all points of contact between the customer and the adviser are evaluated. Customer-satisfaction is improved and maximized through the feedback gained from this exercise, which is reflected in the improvement of the customer satisfaction indicator. Ever since customer satisfaction data was first collected in 1997, the indicator has risen from 75.1% to 91.7% in 2007. In addition to this, customers can have their say in ongoing process to improve by making suggestions and giving their opinion at the ombudsman's department.

Civil Society

Erste Bank Group's commitment to civil society was once again highlighted in 2007 by "Kontakt. The Arts and Civil Society Program of Erste Bank Group" – the platform for the social and cultural commitment of Erste Group in Central and Eastern Europe. A selection of projects realised within the "Kontakt" framework:

- On the topic of music: Sponsorship of the Klangforum Wien and annual award of the Erste Group composition commission
- On the topic of film: Sponsorship of the Viennale, Austria's largest film festival
- On the topic of fashion: Award of the "Kontakt. Fashion Award by Erste Group"
- On the topic of literature: Award of the Jean Améry prize for essays and promotion of the TOP 22 Project, in which Central and Eastern-European writers are introduced to a wider public in Austria

Other facets of Erste Bank's commitment to the Fine Arts are its continued partnership with the "Secession" (the exhibition hall of modern art in Vienna), for the further development of the Transit platform and an increase of the number of subsidised art galleries. In addition, an exhibition of "Kontakt. The Art Collection of Erste Bank Group" was held in Belgrade.

In the social arena, the long-standing partnership with Caritas has been continued successfully, supporting the social and economic development of Central and Eastern Europe. Once again, the focus in 2007 was on helping and working with children in Europe's poorest countries. Specifically, Erste Bank Group supported a home in the major city of Charkov, Ukraine, in which 40 street children find shelter from violence, crime and prostitution. In addition, this institution offers 200 children from socially disadvantaged families the opportunity to take courses in a wide range of subjects from English and computing to variety of crafts.

One further important aspect of the joint effort of Caritas and Erste Bank Group is the battle against poverty in Austria. In 2007, Erste Bank Group supported the annual Caritas drive for people in need in Austria, helping to alleviate the hardship experienced by roughly half a million people who are in danger of falling below the poverty line.

2007 marked the fourth year of Erste Bank's continuing co-operation with the "Österreichisches Hilfswerk", one of Austria's largest service providers in the health and nursing care sector, with special emphasis on nursing care and family matters.

Sports sponsorships in 2007 again focused on secondary-school football and volleyball leagues and on Erste Bank's role as main sponsor of the ice hockey leagues and supporter of various running events.

Employees

Group-wide employee survey

As announced in last year's annual report, the first Group-wide employee survey was carried out in autumn 2007. All in all, 41,875 employees in 55 different organisations (banks and other subsidiaries) were given the opportunity to participate. The survey was anonymous and carried out online. 55% of employees took part in the survey. Detailed results will be published in the next annual report. The preliminary findings at the editorial deadline were as follows:

- Employees identify strongly with the company.
- They have confidence in the company and in the current changes.
- Satisfaction with the working conditions is very high.
- Customer orientation is one of the most important values.
- Openness for ideas from other countries following the "Best Practice Principle"

Group-wide talent management

The introduction of the Group-wide talent management scheme in October 2006 marked the launch of a process that facilitates the identification of talents and their implementation and development in responsibilities and positions throughout the Group. This is intended to foster a new generation of managers and experts who contribute significantly to the management of Erste Bank Group on the basis of common ideals and objectives. The Group's Leadership Development Programme has a modular construction to permit the long-term retention of managers and to allow them to achieve the programme objectives step by step.

Human resource development in Austria

Human resource development in 2007 was all about the preparations for the new "Führungs (Kräfte)-Entwicklung" initiative. The aim of this initiative was to give the best possible support to managers in their development and when going about their work by keeping tried and tested approaches and supplementing them with modern and attractive solutions. Targeted, practical and individual development opportunities are to ensure the success of this initiative. Conveying the importance of leadership to managers was seen as a particularly important element.

Other measures in human resource development were aimed at making it easier to get started in the sales department. A new integration scheme was launched under the heading: "Erste Bank goes Campus". Following this scheme, a group of pupils who had just completed secondary school were given an intensive training course under the guidance of experienced tutors, and then allowed to practise customer contact over a seven-month period, advising customers and getting first-hand experience of the day-to-day bank branch business without the pressure to bring in results. In this way, Erste Bank has succeeded in preparing the new employees even better for their new jobs as high-quality customer advisers.

LIFETIME: An age-appropriate work environment

Measures from the LIFETIME project under the headings of health, company and leadership culture, training, young employees and sales were once again implemented successfully in 2007. These included:

- Intensive discussions with employees who are due for retirement in 3-5 years concerning the active arrangement of their last working years in terms of knowledge transfer, transition, leaving work life behind, and preparing for a new chapter in life.
- Informing all managers of the latest scientific findings on proper leadership for all generations, with the emphasis on how to make optimal use of the strengths of older employees.
- A large number of attractive opportunities to plan ahead for physical and psychological healthcare needs.
- Active assistance in final modules in contacting future applicants when recruiting.
- Special offers for customers over 60 and more age-appropriate assignment of advisers to customers.

One of the results of the LIFETIME project was the creation of the Work Life Center (WLC). The WLC offers employees professional assistance on their path to physical and mental health as an important pre-requisite of long-term motivation and productivity. Highly qualified coaches of various disciplines give presentations and offer courses (e.g. movement and relaxation programmes), giving insight into the perception and use of personal resources. One core topic was the inclusion of parents on paternity and maternity leave into the company activities by holding regular information events. One innovation of 2007 was a Group-wide project to promote sales co-ordination among branch offices. The high voluntary participation rate of branch employees (above 40%) is a sign of its success.

Another result of the LIFETIME project was the restructuring of the Work Health Center (WHC). The WHC in co-operation with the First Health Project (the Erste Bank health check-up for apprentices) in 2007 developed a comprehensive and holistic company health promotion project specifically targeted to the needs of commercial apprentices. Erste Bank currently employs approximately 100 apprentices aged 15-19, and takes on 30 to 35 new apprentices every year. Aside from initiating targeted measures to maintain and improve their

current state of health, the project aims to promote awareness for health and the prevention of disease. The individual measures are intended to strengthen the health resource of apprentices and to determine and tackle existing shortcomings. Using thematic modules, the intention is to promote health awareness and self-determination about one's own health among members of this target group.

Programmes for health promotion

Employee health was once again a central concern for Erste Bank Group in 2007. All Erste Bank employees were continuously offered opportunities to take part in health check-ups. A range of health screenings was offered, including regularly scheduled eye and eyesight examinations, enhanced health check-ups and a skin-cancer screening. The participation rate among Austrian employees was around 40%. In the WHC health centre, employees can obtain medical and psychological advice, as well as nutritional advice and physiotherapy services.

Shareholders

The bank's investor-relations activity in the past year was once again focused on broadening the investor base and promoting Erste Bank's equity story. Apart from the regular spring and autumn road shows, the 5th International Capital Markets Day ranked among the highlights of the year. In June and November 2007, the management team visited investors in the US and Europe to report on progress in new market integration and Erste Bank's stability despite the financial market crisis and the credit crunch.

The 5th International Capital Markets Day organised by Erste Bank was held in Bratislava on 21 September 2007. With more than 50 institutional investors and analysts attending the event, the management team gave in-depth information about the new holding structure, the integration of BCR and the bank's risk and performance management. The management team also reported on developments and the outlook of Erste Bank markets. The live webcast of the Capital Markets Day received great interest, having been accessed 1,121 times on the day of the event.

In 2007, the management team, together with Erste Bank's investor relations team, participated in numerous banking and investor conferences organised by international investment firms such as Merrill Lynch, Morgan Stanley, ING, UBS and Goldman Sachs, as well as took part in many key meetings for investors. The strategy and alignment of Erste Bank was presented to international investors at the road shows in London and New York, which were jointly organised by the Vienna Stock Exchange and Erste Bank in collaboration with other Austrian banks.

Furthermore, in the past year, there were two meetings which targeted private shareholders of Erste Bank shares. On 19 April 2007, the internet chat with the CEO of Erste Bank took place for the eighth time in succession. This enabled numerous retail investors and other interested parties to communicate directly with President of the Management Board Andreas Treichl. On 27 September, shareholders had the opportunity to converse with representatives of private shareholders on the Supervisory Board.

The great amount of interest shown in Erste Bank shares has been documented by numerous analyses on Erste Bank. All in all, 24 investment banks published studies on Erste Bank, of which three were newly started.

THE ENVIRONMENT

The information on the environmental activities of Erste Bank Österreich, which was included for the first time in the 2006 annual report, continued developing in 2007 and also received public recognition, as Erste Bank was mentioned as a “Ökobusiness-Betrieb” (ecologically-conscious business) in the Ökoprofit Projekt 2007. Work space growth has been optimised and was successfully kept low despite an increased intake in employees in the central buildings of Erste Bank Österreich.

Figures on energy and paper use have shown clear savings, brought about in particular by regular energy management and the organisational effort of all employees, encouraging them to minimise their use of paper, air conditioning, heating and cooling devices, and implementing modernisations in building alterations (e.g. new lighting installations).

The optimisation of work spaces has led to an increase in electricity usage (increase of data centre rooms in some buildings) and installation of cooling devices in exposed parts of existing buildings. At the same time, the mild winter weather has brought about additional savings in heating energy usage.

The drastic increase in waste has been caused by the very intensive removal and modernisation activity in some locations, which was accompanied by the removal of office waste. The effects of the waste reduction programme should become evident in the 2007 figures. The big increase in air mileage was caused by the acquisitions and purchase of bank participations in Romania and Ukraine.

The waste reduction programme planned for 2007 was implemented and, simultaneously, a new waste separation initiative was launched for all buildings operated by Erste Bank Österreich. As planned, an environmental policy was drawn up in 2007 by Erste Bank Österreich. The implementation of an environmentally friendly printing concept was one of the tangible results. In addition, it was decided to purchase natural-gas-powered vehicles for building maintenance technicians; their delivery is planned for 2008. If the experience with these types of vehicles is positive, the bank plans to upgrade its entire vehicle fleet.

Environmental outlook

The following projects have been defined for environmental protection in 2008:

- Launch of an architecture competition for the new headquarters of Erste Bank Group in 2007, with an eye on environmentally-relevant properties of the building complex. The building complex is to be built by 2012. The first concept drafts for the innovative project are expected in 2008.
- Commencement and expansion of environmental data record-keeping in the branches of Erste Bank.
- Completion of a new Group-wide printer and multi-functional device exchange at Erste Bank Group.
- Continuation of the energy controlling scheme and launch of training measures on the economical use of resources (Klima aktiv mobil programme).

Procurement

As announced in the last annual report, ethical guidelines have been included in the framework contracts for suppliers under the Group-wide Supply Chain Management system. These new, compulsory guidelines will be in force with every new contract from now on, while existing contracts will updated on an ongoing basis.

Vienna, 12 March 2008

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