

Ad-hoc information

Vienna, 29 February 2008

Highlights¹:

- **Record profitability and efficiency in 2007.** Net profit after minority interests grew by 26% to EUR 1,174.7 million and operating result rose by 27.2% to EUR 2,547.7 million. The cost/income ratio improved to 58.8%. Cash earnings per share rose to EUR 3.92 (reported: EUR 3.76). Cash return on equity improved to 14.6% (reported ROE: 14.1%). In Q4 2007 Erste Bank achieved the best quarterly net profit in its history (EUR 336.8 million).
- **Outlook for 2008 and 2009 confirmed (earnings growth of at least 20% and 25%, respectively).**
- **BCR achieves targets.** Adjusted net profit for 2007 (BCR Group, IFRS, before restructuring and transformation costs) rose by 42% to EUR 362.1 million (reported net profit in 2007: up 29% to EUR 276.5 million). **Growth target reaffirmed:** Adjusted net profit to grow by more than 40% (CAGR) from 2006 to 2009 in euro terms. In Romania, Erste Bank expects continued strong growth in 2008 based on sound monetary and fiscal policy and a stabilisation in the currency trend.
- **No significant profit impact from ABS/CDO portfolio.** Erste Bank has no exposure to the US mortgage market and thus no exposure to the subprime segment. Therefore there are no impairment losses resulting from direct credit defaults on the underlying assets. Mark-to-market valuations in reaction to the market volatility had a negative effect of EUR 30.2 million on pre-tax profit for the full year 2007 and a negative effect of EUR 10.0 million in Q4 2007 (after taxes: EUR 23 million and EUR 8 million, respectively). **Conservative investment strategy:** 37 rating upgrades, only 1 downgrade in the portfolio since the start of the financial market crisis. Thanks to the quality of the portfolio **no impairment** is expected for 2008 either.
- **Capital base significantly strengthened:** Tier 1 ratio (based on Basel II) surpassed the target range (6.6 -6.8%), rising to 7.0%.
- **Dividend proposal** to the annual general meeting: **EUR 0.75** per share, up 15% from EUR 0.65.

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

Earnings performance in brief

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

"We have met our forecasts and boosted **net profit after minority interests** by 26.0% from EUR 932.2 million to EUR 1,174.7 million. This growth was driven largely by the superb performance in net interest income and net fee and commission income, which both rose by more than 20%. The net trading result also improved by more than one quarter thanks to a conservative investment strategy that did not include any investments in the US mortgage market and thus no investments in the subprime market. Consistently strong operating profits in 2007 were also recorded by our subsidiaries in Central and Eastern Europe," continued Treichl.

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

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

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

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

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

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

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

"In view of the excellent profit performance, we will propose to the annual general meeting an increase in **dividend** from EUR 0.65 per share to EUR 0.75," announced Erste Bank's CFO, Peter Kisbenedek.

Outlook

Erste Bank is convinced that its business model – benefiting from more than 16 million customers in the fastest growing economies of Central and Eastern Europe – will prove resilient even in the current turbulent times, when the crisis in financial markets has the potential to impact the real economy. In view of the sustained positive outlook for growth in Central and Eastern Europe in excess of the EU average, and given the experience in the first two months of this year, **Erste Bank Group** continues to expect growth in net profit after minority interests of at least 20% in 2008 and at least 25% in 2009.