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Erste Bank confirms growth targets – Court clears way for closing of BCR-transaction

At today's annual Capital Markets Day held in Bucharest, Erste Bank der oesterreichischen Sparkassen AG confirmed its earnings targets for 2006 (increase of the Group's annual net profit of at least 20% compared to 2005). The later than anticipated closing of the acquisition of Banca Comercială Română means that the new Romanian operation is not expected to make a material contribution to the Group results this year. By rejecting the complaints against the law relating to the privatisation of BCR the Romanian Constitutional Court has cleared the way to the promulgation and publication of the law. Closing of the acquisition of BCR can be expected to take place within the next days.

Due to ongoing positive economic developments in Central and Eastern Europe and base rate changes in recent weeks, and notwithstanding turbulent political developments in some countries, the Group's annual net profit for the financial year 2007 (including Banca Comercială Română) is expected to increase by at least 25% compared to 2006.

Management also confirmed the medium term growth targets. For the three years to 2009, an annual average increase of more than 20% is expected in the Group's profit after taxes and minority interests. The cost/income ratio target for 2009 will remain below 55%; and in the same year, 2009, the return on equity (taking account of the capital increase) should reach between 18% and 20%.

The results for the second half of 2006 will be affected by various non-recurring items. Profits will be increased as a result of sales of financial assets and investments; the disposal of the last substantial industry investment held (6% of an Austrian building company) is still awaiting authorisation by the EU Competition Authority, which is expected in the current quarter. On the other hand, a settlement dispute involving several parties will adversely affect risk provisions for loans and advances and other operating results. Pending the resolution of this dispute, there has as yet been no final clarification regarding the allocation of the amount of damages to the parties involved. Overall, however, there are no repercussions on forecasts for this and the following years.

In his statement, Andreas Treichl, CEO of Erste Bank, referred to the balanced mix of countries and businesses which the Bank has developed within its growth strategy since 1997. "In our extended home market, which is still growing at a faster pace than the EU-15, we are able to adapt to changing macroeconomic developments without compromising our strong growth trajectory."

The Austrian retail and mortgage business will narrowly miss its targeted return on equity of 11%. This is primarily due to a lower contribution from the insurance business based on the development of the yield curve and the consequent impact on asset valuations, leading to a lower result than the exceptionally good performance of last year. However, the segment's return on equity in 2007 is expected to reach 12%.

At the event, the Erste Bank management also presented an update on the New Group Architecture projects launched in 2004 aimed at streamlining processes and business models within the Group to save costs and boost revenues. The original target of a EUR 210 million positive contribution to pre-tax profit as of 2008 has now been increased to EUR 270 million. Group Large Corporates and the newly established "Wealth Creation" (1) initiative have been identified as additional revenue areas.

The earnings forecasts announced today by the local management of Erste Bank's larger markets are encouraging. Česká spořitelna is benefiting from the improving interest conditions. The recently launched initiative, "Česká spořitelna, the Bank of First Choice", will contribute to improving the bank's market position, and will help to raise the original net profit growth target (10% in 2006) to 15% in 2007.

In Slovakia, profits from maturing, high-interest government bonds were overtaken by loan growth which was much higher than anticipated. For the current year, the outlook for Slovenská sporiteľňa's net profit growth has increased from 0% to 4%; for 2007, an increase of at least 15% is expected. Both the Czech Republic and Slovakia should be able to continue their growth momentum in the coming years.

The Hungarian economic plan aimed at balancing the national budget is expected to generate large-scale changes in tax and social law, the net result of which will be a slight reduction in Erste Bank Hungary's growth rate. However,

appropriate cost-cutting measures and ongoing strong loan growth will enable the bank to maintain its high profitability. Therefore, Erste Bank Hungary expects a net profit increase for 2007 of around 20%.

The forecast for Erste Bank Croatia was also confirmed: in spite of tighter regulations (limits on credit growth imposed by the National Bank) the bank expects to continue on its growth path. The situation is similar for Erste Bank Serbia, which is set to break even in the coming financial year.

The business plan as well as a 2006 outlook for Banca Comercială Română was also presented at the Capital Markets Day. For 2006 a net profit of about EUR 250m is expected for BCR, based on a cost/income ratio of maximum 53%. The return on equity should be above 23%. Based on this earnings expectation, net profit of BCR is forecast to increase by more than 40% CAGR until 2009. Taking account of integration and expansion projects, the return on equity (based on a Tier 1 ratio of 9%) will increase to above 35% in 2009. By then, the cost/income ratio should have decreased to around 40%. This amounts to a return on Erste Bank's investment in BCR for 2009 of more than the 10% previously announced.

The presentations of the individual topics and a webcast of the whole event are accessible on the homepage at www.erstebank.com/ir

(1) A programme, aimed at accessing the potential in funds and asset management in Central and Eastern Europe