Erste Group adjusting 2008 net profit outlook to reflect current financial market environment

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- Net profit is expected to increase by more than 50% including the contribution from the sale of the insurance business
- Operating profit expected to grow by about 15% in 2008
- 2008 funding plan completed ahead of schedule and at lower than expected cost and supported by strong deposit growth
- Tier 1 ratio to reach historic high at YE 2008 at about 8%
- Tangible equity set to increase to EUR 10bn at YE 2008
- Risk costs confirmed at max 70bps of average customer loans
- Year-to-date customer loan growth is fully funded by customer deposit growth

Based on the substantial deterioration in the financial market environment and the increasing uncertainty regarding the global economic outlook, Erste Group Bank AG is adjusting its net profit growth outlook for 2008. The increasing turbulence in the financial markets and the subsequent widening of credit spreads have had a negative impact on the Group's trading result and will lead to additional negative valuations in the ABS/CDO portfolio (Fair Value and Available for Sale) in Q3 08 of approx EUR 30m. However, despite this deterioration of the credit environment Erste Group remains comfortable with its ABS/CDO portfolio and continues to expect no impairments.

The outlook for operating profit growth of about 15% in 2008 is based on the core strength of Erste Group's retail business model in the CEE region. Strong deposit inflows in Austria and CEE thanks to the large and well-diversified retail customer base of more than 16 million will support sustainable loan growth while keeping the loan to deposit ratio below 115%. This will help to offset potentially slower revenue growth in specific segments such as Group Large Corporate & Investment Banking (GCIB) and Group Markets (GM), especially in the area of fee and trading income, as well as the anticipated slow down in fee income in Austria and expectations for higher funding costs in 2009.

At the same time Erste Group has managed to substantially improve its capital position. The YE 2008 tier 1 ratio is expected to reach around 8% up from 7% at YE 2007, supported by the sale of the insurance business to Vienna Insurance Group, which was completed in Q3 2008. This rise is in spite of the stronger than expected increase in risk weighted assets, partly driven by the pro-cyclicality of Basel 2. An increased focus on optimising the balance sheet will support the outlook for a continued strengthening of the tier 1 ratio.

Erste Group covered its long-term funding needs of EUR 5bn for 2008 by September 2008. Average costs were at around 35 bps, well below the originally expected 40bps above EURIBOR. Erste Group will start pre-funding for 2009, depending on market conditions, supported by the ability to issue an additional EUR 2bn of Pfandbriefe in the next 12 months.

Erste Group CEO Andreas Treichl said: "We manage our Group for the long term and are taking the appropriate actions for the current economic environment. Since the beginning of this unprecedented crisis in 2007, we have proactively strengthened our balance sheet while maintaining our ability to deliver on the growth potential of our region."

More detailed guidance for 2009 and beyond will be provided with the Q3 results on 30 October 2008 and at Erste Group's Capital Markets Day in December 2008.