



# Erste Bank der oesterreichischen Sparkassen AG

*(incorporated as a joint stock company in the Republic of Austria)*

## Prospectus Supplement

dated 19<sup>th</sup> January 2006

to the

## €20,000,000,000 Debt Issuance Programme

dated 9<sup>th</sup> November 2005

This supplement ("the Supplement") constitutes a prospectus supplement pursuant to Art 16 (1) of the Directive 2003/71/EC and sec 6 of the Austrian Capital Markets Act (*Kapitalmarktgesetz*) (the "Act") and is supplemental to, and should be read in conjunction with, the Prospectus dated 9th November 2005 (the "Original Prospectus" and, together with this Supplement, the "Prospectus") and any other supplements to the Prospectus relating to a €20,000,000,000 Debt Issuance Programme (the "Programme") of Erste Bank der oesterreichischen Sparkassen AG (the "Issuer" or "Erste Bank").

This Supplement has been approved by the Austrian Finanzmarktaufsichtsbehörde (Financial Market Authority) in its capacity as competent authority under the Act and has been filed with the Filing Office (*Meldestelle*) at Oesterreichische Kontrollbank Aktiengesellschaft in accordance with the Act. This Supplement has also been filed with the Wiener Börse AG (the Vienna Stock Exchange), which has admitted the Programme to the "Amtlicher Handel" (Official Market) and the "Geregelter Freiverkehr" (Second Regulated Market).

Terms defined in the Original Prospectus shall have the same meaning when used in the Supplement.

**This Supplement does not constitute an offer of, or an invitation by or on behalf of any of the Issuer, the Dealers or the Arrangers to subscribe for, or purchase, any Notes.**

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person has been authorised to give any information or to make any representation other than those contained in this Supplement in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers or either of J.P. Morgan Securities Ltd. or Erste Bank der oesterreichischen Sparkassen AG (in its capacity as Domestic Arranger only). Neither the delivery of this Supplement nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Group since the date hereof or the date upon which this Supplement has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer or the Group since the date hereof or the date upon which this Supplement has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Supplement and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Supplement comes are required by the Issuer, the Dealers and the Arrangers to inform themselves about and to observe any such restriction. For a description of certain restrictions on distribution of this Supplement, see "Subscription and Sale" of the Original Prospectus.

The Dealers and the International Arranger have not separately verified the information contained in this Supplement. None of the Dealers or the International Arranger makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Supplement. Neither this Supplement nor any financial statements supplied in connection with the Programme or any Notes are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Dealers or the Arrangers that any recipient of this Supplement or any financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Supplement or any financial statements and its purchase of Notes should be based upon any such investigation as it deems necessary. None of the Dealers or the International Arranger undertakes to review the financial condition or affairs of the Issuer or the Group during the life of the arrangements contemplated by this Supplement nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the International Arranger.

## 1. Acquisition of Banca Comerciala Romana S.A.

The text below the heading "Further acquisitions" on page 112 of the Original Prospectus shall be replaced by the following:

*"The information relating to BCR contained herein consists of extracts from, or summaries of, information provided to Erste Bank during the acquisition process or contained in financial statements and other information publicly available from BCR. Erste Bank has not been involved in the preparation of BCR's publicly available information and financial statements.*

Erste Bank has agreed to purchase 490,399,321 shares or 61.8825% of the share capital of Banca Comerciala Romana S.A. ("BCR") pursuant to a share purchase agreement dated 21 December 2005 for a total consideration of EUR 3.75 billion. The shares to be purchased include all of the current shareholdings of the Romanian government (36.8825%), the European Bank for Reconstruction and Development ("EBRD") and the International Finance Corporation ("IFC") (12.5% plus 1 share, each). BCR employees continue to hold 8.0% of BCR's shares with the remainder (30.1175%) held by five Romanian investment companies (*societati de investitii financiare*).

Erste Bank emerged as the winning bidder from a two-stage auction process. Although the transaction has already been approved by a resolution of the Romanian council of ministers on 11 December 2005, it remains subject to the approval of the Romanian Parliament, which is expected to be granted in the first quarter of 2006. The transaction is also subject to certain additional conditions. These closing conditions include a review of the transaction by the Romanian Competition Council under Romanian state aid law in consultation with the European Commission, certain changes in the charter of BCR to reduce the matters subject to supermajority vote, approval by competition, banking, securities and insurance regulation authorities in Austria and Romania, the absence of a material adverse change, and enactment of legal provisions necessary for the implementation and performance of the share purchase agreements. The acquisition is expected to close by June 2006.

Erste Bank's acquisition of BCR is the next step in its expansion into the banking markets in Central and Eastern Europe and is consistent with its strategy to position itself as a leading financial services provider in the region. Erste Bank believes that the Romanian banking market represents one of the largest remaining growth opportunities in the Central Europe region and that the acquisition of BCR represents a unique opportunity to enter the Romanian market.

EBRD and IFC have not given any covenants and have only given a title warranty with regard to their shares and a warranty with regard to the due authorisation of the sale of their respective shares. The share purchase agreement with AVAS includes certain customary representations and warranties as well as covenants by AVAS. The share purchase agreement with AVAS further includes a number of penalty-protected covenants by Erste Bank, including to attain, subject to certain exceptions, a listing of the shares on the Bucharest Stock Exchange or an initial public offering within three years from the date of completion of the acquisition and to hold the shares in BCR for at least three years.

Based on its due diligence, Erste Bank has identified a number of issues relating to BCR and expects to incur a significant one-time charge relating to the integration of BCR of at least EUR 90 million largely in 2006 as well as capital expenditures of approximately EUR 100 million over the next three years, both of which mainly relate to investments in IT and the optimisation of the branch network. In addition, Erste Bank expects to incur charges in 2006 of approximately EUR 100 million relating to increased loan loss provisions and approximately EUR 100 million as a result of further expected adjustments to BCR's

reported net asset values, including adjustments related to property values, pension liabilities and deferred taxes. These provisions are merely estimates that are subject to change and may increase or decrease in size, particularly after Erste Bank will have full access to BCR.

BCR is the largest Romanian bank in terms of total assets, as well as in terms of retail and corporate loans and retail and corporate deposits according to information published by the Romanian National Bank. At 30 June 2005, BCR reported more than RON 27.8 billion (approximately EUR 7.7 billion using the exchange rate of 3.6050 RON per EUR applicable on 30 June 2005) in total assets or approximately 26% of total banking assets in Romania at 30 June 2005 according to information published by the Romanian National Bank.

BCR was incorporated in 1990 and is licensed by the National Bank of Romania to conduct banking activities. BCR has its registered seat at 5 Regina Elisabeta Boulevard, sector 3, RO-030016 Bucharest, Romania, and is registered at the Bucharest Trade Registry Office under registration number J40/90/1991. BCR's two core business areas are corporate banking and retail banking. In addition, BCR and its subsidiaries provide a broad range of other financial services including leasing, insurance and asset management.

BCR reported that gross loans to corporate customers amounted to RON 4,653 million at 30 June 2005 (corresponding to 61.6% of its gross customer loans), RON 3,446 million at 31 December 2004 and RON 2,457 million at 31 December 2003. Direct loan exposures to public institutions (for example municipalities and state entities) represented 3.4% of BCR's gross customer loan portfolio at 30 June 2005, according to BCR. BCR reported that it served approximately 300,000 corporate customers at 30 June 2005. BCR's customer base covers all areas of economic activity, including companies active in foreign and domestic trade, agriculture, construction, tourism and financial services. According to information published by the Romanian National Bank, corporate loans made by BCR accounted for approximately 24% of all corporate loans and corporate deposits made by BCR accounted for more than 21% of corporate deposits in Romania at 30 June 2005.

BCR reported that gross loans to individuals amounted to RON 8,626 million at 30 June 2005, RON 7,910 million at 31 December 2004 (corresponding to 30% of its gross customer loans) and RON 6,383 million at 31 December 2003. Erste Bank estimates, based on the approximately 5 million accounts reported by BCR at 30 June 2005, that BCR serves approximately 2.5 million retail customers through its network of approximately 340 branches across Romania. According to information published by the Romanian National Bank, retail loans made by BCR accounted for approximately 29% of all retail loans in Romania, while retail deposits of BCR accounted for approximately 35% of all retail deposits in Romania as of 30 June 2005.

According to information published by the Romanian National Bank, BCR is the largest bank in Romania with a market share of approximately 26% measured by total assets at 30 June 2005. BCR's primary competitors are BRD Société Générale (14% market share), Raiffeisen Bank Romania (9%), HVB 7% (including Banca Tiriac) and the Romanian Savings Bank CEC (market share not available). CEC is currently in the process of being privatised and it is expected that CEC will be sold to a foreign bidder in 2006. Unicredit has announced its intention to combine the operations of HVB Romania, Banca Tiriac and Unicredit Romania.

In 1991, as part of the overall reform of the Romanian banking system, the corporate banking activities of the Romanian National Bank were transferred to BCR. In 1999, the Romanian Bank for Foreign

Trade, Banca Romana de Comert, Exterior-Bancorex-S.A. ("Bancorex"), which had been declared insolvent and was under special administration, was merged into BCR. Non-performing loans and losses of Bancorex were transferred to a state agency now called AVAS (the Authority for State Asset Recovery). The remainder of Bancorex's assets and most of its liabilities (in each case, provided they satisfied BCR's risk management policies) were transferred to BCR. The Romanian government agreed to guarantee Bancorex's material liabilities, including those claims against Bancorex which were the subject of litigation and certain off-balance sheet items. When EBRD and IFC became shareholders of BCR in 2004, the guarantees for litigation claims and certain off-balance sheet items were prolonged. In respect of liabilities represented by claims made in legal proceedings, the Romanian Government has agreed to indemnify BCR for these liabilities and BCR has also been given the right to require that AVAS be placed on the Romanian court record as defendant in place of BCR. The liability of AVAS is generally subject to customary limitations. It is a condition precedent to the share purchase agreement that the competent competition authorities approve of all matters relevant to Bancorex.

The financial information reported below is derived from the audited consolidated financial statements of the BCR Group for the year ended 31 December 2004 and the unaudited interim financial statements for the period ended 30 June 2005, in each case as published on BCR's internet site. Financial information for the year ended 31 December 2004 as presented herein has been restated in 2005 and derives from the unaudited interim financial statements for the period ended 30 June 2005. The report by the independent auditors of BCR and the BCR Group, KPMG Audit SRL, as reported by BCR on its internet site, states that the 2004 Financial Statements present fairly, in all material aspects, the financial position of BCR and of the BCR Group as at 31 December 2004 and the results of their operations and cash flows for the year ended in accordance with IFRS except for (i) the measurement of the amortised cost of loans to customers, (ii) the determination of impairment losses for loans to customers and (iii) the depreciation of office and other equipment and amortisation of intangible assets for each individual asset. KPMG Audit SRL has issued an independent report on the review of the Interim Financial Information as of 30 June 2005, which notes the same exceptions to the application of IFRS as reported by BCR on its internet site. The 2004 Report and the 2005 Interim Review Report note that this accounting treatment adopted by BCR and by the BCR Group with respect to the aspects mentioned above did not comply with the requirements in respect of the aspects mentioned above of, respectively, IAS 18 "Revenue", IAS 39 "Financial Instruments: Recognition and Measurement", IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets".

---

**Selected income statement data**

<b>In RON million</b>	<b>30 June 2005</b>	<b>30 June 2004</b>	<b>31 December 2004</b>	<b>31 December 2003</b>
Net interest income	669	687	1.443	1.150
Net fee and commission income	307	283	611	555
Net trading income	134	47	125	65
Dividend income	3	3	3	1
Net gain/(loss) on investment securities	7	(23)	26	32
Other operating income	82	27	103	68
Operating expenses	(641)	(527)	(1.240)	(1.136)
Net charge of provision for impairment losses <sup>(1)</sup>	(123)	(80)	(206)	(190)
Net profit for the year	374	313	638	274

**Selected balance sheet data and capital adequacy**

<b>In RON million</b>	<b>30 June 2005</b>	<b>31 December 2004</b>	<b>31 December 2003</b>
Due from central banks	8.565	7.148	5.398
Loans and advances to customers (gross)	13.278	11.356	8.839
Loans and advances to customers (net)	12.684	10.760	8.352
Total assets	27.776	25.226	19.402
Deposits from customers	19.188	17.764	14.296
Loans from banks and other financial institutions	3.571	2.454	1.032
Total liabilities	24.020	21.477	16.032
Shareholders' equity <sup>(2)</sup>	3.738	3.732	3.291
Total liabilities, shareholders' equity and minority interest	27.776	25.226	19.402
Capital adequacy			
Risk weighted assets	17.894	15.799	11.674
Tier 1 capital	3.487	3.482	3.086

(1) *As part of its due diligence process, Erste Bank has identified potential issues regarding the level of loan loss provisions at BCR.*

(2) *Excluding minority interest*

In addition to the acquisition of BCR, Erste Bank continues to observe and assess acquisition opportunities in the entire CEE region."

At the end of the last paragraph on page 3 of the Original Prospectus, the following is added:

"References to RON are to Romanian Leu (converted at the official rate of 1:10,000 on 1 July 2005, where applicable)."

## **2. Capital Increase**

The following text is added to the fifth paragraph on page 94 of the Original Prospectus:

"Beginning on 11 January 2006, Erste Bank offered up to 58.95 million new shares, representing an increase of up to 24.2% of its existing share capital of EUR 486,367,200, with an over-allotment option of up to 5.89 million new shares granted to the underwriters. The equity offering was conducted as an at-market rights offering with pre-emptive rights to existing shareholders. Based on a closing price of EUR 46.60 (ex dividend of EUR 0.55 for 2005) on 9 January 2006, the offering is expected to raise approximately EUR 2.75 billion, corresponding to net new capital of approximately EUR 2.55 billion. The funds raised are intended to be used towards the financing of the acquisition of BCR and to strengthen Erste Bank's capital base. The final subscription and offer price and the number of the new shares issued are announced on or about 26 January 2006."

### **3. Novosadska banka a.d.**

The third paragraph in the section entitled "Novosadska banka, a.d." on page 111 of the Original Prospectus shall be replaced by the following text:

"Following Erste Bank's acquisition of a 83.3 per cent. stake in Novosadska banka a.d. from the Serbian government (Agency for Deposit Insurance, Rehabilitation, Bankruptcy and Liquidation of Banks) in August 2005, a tender offer for the remaining 16.7 per cent., or 67,045 shares, was submitted in accordance with the terms of the share purchase agreement. The offer price was identical to that submitted during the privatisation process. The offer period commenced on 18th October and expired on 7th November 2005. A total of 49,346 shares (12.3% of the share capital) were tendered to Erste Bank. Erste Bank now holds 95.6% of the total share capital. Erste Bank plans to exercise its right to buy out the remaining 4.4% of the share capital held by minority shareholders until the beginning of May 2006. The offer price (EUR 218.98 per share) will be identical to the price in the completed tender offer.

On 20 December 2005, the general meeting of shareholders of Novosadska banka decided to change the bank's name to Erste Bank a.d., Novi Sad."

### **4. Erste Bank selected financial information**

The text below the heading "Interim and other Financial Information" on pages 122 to 124 is replaced by the following text:

"The unaudited consolidated financial statements for the nine months ended 30th September 2005 of Erste Bank are incorporated by reference in this Prospectus. A summary of such statements is set out below.

As the revised IASB standards IAS 32 (Financial Instruments: Disclosure and Presentation) and IAS 39 (Financial Instruments: Recognition and Measurement) are compulsory as of 1st January 2005, prior-year figures must be restated.

The restatement to the 2004 financial statements involved two steps. First, Erste Bank revised its securities business and credit valuations, which increased shareholders' equity of Erste Bank by EUR 35 million as of 1 January 2004. Second, Erste Bank amended disclosure of hybrid capital (preference shares in Subsidiaries), which under IAS 32 had no effect on shareholders' equity, but instead affected minority interests in total equity.

The unaudited restated interim information provided below reflects changes that are required under IAS 32 and IAS 39. The changes in per cent. indicated are based on the restated prior-year figures.

Group Balance Sheet of Erste Bank as at 30th September 2005

in EUR million	30th Sep 2005 (restated)	31st Dec 2004 (restated)	Change in per cent.	31st Dec 2004 (published)
<b>Assets</b>				
1. Cash and balances with central banks.....	2,906	2,723	6.7	2,723
2. Loans and advances to credit institutions .....	20,058	15,684	27.9	15,513
3. Loans and advances to customers.....	79,946	72,843	9.8	72,722
4. Risk provisions for loans and advances .....	(2,902)	(2,804)	3.5	(2,749)
5. Trading assets .....	5,606	4,628	21.1	4,628
6. AfS and assets through profit and loss.....	18,511	15,967	15.9	9,141
7. Financial investments.....	23,561	21,926	7.5	28,867
8. Intangible assets.....	1,916	1,823	5.1	1,823
9. Tangible assets.....	1,695	1,723	(1.6)	1,723
10. Other assets.....	5,634	5,299	6.3	5,291
<b>Total assets .....</b>	<b>156,931</b>	<b>139,812</b>	<b>12.2</b>	<b>139,682</b>
<b>Liabilities and shareholder's' equity .....</b>				
1. Amounts owed to credit institutions.....	37,365	28,551	30.9	28,551
2. Amounts owed to customers.....	71,421	68,213	4.7	68,213
3. Debts evidenced by certificates.....	21,168	19,710	7.4	19,887
4. Provisions .....	8,403	7,500	12.0	7,328
5. Other liabilities .....	7,860	6,179	27.2	6,179
6. Subordinated capital .....	4,344	3,706	17.2	3,048
7. Total equity .....	6,370	5,953	7.0	6,476
thereof Shareholders' equity .....	3,871	3,424	13.1	3,347
thereof Minority interests.....	2,499	2,529	(1.2)	3,129
<b>Total liabilities and shareholders' equity.....</b>	<b>156,931</b>	<b>139,812</b>	<b>12.2</b>	<b>139,682</b>



Group Income Statement of Erste Bank for the nine months ended 30th September 2005

As at and for the nine months ended 30th September

in EUR million	Jan-Sep 2005 (restated)	Jan-Sep 2004 (restated)	Change in per cent.	Jan-Sep 2004 (published)
1. Interest and similar income .....	4,242.9	4,018.4	5.6	4,016.2
2. Interest paid and similar expenses.....	(2,179.4)	(2,051.4)	6.2	(2,022.5)
<b>I. Net interest income.....</b>	<b>2,063.5</b>	<b>1,967.0</b>	<b>4.9</b>	<b>1,993.7</b>
3. Risk provisions for loans and advances .....	(329.1)	(306.9)	7.2	(306.9)
4. Fee and commission income .....	1,128.7	1,001.2	12.7	1,001.2
5. Fee and commission expenses.....	(206.8)	(152.3)	35.8	(149.4)
Net commission income (Net of 4 and 5)	921.9	848.9	8.6	851.8
6. Net trading result.....	171.6	156.2	9.9	156.2
7. General administrative expenses .....	(1,990.0)	(1,953.3)	1.9	(1,950.9)
8. Income from insurance business.....	36.9	25.8	43.0	24.6
9. Other operating results.....	(10.4)	(21.9)	52.5	1.1
<b>II. Pre-tax profit for the period.....</b>	<b>864.4</b>	<b>715.8</b>	<b>20.8</b>	<b>769.6</b>
10. Taxes on income.....	(209.1)	(198.6)	(5.3)	(197.0)
<b>III. Profit for the period.....</b>	<b>655.3</b>	<b>517.2</b>	<b>26.7</b>	<b>572.6</b>
11. Minority interests .....	(146.5)	(153.6)	(4.6)	(190.0)
<b>IV. Net profit after minority interests .....</b>	<b>508.8</b>	<b>363.6</b>	<b>39.9</b>	<b>382.6</b>

"

Erste Bank der oesterreichischen Sparkassen AG  
Graben 21  
1010 Vienna, Austria