Financial Statements

Consolidated Financial Statements 2005 (IFRS)

I. Consolidated Income Statement of Erste Bank for the year ended 31 December 2005

in EUR thousand	Notes	2005	restated *) 2004
Interest and similar income		5,809,085	5,232,137
Interest paid and similar expenses		-3,014,857	-2,571,807
Net interest income	**1**	**2,794,228**	**2,660,330**
Risk provisions for loans and advances	2	-421,596	-406,185
Fee and commission income		1,545,213	1,358,449
Fee and commission expenses		-288,440	-223,060
Net commission income	**3**	**1,256,773**	**1,135,389**
Net trading result	4	241,705	216,481
General administrative expenses	5	-2,676,920	-2,594,938
Income from insurance business	6	36,663	36,860
Other operating result	7	-16,127	-51,343
Pre-tax profit for the year		**1,214,726**	**996,594**
Taxes on income	8	-299,977	-277,876
Profit for the year		**914,749**	**718,718**
Minority interests		-203,119	-197,869
Net profit after minority interests	**9**	**711,630**	**520,849**

*) restated to reflect the effects of applying amended IAS 32 and IAS 39 applied retroactively from 1.1.2005. Detailed explanations are given in Section C. Accounting policies, c) Effects of applying amended and new IFRS and/or IAS

Earnings per share

Earnings per share constitute net profit after minority interests divided by the average number of ordinary shares outstanding. Diluted earnings per share represent the maximum potential dilution (increase in the average number of shares) which would occur if all issued subscription and conversion rights were exercised.

		2005	restated 2004
Net profit after minority interests	in EUR thousand	711,630	520,849
Average number of shares outstanding *)	number	240,145,648	238,576,585
Earnings per share	**in EUR**	**2.96**	**2.18**
Diluted earnings per share	in EUR	2.95	2.16
Dividend per share	in EUR	0.55	0.50

*) including shares held by members of the Haftungsverbund

II. Consolidated Balance Sheet of Erste Bank at 31 December 2005

in EUR thousand	Notes	2005	restated *) 2004
ASSETS			
Cash and balances with central banks	10	2,728,439	2,722,931
Loans and advances to credit institutions	11	16,858,244	15,684,669
Loans and advances to customers	12	80,418,552	72,843,380
- Risk provisions for loans and advances	13	-2,816,668	-2,804,089
Trading assets	14	5,426,142	4,628,261
Fair value through profit or loss and available for sale	15	18,644,121	15,966,590
Financial investments	16, 17, 39	23,610,821	21,925,747
Intangible assets	17	1,910,901	1,823,409
Tangible assets	17	1,687,802	1,722,576
Other assets	18,19	4,191,920	5,298,445
Total assets		**152,660,274**	**139,811,919**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Amounts owed to credit institutions	20	33,911,518	28,551,355
Amounts owed to customers	21	72,792,861	68,212,546
Debts evidenced by certificates	22	21,291,373	19,710,141
Provisions	23	8,634,695	7,500,472
Other liabilities	24	5,278,847	6,178,548
Subordinated capital	25	4,289,826	3,705,520
Total equity		6,461,154	5,953,337
thereof shareholders' equity	26	4,129,431	3,423,906
thereof minority interests		2,331,723	2,529,431
Total liabilities and shareholders' equity		**152,660,274**	**139,811,919**

*) restated to reflect the effects of applying amended IAS 32 and IAS 39 applied retroactively from 1.1.2005. Detailed explanations are given in Section C. Accounting policies, c) Effects of applying amended and new IFRS and/or IAS

III. Consolidated Statement of Changes in Total Equity

in EUR million	Subscribed capital	Additional paid-in capital	Retained earnings	Share-holders´ equity	Minority interests	Total equity 2005	Total equity restated 2004
Equity at 31 December previous year	**483**	**1,429**	**1,512**	**3,424**	**2,529**	**5,953**	**5,174**
Currency translation	–	–	92	92	9	101	126
Changes in own shares	–	–	38	38	–	38	-27
thereof shares acquired	–	–	-613	-613	–	-613	-632
thereof shares sold	–	–	634	634	–	634	591
thereof result	–	–	17	17	–	17	14
Dividends	–	–	-120	-120	-107	-227	-197
Capital increases	3	35	–	38 [1]	–	38	31
Profit for the year	–	–	712	712	203	915	719
Other changes	–	–	-55	-55	-302	-357	127
thereof cash flow hedge	–	–	-38	-38	-8	-46	2
thereof available for sale	–	–	-34	-34	11	-23	141
thereof deferred taxes	–	–	17	17	–	17	-35
thereof change of interests in subsidiaries	–	–	–	–	-305	-305	18
thereof other	–	–	–	–	–	–	1
Equity at 31 December	**486**	**1,464**	**2,179**	**4,129**	**2,332**	**6,461**	**5,953**

	Share-holders´ equity	Minority interests	Total equity 2005	Total equity restated 2004
Cash flow hedge reserve at 31 December	–	8	8	54
Available for sale reserve at 31 December	145	261	406	429
Deferred tax reserve at 31 December	-35	-66	-101	-118

[1] Capital increase from ESOP (Employee Stock Ownership Programme) and MSOP (Management Stock Option Programme).

Changes in number of shares (see also Note 26)

in units	Shares 2005	Shares 2004
Shares outstanding at 1 January	**226,006,062**	**225,138,004**
Acquisition of own shares	-14,890,707	-13,195,346
Disposal of own shares	15,643,831	12,395,744
Capital increase due to ESOP and MSOP	1,740,708	1,667,660
Shares outstanding at 31 December	**228,499,894**	**226,006,062**
Own shares *)	14,683,706	15,436,830
Number of shares at 31 December	**243,183,600**	**241,442,892**
Average number of shares outstanding	240,145,648	238,576,585

*) including shares held by members of the Haftungsverbund

IV. Cash Flow Statement

in EUR million	2005	restated 2004
Profit for the year	**915**	**719**
Non-cash adjustments for items in net profit		
Depreciation, amortisation, revaluation of tangible assets, financial investments as well as available for sale and fair value through profit or loss	355	342
Allocation/release of provisions (including risk provisions)	519	463
Profits from the sale of financial investments and tangible assets	-52	-105
Other adjustments	-270	-68
Changes in assets and liabilities from operating activities after adjustment for non-cash components		
Loans and advances to credit institutions	-1,155	-2,407
Loans and advances to customers	-7,552	-5,008
Trading assets	-798	631
Fair value through profit or loss and available for sale	-2,666	-2,727
Other assets from operating activities	703	-610
Amounts owed to credit institutions	5,338	2,901
Amounts owed to customers	4,509	3,374
Debts evidenced by certificates	1,688	2,927
Other liabilities from operating activities	146	1,625
Cash flow from operating activities	**1,680**	**2,057**
Proceeds from the disposal of		
Financial investments	3,770	7,435
Fixed assets	228	257
Payments for the acquisition of		
Financial investments	-5,456	-8,676
Fixed assets	-462	-443
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	-188	-72
Cash flow from investing activities	**-2,108**	**-1,499**
Capital increases	38	31
Dividends paid	-120	-90
Other financing activities (mainly changes of subordinated capital)	477	-367
Cash flow from financing activities	**395**	**-426**
Cash and cash equivalents*) at beginning of period	**2,723**	**2,549**
Cash flow from operating activities	1,680	2,057
Cash flow from investing activities	-2,108	-1,499
Cash flow from financing activities	395	-426
Effect of currency translation	38	42
Cash and cash equivalents*) at end of period	**2,728**	**2,723**
Payments for taxes, interest and dividends	**2,490**	**2,522**
Payments for taxes on income	-304	-138
Interest and dividends received	5,809	5,232
Interest paid	-3,015	-2,572

*) Cash and cash equivalents are equal to cash and balances with central banks

Cash flow from acquisition of subsidiaries

in EUR million **Shares purchased** **Successive share purchase**	**Erste Bank Novi Sad** **95.58%**	**SLSP** **19.99%**	**Total**
Cash and cash equivalents	28		
Loans and advances to credit institutions and customers	117		
- Risk provisions for loans and advances	-49		
Available for sale and assets through profit or loss	1		
Financial investments	5		
Other assets	12		
Amounts owed to credit institutions and customers	93		
Other liabilities	2		
Total equity	19	–	–
Shares purchased	95.58%	19.99%	–
Erste Bank's stake of total equity	18	92	110
Goodwill			106
Purchase price			216
Cash and cash equivalents			-28
Cash flow for acquiring companies net of cash and cash equivalents acquired			**188**

During the reporting period, Erste Bank acquired 95.58% of Novosadska Banka a.d. (now Erste Bank a.d. Novi Sad) and the residual 19.99% of Slovenská sporiteľňa a.s. (SLSP).

V. Notes to the Consolidated Financial Statements of the Erste Bank Group

A. GENERAL INFORMATION

Erste Bank der oesterreichischen Sparkassen AG is Austria's oldest savings bank and the largest wholly privately-owned Austrian credit institution listed on the Vienna stock exchange. Since October 2002 it is also quoted on the Prague stock exchange. Erste Bank's registered office is located at Graben 21, 1010 Vienna, Austria.

The Erste Bank Group offers a complete selection of banking and financial services, such as saving, asset management (including investment funds), lending and mortgage business, investment banking, securities and derivatives trading, portfolio management, project financing, foreign trade financing, corporate finance, capital market and money market services, foreign exchange trading, leasing, factoring and insurance.

Unless otherwise indicated, all amounts are stated in millions of euros. Rounding differences may occur in the accompanying tables.

B. ACQUISITIONS

On 10 January 2005, Erste Bank acquired 19.99% (1,274,204 shares) of Slovenská sporiteľňa a.s. Erste Bank therefore owns 100% of the shares in Slovenská sporiteľňa a.s. The purchase price including additional costs for the 19.99% holding totalled approximately SKK 4,970.4 million (EUR 128.3 million), and a goodwill of SKK 1,415.2 million (EUR 36.5 million) was recognised at acquisition date.

On 15 July 2005, a purchase contract was signed for the acquisition of an 83.3% holding in Erste Bank a.d. Novi Sad (previously Novosadska banka a.d.) from the Republic of Serbia. The transaction was completed on 9 August 2005. Erste Bank sent ordinary shareholders a binding takeover offer for the remaining shares in diversified holdings. The deadline for the binding takeover offer ended on 7 November 2005. This takeover offer allowed Erste Bank to increase its holding in Erste Bank a.d. Novi Sad by a further 12.3% to 95.6%. The purchase price including additional costs totalled approximately CSD 7,366.9 million (EUR 87.2 million), and a goodwill of CSD 5,875.1 million (EUR 69.6 million) was recognised at acquisition date. Intangible assets for customer relations are not important enough to warrant being reported separately and are included in general goodwill.

Shareholdings in significant companies and their representation in the consolidated financial statements are detailed in Note 39.

C. ACCOUNTING PRINCIPLES

The Consolidated Financial Statements of Erste Bank for the 2005 financial year and the comparable data for 2004 were prepared in compliance with the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB) and with their interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) formerly Standing Interpretations Committee (SIC), thus satisfying the prerequisites set forth in Section 245a Austrian Commercial Code and Section 59a Austrian Banking Act. The standards were applied in accordance with the corresponding regulations of the European Union.

The comparable data for 2004 were restated on the basis of the amended IAS 32 and IAS 39 standards which were binding as of 1.1.2005, but which were applied retrospectively. This means that the values for 2004 have been presented as if the amended version of these standards had always been applied. Detailed explanations of how the comparable data were restated are given in Section c) Effects of applying amended and new IFRS and/or IAS.

a) CONSOLIDATION METHODS

All significant subsidiaries directly or indirectly controlled by Erste Bank AG have been fully consolidated in the Financial Statements. The fully consolidated subsidiaries are included in the Consolidated Financial Statements on the basis of their annual accounts as of 31 December 2005.

Erste Bank is a member of the Haftungsverbund Agreement of the savings bank group. This Haftungsverbund was established in 2001 and took effect on 1 January 2002. At the balance sheet date almost all of Austria's savings banks belong to this system.

The provisions of the Haftungsverbund Agreement are implemented by a Steering Company (s Haftungs- und Kundenabsicherungs GmbH). Erste Bank AG directly always holds at least 51% of the share capital of the Steering Company. Two of the four members of the Steering Company's management, including the CEO, who has the casting vote, are appointed by Erste Bank AG. The Steering Company is vested with the power to monitor the common risk policies of its members. As well, if a member encounters serious difficulties – this can be discerned from the specific indicator data that is continually generated – the Steering Company has the mandate to provide the support measures described later in this section and/or to intervene as required in the business management of the affected member savings bank. The Erste Bank AG owns a controlling interest in the Steering Company and can therefore exercise control over the members of the Haftungsverbund; hence, in accordance with IFRS, all members of the Haftungsverbund have been fully consolidated since 1 January 2002.

Significant equity interests over which Erste Bank AG exercises a controlling influence (associates) are accounted for at equity. As a rule, a controlling influence is gained from a holding of between 20 and 50 per cent. Jointly controlled companies are also accounted for at equity (IAS 31.38). Companies accounted for using the equity method were by the majority included on the basis of their annual accounts as of 31 December 2005.

Subsidiaries whose overall influence on the Group's financial position and results of operations is of minor importance were not consolidated.

Other equity investments are reported at fair value. If fair value cannot be reliably measured, these investments are reported at cost. In the event of impairment, impairment losses are recognised.

Business combinations are accounted for using purchase accounting, by offsetting the acquisition cost against the parent company's identifiable share of assets and liabilities. The subsidiary‘s assets and liabilities are reported at their individual fair values at the acquisition date. The difference between acquisition costs and net assets at fair value has been capitalised as goodwill since 1 January 1995 and is subject, as required under IFRS 3 (Business Combinations), in conjunction with IAS 36 (Impairment of Assets) and IAS 38 (Intangible Assets), to an annual impairment review.

Minority interests are established on the basis of assets and liabilities at fair value.

Any significant intercompany balances, intercompany income and expenses and intercompany profits and losses are eliminated.

b) ACCOUNTING AND MEASUREMENT METHODS

Regular way (spot) purchases and sales of financial investments are reported on the trade date.

Currency translation

Assets and liabilities stated in foreign currencies and outstanding foreign-currency spot transactions are translated at ECB reference rates; outstanding forward exchange contracts are translated at the forward rate of the balance sheet date.

In translating the financial statements of foreign subsidiaries reporting in foreign currencies, the ECB reference rate of exchange on the balance sheet date is used for the balance sheet and the annual average rate is used for the income statement. Translation gains and losses as a result of the consolidation of foreign subsidiaries are offset against retained earnings.

Net interest income

Interest and similar income mainly includes interest income in the narrow sense on loans and advances to credit institutions and customers and from fixed-interest securities. Current income from shares and other variable-yield securities (especially dividends), income from other investments and on investments accounted for at equity as well as income from property used by outside parties and similar income calculated as interest are also reported under interest and similar income.

Interest paid and similar expenses mainly include interest paid on accounts payable to credit institutions and customers and on debts evidenced by certificates and subordinated capital (including hybrid capital).

Net interest income also includes periodic write-downs and write-ups of securities classified as held to maturity (see notes on financial investments) or available for sale (see notes on fair value through profit or loss and available for sale) and income and expenditure from the amortisation of premiums and discounts.

Interest received – and interest paid – is accrued to the corresponding period and only reported if there appears to be little risk of default.

Risk provisions for loans and advances

This position is used to report provisions set up for credit losses on on-balance-sheet and off-balance-sheet transactions. This item also reflects amounts released from impairment losses on loans and advances together with amounts from direct write-offs of loans and advances and income from loans and advances written off.

Allocations to and releases of provisions for suspended interest are reported under net interest income rather than under risk provisions for loans and advances.

Amounts allocated to and released from risk provisions not assigned to the lending business are reported in other operating result.

Net commission income

Net commission income consists of fees and commissions on services provided, accrued to the reporting period. It mainly includes fees and commissions from payment transfers, securities transactions and lending business as well as from insurance business, mortgage brokerage and foreign exchange transactions.

Net trading result

Net trading result includes all results from securities, derivatives and currencies assigned to the trading portfolio. These include both realised and unrealised profits from the measurement at fair value as well as interest and dividend income from trading portfolios and refinancing costs for trading.

General administrative expenses

General administrative expenses are accrued to the reporting period and include personnel and other administrative expenses, as well as depreciation and amortisation (excluding any impairment of goodwill).

Personnel expenses include wages and salaries, bonuses, statutory and voluntary social security contributions, staff-related taxes and expenditure (including changes in provisions) for severance payments and pensions.

Other administrative expenses include IT expenses, expenses for office space, office operating expenses, advertising and marketing, the cost of legal and other consultants as well as other sundry administrative expenses

Income from insurance business

Income from insurance business captures all revenues and expenses derived from the insurance companies, other than commission income from the sale of insurance products, which is included in net commission income.

Income includes premiums earned net of ceded business, investment income from underwriting business and unrealised profit from investments for unit-linked life insurance.

Expenses include claims incurred, changes in underwriting provisions, expenses for profit participation, investment and interest result and all operating expenses of the insurance business.

Other operating result

Other operating result reflects all other income and related expenses for transactions that are not part of Erste Bank Group's ordinary activities. It includes, in particular, income and expenses from securities assigned to the held to maturity portfolio (see notes on financial investments), results from sale of securities held as available for sale (see notes on fair value through profit or loss and available for sale), results from measurement/sale of securities assigned to the fair value portfolio (see notes on fair value through profit or loss and available for sale), impairment losses and results from sales of real estate as well as results from measurement and sale of investments and shares in unconsolidated subsidiaries. In addition to expenditure from other taxes, goodwill impairment charges, expenditure from deposit guarantee payments, income from the release of and expenditure from allocations to other provisions are also reported under this item.

Loans and advances

Loans and advances to credit institutions and customers are reported at amortised cost. Credit losses which were not provided for are directly written off in this item.

Impairment of credit assets is disclosed as risk provisions for loans and advances on the face of the balance sheet. Premiums and discounts are reported on an accrual basis under other assets or other liabilities.

Interest receivable is not recognised as revenue in the income statement if, regardless of any legal claims, it is very unlikely to be collected.

Also securities that do not have a quoted market price in an active market are reported under loans and advances.

Risk provisions for loans and advances

The special risks inherent in the banking business are taken into account by forming adequate risk provisions for loans and advances and provisions for off-balance-sheet transactions. These provisions are made using the same measurement methods throughout the Group and reflect any collateral present.

Risk provisions for loans and advances include individually assessed risk provisions for loans and advances, for which objective evidence of impairment exists. In addition, risk provisions for loans and advances also include collectively assessed risk provisions for individually significant loans and advances for which impairment losses have been incurred but not detected as well as collectively assessed risk provisions for loans and advances that are not individually significant.

The total amount of risk provisions for loans and advances, in as much as it relates to on-balance-sheet assets, is reported on the face of the balance sheet under assets as a line item deduction below loans and advances to credit institutions and loans and advances to customers. The risk provisions for off-balance-sheet transactions (particularly warranties and guarantees as well as other lending commitments) are included in the separate item provisions.

Trading assets/liabilities

Securities, derivatives and other financial instruments held for trading purposes are reported on the balance sheet at their fair values on the balance sheet date. Negative market values are reported on the balance sheet under other liabilities. Listed products are measured at quoted stock exchange prices. The market values of non-listed products are measured using the net present value method or using suitable valuation models.

Fair value through profit or loss and available for sale

Securities which, under the Group's internal guidelines, are assigned neither to the trading portfolio nor to financial investments, are reported at fair value under fair value through profit or loss and available for sale. This item includes the fair value portfolio and the available for sale portfolio (afs portfolio). Securities which upon initial recognition are designated to be measured at fair value, with changes in fair value recognised in profit or loss (fair value option) are reported in the fair value portfolio. Securities reported in the afs portfolio are measured at fair value with changes in fair value recognised directly in equity until the securities are derecognised. Impairment losses of securities classified as available for sale are recognised in profit or loss.

Gains and losses on securities reported under the item fair value through profit or loss and available for sale are included in other operating result, except for changes in fair value of securities classified as available for sale recognised directly in equity.

Financial investments

This item includes, among other assets, bonds intended to be held over the long term and/or to maturity and other fixed-income and variable-yield securities, provided they have a fixed maturity. These financial investments are assigned to the held to maturity portfolio (htm portfolio). Financial investments also include investments in associates and other companies and ownership rights in non-consolidated companies, investments of insurance companies and property intended primarily for leasing to outside parties.

Investments in associates are accounted for using the equity method.

Investments of insurance companies are reported as a separate item. They include land and buildings, investments in associates and other companies, mortgage receivables, securities and prepayments on insurance contracts. Investments of insurance companies are measured in accordance with the standards applicable at the time.

Financial investments intended for leasing to outside parties are reported at amortised cost (less accumulated depreciation in the case of property leased out under an operating lease) using the cost model permitted by IAS 40. In the case of impairment, impairment losses are recognised as required. If the reasons which led to the impairment cease to apply, the previously recognised impairment loss is reversed to no more than the amortised cost.

Intangible assets

Intangible assets consist mainly of goodwill resulting from acquisitions and software.

According to IFRS 3 (in conjunction with IAS 36 and IAS 38), an annual impairment test is carried out for all cash-generating units (CGUs) to review the value of existing goodwill. The CGU is the smallest identifiable group of assets that generates cash inflows from continuing use, and that are largely independent of the cash inflows from other assets or group of assets. In the Erste Bank Group, all business segments according to the segment reporting in the financial statements are defined as CGUs. Investments included in individual business segments are considered as independent CGU.

The impairment test is to be performed for all CGUs to which goodwill is allocated. It is assumed for all other CGUs that any impairment in assets is taken into account on the basis of individual asset valuations. The calculation of the expected cash flows is based on the normalised projected earnings of the CGU (or of the individual company in the case of minority-owned entities). As a rule, the basis for the normalised projected earnings is the reported pre-tax profit before minority interests in local currency before deduction of consolidation items and before account is taken of the CGU financing costs.

To determine future cash flows, the projected normalised IFRS-based pre-tax profit is translated into EUR at the average exchange rates used in the forecast and discounted to present value at a pre-tax discount rate. The forecast period is usually 3 to 5 years, but may be longer if warranted under exceptional circumstances.

The discount rate usually used is the moving three-year average of the five-year swap rate (risk-free rate) in local currency, provided the forecast is also in local currency; otherwise the forecast currency is applied. Additional risk premiums do not reflect risks for which future cash flows have been adjusted. The discount rate used is pre-tax.

Based on the above parameters, the CGU's value in use is calculated in EUR each December. Where available, the fair value less costs to sell of the CGU is determined based on recent transactions, stock exchange listings, appraisals etc. The higher of value in use and fair value less costs to sell is the recoverable amount.

The subsidiary's proportionate or full recoverable amount (calculated as indicated above) is compared, respectively, to the sum of proportionate or full equity in the subsidiary, including goodwill. If the proportionate or full recoverable amount is less than the proportionate or full equity plus goodwill, the difference is recognised as impairment loss in the following order. First, the carrying amount of goodwill allocated to the CGU is reduced and then, if necessary, the carrying amounts of the other assets of the CGU are reduced, though not to an amount below their fair values. There is no need to recognise an impairment loss if the proportionate or full recoverable amount of the CGU is higher than or equal to proportionate or full equity plus goodwill. Once recognised, an impairment loss for goodwill cannot be reversed in later periods.

Software produced internally is recognised as an asset if the future economic benefits associated with the software are likely to flow to the Group and the cost can be reliably determined. Such software is amortised over the estimated useful life, which is generally deemed to be four to six years, the same range is assumed for acquired software.

In the event of impairment, impairment losses are recognised.

Tangible assets

Tangible assets – land and buildings, office furniture and equipment – are measured at cost, less depreciation (corresponding to their estimated useful life) and impairment losses.

The assumed useful lives of tangible assets are presented in the table below:

	Useful life in years
Buildings	25 – 50
Office furniture and equipment	5 – 20
Computer hardware	4 – 5

Leasing

The leasing agreements in force in the Erste Bank Group almost exclusively represent finance leases, defined as leases in which all of the risks and rewards associated with the leased asset are transferred to the lessee. Pursuant to IAS 17, the lessor reports a receivable from the lessee amounting to the present value of the contractually agreed payments and taking into account any residual value.

In the case of operating leases (defined as leases where the risks and rewards of ownership remain with the lessor), the leased asset is reported by the lessor under financial investments and depreciated in accordance with the principles applicable to the type of fixed assets involved.

Liabilities

Liabilities are stated at their redemption value or par value, except for those which are measured at fair value through profit or loss. Zero coupon bonds and similar liabilities are reported at their present value.

Provisions

In compliance with IAS 19 (Employee Benefits), long-term employee provisions (obligations for pensions as well as for severance payments and jubilee benefits) are determined using the projected unit credit method. Pension provisions pertain only to employees already in retirement, as pension obligations for active staff were transferred to retirement funds in previous years.

Future obligations are determined based on actuarial expert opinions. The calculation takes into account not only those pension payments and vested rights to future pension payments known at the balance sheet date, but also anticipates future rates of increase in salaries and pensions.

The most important assumptions used for the actuarial computation of pension obligations are an annual discount rate (long-term capital market interest rate) of 5.5% and an anticipated statutory increase in pension benefits of 1.5% per year.

Obligations for severance payments and jubilee benefits are also calculated based on an annual discount rate of 5.5% and an average annual increase in salary of 3.8%. The assumed retirement age is 60 years for women and 65 for men.

Long-term employee provisions (obligations for pensions as well as for severance payments and jubilee benefits) were calculated in accordance with mortality tables ("AVÖ 1999 P – Rechnungsgrundlagen für die Pensionsversicherung" by Pagler & Pagler).

In the Erste Bank Group, actuarial gains and losses in connection with pension obligations are dealt with using the corridor method in accordance with IAS 19.92. According to this method, actuarial gains and losses are recognised in profit or loss if accumulated actuarial gains and losses exceed a corridor of 10% of the present value of the pension obligation, whereas profit or loss is affected only from the year following the year in which the corridor was exceeded. Actuarial gains and losses resulting from obligations for severance payments and jubilee benefits are recognised in profit or loss immediately.

Other provisions are made for contingent liabilities to outside parties in the amount of the expected utilisation of benefits. Underwriting provisions are also reported under other provisions.

Share-based payments

The Erste Bank Group grants employees and managers shares and share options in return for their services under an employee stock ownership programme and a management stock option programme. These share-based payments are recognised and measured in accordance with IFRS 2 (Share-based payment). Shares and share options granted under the employee stock ownership programme (ESOP) and the management stock option programme (MSOP) in 2004 and 2005 are measured at fair value at grant date. Any expense incurred in granting stock privileges (difference between issue price and market value) under the ESOP is recognised immediately in profit or loss under personnel expenses. Any expense that results from the grant of an option under the MSOP is expensed over the vesting period (period between grant date and first exercise date) and reported under personnel expenses.

Taxes on income

Income tax assets and liabilities are reported under other assets or other provisions. Current tax assets and liabilities are recognised at the tax rates at which the taxes are expected to be paid to or credited by the tax authorities concerned.

In measuring deferred taxes, the balance sheet liability method is used for temporary differences. Under this method the carrying amounts are compared with the tax base of the respective Group company. Differences between these amounts represent temporary differences for which deferred tax assets or deferred tax liabilities are recognised regardless of when such differences cease to exist. The deferred taxes for the individual Group companies are measured at the local future tax rates that are expected to be applied. The deferred tax assets and deferred tax liabilities of any one company are netted only if the taxes on income are levied by the same tax authority.

Deferred tax assets for unused tax losses are recognised if it is likely that the entity will generate corresponding amounts of taxable profits in future periods. Deferred taxes are not discounted.

c) EFFECTS OF APPLYING AMENDED AND NEW IFRS AND/OR IAS

Under new standards that took effect in the year under report, accounting policies changed materially in the following areas in particular:

IFRS 4 (Insurance Contracts) was published in March 2004 and applies to annual periods beginning on or after 1 January 2005. IFRS 4 applies to the accounting of insurance contracts, including reinsurance contracts, and financial instruments issued with a discretionary participation feature. Under this standard, insurance liabilities are reported using local accounting policies, provided the contract satisfies the definition of an insurance contract laid down in IFRS 4. No explicit guideline is given for the accounting of insurance companies. This means that there are no special requirements for the recognition and measurement of investments held by insurance companies. Investments of insurance companies are recognised and measured on the basis of the generally applicable standards.

On 17 December 2003, the IASB published the newly revised IAS 32 (Financial Instruments: Disclosure and Presentation) and IAS 39 (Financial Instruments: Recognition and Measurement). In December 2004, a revised version of IAS 39 was adopted. These revised versions must be applied to annual periods beginning on or after 1 January 2005. As required by the transition provisions in the standards, and in the interest of enhanced comparability and transparency, Erste Bank has restated its consolidated financial statements for the 2004 financial year.

For the Erste Bank Group, these adjustments mainly affect the presentation of own issues repurchased and of hybrid capital as well as the securities business and the valuation of lendings and borrowings.

According to IAS 32 and IAS 39 own issues repurchased should be offset against debts evidenced by certificates or subordinated capital. The difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss (IAS 39.41). In addition, with the application of the revised IAS 32, which explains in more detail the critical features in differentiating a financial liability from an equity instrument, hybrid capital issued by the Erste Bank Group was reallocated from minority interest to subordinated capital. However, this change in disclosure does not affect Erste Bank Group's qualifying capital since to the Austrial Banking Act this hybrid capital is part of the core capital.

Due to the revised IAS 32, EUR 711 million were reallocated retrospectively from minority interest to subordinated capital at 31 December 2004 (1 January 2004: EUR 605 million).

According to amended IAS 39, any gains or losses arising from a change in the fair value of securities categorised as available for sale are no longer charged to the income statement as previously done in Erste Bank, but are recognised directly in equity until their sale or repayment. Furthermore it is possible under the newly defined category of financial instruments (fair value through profit or loss or fair value portfolio) to measure certain securities at fair value through profit or loss by designating them accordingly on initial recognition. In addition, under the revised IAS 39, the original issue of loans and receivables is no longer a precondition to their being classified as such by the acquirer. Therefore securities bought on the secondary market may be included under loans and advances to credit institutions and customers, provided they are not traded on an active market. As regards lending valuations, the revised IAS 39 now requires an impairment testing to be carried out at portfolio level.

As a result of the application of the revised IAS 39 total equity at 31 December 2004 after deferred taxes increased by EUR 189 million (1 January 2004: EUR 109 million), with own shareholders' equity accounting for EUR 77 million (1 January 2004: EUR 35 million) and minority interests accounting for EUR 112 million (1.1.2004: EUR 74 million). Net profit after taxes and minority interests for 2004 decreased by EUR 23.7 million from EUR 544.5 million to EUR 520.8 million.

D. NOTES TO THE CONSOLIDATED INCOME STATEMENT AND THE CONSOLIDATED BALANCE SHEET OF ERSTE BANK

1) Net interest income

in EUR million	2005	restated 2004
Interest income from		
Lending and money market transactions with credit institutions	796.1	588.1
Lending and money market transactions with customers	3,311.3	3,009.2
Fixed-income securities	1,315.1	1,269.2
Other interest and similar income	81.4	86.5
Current income from		
Shares and other variable-yield securities	187.8	173.9
Investments in		
non-consolidated subsidiaries	10.8	9.2
associates accounted for at equity	24.8	13.7
other investments	11.2	13.5
Property used by outside parties	70.6	68.8
Total interest and similar income	**5,809.1**	**5,232.1**
Interest expenses for		
Amounts owed to credit institutions	-858.2	-494.7
Amounts owed to customers	-1,183.9	-1,208.2
Debts evidenced by certificates	-721.9	-611.1
Subordinated capital	-249.1	-251.3
Other	-1.8	-6.5
Total interest and similar expenses	**-3,014.9**	**-2,571.8**
Total	**2,794.2**	**2,660.3**

Net interest income includes the net interest income of EUR 155.1 million (2004: EUR 137.3 million) from finance leases.

2) Risk provisions for loans and advances

in EUR million	2005	restated 2004
Allocation to risk provisions for loans and advances	-979.3	-857.3
Release of risk provisions for loans and advances	595.8	497.0
Direct write-offs of loans and advances	-74.7	-61.2
Amounts received against written-off loans and advances	36.6	15.3
Total	**-421.6**	**-406.2**

3) Net commission income

in EUR million	2005	restated 2004
Lending business	178.8	178.7
Payment transfers	485.7	443.7
Securities transactions	391.9	303.1
thereof: investment fund transactions	182.5	133.6
custodial fees	45.0	44.9
brokerage	164.4	124.6
Insurance business	69.2	61.6
Building society brokerage	32.8	35.9
Foreign exchange transactions	38.2	40.9
Other	60.2	71.5
Total	**1,256.8**	**1,135.4**

4) Net trading result

in EUR million	2005	restated 2004
Securities and derivatives trading	96.6	89.9
Foreign exchange transactions	145.1	126.6
Total	**241.7**	**216.5**

5) General administrative expenses

in EUR million	2005	restated 2004
Personnel expenses	-1,583.4	-1,482.4
Other administrative expenses	-759.0	-772.2
Depreciation and amortisation	-334.5	-340.3
Total	**-2,676.9**	**-2,594.9**

Personnel expenses

in EUR million	2005	restated 2004
Wages and salaries	-1,164.0	-1,080.9
Compulsory social security contributions	-307.9	-294.7
Long-term employee provisions	-82.0	-87.0
Other personnel expenses	-29.5	-19.8
Total	**-1,583.4**	**-1,482.4**

Average number of employees on payroll during the financial year (in full-time equivalents)

	2005	restated 2004
Employed by Group	**36,643**	**36,533**
Domestic	14,740	14,765
thereof Haftungsverbund savings banks	6,826	6,843
Foreign countries	21,903	21,768
thereof Česká spořitelna Group	11,406	11,805
thereof Slovenská sporiteľňa Group	4,901	5,233
thereof Erste Bank Hungary Group	2,501	2,693
thereof Erste Bank Croatia	1,546	1,438
thereof Erste Bank Serbia	861	-
thereof other subsidiaries and foreign branch offices	688	599

In addition to the headcount, during the reporting period an average of 66 people (2004: 73) were employed in non-bank Group companies (hotel leisure segment).

At the end of 2005, loans and advances to members of the Managing Board totalled EUR 129,000 (2004: EUR 138,000). Loans to members of the Supervisory Board amounted to EUR 400,000 (2004: EUR 1.973 million). The applicable interest rates and other terms (maturity dates and collateralisation) are in line with typical market practice. In 2005, members of the Managing Board made loan repayments totalling EUR 9,000 (2004: EUR 12,000) and members of the Supervisory Board repaid EUR 1.973 million (2003: EUR 424,000) on loans.

In 2005, the then members of the Managing Board received remuneration (including non-cash compensation) in their capacity as Managing Board members totalling EUR 10.883 million (2004: EUR 11.672 million), which represented 0.7% of the total personnel expenses of the Erste Bank Group.

In the 2005 financial year, EUR 627,000 (2004: EUR 683,000) were paid to former members of the Managing Board or their surviving dependants.

The breakdown of the remuneration of the members of the Managing Board in 2005 was as follows:

in EUR thousand	Monetary compensation Salary	Monetary compensation Bonus	Other compensation*)	Total
Managing board member				
Andreas Treichl	1,200	1,357	354	2,911
Elisabeth Bleyleben-Koren	900	1,028	214	2,142
Reinhard Ortner	750	854	183	1,787
Franz Hochstrasser	750	875	181	1,806
Erwin Erasim	500	580	126	1,206
Christian Coreth	500	427	104	1,031
	4,600	**5,121**	**1,162**	**10,883**

*) Other compensation represents contributions to pension funds and non-cash compensation

In 2005 the Managing 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 Managing 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 372,000 (2004: EUR 349,000) in 2005 for their board function. Members of the Supervisory Board received the following compensation for board functions in fully consolidated subsidiaries of Erste Bank: Heinz Kessler: EUR 17,820 and Josef Kassler EUR 8,200. Other transactions resulted in the following payments to members of the Supervisory Board or companies related to them:

PWC Business Solutions GmbH, a company related to Friedrich Rödler, invoiced a total of EUR 15,006 in 2005 for consulting contracts with Erste Bank AG. DORDA BRUGGER JORDIS Rechtsanwälte GmbH, a law firm related to Theresa Jordis, received a total of EUR 302,722 in 2005 for consulting contracts with Erste Bank AG.

The following amounts of compensation were paid to the individual members of the Supervisory Board:

in EUR thousand	Supervisory Board compensation	Meeting fees	Total
Supervisory Board member			
Heinz Kessler	36	12	48
Klaus Braunegg until 11 May 2005	27	4	31
Georg Winckler	18	11	29
Theresa Jordis	27	12	39
Bettina Breiteneder	12	8	20
Elisabeth Gürtler	18	3	21
Jan Homan	12	4	16
Werner Hutschinski	18	10	28
Josef Kassler	18	4	22
Lars-Olof Ödlund	18	2	20
Wilhelm Rasinger since 11 May 2005	–	4	4
Friedrich Rödler	12	10	22
Hubert Singer	18	3	21
Günter Benischek	–	3	3
Erika Hegmala	–	6	6
Ilse Fetik	–	3	3
Joachim Härtel	–	11	11
Anton Janku	–	10	10
Christian Havelka	–	3	3
Dietrich Blahut until 4 May 2004	6	–	6
Wolfgang Houska until 4 May 2004	6	–	6
Dietrich Karner until 10 March 2004	3	–	3

The compensation of the members of the Supervisory Board depends on the responsibilities, the business volume and the company’s financial situation.

Other administrative expenses

in EUR million	2005	restated 2004
IT expenses	-169.5	-194.5
Expenses for office space	-152.6	-153.4
Office operating expenses	-139.8	-138.6
Advertising/marketing	-130.2	-114.7
Legal and consulting costs	-78.4	-74.8
Sundry administrative expenses	-88.5	-96.2
Total	**-759.0**	**-772.2**

Depreciation and amortisation

in EUR million	2005	restated 2004
Software and other intangible assets	-139.0	-136.9
Real estate used by the Group	-46.9	-53.9
Office furniture and equipment and sundry tangible assets	-148.6	-149.5
Total	**-334.5**	**-340.3**

6) Income from insurance business

in EUR million	2005	restated 2004
Premiums earned	1,223.0	1,013.5
Investment income from technical business	363.4	328.3
Claims incurred	-295.9	-249.0
Change in underwriting reserves	-1,098.9	-856.6
Expenses for policyholder bonuses	-97.8	-81.0
Operating expenses	-121.2	-106.4
Sundry underwriting profit/loss	65.7	18.1
Underwriting profit/loss	**38.3**	**66.9**
Financial profit/loss	361.8	298.2
Carry forward-underwriting	-363.4	-328.3
Total	**36.7**	**36.8**

7) Other operating result

in EUR million	2005	restated 2004
Other operating income		
Income from measurement/sale of securities held to maturity	3.6	2.4
Income from real estate/properties	53.0	36.4
Income from release of other provisions/risks	5.7	11.4
Capital gains on the sale of the czech property insurance business	–	88.0
Sundry operating income	73.9	67.9
Total other operating income	**136.2**	**206.1**
Other operating expenses		
Expenses from measurement/sale of securities held to maturity	-2.2	-12.0
Losses from real estate/properties	-16.6	-25.1
Impairment of goodwill	–	-80.0
Expenses from allocation to other provisions/risks	-34.6	-35.2
Expenses from making deposit insurance contributions	-42.6	-54.0
Other taxes	-20.2	-18.1
Provisions for litigations	–	-44.5
One-off expenses for non-capitalised software	–	-17.3
Sundry operating expenses	-94.6	-113.3
Total other operating expenses	**-210.8**	**-399.5**
Other operating result		
Results from measurement/sale of securities held as fair value through profit or loss and available for sale		
Fair value portfolio	14.3	39.8
Available for sale portfolio	62.1	88.3
Results from measurement/sale of shares in unconsolidated subsidiaries	-17.9	14.0
Total other operating result	**58.5**	**142.1**
Total	**-16.1**	**-51.3**

Sundry operating income/expenses consist primarily of items attributable to ordinary banking activities, such as operating costs, cost of goods purchased for resale, sales revenues generated by providers of banking support services and by other non-banks, and licensing income.

8) Taxes on income

Taxes on income are made up of the current taxes on income calculated in each of the Group companies based on the results as reported for tax purposes, corrections to taxes on income for previous years, and the change in deferred taxes.

in EUR million	2005	restated 2004
Current tax expense	-277.9	-232.4
Deferred tax expense	-22.1	-45.5
Total	**-300.0**	**-277.9**

The following table reconciles pre-tax profit at the Austrian tax rate to the income taxes reported in the income statement:

in EUR million	2005	restated 2004
Pre-tax profit for the year	1,214.8	996.6
Income tax expense for the financial year at the domestic statutory tax rate (25%; previous year: 34%)	-303.7	-338.8
Impact of different foreign tax rates	-14.3	29.8
Impact of tax-exempt earnings of investments and other tax-exempt income	103.6	121.5
Tax increases due to non-deductible expenses	-73.2	-74.0
Tax expense/income not attributable to the reporting period	-12.4	-16.4
Total	**-300.0**	**-277.9**

9) Appropriation of net profit

in EUR million	2005	restated 2004
Net profit after minority interests	711.7	520.8
Allocation to reserves	-578.3	-400.1
Profit carried forward of the parent company	0.4	0.1
Distributable profit of the parent company	**133.8**	**120.8**

The Managing Board proposes to the Annual General Meeting of Erste Bank AG that shareholders are paid a dividend of EUR 0.55 per share (2004: EUR 0.50 per share) and that the remaining retained profit under Section 65 (5) Austrian Stock Corporation Act be carried forward.

10) Cash and balances with central banks

in EUR million	2005	restated 2004
Cash in hand	1,230	1,282
Balances with central banks	1,498	1,441
Total	**2,728**	**2,723**

11) Loans and advances to credit institutions

in EUR million	2005	restated 2004
Loans and advances to domestic credit institutions	2,271	2,495
Loans and advances to foreign credit institutions	14,587	13,189
Total	**16,858**	**15,684**

12) Loans and advances to customers

in EUR million	2005	restated 2004
Loans and advances to domestic customers		
Public sector	2,667	2,899
Commercial customers	27,547	26,084
Private customers	19,429	17,892
Unlisted securities	27	50
Other	146	106
Total loans and advances to domestic customers	**49,816**	**47,031**
Loans and advances to foreign customers		
Public sector	1,595	1,699
Commercial customers	17,579	15,262
Private customers	9,771	6,937
Unlisted securities	1,442	1,719
Other	216	195
Total loans and advances to foreign customers	**30,603**	**25,812**
Total	**80,419**	**72,843**

Loans and advances to customers include receivables from finance lease agreements totalling EUR 4,145 million (2004: EUR 3,802 million). The gross investment in leases was EUR 5,150 million (2004: EUR 4,871 million); the related unearned interest income totalled EUR 1,000 million (2004: EUR 1,051 million).

13) Risk provisions for loans and advances

in EUR million	restated 2004	Acquisition of subsidiaries	Currency translation	Allocations[2]	Use	Releases[2]	Reclassification	2005
Risk provisions	2,733	53	19	920	-414	-552	3	2,762
Suspended interest	71	–	2	19	-25	-10	-2	55
Risk provisions for loans and advances [1]	**2,804**	**53**	**21**	**939**	**-439**	**-562**	**1**	**2,817**
Other risk provisions [3]	91	–	3	23	-4	-15	–	98
Provision for guarantees	65	3	2	36	-7	-29	-1	69
Total	**2,960**	**56**	**26**	**998**	**-450**	**-606**	**–**	**2,984**

[1] Risk provisions for loans and advances are reported under assets as a line item deduction on the balance sheet.

[2] Allocations to and releases from risk provisions pertaining to lending business, including guarantees, are reported in the income statement under risk provisions for loans and advances. Suspended interest is recognised in net interest income and other risk provisions are included in other operating result.

[3] Mainly include provisions for legal proceedings, risks associated with investments, realisation losses and liabilities for statements made in offering circulars.

14) Trading assets

in EUR million	2005	restated 2004
Bonds and other fixed-income securities		
Listed	2,925	2,671
Unlisted	269	181
Shares and other variable-yield securities		
Listed	339	301
Unlisted	438	261
Positive fair value of derivative financial instruments		
Currency transactions	242	209
Interest rate transactions	1,183	999
Other transactions	30	6
Total	**5,426**	**4,628**

15) Fair value through profit or loss and available for sale

in EUR million	2005	restated 2004
Fair value portfolio (securities)		
Bonds and other fixed-income securities		
Listed	3,192	3,018
Unlisted	266	423
Shares and other variable-yield securities		
Listed	912	910
Total fair value portfolio (securities)	**4,370**	**4,351**
Available for sale portfolio (securities)		
Bonds and other fixed-income securities		
Listed	8,807	7,803
Unlisted	2,197	1,180
Shares and other variable-yield securities		
Listed	518	219
Unlisted	2,752	2,414
Total available for sale portfolio (securities)	**14,274**	**11,616**
Total	**18,644**	**15,967**

16) Financial investments

in EUR million	2005	restated 2004
Held to maturity portfolio (securities)		
Bonds and other fixed-income securities		
Listed	11,859	10,836
Unlisted	2,866	2,893
Variable-yield securities		
Listed	19	24
Unlisted	378	422
Total held to maturity portfolio (securities)	**15,122**	**14,175**
Equity holdings		
in non-consolidated subsidiaries	102	124
in associates accounted for at equity		
Credit institutions	85	85
Non-credit institutions	171	77
in other investments		
Credit institutions	21	57
Non-credit institutions	140	120
Total equity holdings	**519**	**463**
Investments of insurance companies	7,066	6,125
thereof held to maturity portfolio	1,455	1,519
thereof fair value portfolio	1,261	1,454
thereof available for sale portfolio	3,233	2,179
Property used by outside parties	877	1,118
Other financial investments	27	45
Total	**23,611**	**21,926**

Property used by outside parties includes assets under operating lease agreements with carrying amounts of EUR 217 million (31 December 2004: EUR 217 million).

17) Movements of fixed assets and financial investments

in EUR million	At cost restated 2004	Acquisition of subsidiaries (+)	Currency translation (+/–)	Additions (+)	Disposals (–)	At cost 2005
Intangible assets	**2,895.5**	**–**	**15.3**	**254.1**	**-50.8**	**3,114.1**
Goodwill	1,842.0	–	0.3	111.1	-1.2	1,952.2
Other	1,053.5	–	15.0	143.0	-49.6	1,161.9
Tangible assets	**3,469.2**	**10.7**	**55.6**	**308.6**	**-343.2**	**3,500.9**
Land and buildings	1,960.1	9.5	32.6	102.7	-144.5	1,960.4
Office furniture and equipment	1,509.1	1.2	23.0	205.9	-198.7	1,540.5
Financial investments [1]	**2,072.1**	**1.6**	**3.5**	**445.2**	**-777.7**	**1,744.7**
Non-consolidated subsidiaries	164.9	–	0.7	16.7	-17.7	164.6
Associates accounted for at equity	195.9	–	1.8	98.6	-16.3	280.0
Other investments	208.2	1.6	0.3	32.2	-70.7	171.6
Property used by outside parties	1,384.5	–	0.7	287.3	-613.5	1,059.0
Other financial investments	118.6	–	–	10.4	-59.5	69.5
Total	**8,436.8**	**12.3**	**74.4**	**1,007.9**	**-1,171.7**	**8,359.7**

[1] Excluding securities assigned to the held to maturity portfolio and investments of insurance companies.

in EUR million	Accumulated depreciation (-)	Currency translation (+/-)	Amortisation and depreciation (-)[2]	Impairment (-)[3]	Carrying amounts 2005	Carrying amounts restated 2004
Intangible assets	**-1,203.2**	**9.9**	**-139.0**	**–**	**1,910.9**	**1,823.4**
Goodwill	-422.0	0.3	–	–	1,530.2	1,439.5
Other	-781.2	9.6	-139.0	–	380.7	383.9
Tangible assets	**-1,813.1**	**34.5**	**-195.5**	**-0.2**	**1,687.8**	**1,722.6**
Land and buildings	-687.8	17.1	-46.9	-0.1	1,272.6	1,311.0
Office furniture and equipment	-1,125.3	17.4	-148.6	-0.1	415.2	411.6
Financial investments [1]	**-321.9**	**2.4**	**–**	**-64.7**	**1,422.8**	**1,626.0**
Non-consolidated subsidiaries	-61.9	0.7	–	-26.2	102.7	124.3
Associates accounted for at equity	-24.2	1.8	–	-1.4	255.8	162.0
Other investments	-10.9	–	–	-0.8	160.7	176.6
Property used by outside parties	-182.4	-0.1	–	-29.8	876.6	1,118.3
Other financial investments	-42.5	–	–	-6.5	27.0	44.8
Total	**-3,338.2**	**46.8**	**-334.5**	**-64.9**	**5,021.5**	**5,172.0**

[1] Excluding securities assigned to the held to maturity portfolio and investments of insurance companies.

[2] Including depreciation expense of companies not engaged in the banking business which is reported under other operating result.

[3] Impairment losses are included in other operating result.

Goodwill mainly includes the goodwill of Česká spořitelna a.s. of EUR 543.5 million, the goodwill of Erste Bank Hungary Rt. of EUR 312.7 million and the goodwill of Slovenská sporiteľňa a.s. of EUR 216.7 million.

18) Other assets

in EUR million	2005	restated 2004
Accrued interest and commission income	1,549	1,476
Prepaid expenses	105	99
Deferred tax assets	244	300
Positive fair values of derivatives (banking book)	530	565
Sundry assets	1,764	2,859
Total	**4,192**	**5,299**

Sundry assets mainly include receivables from processing securities and payment transactions.

19) Deferred tax assets and liabilities

in EUR million	Deferred tax assets 2005	Deferred tax assets restated 2004	Deferred tax liabilities 2005	Deferred tax liabilities restated 2004
Temporary differences relate to the following items:				
Loans and advances to customers	2	-5	24	24
Fair value through profit or loss and available for sale	-9	-12	-72	-89
Financial investments	62	79	-44	-35
Tangible fixed assets	7	27	-11	-7
Amounts owed to customers	–	1	-21	-20
Long-term employee provisions	22	40	25	29
Other provisions	17	18	-8	-8
Tax loss carry forward	93	122	6	2
Other	50	30	-18	-32
Total	**244**	**300**	**-119**	**-136**

In compliance with IAS 12.39, no deferred tax liabilities were calculated for temporary differences relating to investments in subsidiaries in the amount of EUR 329 million (31 December 2004: EUR 297 million).

No deferred taxes were recognised for tax loss carried forwards of EUR 483 million (31 December 2004: EUR 354 million).

Deferred tax assets are reported under other assets; deferred tax liabilities are shown under provisions.

20) Amounts owed to credit institutions

in EUR million	2005	restated 2004
Amounts owed to domestic credit institutions	9,804	6,658
Amounts owed to foreign credit institutions	24,107	21,893
Total	**33,911**	**28,551**

21) Amounts owed to customers

in EUR million	Domestic 2005	Domestic 2004	Foreign countries 2005	Foreign countries 2004	Total 2005	Total restated 2004
Savings deposits	30,118	29,879	8,705	8,080	38,823	37,959
Other						
Public sector	502	442	2,211	1,198	2,713	1,640
Commercial customers	7,000	6,500	6,503	5,890	13,503	12,390
Private customers	4,894	4,567	11,375	10,506	16,269	15,073
Sundry	199	204	1,286	947	1,485	1,151
Total other	**12,595**	**11,713**	**21,375**	**18,541**	**33,970**	**30,254**
Total	**42,713**	**41,592**	**30,080**	**26,621**	**72,793**	**68,213**

22) Debts evidenced by certificates

in EUR million	2005	restated 2004
Bonds	13,356	13,684
Certificates of deposit	4,194	2,866
Other certificates of deposits/ name certificates	1,566	1,673
Mortgage and municipal bonds	1,686	1,278
Other	519	279
Profit-sharing rights	–	107
Repurchased own issues	-30	-177
Total	**21,291**	**19,710**

In November 2005, the size of the debt-issuance programme (DIP) launched by Erste Bank in 1998 was agreed at EUR 20 billion. The DIP is a programme for issuing debt instruments in any currency, with a wide array of available structures and maturities.

In 2005, 44 new issues with a total volume of about EUR 1.4 billion were floated under the DIP. As of 31 December 2005, the DIP's utilisation rate was about 55%.

The size of the Euro-commercial paper programme (including certificates of deposits) remained at EUR 3 billion in 2005. Under this programme, Erste Bank placed 58 new issues in 2005 with total proceeds of approximately EUR 4.4 billion; issues totalling approximately EUR 3.9 billion were redeemed during the same period. As of 31 December 2005, the utilisation rate was about 39%.

23) Provisions

in EUR million	2005	restated 2004
a) Long-term employee provisions	1,071	1,080
b) Other provisions	508	568
c) Underwriting provisions	7,056	5,852
Total	**8,635**	**7,500**

a) Long-term employee provisions

in EUR million	Pension provisions	Provisions for severance payments	Jubilee provisions	Total long-term provisions
Present value at 31 Dec 2003	**822**	**311**	**54**	**1,187**
Unrecognised actuarial losses	-90	–	–	-90
Long-term employee provisions at 31 Dec 2003	**732**	**311**	**54**	**1,097**
Service cost	1	12	5	18
Interest cost	43	17	3	63
Payments	-71	-29	-4	-104
Actuarial gains/losses	97	6	-2	101
Present value at 31 Dec 2004	**802**	**317**	**56**	**1,175**
Unrecognised actuarial losses	-95	–	–	-95
Long-term employee provisions at 31 Dec 2004	**707**	**317**	**56**	**1,080**
Service cost	–	12	3	15
Interest cost	41	17	3	61
Payments	-68	-19	-4	-91
Actuarial gains/losses	113	3	-1	115
Present value at 31 Dec 2005	**793**	**330**	**57**	**1,180**
Unrecognised actuarial losses	-109	–	–	-109
Total	**684**	**330**	**57**	**1,071**

b) Other provisions

in EUR million	restated 2004	Acquisition of subsidiaries	Currency translation	Alloca-tions	Use	Releases	Reclassi-fications	2005
Provision for taxes[1]	273	-5	4	123	-176	-23	–	196
Provision for off-balance-sheet and other risks	156	3	5	59	-11	-44	-1	167
Sundry other provisions [2]	139	1	2	47	-19	-25	–	145
Total	**568**	**-1**	**11**	**229**	**-206**	**-92**	**-1**	**508**

[1] Regarding deferred tax liabilities, see note 19.
[2] This item consists mainly of restructuring provisions and provisions for litigations.

c) Underwriting provisions

Underwriting provisions break down as follows:

in EUR million	2005	restated 2004
Provision for unearned premium	30	29
Actuarial reserve	6,052	5,072
Provision for non-transacted insurance claims	45	32
Provision for profit-sharing	221	210
Other underwriting provisions	708	509
Total	**7,056**	**5,852**

Unearned premium in property and accident insurance is calculated on a pro rata basis. Unearned premium in life insurance is based on actuarial principles.

The actuarial reserve was calculated on the basis of statutory requirements and actuarial principles. The most important principles when calculating the actuarial reserve depend on the type of insurance and scale of charges.

The interest rate used in order to calculate the actuarial reserves is 3% for contracts up to 1996, 4% from 1997, 3.25% from July 2000 and 2.75% from January 2004.

The provision for non-transacted insurance claims for accident and life insurance sold directly was set up for claims reported up to the balance sheet date on the basis of an individual valuation of unsettled claims.

The provision for profit-sharing of policyholders contains the amounts earmarked in business plans for policyholders' profits for which no orders had been given on the balance sheet date.

24) Other liabilities

in EUR million	2005	restated 2004
Trading liabilities relating to		
Currency transactions	61	88
Interest rate transactions	1,198	951
Other transactions	45	7
Deferred income	205	219
Accrued interest and commissions	723	716
Negative fair values of derivatives (banking book)	236	288
Sundry liabilities	2,811	3,910
Total	**5,279**	**6,179**

Sundry liabilities primarily represent current balances from processing securities and payment transactions.

25) Subordinated capital

in EUR million	2005	restated 2004
Subordinated liabilities	1,615	1,195
Supplementary capital	1,775	1,854
Hybrid capital	900	711
Repurchased own issues	–	-54
Total	**4,290**	**3,706**

26) Shareholders' equity

Subscribed share capital at 31 December 2005 was EUR 486.4 million (previous year: EUR 482.9 million) and consists of 243,183,600 voting bearer shares (ordinary shares). The increase is a result of capital increases pursuant to the employee stock ownership programme (ESOP) and the management stock option programme (MSOP).

The contingent capital increase in accordance with clause 4.4.3. of the Articles of Association was exercised insofar as 1,740,708 bearer shares with a par value of EUR 3,481,416 were subscribed by employees, managers and members of the Managing Board of Erste Bank and its affiliated companies under the Management Stock Option Programme 2002 (MSOP) and the Employee Stock Ownership Programme 2005 (ESOP) set up by the Managing Board and approved by the Supervisory Board.

352,017 options were exercised under the MSOP 2002 (exercise window April 2005), resulting in subscriptions to 1,408,068 bearer shares at an issue price of EUR 16.50. The proceeds from the issue of EUR 23,233,122 were allocated as follows: EUR 2,816,136 to the subscribed share capital and EUR 20,416,986 to additional paid-in capital. 45,559 options were exercised for the first tranche (of which 25,470 by managers and 20,089 by other employees). 73,424 options were exercised for the second tranche (of which 5,000 by board members, 36,890 by managers and 31,534 by other employees). 233,034 options were exercised for the third tranche (of which 21,000 by board members, 146,322 by managers and 65,712 by other employees). The difference between the exercise price (EUR 16.50) and the closing price of Erste Bank shares on the value date (EUR 37.11) was EUR 20.61 for all three tranches.

The exercise price of the individual options (average of all closing prices in March 2002, rounded down to the nearest half euro) was EUR 66 which, taking account of the stock split carried out in the meantime (1:4), gives a value of EUR 16.50 per share. The estimated value of the individual options on the balance sheet date (31 December 2005) was EUR 30.64, for options credited in 2002, EUR 30.57 for options credited in 2003 and EUR 30.51 for options credited in 2004.

332,640 shares at a price of EUR 31.50 were subscribed to between 2 and 13 May 2005 under the ESOP 2005. The proceeds from the issue of EUR 10,478,160 plus EUR 937,199.32 (from the difference between the issue price of EUR 31.50 and the price on the value date (20 May 2005) of EUR 39.29 for 120,308 shares subscribed to by employees of Erste Bank AG, charged to personnel expenses), i.e. a total of EUR 11,415,359.32, were allocated as follows: EUR 665,280 to the subscribed share capital and EUR 10,750,079.32 to additional paid-in capital.

Employee Stock Ownership Programme and Management Stock Option Programme

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. This total includes 60,000 options for the five members of the Managing Board at the time (12,000 per person) and an additional 3,000 options for the sixth member, who joined the Managing Board on 1 July 2004. The remaining 1,037,000 options were designated for distribution to eligible management staff and other eligible employees of the Erste Bank Group.

Terms of MSOP 2002

Each of the options, which are granted free of charge, entitles the holder to subscribe to four shares; the transfer of options inter vivos is not permitted. The options granted in 2002 are delivered in three tranches by crediting the options to recipients' accounts: For the Managing Board and other management, on 24 April 2002, 1 April 2003 and 1 April 2004; for performance leaders among employees, on 1 June 2002, 1 June 2003 and 1 June 2004. The exercise price for all three tranches was set at the average quoted price of Erste Bank shares in March 2002 (rounded down to the nearest half euro), which was EUR 66 per share. After the stock split performed in July 2004, the exercise price remains EUR 66. This means that each option confers the right to purchase four shares of Erste Bank for a total of EUR 66. That corresponds to a subscription price of EUR 16.50 per share. The option term begins at the delivery date (the date on which the options are credited to the option account) and ends on the value date of the exercise window (described below) of the fifth calendar year after the delivery date. Every year, declarations to exercise may be submitted beginning on the day after publication of the 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 lockup period, which ends on the value date of the year following exercising the option. No more than 15% of the purchased shares may be sold during the lockup period.

MSOP 2005

The MSOP comprises a maximum of 2,000,000 ordinary shares of Erste Bank. This total includes 54,000 options for the six members of the Managing Board (9,000 per person). The remaining 1,946,000 options were designated for distribution to eligible management staff and other eligible employees of the Erste Bank Group.

Terms of MSOP 2005

Each of the options, which are granted free of charge, entitles the holder to subscribe for one share; the transfer of options inter vivos is not permitted. The options granted in 2005 are delivered for the Managing Board and other management on 1 June 2005, for performance leaders among employees in three tranches, on 1 September 2005, 1 September 2006 and 31 August 2007. Options are delivered in three tranches by crediting the options to recipients' accounts on 1 September 2005, 1 September 2006 and 31 August 2007. The exercise price for all three tranches was set at the average quoted price of Erste Bank shares in April 2005 (enhanced by a 10% premium and rounded down to the nearest half euro), which was EUR 43 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 delivery date. Every year, declarations to exercise may be submitted within 14 days of the day of publication of the quarterly results for the first to third quarters of each financial year (three exercise windows). It is followed by the lockup period, which ends one year after the value date of the share purchase. No more than 25% of the purchased shares may be sold during the lockup period.

The MSOP 2002 options credited to recipients' accounts and exercised to date are distributed as follows:

	2002	2003	2004	Total	Exercised
Andreas Treichl	4,000	4,000	4,000	12,000	12,000
Elisabeth Bleyleben-Koren	4,000	4,000	4,000	12,000	12,000
Reinhard Ortner	4,000	4,000	4,000	12,000	12,000
Franz Hochstrasser	4,000	4,000	4,000	12,000	12,000
Erwin Erasim	4,000	4,000	4,000	12,000	12,000
Christian Coreth	1,000	1,000	1,000	3,000	2,000
Total received by Managing Board members	**21,000**	**21,000**	**21,000**	**63,000**	**62,000**
Other management	173,200	183,800	215,000	572,000	419,377
Other staff	92,611	116,369	95,091	304,071	218,588
Total options credited and exercised	**286,811**	**321,169**	**331,091**	**939,071**	**699,965**

The MSOP 2005 options granted and credited to recipients' accounts are distributed as follows:

	Granted	Credited
Andreas Treichl	9,000	3,000
Elisabeth Bleyleben-Koren	9,000	3,000
Reinhard Ortner	9,000	3,000
Franz Hochstrasser	9,000	3,000
Erwin Erasim	9,000	3,000
Christian Coreth	9,000	3,000
Total granted and credited to Managing Board members	**54,000**	**18,000**
Other management	696,150	232,050
Other staff	244,605	244,605
Total options granted and credited	**994,755**	**494,655**

The estimated value of the individual MSOP 2005 options was EUR 11.94 on the balance sheet date 31 December 2005.

Information about holdings of and transactions in Erste Bank shares by members of the Managing Board and Supervisory Board (in number of shares):

Managing Board members

Name:	At 31 Dec 2004	Purchase 2005	Sale 2005	At 31 Dec 2005
Andreas Treichl	104,040	16,000	–	120,040
Elisabeth Bleyleben-Koren	24,400	20,000	18,800	25,600
Reinhard Ortner	105,400	16,000	–	121,400
Franz Hochstrasser	28,256	24,000	8,000	44,256
Erwin Erasim	20,800	24,000	24,084	20,716
Christian Coreth	16,000	–	7,000	9,000

At the balance sheet date of 31 December 2005 the following members of the Supervisory Board held Erste Bank shares in the numbers shown:

Supervisory Board members	Shares held
Georg Winckler	1,100
Werner Hutschinski	480
Bettina Breiteneder	2,024
Wilhelm Rasinger	2,080
Günter Benischek	2,192
Ilse Fetik	12
Joachim Härtel	192
Christian Havelka	800
Anton Janku	340

As far as can be determined, persons related to members of the Managing Board or Supervisory Board held 19,248 shares of Erste Bank at 31 December 2005.

Personnel expenses include EUR 15.9 million (previous year: EUR 11.4 million) from the MSOP, ESOP and profit-sharing.

Authorised but unissued capital and contingent capital remaining at 31 December 2005

Clauses 4.4. as well as 4.4.1. and 4.4.2. of the Articles of Association authorise, for a five-year period from the date of registration of the amendment to the Articles of Association in the commercial register, the issuance of up to 80,000,000 shares with a nominal value of EUR 160,000,000. The Managing Board is authorised under the Articles of Association to exclude shareholders' subscription rights, with the consent of the Supervisory Board, for the issue of shares against non-cash contributions or inasmuch as the capital increase serves to issue shares to staff, management and Managing Board members of Erste Bank or of its subsidiaries.

Clause 4.4.3. of the Articles of Association authorises, for a period of five years from the date of registration of the amendment to the Articles of Association in the commercial register, the issue of capital with a nominal value of EUR 18,168,208.54 in the form of 2,500,000 ordinary bearer or registered shares, to be used to grant share options to employees, management and members of the Managing Board of Erste Bank or of its subsidiaries. The contingent capital increase was carried out inasmuch as a total of 252,150 bearer shares (with a par value of EUR 1,832,510.92) were subscribed to in 2002 and a further 118,694 bearer shares (with a par value of EUR 862,582.94) were subscribed to in 2003 under the ESOP and MSOP 2002, so that, as at 31 December 2003, the authorisation still existed to issue up to 2,129,147 bearer shares with a par value of EUR 15,473,114.68.

On registration in the commercial register of the resolution passed by the Annual General Meeting of Erste Bank of 4 May 2004 in respect of the capital correction and stock split, the Managing Board was authorized, with the consent of the Supervisory Board, to effect a contingent capital increase of up to a nominal value of EUR 17,033,176 by issuing up to 8,516,588 ordinary bearer shares at an issue price of at least EUR 2. Under employee stock plans in 2004 (ESOP 2004 and MSOP 2002), 1,667,660 ordinary bearer shares were subscribed to with a par value of EUR 3,335,320. In 2005, 332,640 shares were subscribed to under the ESOP 2005 and 352,017 options were exercised under the MSOP 2002, resulting in purchases of 1,408,068 shares. Therefore, a total of 1,740,708 ordinary bearer shares with a par value of EUR 3,481,416 were subscribed to under employee stock plans in 2005. The Managing Board therefore still has the authorisation, with the consent of the Supervisory Board, to effect a contingent capital increase of up to a nominal value of EUR 10,216,440 by issuing up to 5,108,220 ordinary shares.

As approved by the extraordinary general meeting held on 21 August 1997 and as per clause 4.5. of the Articles of Association, there is authorised capital for a contingent capital increase by 24,000,000 ordinary bearer shares with a par value of EUR 48,000,000, to be carried out inasmuch as holders of convertible bonds exercise their conversion rights.

The qualifying capital of the Erste Bank Group as determined under the Austrian Banking Act had the composition shown below:

in EUR million	2005	2004
Subscribed capital	486	482
Reserves	5,087	4,375
Less intangible assets	-461	-480
Core capital (Tier 1)	**5,112**	**4,377**
Eligible subordinated liabilities	3,029	2,528
Revaluation reserve	352	230
Qualifying supplementary capital (Tier 2)	**3,381**	**2,758**
Short-term subordinated capital (Tier 3)	**331**	**316**
Deductions according to Section 23 (13) and Section 29 (1-2) Austrian Banking Act	-213	-165
Total eligible qualifying capital	**8,611**	**7,286**
Capital requirement	6,390	5,594
Surplus capital	2,221	1,692
Cover ratio (in %)	**134.8**	**130,2**
Tier 1 ratio (in %)	**6.8**	**6.7**
Solvency ratio (in %)	**11.0**	**10.7**

Capital requirement of the Erste Bank Group pursuant to the Austrian Banking Act:

in EUR million	2005	2004
Risk-weighted basis acc. to Section 22 (2) Austrian Banking Act	75,078	65,384
of which 8% minimum capital requirement	6,006	5,231
Capital requirement for open foreign exchange position acc. to Section 26 Austrian Banking Act	12	49
Capital requirement for the Trading book acc. to Section 22 b (1) Austrian Banking Act	372	314
Capital requirement	**6,390**	**5,594**

Erste Bank received notice from the Austrian Financial Market Authority (FMA) at the end of 2005 on the outcome of the hearing of evidence as to whether the Erste Bank Group qualified as a financial conglomerate within the meaning of Section 2 no. 14 Austrian Financial Conglomerate Act (FKG). It is the opinion of the FMA that the Erste Bank Group is a financial conglomerate.

Erste Bank filed an opinion on these findings with the FMA in January 2006. A final notice from the FMA setting out the reporting obligations and method of accounting for financial conglomerates is expected within the next few weeks.

27) Segment reporting

Segmentation by business activities

In the 2005 financial year the accounting segment structure of the Erste Bank Group remained unchanged.

The first-order segmentation consists of the three market segments Austria, Central Europe, and International Business as well as Corporate Center.

Austria segment

The Austria segment comprises all business units and subsidiaries operating in Austria. It is further segmented according to business activity into Savings Banks, Retail & Mortgage, Large Corporates, and Trading & Investment Banking.

The Retail & Mortgage segment also encompasses those savings banks in which Erste Bank holds a majority stake (Salzburger Sparkasse, Tiroler Sparkasse and Sparkasse Hainburg-Bruck-Neusiedl). The savings banks that are consolidated as a result of their membership in the Haftungsverbund Agreement or in which Erste Bank holds no interest or only a minority interest are grouped in the Savings Banks segment.

Central Europe segment

The Central Europe market segment, which is subdivided into the entities operating in the Central and Eastern Europe countries, encompasses the results of Česká spořitelna a.s. (Česká spořitelna segment), Slovenská sporitel'ňa a.s. (Slovenská sporitel'ňa segment), Erste Bank Hungary Rt. (Erste Bank Hungary segment), Erste & Steiermärkische banka d.d. (Erste Bank Croatia segment) and Erste Bank a.d. Novi Sad (the former Novosadska Banka a.d.; Erste Bank Serbia segment).

International Business segment

This reporting segment includes both the International Business unit in Vienna and the commercial lending business of the London, New York, and Hong Kong profit centres.

Corporate Center segment

Corporate Center encompasses all performance components that cannot be attributed directly to other segments, e.g. tangible fixed assets and other holdings, as well as consolidating entries.

The allocation of results to the segments is based on the profit contribution report at the business unit level. Net interest income is determined based on opportunity cost (market spread, maturity mismatch), with the contribution from maturity transformation attributed entirely to the Trading & Investment Banking segment. Fees and commissions, risk costs and other operating result are allocated to the business units where they are generated.

General administrative expenses are reported on the basis of activity-based costing (product cost, indirect costs and general overheads) at the business unit level.

Segmentation by geographic markets

The following regional segmentation underlies this segmental analysis.

_Austria
_Central Europe (Czech Republic, Slovakia, Hungary, Croatia, Serbia)
_Rest of Europe
_North America
_Central and South America
_Asia
_Other

The Austria geographic segment captures the contributions generated in the business activities segments Austria and Corporate Center. The Central Europe geographic segment represents the contributions from Central Europe segment following the business activities segmentation.

The business activities segment International Business is distributed across the geographic segments according to customer location.

Segment reporting by business acitivities

in EUR million	TOTAL 2005	TOTAL restated 2004	AUSTRIA 2005	AUSTRIA restated 2004	CENTRAL EUROPE 2005	CENTRAL EUROPE restated 2004
Net interest income	2,794.2	2,660.3	1,550.2	1,607.9	1,096.6	948.5
Risk provisions for loans and advances	-421.6	-406.2	-351.3	-341.3	-80.2	-49.9
Net commission income	1,256.8	1,135.4	825.7	722.1	459.4	398.6
Net trading result	241.7	216.5	116.8	117.6	120.9	101.4
General administrative expenses	-2,676.9	-2,594.9	-1,633.2	-1,613.0	-989.1	-899.0
Income from insurance business	36.7	36.8	28.8	28.5	7.9	8.4
Other operating result	-16.1	-51.3	-0.1	-38.9	-22.6	-61.5
Pre-tax profit for the year	1,214.8	996.6	536.8	482.9	592.9	446.4
less taxes	-300.0	-277.9	-133.7	-120.2	-131.0	-105.0
less minority interests	-203.1	-197.9	-160.8	-153.1	-24.7	-36.8
Net profit after minority interests	711.7	520.8	242.3	209.6	437.2	304.5
Average risk-weighted assets	70,025.0	66,470.4	46,575.7	46,484.0	16,562.5	13,318.7
Average attributed equity	3,739.2	3,071.9	1,967.8	1,759.1	1,251.2	874.8
Cost/income ratio	**61.8%**	**64.1%**	**64.8%**	**65.1%**	**58.7%**	**61.7%**
ROE based on net profit after minority interests	**19.0%**	**17.0%**	**12.3%**	**11.9%**	**34.9%**	**34.8%**
Funding costs	-145.9	-163.1	-63.0	-70.6	-63.3	-64.8
Impairment of goodwill	–	-80.0	–	–	–	–

in EUR million	INTERNATIONAL BUSINESS 2005	restated 2004	CORPORATE CENTER 2005	restated 2004
Net interest income	152.7	150.8	-5.3	-46.8
Risk provisions for loans and advances	10.2	-15.5	-0.2	0.5
Net commission income	29.4	22.5	-57.7	-7.9
Net trading result	–	1.7	4.0	-4.2
General administrative expenses	-35.8	-33.4	-18.8	-49.5
Income from insurance business	–	–	–	–
Other operating result	2.0	-5.7	4.6	54.8
Pre-tax profit for the year	158.5	120.4	-73.4	-53.0
less taxes	-45.3	-26.7	10.0	-25.8
less minority interests	–	–	-17.6	-8.1
Net profit after minority interests	113.2	93.6	-81.1	-86.9
Average risk-weighted assets	6,547.4	6,262.0	339.4	405.7
Average attributed equity	494.6	411.3	25.6	26.6
Cost/income ratio	**19.7%**	**19.1%**	**–**	**–**
ROE based on net profit after minority interests	**22.9%**	**22.8%**	**–**	**–**
Funding costs	–	–	-19.7	-27.7
Impairment of goodwill	–	–	–	-80.0

in EUR million	AUSTRIA 2005	AUSTRIA restated 2004	SAVINGS BANKS 2005	SAVINGS BANKS restated 2004	RETAIL & MORTGAGE 2005	RETAIL & MORTGAGE restated 2004
Net interest income	1,550.2	1,607.9	834.0	849.6	511.0	516.1
Risk provisions for loans and advances	-351.3	-341.3	-215.8	-184.5	-105.1	-118.9
Net commission income	825.7	722.1	358.1	318.8	314.5	280.4
Net trading result	116.8	117.6	20.6	18.8	10.2	10.5
General administrative expenses	-1,633.2	-1,613.0	-825.6	-801.7	-624.1	-634.8
Income from insurance business	28.8	28.5	–	–	28.8	28.5
Other operating result	-0.1	-38.9	13.8	-18.8	16.2	-5.5
Pre-tax profit for the year	536.8	482.9	185.2	182.1	151.6	76.3
less taxes	-133.7	-120.2	-46.9	-47.1	-36.1	-20.0
less minority interests	-160.8	-153.1	-135.0	-127.8	-22.3	-15.2
Net profit after minority interests	242.3	209.6	3.2	7.1	93.2	41.1
Average risk-weighted assets	46,575.7	46,484.0	23,948.7	22,986.2	12,204.0	12,844.7
Average attributed equity	1,967.8	1,759.1	258.5	245.7	921.9	827.3
Cost/income ratio	**64.8%**	**65.1%**	**68.1%**	**67.5%**	**72.2%**	**76.0%**
ROE based on net profit after minority interests	**12.3%**	**11.9%**	**1.3%**	**2.9%**	**10.1%**	**5.0%**
Funding costs	-63.0	-70.6	-14.6	-16.2	-31.8	-37.0
Impairment of goodwill	–	–	–	–	–	–

in EUR million	LARGE CORPORATES 2005	LARGE CORPORATES restated 2004	TRADING & INVESTMENT BANKING 2005	TRADING & INVESTMENT BANKING restated 2004
Net interest income	142.9	139.9	62.2	102.4
Risk provisions for loans and advances	-30.5	-37.9	–	–
Net commission income	82.2	71.2	70.9	51.7
Net trading result	1.5	1.2	84.5	87.1
General administrative expenses	-89.4	-83.0	-94.1	-93.5
Income from insurance business	–	–	–	–
Other operating result	-29.0	-7.7	-1.1	-7.0
Pre-tax profit for the year	77.8	83.8	122.2	140.8
less taxes	-18.7	-17.9	-32.0	-35.2
less minority interests	-3.6	-10.1	0.1	–
Net profit after minority interests	55.5	55.8	90.3	105.6
Average risk-weighted assets	6,668.4	6,860.9	3,754.7	3,792.1
Average attributed equity	503.7	441.9	283.6	244.2
Cost/income ratio	**39.4%**	**39.1%**	**43.3%**	**38.8%**
ROE based on net profit after minority interests	**11.0%**	**12.6%**	**31.9%**	**43.2%**
Funding costs	-15.2	-14.6	-1.4	-2.8
Impairment of goodwill	–	–	–	–

in EUR million	CENTRAL EUROPE 2005	CENTRAL EUROPE restated 2004	ČESKÁ SPOŘITELNA 2005	ČESKÁ SPOŘITELNA restated 2004	SLOVENSKÁ SPORITEL'ŇA 2005	SLOVENSKÁ SPORITEL'ŇA restated 2004
Net interest income	1,096.6	948.5	595.0	504.2	194.9	185.8
Risk provisions for loans and advances	-80.2	-49.9	-33.7	-15.8	-11.1	0.8
Net commission income	459.4	398.6	287.0	262.9	82.5	66.4
Net trading result	120.9	101.4	49.4	41.0	14.9	16.5
General administrative expenses	-989.1	-899.0	-550.1	-500.5	-167.3	-158.5
Income from insurance business	7.9	8.4	7.9	8.4	–	–
Other operating result	-22.6	-61.5	8.7	-10.8	-13.2	-28.4
Pre-tax profit for the year	592.9	446.4	364.1	289.3	100.6	82.6
less taxes	-131.0	-105.0	-90.2	-89.5	-13.5	-7.2
less minority interests	-24.7	-36.8	-8.5	-6.1	0.1	-18.2
Net profit after minority interests	437.2	304.5	265.4	193.7	87.3	57.2
Average risk-weighted assets	16,562.5	13,318.7	9,136.9	7,491.5	2,421.5	1,890.2
Average attributed equity	1,251.2	874.8	690.2	492.1	182.9	124.2
Cost/income ratio	**58.7%**	**61.7%**	**58.6%**	**61.3%**	**57.2%**	**59.0%**
ROE based on net profit after minority interests	**34.9%**	**34.8%**	**38.5%**	**39.4%**	**47.7%**	**46.1%**
Funding costs	-63.3	-64.8	-22.0	-26.4	-16.0	-11.1
Impairment of goodwill	–	–	–	–	–	–

	ERSTE BANK HUNGARY		ERSTE BANK CROATIA		ERSTE BANK SERBIA	
in EUR million	2005	restated 2004	2005	restated 2004	2005	restated 2004
Net interest income	204.4	174.0	100.3	84.5	2.1	–
Risk provisions for loans and advances	-17.1	-30.0	-14.4	-4.9	-3.9	–
Net commission income	64.8	52.6	23.3	16.7	1.9	–
Net trading result	34.6	31.3	20.4	12.6	1.7	–
General administrative expenses	-185.8	-175.7	-75.3	-64.3	-10.7	–
Income from insurance business	–	–	–	–	–	–
Other operating result	-16.7	-21.0	-1.7	-1.3	0.2	–
Pre-tax profit for the year	84.3	31.3	52.7	43.2	-8.8	–
less taxes	-17.0	0.3	-10.5	-8.6	0.2	–
less minority interests	-0.2	-0.1	-16.6	-12.4	0.3	–
Net profit after minority interests	67.1	31.5	25.6	22.1	-8.3	–
Average risk-weighted assets	2,606.5	2,031.2	2,289.8	1,905.9	107.8	–
Average attributed equity	196.9	133.4	173.0	125.2	8.1	–
Cost/income ratio	**61.2%**	**68.1%**	**52.3%**	**56.6%**	**191.0%**	**–**
ROE based on net profit after minority interests	**34.1%**	**23.6%**	**14.8%**	**17.7%**	**-101.3%**	**–**
Funding costs	-19.9	-21.5	-4.4	-5.8	-1.0	–
Impairment of goodwill	–	–	–	–	–	–

Segment reporting by region

in EUR million	AUSTRIA 2005	AUSTRIA restated 2004	CENTRAL EUROPE 2005	CENTRAL EUROPE restated 2004
Net interest income	1,558.3	1,563.4	1,117.3	962.0
Risk provisions for loans and advances	-332.8	-340.7	-79.6	-50.0
Net commission income	764.4	711.6	463.2	401.2
Net trading result	120.6	111.2	120.9	101.4
General administrative expenses	-1,648.2	-1,656.1	-990.9	-900.9
Income from insurance business	28.8	28.5	7.9	8.4
Other operating result	5.7	18.0	-22.6	-61.5
Pre-tax profit for the year	496.9	435.8	616.2	460.6
less taxes	-129.5	-144.2	-137.6	-106.7
less minority interests	-178.4	-161.1	-24.7	-36.8
Net profit after minority interests	188.9	130.4	453.9	317.0
Average risk-weighted assets	48,265.0	48,338.0	17,420.0	13,856.0

in EUR million	REST OF EUROPE 2005	REST OF EUROPE restated 2004	NORTH AMERICA 2005	NORTH AMERICA restated 2004
Net interest income	33.5	30.2	42.1	56.7
Risk provisions for loans and advances	-13.5	-4.4	6.1	-3.5
Net commission income	10.9	7.3	7.5	6.2
Net trading result	-0.6	1.3	0.3	1.3
General administrative expenses	-14.7	-14.1	-14.8	-15.4
Income from insurance business	–	–	–	–
Other operating result	-0.1	-3.8	0.8	-4.6
Pre-tax profit for the year	15.5	16.6	42.0	40.8
less taxes	-6.7	-1.3	-18.0	-18.6
less minority interests	–	–	–	–
Net profit after minority interests	8.7	15.3	23.9	22.2
Average risk-weighted assets	1,513.0	1,585.0	1,515.0	1,394.0

in EUR million	CENTRAL AND SOUTH AMERICA 2005	CENTRAL AND SOUTH AMERICA restated 2004	ASIA 2005	ASIA restated 2004
Net interest income	2.6	1.8	36.0	42.8
Risk provisions for loans and advances	-0.8	-0.1	1.0	-4.9
Net commission income	5.6	4.4	4.6	4.4
Net trading result	–	–	0.6	1.4
General administrative expenses	-1.0	-1.0	-6.7	-7.0
Income from insurance business	–	–	–	–
Other operating result	–	–	–	0.8
Pre-tax profit for the year	6.4	5.1	35.4	37.5
less taxes	-1.7	-1.2	-5.8	-6.0
less minority interests	–	–	–	–
Net profit after minority interests	4.7	3.9	29.7	31.5
Average risk-weighted assets	150.0	112.0	1,036.0	1,057.0

in EUR million	OTHER 2005	OTHER restated 2004	TOTAL 2005	TOTAL restated 2004
Net interest income	4.3	3.4	2,794.2	2,660.3
Risk provisions for loans and advances	-1.9	-2.6	-421.6	-406.2
Net commission income	0.6	0.4	1,256.8	1,135.4
Net trading result	–	–	241.7	216.5
General administrative expenses	-0.5	-0.4	-2,676.9	-2,594.9
Income from insurance business	–	–	36.7	36.8
Other operating result	–	-0.1	-16.1	-51.3
Pre-tax profit for the year	2.4	0.7	1,214.8	996.6
less taxes	-0.6	–	-300.0	-277.9
less minority interests	–	–	-203.1	-197.9
Net profit after minority interests	1.8	0.6	711.7	520.8
Average risk-weighted assets	127.0	129.0	70,025.0	66,470.0

28) Additional information

Assets and liabilities denominated in foreign currency:

in EUR million	2005	restated 2004
Assets	71,146	60,704
Liabilities	56,731	49,377

Only non-Euro-area currencies are now reported as foreign currencies.

Unconsolidated foreign investments and goodwill resulting from business combinations before 1 January 2005 are not reported as assets and liabilities denominated in foreign currencies.

in EUR million	2005	restated 2004
Assets	84,713	69,843
Liabilities	73,815	63,816

29) Related party transactions

Loans and advances to and amounts owed to unconsolidated subsidiaries and investments

in EUR million	2005	restated 2004
Loans and advances to credit institutions		
Associates accounted for at equity	99	46
Other investments	251	398
Total	**350**	**444**
Loans and advances to customers		
Unconsolidated subsidiaries	476	529
Associates accounted for at equity	226	323
Other investments	604	734
Total	**1,306**	**1,586**
Fair value through profit or loss and available for sale		
Unconsolidated subsidiaries	–	2
Associates accounted for at equity	36	36
Other investments	–	62
Total	**36**	**100**
Financial investments		
Associates accounted for at equity	4	4
Other investments	4	4
Total	**8**	**8**
Amounts owed to credit institutions		
Unconsolidated subsidiaries	3	2
Associates accounted for at equity	15	22
Other investments	2,214	2,296
Total	**2,232**	**2,320**
Amounts owed to customers		
Unconsolidated subsidiaries	86	46
Associates accounted for at equity	73	72
Other investments	126	124
Total	**285**	**242**
Debts evidenced by certificates		
Unconsolidated subsidiaries	4	5
Associates accounted for at equity	26	26
Other investments	42	114
Total	**72**	**145**
Subordinated capital		
Associates accounted for at equity	–	5
Other investments	28	7
Total	**28**	**12**

At the end of 2005 DIE ERSTE österreichische Spar-Casse Privatstiftung, a foundation, held 32.2% of the shares of Erste Bank AG, making it the largest shareholder. The purpose of the foundation, in addition to holding a substantial equity interest in Erste Bank AG, is to support social, scientific, cultural and charity institutions as well as generally promoting the guiding principles of the savings bank philosophy. The current members of the Managing Board are Andreas Treichl (chairman of the Managing Board of Erste Bank AG), Franz Ceska and Dietrich Karner. The Supervisory Board of the foundation had nine members at the end of 2005, two of whom are also members of the Supervisory Board of Erste Bank AG.

At 31 December 2005, the foundation reported accounts receivable from Erste Bank AG of EUR 2.4 million and accounts payable to Erste Bank AG of EUR 7.3 million. Standard derivative transactions for hedging purposes were in place between Erste Bank and the foundation at the end of 2005 (interest rate swaps with a nominal volume of EUR 136.2 million and caps und floors of EUR 316.4 million each).

As a result of accounts receivable and/or accounts payable to Erste Bank AG and the said derivate transactions, the private foundation generated interest income of EUR 1.8 million and paid interest of EUR 1.0 million in 2005 accrued to the reporting period.

At 31 December 2005, the foundation held 78,350,152 Erste Bank shares with a carrying amount of EUR 519.3 million. The foundation received a dividend of EUR 39.2 million on its holding in Erste Bank AG in 2005 (for the 2004 financial year).

30) Assets pledged as collateral

Assets in the amounts stated below were pledged as collateral for the following liabilities and contingent liabilities:

in EUR million	2005	2004
Amounts owed to credit institutions	6,168	1,307
Amounts owed to customers	147	349
Debts evidenced by certificates	918	1,088
Other obligations	174	19
Total	**7,407**	**2,763**

The following assets were pledged as collateral for the abovementioned liabilities:

in EUR million	2005	2004
Loans and advances to credit institutions	181	1
Loans and advances to customers	1,119	1,275
Trading assets	23	78
Fair value through profit or loss and available for sale	1,655	217
Financial investments	5,151	1,555
Tangible asstes	20	1
Total	**8,149**	**3,127**

31) Fiduciary operations

Fiduciary operations (not reported on the Balance Sheet) are broken down as follows:

in EUR million	2005	2004
Assets held in trust		
Loans and advances to credit institutions	67	53
Loans and advances to customers	7,063	2,263
Fair value through profit or loss and available for sale	859	768
Total	**7,989**	**3,084**
Liabilities held in trust		
Amounts owed to credit institutions	286	27
Amounts owed to customers	6,797	2,430
Debts evidenced by certificates	906	627
Total	**7,989**	**3,084**

32) Risk management policies

Risk policy and -strategy

The Erste Bank Group's approach to risk management seeks to achieve the best balance of risks and returns for earning a sustained high return on equity. The risk management strategy of the Erste Bank Group is marked by a conservative approach to risks facing a bank that is driven both by the requirements of customer-centred banking and by the legal environment. Under this risk management strategy, the Erste Bank Group uses a Group-wide system of risk monitoring and control designed to identify all risks throughout the Group (market, credit, business and operational risks), measuring these risks in terms of Value-at-Risk (VaR) and ultimately enables the management to exert active control over the identified and measured risks in order to attain the goal of optimising the risk-return relationship.

Risk management organisation

In keeping with relevant law (especially the Austrian Banking Act), the central responsibility for risk management lies with the Group Managing Board. One way in which the Managing Board performs this role is by setting an aggregate bank limit based on Value-at-Risk at the quarterly meeting of the Risk Committee (RC).

As set down in the Erste Bank Risk Rulebook, the role of the Risk Committee is to approve amendments to the rules where appropriate, allocate capital at the macro level, set an aggregate risk limit for the bank as a whole based on the bank's risk absorbing capacity, set an aggregate limit based on Value-at-Risk for market risk activities on the trading book, and define medium-term objectives for risk management.

In order to ensure comprehensive and integrated management of risks across the Erste Bank Group, independent risk control function and management as Managing Board level functions are exercised by the Chief Risk Officer (CRO). The CRO's sphere of responsibility includes the following service units:

"Strategic Risk Management",
"Credit Risk Management Austria",
"Credit Risk Management International" and
"Credit Restructuring".

The Strategic Risk Management service unit supports the Chief Risk Officer in furthering the disciplined handling of risks and in harmonising risk management applications for all risk types in the business units. Working closely with the risk management departments of the business units, this unit also ensures the implementation of the risk management strategy.

At every level of the risk management process – particularly concerning market and credit risks – the measurement and monitoring functions are exercised independently of the front-office functions to be supervised (separation of front-office and back-office function).

In addition, the Chief Risk Officer is responsible for the development, implementation and monitoring of limit compliance, of risk reporting, of the risk management strategy and of the associated standards and processes.

The Chief Risk Officer also has oversight of credit risk control for the Erste Bank Group. Under the Chief Risk Officer's leadership, standards are defined for credit policy and processes, credit portfolio management and risk-adjusted pricing. As well, the Chief Risk Officer is the functional head of the entire credit risk management organisation.

In view of the growing demands placed on risk control, and in the interest of a clear definition of the roles and areas of authority of all units involved, the Group credit risk management and risk control activities are combined and bundled in the Strategic Risk Management service unit.

Risk Control

The Group Risk Control department forms part of the Strategic Risk Management unit. Group Risk Control acts as a central and independent risk control unit as required by the Austrian Banking Act (Section 39 (2)) and formulates Group guidelines for processes relating to risk management (these guidelines are codified in the Erste Bank Risk Rulebook). As an organisational entity independent of the business units, Group Risk Control thus ensures that all measured risks are within the limits set by the Managing Board.

The core competencies of Group Risk Control in the risk control process include the daily computation, analysis and reporting of market risks for the whole Group and the timely and continuous monitoring of credit, business and operational risks on the basis of Value-at-Risk. Another key function is the aggregation of all risks (market, credit, business and operational) into a measure of total bank risk (economic capital) as part of the determination of the risk absorbing capacity. Finally, Group Risk Control also prepares regular reports to the Managing Board based on Value-at-Risk. In mid-2005, the mandate of the Group Risk Control department was extended to include developing and validating rating methods and systems in the Erste Bank Group.

To do justice to this broad mandate, Group Risk Control is divided into four groups, focusing on market, credit and operational risk and rating methods and systems. The market, credit and operational risk sub-units each calculate Value-at-Risk on an ongoing basis with the help of implemented models. Their other responsibilities include the refinement and updating of the models and measurement methods employed and the rollout of the risk control process in the Group. The rating methods and systems group is responsible for developing and implementing standard rating methods and systems throughout the Group.

Risk Control process

The Erste Bank Group's independent risk control process has five elements:

Risk identification at the Erste Bank Group means the detection of all relevant risks related to banking operations. A systematic and structured approach to this task is emphasised. Aside from existing risks, potential risks also need to be identified. The aim of risk identification is the permanent, timely, rapid, complete and cost-effective detection of all individual risks that have a bearing on the achievement of the Erste Bank Group's business targets. However, risk identification is concerned not only with the early detection of risks themselves, but also the most complete possible recognition of all sources of risk.

Risk measurement at the Erste Bank Group means the valuation and analysis of all quantifiable risks on the basis of Value-at-Risk (VaR).

The **expected loss** is the average amount which Erste Bank loses per year in its business activities. This represents the average annual observed historical loss over the course of an economic cycle. These foreseeable costs enter into pricing as a risk premium (standard risk costs) and must be recouped through the terms extended to customers. The expected loss thus does not pose a risk for Erste Bank, but simply a „cost of doing business“.

The **unexpected loss** (equivalent to Value-at-Risk) is the maximum actual loss in excess of this expected loss for a given observation period and a predetermined probability of occurrence (expressed in terms of a confidence level). For this unexpected loss, equity capital must be set aside.

In addition, **stress scenarios** are defined, with the goal of quantifying the losses that may be triggered by extremely adverse, albeit highly unlikely, events. The information gained from stress test scenarios complements Value-at-Risk results, making it easier to predict the effects of potential extreme market movements.

Risk aggregation refers to the compilation of the results of Value-at-Risk-based risk measurement for the individual risk types (taking into account diversification effects) into an aggregate potential loss from the assumption of risk. This resulting aggregate measure is known as economic capital (representing Value-at-Risk at a confidence level of 99.95% over a one year time period). In a multi-stage process, this aggregate total potential loss from the assumption of risk (economic capital) is compared to the resources (earnings potential, reserves and equity) available to cover potential losses. At Erste Bank this is done as part of the determination of risk absorbing capacity.

Risk limit-setting at Erste Bank refers to the setting of a loss ceiling (aggregate bank limit) by the management through the Risk Committee (RC) based on the periodic determination of risk absorbing capacity, which takes into account the bank's equity base and profitability situation.

Risk reporting at Erste Bank means continual reporting to management of the results of the various Value-at-Risk calculations in the individual risk types (daily Value-at-Risk report by the Market Risk Control group via Erste Bank's electronic management information system, monthly and quarterly reports, and risk absorbing capacity calculation).

Risk types

Market risk

Fluctuation in interest rates, exchange rates, share prices and commodity prices creates market risks. Market risks derive both from short-term trading (the trading book) in instruments whose prices are quoted daily and from the traditional banking business (the banking book).

Taking into account the bank's risk-absorbing capacity and projected earnings, the Managing Board sets the aggregate limit in the Risk Committee. The aggregate limit is then allocated by the Market Risk Committee (MARA) based on a recommendation by the decentralised Financial Markets Risk Management unit. All market risk activities are assigned risk limits that, in the aggregate, are statistically consistent with the aggregate Value-at-Risk limit covering all market risks of Erste Bank. Limit compliance is verified at several levels: by the appropriate local risk management unit, by Risk Management Financial Markets and also by the independent Group Risk Control unit.

A key step in limit-setting is the estimation of the potential losses that could result from market movements. This amount – Value-at-Risk – is calculated at Group level on a daily basis and reported to the Managing Board via the electronic management information system. Value-at-Risk is determined by the historical simulation method. In its analysis Erste Bank uses a 99% confidence interval and holding periods of one and ten days. The validity of the statistical methods applied is constantly checked by backtesting.

Extreme market situations can exert a strong influence on the value of trading positions and thus have extraordinary effects on trading results. The main such events are market movements that have a low probability of occurrence. Relying on purely statistical methods such as Value-at-Risk to measure risk does not adequately take into account the consequences of crisis situations. For this reason Erste Bank reinforces its Value-at-Risk-based risk measurement with stress testing by several methods (historical worst, extreme value theory, scenario analysis). The results of these assessments are made available to the Managing Board via the electronic management information system.

The market risk model approved by the Austrian Financial Market Authority is used to determine the minimum regulatory capital requirements of the Erste Bank Group under the Austrian Banking Act. The calculation employs the most favourable multiplier possible (3), assigned by the Financial Market Authority on the basis of an appraisal by the Austrian National Bank.

Credit risk

Credit risk arises in traditional lending business (losses incurred by the default of obligors or by the need to provision assets as a result of the deteriorating credit quality of borrowers) as well as from trading in market risk instruments (counterparty risk). Country risks are recognised implicitly in the calculation of credit risk.

The task of the Group Credit Risk Control unit within the Group Risk Control department in this context is the measurement of credit risk, using a portfolio model based on credit Value-at-Risk, for the entire credit business of Erste Bank AG and the largest foreign and domestic subsidiaries. Neither the Group Risk Control department nor the Group Credit Risk Control unit is involved in the operational credit decisions. That responsibility falls entirely to the relevant decentralised credit risk management units („Credit Risk Management International" and „Credit Risk Management Austria").

Measurement of credit Value-at-Risk is based on confidence levels of 95% and 99.95% (as in the total-bank risk management calculation of riskabsorbing capacity) and a risk horizon of one year. The central risk drivers in the portfolio model – the probabilities of default and transition probabilities for each customer segment – are determined based on the Group's own rating history and used in the calculation of credit Value-at-Risk.

The new standard risk cost model was introduced into Erste Bank AG's marginal costing at the beginning of 2005, using internal probabilities of default and transition probabilities. This measure was carried out in anticipation of the operational application of the Basel II provisions to credit pricing.

The development of stress test models required by the Austrian supervisory authorities for foreign currency and redemption payer lending was also completed in 2005 and has been implemented across the board at Erste Bank AG and in the savings banks.

Operational risk

Erste Bank uses the same definition of operational risk as the Basel Committee on Banking Supervision (Basel II): "the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events." In keeping with current practice at most international banks, the responsibility for operational risks rests with line management. The identification and measurement of operational risks employs quantitative and qualitative methods.

The quantitative measurement methods are based on internal loss experience data, which are collated across the group using a standard methodology and entered in a central data pool. The proper transmission of loss reports is verified by the Internal Audit department. In order to factor in losses which have not occurred to date but are nevertheless possible, external data and scenarios are also used. A Value-at-Risk for operational risks is also calculated at Erste Bank AG, Česká spořitelna a.s. and Slovenská sporitel'ňa a.s.

The Managing Boards of Erste Bank AG and CEE subsidiaries receive quarterly reports on changes in operational risks from local OpRisk managers.

On the qualitative side, the risk assessments method employed since the beginning of 2003 has been further developed. A simplified top-down approach is applied in the subsidiaries, with the help of risk mapping, which it will be possible to develop at a later date into risk assessment. Control instruments will be developed on the basis of this qualitative information, in order to support line management in decisions to reduce operational risks. Erste Bank is working on an international study to define key risk indicators which can then be used as a potential risk early warning system.

Since the beginning of 2004 the insurance cover obtained by the Erste Bank Group is combined in a group-wide insurance programme. By means of this approach, the cost for the Group's traditional property insurance needs was reduced, making it possible to buy additional insurance for previously uninsured banking-specific risks. The combination of potential economies and additional insurance cover, without an increase in overall cost, is achieved by retaining part of the losses in a captive reinsurance firm, thus permitting diversification of risk in the Group.

Another chapter on the subject of operational risk has been added to the Erste Bank Risk Rulebook, defining the framework of operational risk management and control.

Business risk (fixed-costs risk)

Business risk, or fixed-costs risk, is defined by Erste Bank as the risk that an unexpected decline in revenues will lead to a loss because of the inflexibility of fixed costs. Known also as operating leverage risk, business risk thus reflects the degree of volatility of the major income and revenue items in Erste Bank's contribution margin accounting. Such unexpected fluctuations in income may be caused by changes in the competitive environment or customer behaviour or by technological advances.

Controlling Erste Bank's overall risk

At Erste Bank AG, the regulatory requirements for qualitative risk management that result from pillar 2 of Basel II (Supervisory Review Process) and from the ICAAP (Internal Capital Adequacy Assessment Process) consultation paper are fulfilled by the risk absorbing capacity calculation which has been in use for years and by risk-adjusted performance measurement.

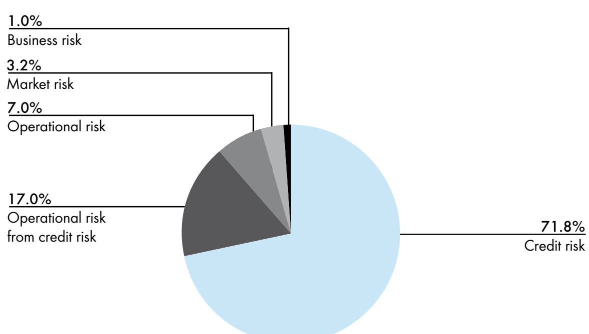
Determination of risk absorbing capacity

It follows from the risk absorbing capacity calculus that the objective of an overall risk control function must be to ensure the credit institution's continued solvency. The central tool for safeguarding this continued solvency of Erste Bank AG is the calculation of risk absorbing capacity. In this computation, the Value-at-Risk resulting from the different risk types is aggregated to arrive at the total potential loss from the assumption of risk (Economic Capital) and this loss potential is then compared in a multi-stage process to the resources (earnings potential, reserves and equity) available to cover these potential losses. Aside from the risk actually measured, a safety buffer and the existing risk limits are also taken into account on a Value-at-Risk basis. The point of this comparison is to determine the extent to which the bank is in a position to absorb potential unexpected losses (calculation of risk absorbing capacity). Risk absorbing capacity thus represents a limit for the aggregate risk activities of Erste Bank. Based on the bank's measured ability to bear risk, the Managing Board establishes an aggregate bank limit at the quarterly Risk Committee meeting.

The measure of risk used to calculate this aggregate bank limit is the Economic Capital that the bank must hold in order to cover its risk. This Economic Capital is defined as the minimum capital necessary on an annual basis to cover unexpected losses at a confidence level of 99.95%, derived from the default probability of Erste Bank's target rating. The objective of calculating this figure is to determine the amount of capital needed in order to ensure Erste Bank's continued viability even in extreme loss scenarios. This figure also allows for comparative measurement and aggregation of all risks. In parallel with this approach based on Economic Capital, the risk absorbing capacity is also calculated at a much lower confidence level of 95% and conveyed to the management as supplementary information.

Erste Bank AG's aggregate risk by risk type (unaudited)

Allocation of Economic Capital (99.95% confidence level) at 31 December 2005



Risk-adjusted performance measurement (RAPM) and shareholder value added

Building on this calculation of risk throughout the bank based on Value-at-Risk for the different types of risk, Erste Bank can use the Economic Capital determined for each business area as the crucial component in the calculation of risk-adjusted Return on Economic Capital (RoEC). This figure compares all revenue with the risk that is taken in generating it, using Economic Capital as the measure of risk. As part of measuring risk-adjusted performance (RAPM), a comparison is drawn between the results of marginal costing based on regulatory capital and the results based on Economic Capital.

Return on Economic Capital (RoEC) is determined for each business unit. This extends the existing controlling tools, such as marginal costing based on regulatory capital – by also making available to management the information it needs to view the entire bank through the lens of risk-return ratios. Going beyond the determination of regulatory capital adequacy, this parallel computation also lays the foundation for risk-efficient capital allocation based on risk-adjusted performance measurement (RAPM). Thus, Economic Capital and RoEC combine risk limit setting aimed at preserving the bank's continued existence (Going Concern Principle) with active risk and capital management geared to increasing Erste Bank's enterprise value for its shareholders (adding shareholder value).

Decentralised risk management

The decentralised Financial Markets Risk Management group within the Treasury business unit is responsible for the day-to-day control of the market risk associated with trading activities. It oversees market risk limits and counterparty limits. Other key duties include risk reporting, supporting the trading desk, legal support, testing of new products and – in co-ordination with Group Risk Control – market risk management.

The Treasury unit is also where market risks relating to the banking book are measured. The Balance Sheet Management group submits monthly reports to the Asset Liability Committee (ALCO) on the interest rate risk of Erste Bank Group and the savings banks group, to be used as a basis for adjusting balance sheet risks.

The responsibility for operational credit risk management rests with two service units: Credit Risk Management Austria and Credit Risk Management International. Foreign branches and subsidiaries have their own risk management units as required.

Basel II

In order to fulfil the requirements of the new capital adequacy regulations (Basel II), a dedicated Basel II programme was set up in the Erste Bank Group. Its technical direction is provided by the Strategic Risk Management unit.

ICAAP – implementation in Savings Bank group

A concept has been developed in a joint working party with savings banks, the Savings Bank Association and the Savings Bank Audit Association, which takes account of the principle of proportionality. This puts the conditions in place for meeting the quantitative requirements of Basel II/Pillar II and ICAAP. This concept of a capital adequacy assessment for savings bank has been put into practice by the Savings Bank Association and has been available to all savings banks as an on-line tool since the autumn of 2005.

Advanced approaches to measuring credit, market and operational risk

Erste Bank AG is an active participant in the consultation process shaping the new capital adequacy regulations for banks. Erste Bank's goal is to qualify for advanced approaches (according to the Basel II definition) when the new provisions enter into force.

For credit risk, Erste Bank seeks to apply the Advanced IRB Approach in the retail segment and the Foundation IRB Approach in all other Basel segments. For the measurement of market risk in the trading book, an internal model approved by the Austrian Financial Market Authority is already in place, and the model for measuring interest rate risk in the banking book already satisfies the Basel II requirements to a large extent. In the area of operational risk, Erste Bank is working to qualify for an Advanced Measurement Approach (the loss distribution approach) when the new provisions take effect. The decision as to which approach will ultimately be used to determine capital adequacy depends on the final form of the qualitative and quantitative requirements.

Credit exposure

in EUR million	Total loans and advances to credit institutions and customers (incl. fixed-income securities)	Guarantees/ letters of credit	Total 2005	Total restated 2004
Banking and insurance	44,986	3,433	48,419	43,203
Consumers	27,927	106	28,033	23,454
Public administration, social security	20,063	1,601	21,664	20,109
Manufacturing	6,902	1,478	8,380	7,966
Real estate	13,197	822	14,019	12,176
Retail	7,535	640	8,175	7,955
Construction	3,128	1,146	4,274	4,108
Hotels and restaurants	3,224	192	3,416	2,884
Transport and communication	2,628	305	2,933	2,745
Energy and water supply	1,297	137	1,434	1,570
Other	5,837	269	6,106	5,822
Total	**136,724**	**10,129**	**146,853**	**131,992**

The total comprises loans and advances to credit institutions and customers, fixed-income securities held in the trading portfolio, held as fair value through profit or loss as well as available for sale and as financial investments (held to maturity portfolio), and finally off-balance-sheet credit risks.

The changes in risk provisions are explained in Notes 2 and 13.

Interest rate risk

Interest rate risk is the risk of adverse change in the fair value of financial instruments caused by movement in market interest rates. This type of risk arises when mismatches exist between assets and liabilities (including off-balance-sheet items) in respect of their maturities or of the timing of interest rate adjustments.

In order to identify interest rate risk, all financial instruments, including transactions not recognised in the balance sheet, are grouped in order of maturity bands based on their remaining term to maturity or term to an interest rate adjustment.

The following tables list the open fixed-income positions held by the Erste Bank Group in the four currencies that carry significant interest rate risk: the euro, Czech koruna, Slovak koruna and Hungarian forint.

Only those open fixed-income positions are shown which are not allocated to the trading book. Positive values indicate fixed-income risks on the asset side, i.e. a surplus of asset items; negative values represent a surplus on the liability side.

Open fixed-income positions not assigned to the trading book (unaudited)

in million	1–3 years	3–5 years	5–7 years	7–10 years	over 10 years
Fixed-interest gap in EUR					
positions at 31 December 2005	-1,652.1	-654.4	1,684.9	1,064.4	195.2
Fixed-interest gap in CZK					
positions at 31 December 2005	-11,559.5	-14,880.1	14,370.9	12,948.5	10,050.9
Fixed-interest gap in SKK					
positions at 31 December 2005	3,937.5	522.8	1,579.9	8,763.5	525.9
Fixed-interest gap in HUF					
positions at 31 December 2005	-12,635.9	57,505.2	1,313.5	257.9	33.7

Hedging

The goals of market risk management for the banking books of the Erste Bank Group are to optimise the risk position while taking into account the economic environment, competitive situation, market value risk and effect on net interest income; to maintain an appropriate liquidity position for the Group; and to centrally manage all market risks inherent in the banking book via the Group's Asset Liability Committee.

In keeping with the goals of risk management, hedging activities focus on the two main control variables – net interest income and market value risk. Two kinds of instruments are available with which to manage these variables: Cash flow hedges are used to mitigate interest rate risk. Fair value hedges are employed to reduce market risk.

Fair value hedges are currently used to turn fixed-income or structured transactions into variable-income transactions. The current policy on debts evidenced by certificates is to use fair value hedges to convert those issues that are not money-market-linked into issues that are. Other fair value hedges were set up for part of the syndicated loan portfolio and for fixed interest loans.

Interest rate swaps and floors are the main instruments used for these fair value hedges. In connection with issuance, fair value is also hedged by means of cross currency swaps, swaptions, caps, floors and other options.

Cash flow hedges are used for three objectives: to turn money-market-linked transactions into fixed-interest transactions and thus reduce interest rate risk; to safeguard a minimum interest rate via floors; and to hedge anticipated foreign-currency income against exchange-rate risk. Some of the revolving money market liabilities are currently converted into fixed-interest transactions. Floors are used to secure a minimum interest rate on money market-linked loans in case of declining market interest rates.

Interest rate swaps and floors were employed to hedge interest cash flows. Currency risk was hedged with spot transactions.

33) Total volume of unsettled derivatives at 31 December 2005

	NOMINAL AMOUNT BY REMAINING MATURITY				FAIR VALUE	
	< 1 year	1–5 years	> 5 years	Total	Positive	Negative
in EUR million						
Interest rate contracts						
OTC products						
– Interest rate options						
Purchase	9,689	12,474	6,531	28,694	542	-15
Sell	8,801	12,328	6,549	27,678	12	-593
– Interest rate swaps						
Purchase	102,988	37,860	24,549	165,397	5,893	-461
Sell	111,503	34,233	19,711	165,447	449	-5,360
– FRA's						
Purchase	13,434	979	–	14,413	4	-7
Sell	13,487	979	–	14,466	6	-4
Listed products						
– Futures						
Purchase	3,024	50	55	3,129	2	–
Sell	2,268	441	462	3,171	–	–
–Interest rate options						
Purchase	1,727	–	193	1,920	2	–
Sell	465	–	–	465	–	-2
Currency contracts						
OTC products						
– Currency options						
Purchase	5,426	280	–	5,706	32	–
Sell	5,430	223	–	5,653	–	-30
– Currency swaps						
Purchase	39,392	1,494	2,181	43,067	430	-531
Sell	38,798	1,876	1,940	42,614	602	-276
Listed products						
– Futures						
Purchase	151	–	–	151	1	-2
Sell	49	–	–	49	–	–

in EUR million	NOMINAL AMOUNT BY REMAINING MATURITY < 1 year	1–5 years	> 5 years	Total	FAIR VALUE Positive	Negative
Precious metal contracts						
OTC products						
– Precious metal options						
Purchase	22	–	–	22	–	–
Sell	22	–	–	22	2	–
Securities-related transactions						
OTC products						
– Stock options						
Purchase	115	88	141	344	46	-7
Sell	206	180	1,788	2,174	1	-45
Listed products						
– Futures						
Purchase	158	1	–	159	–	-1
Sell	221	–	–	221	–	–
– Stock options						
Purchase	375	18	–	393	1	–
Sell	1,130	–	–	1,130	–	-1
Total	**358,881**	**103,504**	**64,100**	**526,485**	**8,025**	**-7,335**
Thereof OTC products						
Purchase	171,066	53,175	33,402	257,643	6,947	-1,021
Sell	178,247	49,819	29,988	258,054	1,072	-6,308
Thereof listed products						
Purchase	5,435	69	248	5,752	6	-3
Sell	4,133	441	462	5,036	–	-3

34) Fair value of financial instruments

In the table below, the (unaudited) fair values of individual balance sheet items are compared to the corresponding carrying amounts.

The market value is the sum which can be obtained from the sale of a financial instrument on an active market or which would have to be paid in order to purchase the instrument in question. Financial instruments are measured on the basis of market prices, where available, and on standardised, generally accepted valuation models where no market price is available. Cash values are established for linear derivatives (e.g. interest rate swaps, cross currency swaps, FX forwards, forward rate agreements) by discounting the replicating cash flows. Plain vanilla OTC options (on shares, currencies and interest rates) are valued using Black Scholes option price models and complex interest rate derivatives are valued using Hull White and/or BGM models. Credit derivatives are valued using hazard rate models.

Erste Bank only uses valuation models which have been tested internally and which guarantee that the valuation parameter (e.g. interest rates, exchange rate, volatility) has been established independently.

For items without a contractual fixed maturity, the carrying amount was used.

in EUR million	2005 Fair value	2005 Carrying amount	restated 2004 Fair value	restated 2004 Carrying amount
ASSETS				
Cash and balances with central banks	2,728	2,728	2,723	2,723
Loans and advances to credit institutions	16,854	16,858	15,703	15,684
Loans and advances to customers	80,624	80,419	73,331	72,843
Risk provisions	-2,817	-2,817	-2,804	-2,804
Trading assets	5,426	5,426	4,628	4,628
Fair value through profit or loss and available for sale	18,644	18,644	15,967	15,967
Financial investments	24,113	23,611	22,639	21,926
Derivatives in banking book (other assets)	530	530	564	564
LIABILITIES				
Amounts owed to credit institutions	33,833	33,911	28,590	28,551
Amounts owed to customers	72,668	72,793	68,220	68,213
Debts evidenced by certificates	21,291	21,291	19,710	19,710
Trading liabilities (other liabilities)	1,304	1,304	1,046	1,046
Subordinated capital	4,290	4,290	3,706	3,706
Derivatives in banking book (other liabilities)	236	236	288	288

35) Contingent liabilities and other obligations

in EUR million	2005	restated 2004
Contingent liabilities		
Guarantees and warranties	10,130	8,335
Other	287	357
Total	**10,417**	**8,692**
Other obligations		
Undrawn credit and loan commitments, promissory notes	16,576	16,655
Other	1,317	797
Total	**17,893**	**17,452**

Legal proceedings

Haftungsverbund

At the end of 2003, an Austrian competitor of Erste Bank alleged to the Austrian Financial Market Authority and to the Austrian Federal Competition Authority that the formation of the Haftungsverbund between Erste Bank and a number of the other Austrian savings banks violates European competition legislation.

At present, the Austrian Cartel Court (at the request of the Austrian Federal Competition Authority and the competitor) is reviewing the question of the applicability of European competition law to the cooperation under the Haftungsverbund between Erste Bank and the member savings banks. While banking groups such as the Haftungsverbund are explicitly exempt from Austrian competition rules, the plaintiffs argue that the Haftungsverbund has an effect on interstate commerce between Austria and other EU member states, and therefore EC competition rules have to be applied. In addition, the current cooperation under the Haftungsverbund between Erste Bank and the other members qualifies as a credit institute group according to the Austrian Banking Act. This allows Erste Bank to consolidate the qualifying capital (required under section 24 of the Austrian Banking Act) and the risk-weighted assets (required under section 22 of the Austrian Banking Act) of the members of the Haftungsverbund.

An examination by the Austrian Financial Market Authority of the validity of the competitor‘s allegations has already concluded that the Austrian Financial Market Authority shall continue to apply section 30 (2a) of the Austrian Banking Act and confirmed that the Haftungsverbund qualifies as a credit institute group.

The consolidation of Haftungsverbund members‘ qualifying capital and risk-weighted assets originally resulted in a 0.55 percent improvement in the core capital ratio of the Erste Bank Group. Thus, even without the qualifying capital of the other Haftungsverbund member savings banks, Erste Bank would comply with the statutory minimum levels of regulatory capital.

In order to quickly resolve these proceedings, Erste Bank, together with some other members of the Haftungsverbund, filed an application with the Austrian Cartel Court in December 2004 for a declaratory decision that the Haftungsverbund qualifies as a “Zusammenschluss“ (merger) within the meaning of the Austrian Cartel Act. If the Austrian Cartel Court finds that the Haftungsverbund is in fact a merger, the rules regarding cooperation agreements would not be applicable, and thus the abovementioned proceedings would be terminated.

State aid Erste Bank Hungary

The European Commission is currently reviewing past state aid granted by the governments of the newly acceded EU member states with respect to their conformity with EU standards for the period after the accession date of 1 May 2004.

With respect to Hungary‘s Postabank, the European Commission has informed Hungary that it has serious doubts about the compatibility of an “indemnity for unknown claims“ granted by the Republic of Hungary to Erste Bank with the Acquis Communitaire. It has therefore decided to object to that measure. The European Commission has subsequently initiated the formal investigation procedure laid down in Article 88 (2) of the EC Treaty against Hungary. This investigation, in which Erste Bank participates as an affected third party, is still pending and no decision has yet been taken

Salzburger Sparkasse

In November 2005, Salzburger Sparkasse reached an agreement in court with the plaintiff attorneys to settle the WEB-IMMAG case, in which some three thousand former WEB-IMMAG investors, with the support of the Verein für Konsumentenschutz, had brought civil suits against Salzburger Sparkasse claiming alleged damages plus interest in a total amount of EUR 127 million. Salzburger Sparkasse undertook to pay an amount of about EUR 19.7 million (including legal fees of EUR 0.6 million) to the plaintiffs. The plaintiffs‘ attorneys in turn undertook, among others, to not represent clients against Salzburger Sparkasse in relation to the WEB-IMMAG issue any more. After the plaintiffs had given the consents required for the settlement to become enforceable, payment of the settlement amount was effected in January 2006. The payment was made by Erste Bank.

Austrian Cartel Court ruling on Central European acquisitions

In 2005, Erste Bank applied to the Austrian Cartel Court for a declaration that the acquisitions of majority interests in Česká spořitelna a.s., Slovenská sporitel’ňa a.s., Postabank and Rijecka Banka between 2000 and 2003 were not subject to merger control requirements. Such court subsequently decided that the acquisitions of Postabank and Rijecka Banka were not subject to domestic merger control but that the acquisitions of Česká spořitelna a.s. and Slovenská sporitel’ňa a.s. were not exempt from the notification requirements of Section 41 et seq. of the Austrian Cartel Act. This decision is not final and Erste Bank has filed an appeal to the Austrian Supreme Court (the appellate court in cartel matters). A final decision by the Austrian Supreme Court has not yet been rendered.

As a precautionary measure, Erste Bank formally applied for acquisition approval. On 14 October 2005, the Cartel Court approved the acquisitions of Česká spořitelna a.s. and Slovenská sporitel’ňa a.s. and these decisions are final. Consequently, the decision of the Austrian Supreme Court will have no effect on Erste Bank in relation to its past Central European acquisitions, but will however provide a guideline for notification requirements for future acquisitions.

Potential law suit by Deloitte Hungary against Erste Bank Hungary

Deloitte Hungary has been sued by the Hungarian State alleging that as the majority shareholder of Postabank, the Hungarian State suffered losses of HUF 171 billion as a result of negligence by Deloitte Hungary in respect to its work as auditor of Postabank‘s financial statements for the year ended 31 December 1997, as well as the six month period ended 30 June 1997 and the period ended 31 July 1998. The Hungarian State alleges that Deloitte Hungary was negligent in not uncovering certain transactions which disguised losses suffered by Postabank, as well as uncertainties in relation to

Postabank's provisioning and certain other matters. The State alleges that if Deloitte Hungary had uncovered these problems as part of its audit, the shareholders of Postabank would have taken corrective action which would have prevented further losses. In July 2005 the court of first instance found that Deloitte Hungary and the Hungarian State were each 50% liable for the errors in Postabank's financial statements, since the situation of Postabank at the time should have been evident to the Hungarian State. The question of damages is now being considered.

Deloitte Hungary has indicated to Erste Bank Hungary that if it is found liable, it will bring suit against Erste Bank Hungary as the successor to Postabank alleging that any errors in the financial statements of Postabank were the result of erroneous data provided by Postabank to Deloitte Hungary. Erste Bank currently expects that a lawsuit would not be filed until the case between Deloitte Hungary and the Hungarian State is resolved in a final judgement, which is not expected to occur for at least three years. However, there is no certainty as to whether, and if so when such a lawsuit would be filed.

Ruling of the Supreme Court concerning the adjustment of saving deposit rates

In a ruling published in January 2006 the Austrian Supreme Court has declared certain clauses used by an Austrian competitor in his terms and conditions for savings passbooks to be contrary to the consumer protection law. One of these clauses deals with the right of the credit institute to unilaterally change the savings deposit rate. This clause is not only used by the competitor, but by most Austrian credit institutes, including Erste Bank. According to the ruling of the Supreme Court a credit institute may not adjust the interest rate of a savings passbook unilaterally and without having more closely stipulated the conditions for such adjustment in advance, unless such adjustment is reasonable, in particular because the change is only minor and objectively justified.

In its public statements the Verein für Konsumentenschutz, an Austrian consumer protection organisation, argues that as a result of this landmark decision there does not only exist a duty on the part of the credit institutions effected to change the interest rate adjustment clause used so far for savings passbooks, but considers this ruling also to provide ground for a review whether past adjustments of the applicable interest rates for savings passbooks where objectively justified, including the review of the possibility for consumers to make claims against credit institutes retroactively. Such organisation has also announced that it would file further test cases in relation to the issue of interest rate adjustment for savings passbooks.

Other

As well, both Erste Bank and some subsidiaries are involved in legal disputes of a nature typically encountered during the conduct of ordinary business activities. It is currently unlikely that these legal proceedings will have material negative impact on the financial position or the results of operations of Erste Bank, as either appropriate provisions have already been made, or Erste Bank has rights of recourse, or the cases in question are of insignificant magnitude in the aggregate.

36) Breakdown of remaining maturities at 31 December 2005

in EUR million	On demand	Up to 3months	3months –1 year	1–5 years	>5 years
Loans and advances to credit institutions	1,750	10,147	2,372	1,853	736
Loans and advances to customers	6,512	8,695	9,686	21,509	34,017
Trading assets	419	368	301	1,575	2,763
Fair value through profit or loss and available for sale	1,141	281	1,193	4,736	11,293
Held to maturity portfolio	6	945	2,246	8,024	3,901
Total	**9,828**	**20,436**	**15,798**	**37,697**	**52,710**
Amounts owed to credit institutions	2,629	26,171	2,040	1,984	1,087
Amounts owed to customers	27,822	12,828	9,452	10,507	12,184
Debts evidenced by certificates	387	4,093	2,531	6,620	7,660
Subordinated capital	–	39	76	556	3,619
Total	**30,838**	**43,131**	**14,099**	**19,667**	**24,550**

37) Events after the balance sheet date

On 21 December 2005, the share purchase agreement was signed for the acquisition by Erste Bank of 61.88% of the shares in the Romanian Banca Comerciala Romana S.A. (BCR). Erste Bank has acquired 36.88% from the Romanian government and 12.5% plus one share from both the European Bank for Reconstruction and Development (EBRD) and the International Finance Corporation (IFC). The provisional purchase price (net of additional costs) amounts to EUR 3.75 billion. Closing (and hence definitive acquisition) is scheduled for the 2nd quarter of 2006.

On 9 January 2006, the Managing Board of Erste Bank AG decided, with the assent of the Supervisory Board, to increase the share capital of Erste Bank der oesterreichischen Sparkassen AG, in order to finance the purchase of BCR and strengthen the capital basis, by issuing approximately 58.95 million shares plus 10% greenshoe, issuing a total of up to approximately 64.85 million new shares. The subscription period for the new shares began on 11 January and ended on 26 January 2006. With the full greenshoe quota used, a total of 64,848,960 new shares were issued at an issue price of EUR 45. The subscribed share capital was increased by EUR 129.7 million.

38) Boards of Erste Bank der oesterreichischen Sparkassen AG

SUPERVISORY BOARD

Heinz Kessler, President	Retired CEO
Klaus Braunegg, until 11 May 2005, First Vice President	Attorney at law
Georg Winckler, from 11 May 2005, First Vice President	Rector of the University of Vienna Professor of Economics at the University of Vienna
Theresa Jordis, Second Vice President	Attorney at law
Bettina Breiteneder	Businesswoman
Elisabeth Gürtler	Businesswoman Member of the Management Board of the Austrian Hotel Association
Jan Homan	Chief Executive Officer of Teich AG
Werner Hutschinski	Retired General Manager
Josef Kassler	Retired CEO
Lars-Olof Ödlund	Senior Advisor
Wilhelm Rasinger, from 11 May 2005	Businessman
Friedrich Rödler	Public Accountant and Tax Consultant
Hubert Singer	Chief Executive Officer of Dornbirner Sparkasse AG

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
Christian Havelka	Member of the Central Staff Council
Anton Janku	Member of the Central Staff Council

REPRESENTATIVES OF THE SUPERVISORY AUTHORITY

Robert Spacek	Senate Councillor, State Commissioner
Dietmar Griebler, from 1 February 2005	Senate Councillor, Deputy State Commissioner
Sabine Kanduth-Kristen	State Controller for Premium Reserve
Eduard Moser	Deputy State Controller for Premium Reserve
Irene Kienzl	Trustee for Guarantee of Mortgage and Municipal Bonds
Anton Rainer	Deputy Trustee for Guarantee of Mortgage and Municipal Bonds

MANAGING BOARD

Andreas Treichl	Chairman
Elisabeth Bleyleben-Koren	Vice Chairwoman
Reinhard Ortner	Member
Franz Hochstrasser	Member
Erwin Erasim	Member
Christian Coreth	Member

39) Details of the holdings of the Erste Bank Group at 31 December 2005

Ownership of the Erste Bank Group

The explanations concerning the basis of consolidation, taking account of the Haftungsverbund Agreement between Erste Bank AG and Austrian savings banks, are presented at the beginning of the Notes.

The reported equity and earnings figures were generally prepared in accordance with IFRS and may therefore differ from the financial statements of the individual companies prepared according to local policies and from the presentation for the purpose of segment reporting.

The net income reported is equivalent to net income/loss after tax (but before allocations to reserves).

The indirectly held shares reported do not include shares held via savings banks consolidated within the Haftungsverbund Agreement.

Company name, domicile	Interest in %	Shareholders´ equity in EUR million	Net income in EUR million	Profit-transfer[1]	Balance sheet date	Inclusion in Consolidated Financial Statements [2]
1.) Credit institutions						
Allgemeine Sparkasse Oberösterreich Bankaktiengesellschaft, Linz (Group)	26.9%	456.4	54.1		31.12.2005	F
Bausparkasse der österreichischen Sparkassen Aktiengesellschaft, Vienna	98.0%	123.7	15.0	X	31.12.2005	F
Česká spořitelna a.s., Prag (Group)	98.0%	1,523.1	309.8		31.12.2005	F
Erste & Steiermärkische banka d.d., Rijeka	51.4%	240.8	46.9		31.12.2005	F
Erste Bank (Malta) Limited, Sliema	100.0%	129.9	9.0		31.12.2005	F
ERSTE BANK AD NOVI SAD, Novi Sad	95.6%	17.2	-7.6		31.12.2005	F
Erste Bank Hungary Rt., Budapest (Group)	99.9%	322.3	75.8		31.12.2005	F
ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H., Vienna	84.3%	13.1	25.5	X	31.12.2005	F
Europay Austria Zahlungsverkehrssysteme GmbH, Vienna	3.1%	44.5	18.0		31.12.2004	E
Intermarket Bank AG, Vienna	21.3%	25.2	3.7		31.12.2005	E
Kapital-Beteiligungs Aktiengesellschaft, Vienna	15.0%	8.8	0.1		30.09.2005	N
Kärntner Sparkasse Aktiengesellschaft, Klagenfurt (Group)	25.0%	287.4	31.7		31.12.2005	F
NÖ Beteiligungsfinanzierungen GmbH, Vienna	30.0%	3.0	0.1		30.09.2005	E
NÖ Bürgschaften GmbH, Vienna	25.0%	6.5	–		31.12.2004	E
Oesterreichische Kontrollbank Aktiengesellschaft, Vienna (Group)	12.9%	269.8	24.7		31.12.2004	N
Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H., Vienna	18.8%	26.9	1.2		31.12.2005	N
Prvá stavebná sporitelna, a.s., Bratislava (Group)	35.0%	199.7	9.6		31.12.2005	E
s Wohnbaubank AG, Vienna (Group)	90.7%	32.5	2.9	X	31.12.2005	F
Salzburger Sparkasse Bank Aktiengesellschaft, Salzburg	98.7%	168.0	9.5	X	31.12.2005	F
Slovenská sporiteľňa a.s., Bratislava (Group)	100.0%	505.6	92.6		31.12.2005	F

1) Profit transfer agreement with Erste Bank AG
2) F Fully consolidated, E Consolidated at equity, N Not consolidated

Company name, domicile	Interest in %	Shareholders´ equity in EUR million	Net income in EUR million	Profit-transfer[1]	Balance sheet date	Inclusion in Consolidated Financial Statements[2]
„Spar - Finanz" - Investitions- und Vermittlungs-Aktiengesellschaft, Vienna	50.0%	3.7	0.1		31.12.2005	E
Sparkasse Hainburg-Bruck-Neusiedl Aktiengesellschaft, Hainburg	75.0%	28.4	4.2	X	31.12.2005	F
Sparkasse Kremstal-Pyhrn Aktiengesellschaft, Kirchdorf	24.1%	46.6	6.7		31.12.2005	F
Sparkasse Mühlviertel-West Bank Aktiengesellschaft, Rohrbach	40.0%	49.8	4.4		31.12.2005	F
Sparkasse Voitsberg-Köflach Bankaktiengesellschaft, Voitsberg	6.3%	26.3	1.3		31.12.2005	F
Steiermärkische Bank und Sparkassen Aktiengesellschaft, Graz (Group)	25.0%	687.2	66.7		31.12.2005	F
Tiroler Sparkasse Bankaktiengesellschaft Innsbruck, Innsbruck (Group)	74.7%	171.7	14.6		31.12.2005	F
2.) Other financial institutions						
EBV - Leasing Gesellschaft m.b.H. & Co. KG., Vienna	100.0%	2.1	0.6		31.12.2005	F
Erste Corporate Finance GmbH, Vienna	100.0%	0.7	0.2		31.12.2005	F
Erste Securities Polska S.A., Warschau (Group)	100.0%	4.7	0.5		31.12.2005	F
Erste Securities Zagreb d.o.o., Zagreb	97.6%	2.2	0.7		31.12.2005	F
IMMORENT Aktiengesellschaft, Vienna (Group)	100.0%	418.3	58.6	X	31.12.2005	F
Neue Eisenstädter gemeinnützige Bau-, Wohn- und Siedlungsgesellschaft m.b.H., Eisenstadt	50.0%	3.0	0.4		31.12.2004	N
Österreichisches Volkswohnungswerk, Gemeinnützige Gesellschaft mit beschränkter Haftung, Vienna	100.0%	30.2	2.8		31.12.2004	N
s Autoleasing GmbH, Vienna	100.0%	0.1	0.1		31.12.2005	F
„Wohnungseigentümer" Gemeinnützige Wohnbaugesellschaft m.b.H., Mödling	26.0%	20.5	3.7		31.12.2004	N
3.) Others						
ARWAG Holding-Aktiengesellschaft, Vienna (Group)	19.2%	54.6	12.5		31.12.2004	N
AVS Beteiligungsgesellschaft m.b.H., Innsbruck	51.0%	99.5	0.9		31.12.2005	F
BMG-Warenbeschaffungsmanagement GmbH, Vienna	55.9%	–	–		31.12.2005	F
Budapesti Értéktözsde Rt, Budapest	12.2%	21.3	4.2		31.12.2004	N
Capexit Private Equity Invest AG, Vienna (Group)	93.9%	12.8	-1.3		31.12.2005	F
CSSC Customer Sales Service Center GmbH, Vienna	46.9%	–	–		31.12.2005	F
Dezentrale IT-Infrastruktur Services GmbH, Vienna	74.4%	–	–	X	31.12.2005	F
Donau Allgemeine Versicherungs-Aktiengesellschaft, Vienna	8.5%	84.1	9.6		31.12.2004	N
EB-Beteiligungsservice GmbH, Vienna	99.8%	–	–	X	31.12.2005	F
EB-Malta-Beteiligungen Gesellschaft m.b.H., Vienna	100.0%	131.6	10.2		31.12.2005	F

[1] Profit transfer agreement with Erste Bank AG
[2] F Fully consolidated, E Consolidated at equity, N Not consolidated

Company name, domicile	Interest in %	Shareholders´ equity in EUR million	Net income in EUR million	Profit-transfer[1]	Balance sheet date	Inclusion in Consolidated Financial Statements [2]
EB-Restaurantsbetriebe Ges.m.b.H., Vienna	100.0%	–	–	X	31.12.2005	F
ecetra Internet Services AG, Vienna(Group)	100.0%	17.8	-3.9		31.12.2005	F
ECO Unternehmensbeteiligungs-GmbH, Vienna	100.0%	17.7	-0.9		31.12.2005	F
Erste Reinsurance S.A., Luxemburg	100.0%	15.0	–		31.12.2005	F
GESCO Gesellschaft für Unternehmens-communication GmbH, Vienna	55.8%	0.9	-1.1		31.12.2005	F
Informations-Technologie Austria GmbH, Vienna	25.9%	22.5	0.2		31.12.2005	E
OM Objektmanagement GmbH, Vienna (Group)	100.0%	83.4	16.7	X	31.12.2005	F
s Haftungs- und Kundenabsicherungs GmbH, Vienna	62.6%	0.2	–		31.12.2005	F
s Immobilienfinanzierungsberatung GmbH, Vienna	72.9%	-4.9	-0.2		31.12.2005	F
s REAL Immobilienvermittlung GmbH, Vienna (Group)	98.4%	1.7	0.7		31.12.2005	F
S Tourismus Services GmbH, Vienna	100.0%	4.8	-9.4		31.12.2005	F
SPARDAT Sparkassen-Datendienst Gesellschaft m.b.H., Vienna	73.4%	1.7	0.1		31.12.2005	F
Sparkassen Immobilien Aktiengesellschaft, Vienna (Group)	16.2%	224.7	5.0		31.12.2004	E
Sparkassen Versicherung Aktiengesellschaft, Vienna (Group)	61.9%	211.5	25.4		31.12.2005	F
Sparkassen Zahlungsverkehrabwicklungs GmbH, Linz	40.0%	0.4	–		31.12.2005	F
„Sparkassen-Haftungs Aktiengesellschaft“, Vienna	38.5%	0.2	–		31.12.2005	F
SporDat, spol. s.r.o., Bratislava	99.5%	1.0	0.9		31.12.2005	F
S-Tourismusfonds Management Aktiengesellschaft, Vienna	99.9%	42.9	1.0		31.12.2005	F
UBG-Unternehmensbeteiligungs-gesellschaft m.b.H., Vienna	100.0%	0.6	–		31.12.2004	N
VBV-Pensionskasse Aktiengesellschaft, Vienna	27.2%	46.3	9.1		31.12.2004	E
VERMREAL Liegenschaftserwerbs- und -betriebs GmbH, Vienna	25.6%	8.2	0.1		31.12.2005	E
VMG-Erste Bank Versicherungsmakler GmbH, Vienna	100.0%	0.2	0.2	X	31.12.2005	F
WED Holding Gesellschaft m b H., Vienna	19.2%	11.5	–		31.12.2004	N
Wiener Börse AG, Vienna	10.1%	30.3	6.2		31.12.2004	N

[1] Profit transfer agreement with Erste Bank AG
[2] F Fully consolidated, E Consolidated at equity, N Not consolidated

Vienna, 6 March 2006

The Managing Board

Andreas Treichl mp Chairman	Elisabeth Bleyleben-Koren mp Vice Chairwoman
Reinhard Ortner mp Member	Franz Hochstrasser mp Member
Erwin Erasim mp Member	Christian Coreth mp Member

AUDITORS' REPORT

We have audited the consolidated financial statements of Erste Bank der oesterreichischen Sparkassen AG, Vienna, for the fiscal year from January 1, 2005 to December 31, 2005. Management is responsible for the preparation and the content of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and for the preparation of the management report in accordance with Austrian regulations. Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to state whether the management report is in accordance with the consolidated financial statements.

We conducted our audit in accordance with Austrian Standards on Auditing and the applicable Austrian laws and regulations and International Standards on Auditing (ISAs) issued by the International Federation of Accountants (IFAC). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement and whether we can state that the management report is in accordance with the consolidated financial statements. In determining the audit procedures we considered our knowledge of the business activity, the economic and legal environment of the group and expectations about potential errors. An audit involves procedures to obtain evidence about amounts and disclosures in the consolidated financial statements predominantly on a sample basis. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any objections. In our opinion the consolidated financial statements of Erste Bank der oesterreichischen Sparkassen AG are in accordance with legal requirements and present fairly, in all material respects the financial position of the company as of December 31, 2005 and of the results of its operations and its cash-flows for the fiscal year from January 1, 2005 to December 31, 2005 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. The management report is in accordance with the consolidated financial statements.

Vienna, 6 March 2006

Sparkassen-Prüfungsverband
Prüfungsstelle

Friedrich Hief	Erich Kandler
Public Accountant	Public Accountant

Deloitte Wirtschaftsprüfungs
GmbH

Kurt Schweighart	Thomas Becker
Public Accountant	Public Accountant

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