# Interim Report
# H1 2005

## Erste Bank 2005
## The leading financial services provider in Central Europe

**Acquisition: Erste Bank expands to Southeastern Europe by buying Serbia's Novosadska banka**
**Efficiency: Implementation of New Group Architecture progresses on schedule**
**Share: Strong participation in employee share ownership plan**

## Key figures (IFRS)

| in EUR million | 30.6.2005 | 31.12.2004 restated | 31.12.2004 published |
|---|---|---|---|
| **Balance sheet** | | | |
| Total assets | 152,660.0 | 139,812.0 | 139,682.0 |
| Loans and advances to customers | 77,227.0 | 72,843.0 | 72,722.0 |
| Amounts owed to customers | 71,125.0 | 68,213.0 | 68,213.0 |
| Shareholders' equity | 3,703.0 | 3,424.0 | 3,347.0 |
| Solvency ratio pursuant to Sec. 22 Banking Act (in %) | 10.2 % | | 10.7 % |
| of which core capital ratio (in %) | 6.5 % | | 6.7 % |

| | 1.1.–30.6.2005 | 1.1.–30.6.2004 restated | 1.1.–30.6.2004 published |
|---|---|---|---|
| **Income statement** | | | |
| Operating result | 812.5 | 710.4 | 712.4 |
| Pre-tax profit | 593.2 | 504.3 | 501.1 |
| Net profit after minority interests | 335.7 | 238.3 | 240.2 |

| | 1.1.–30.6.2005 | 1.1.–31.12.2004 restated | 1.1.–30.6.2004 restated |
|---|---|---|---|
| **Profitability** | | | |
| Interest margin in per cent of average interest bearing assets | 2.1 % | 2.2 % | 2.2 % |
| Cost-income ratio (in %) | 62.0 % | 63.5 % | 64.5 % |
| Return on Equity (RoE) (in %) | 18.7 % | 17.0 % | 16.2 % |
| Earnings per share (in EUR) | 1.4 | 2.1 | 1.0 |

## Ratings

| | |
|---|---|
| **FITCH** | |
| Long-term | A |
| Short-term | F1 |
| Individual | B/C |
| **Moody's Investors Service** | |
| Long-term | A1 |
| Short-term | P-1 |
| Bank Financial Strength Rating | B– |
| **Standard & Poor's** | |
| Short-term | A-2 |

## Performance of Erste Bank share


In calculating rates of change, small discrepancies may emerge compared with calculations using unrounded figures.

## Financial calendar*

| | |
|---|---|
| 16 September 2005 | Capital Markets Day 2005 |
| 31 October 2005 | Release of results for the third quarter of 2005 |
| 28 February 2006 | Release of preliminary results for 2005 |
| 28 April 2006 | Release of results for the first quarter of 2006 |
| 19 May 2006 | Annual General Meeting 2006 |
| 31 July 2006 | Release of results for the first half of 2006 |
| 30 October 2006 | Release of results for the third quarter of 2006 |

*) tentative date


## Erste Bank Investor Relations

Erste Bank, Milchgasse 1, A-1010 Vienna/Austria
PHONE: from within Austria 05 0100-17693
international +43 5 0100-17693
E-MAIL: investor.relations@erstebank.at
FAX: from within Austria 05 0100 9-13112
international +43 5 0100 9-13112
INTERNET: www.erstebank.com/ir

**Gabriele Semmelrock-Werzer**
PHONE: from within Austria 05 0100-11286
international +43 5 0100-11286
E-MAIL: gabriele.werzer@erstebank.at

**Thomas Sommerauer**
PHONE: from within Austria 05 0100-17326
international +43 5 0100-17326
E-MAIL: thomas.sommerauer@erstebank.at

**Monika Peraus**
PHONE: from within Austria 05 0100-11282
international +43 5 0100-11282
E-MAIL: monika.peraus@erstebank.at


**Ticker symbols**

| | |
|---|---|
| Reuters | ERST.VI |
| Bloomberg | EBS AV |
| Datastream | O:ERS |
| ISIN | AT0000652011 |
| ADR Cusip-Code | 296 036 304 |


## Erste Bank

PHONE: from within Austria 05 0100-10100
international +43 5 0100-10100
E-MAIL: kontakt@erstebank.at
INTERNET: www.erstebank.com
www.erstebank.at

# Highlights in figures

The revised IASB standards IAS 32 (Financial Instruments: Disclosure and Presentation) and IAS 39 (Financial Instruments: Recognition and Measurement) are compulsory as of 1 January 2005. They mainly affect the presentation of securities trading and the valuation of loans. Under the transitional provisions, prior-year figures must be restated. The rates of change indicated are based on the restated prior-year figures.

> **Net interest income** rose by 5.2 per cent from EUR 1,318.5 m to **EUR 1,386.5 m**.

> **Net commission income** increased by 9.5 per cent from EUR 563.6 m to **EUR 617.0 m**.

> **Operating income** rose by 6.6 per cent from EUR 2,003.5 m to **EUR 2,135.6 m**.

> **General administrative expenses** increased by 2.3 per cent from EUR 1,293.1 m to **EUR 1,323.1 m**.

> **Operating profit** improved, rising 14.4 per cent from EUR 710.4 m to **EUR 812.5 m**.

> **Pre-tax profit** rose by 17.6 per cent from EUR 504.3 m to **EUR 593.2 m**.

> **Group net profit after taxes and minority interests** increased by 40.9 per cent from EUR 238.3 m to **EUR 335.7 m**.

> The **cost/income ratio** improved from 63.5 per cent in FY 2004 to **62.0 per cent**.

> The **return on equity** rose from 17.0 per cent in FY 2004 to **18.7 per cent**.

> **Total assets** were **EUR 152.7 bn**, an increase of 9.2 per cent on the end-2004 figure (EUR 139.8 bn).

> **Earnings per share** for the first half rose from EUR 1.00 to **EUR 1.40** year-on-year.

> **The tier 1 capital ratio was 6.5 per cent** on 30 June 2005, down from 6.7 per cent at the end of 2004.

The first half of 2005 marks another step in a series of consistently strong results for Erste Bank Group. The second quarter results were not only the best ever in the company's history, but brought further improvements at the Central European subsidiaries and excellent figures at the Austrian branch operations. As a result, the management of Erste Bank Group is confirming the outlook for the current year and the targets for 2006. The continued strong growth in Central and Eastern Europe is a clear justification of Erste Bank's strategy of evaluating further acquisitions in the region.

# Highlights

## Erste Bank acquires 83.3 per cent of Serbia's Novosadska banka for EUR 73 million

On 15 July 2005 Erste Bank and the Republic of Serbia signed the agreement under which Erste Bank is to buy the government's 83.28 per cent stake in Novosadska banka a.d., Novi Sad. The purchase price for this interest is EUR 73.17 million (CSD 5,786 million) and – based on Novosadska banka's audited IFRS-based book value of EUR 26.42 million (CSD 2,089 million) as of 31 December 2004 – represents a price/book value ratio of 3.3. Erste Bank was selected on 18 May 2005 as the preferred bidder by Serbia's BRA (Agency for Deposit Insurance, Rehabilitation, Bankruptcy and Liquidation of Banks). Upon approval of this transaction by Austria's Financial Market Authority, Erste Bank will present an offer to buy the other 16.72 per cent of Novosadska banka, currently held in the form of free float by more than 2,000 small shareholders. These shareholders will be offered the same price that Erste Bank bid in the privatisation.

Novosadska banka (with total assets of EUR 132.3 million as of 31 December 2004) has a market share of 10 per cent and is the second largest bank in Vojvodina, Serbia's most rapidly flourishing region, which is linked to Austria and other Central European countries by growing economic and cultural ties. As measured by total assets, Novosadska banka commands a market share of 2 per cent in Serbia as a whole. It employs a staff of 873 and its 71 branches serve about 260,000 customers. The bank's extensive retail network forms a solid foundation for executing an ambitious growth strategy in Serbia.

By expanding the branch network and improving and augmenting the product portfolio, Novosadska banka is to be built into a strong, nationally recognised brand. The future product offering is to include mortgage loans, financing for small and medium-sized companies, payment cards and intensified e-banking services.

The transformation programme will start at the end of September 2005 and is expected to run for 18 months. The principal goal of the detailed business plan (which includes further investment of EUR 35 million by 2009) is to strengthen the position of Novosadska banka as the leading retail bank in Vojvodina and also its stature in Serbia at large. By 2010 the bank's national market share in terms of total assets is to be expanded about five-fold to 10 per cent. The planned transformation measures include expanding the branch network, significantly widening the product range, establishing SME banking centres, developing banking services for municipal governments, rearranging the organisational structure around the relationship manager approach implementing the Erste Bank customer segmentation and improving customer service while also harnessing alternative distribution channels, investing in training and exchange programmes for staff development, increasing the headcount to 1,250 employees by the end of 2008 and developing the IT infrastructure.

Break-even is targeted to be reached by the end of 2006 (within 18 months of the acquisition) and return on equity after taxes in 2008 is to exceed 20 per cent.

Exchange rate as of 31 December 2004: 1 EUR = CSD 79.0803.

## ”New Group Architecture” well on track

Work continued on schedule in the first half of 2005 on ”New Group Architecture” (NGA) project, which aims to improve and simplify Erste Bank Group’s structures and processes, and create a ”common language” as a basis for further earnings improvements.

A key focus of the project lies in the retail business, where the initiatives launched in 2004 began to generate results, in some cases directly boosting profitability. Thus, from the fourth quarter of 2005, Erste Bank will offer structured products for building wealth and nest-egg savings in all countries where Erste Bank has a presence; in this way, the long and successful experience with these forms of investment in Austria and the Czech Republic will be transferred to all its geographic markets. Similarly, for the business with retail customers and very-small-companies business, enterprise-wide approaches for more precise targeting of clients and markets were developed that are being rolled out incrementally in all markets from the second half of 2005. As well, by launching a Group-level card unit, Erste Bank plans to ensure the effective and co-ordinated implementation of the Group-wide card strategy, which calls for the development of an attractive credit card package for now more than 12 million customers of Erste Bank.

The initiative to coordinate the servicing of all international major accounts in our extended home market is also well on its way to realisation. In this project, the first half of 2005 saw the completion both of the organisational structure and functional requirements for the establishment of Erste Bank’s new Group Large Corporates unit in several stages by the end of this year.

Positive cost effects should accrue from the Group-wide purchasing initiative. To concentrate its procurement strength, Erste Bank introduced consistent enterprise-wide procedures through its Group Procurement unit which has already begun to reveal the scope for savings.

As a further key element of the new Group architecture, we are working to create a new management structure for the Group’s organisational and IT activities. The combining of all Group software development units in a new company (the ”New Development Unit”) is already under way; a similar approach is sought for IT operations. Implementation of the Erste Bank-wide harmonisation and bundling of the procurement for all decentralized computing needs (such as desktop computers) is in full swing and will be accomplished in stages throughout the Group by 2008.

# The Erste Bank share

## Performance of equity indices

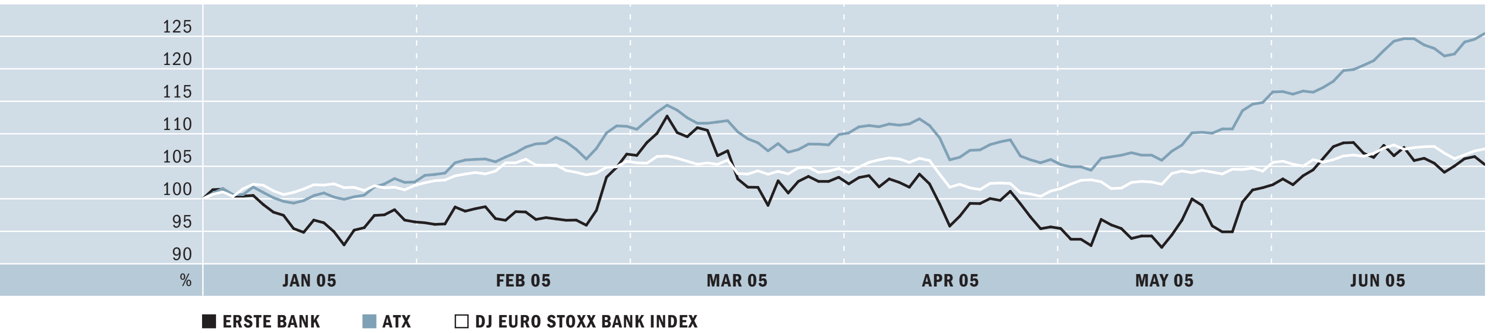
The performance of international equity indices in the second quarter of 2005 was driven primarily by oil prices, the trend in the value of the euro against the US dollar, and the interest rate policies of the central banks. The decline in share prices in April, particularly on the US markets – reflecting fears that inflation would quicken, a restrictive monetary policy course and a global slowdown in growth following the renewed rise in oil prices – was more than recouped during the subsequent months. The European stock markets are benefiting mainly from the depreciation of the euro triggered by weaker economic data and the rejection of the EU constitution in the referenda in France and the Netherlands. An interim decrease in oil prices led to a brief improvement in US equity markets as well. With the exception of the Dow Jones Industrial Average (off 2.2 per cent), all observed stock indices charted gains for the second quarter of 2005. A further benchmark rate increase by the US Federal Reserve and renewed rise in crude oil prices to a record level of more than USD 60 per barrel weighed on stock market performance at the end of June. While the American stock exchanges fell over the first half of 2005 as a result of their decline in the first quarter of this year, the FTSE Eurotop 300 Index advanced by 9.6 per cent.

Based on the positive characterisation of the US economic trend in the "Beige Book" published by the US Federal Reserve, the overnight rate (considered the key interest rate) was raised again in May and in June by 25 basis points at a time to a current level of 3.25 per cent. This brought the total number of consecutive interest rate hikes to nine. The recently positive economic news and the optimistic speech by Federal Reserve chairman Alan Greenspan, which point to further US interest rate tightening and thus to a widening interest rate differential between the USA and the euro zone, led to a renewed weakening of the euro against the American dollar. The key rate set by the European Central Bank currently stands at 2.00 per cent.

In the second quarter of 2005 the Austrian blue-chip equity index, the ATX, continued its powerful gains of the previous quarter by passing the 3,000 mark and reaching an all-time high of 3,049.91 points on 30 June 2005. With an advance of 15.8 per cent in the quarter under review and 25.4 per cent in the first half of 2005, the ATX substantially surpassed all major international stock indices. This performance was fuelled in part by the good results for the first quarter reported by Austrian companies well-positioned in the growth markets of Central Europe.

The DJ Euro Stoxx Bank Index, after rising in the first three months of the year, continued its climb with a gain of 3.3 per cent in the second quarter of 2005. As of 30 June 2005 this European banking index, at 310.38 points, stood 7.7 per cent higher than at the beginning of the year. Business results for the first quarter of 2005 that in some cases exceeded expectations, combined with bank mergers and takeover speculation, made for rising share prices in the European banking sector. The dominant takeover story was the acquisition of HVB by UniCredit and the resulting offers to shareholders of HVB, Bank Austria and BPH. Other targets of forthcoming mergers are Italy's Banca Antonveneta, for which ABN Amro and Banca Populare di Lodi have made bids, and Italian institution Banca Nazionale del Lavoro Spa (BNL), the subject of purchase offers by BBVA and Unipol.

## Erste Bank share performance compared to DJ Euro Stoxx Bank Index and ATX (indexed)



## Performance of the Erste Bank share

With a further price gain of 2.5 per cent in the second quarter of 2005, the Erste Bank share continued the rise achieved in the first three months of the year. At the end of the first half of 2005, Erste Bank's share quoted at EUR 41.37, up 5.3 per cent on its year-end level. The positive performance of Erste Bank shares was underpinned by the publication of the strong earnings for the first quarter and the raising of targets for the full year 2005. The business results were well-received by the analysts that regularly cover the Erste Bank share; the forecasts and price targets were confirmed and in some cases revised upward. Thanks to its remarkable growth and strong, effective positioning in the new EU countries, analysts continue to regard Erste Bank as the core investment in Central Europe portfolios.

## Investor relations

Erste Bank management met with numerous investors during the second quarter, including at banking conferences hosted by UBS in London and New York in May and by Goldman Sachs in Puerto Banus, Spain, in June. As well, the strategy and positioning of Erste Bank Group were presented to numerous international investors during the June road shows held in Warsaw and Milan by the Vienna Stock Exchange together with Erste Bank and RCB.

The international interest in the Erste Bank share is exemplified by the fact that Bear Stearns, the respected analyst house, has initiated coverage of the bank. Bear Stearns rated the Erste Bank share "Peer Perform", citing the high earnings potential existing both in the Eastern European countries where the Erste Bank Group already commands a leading market position, and in the new and particularly rapidly growing markets of Central and Eastern Europe.

The Institutional Investor Research Group, in the course of its annual evaluation of the investor relations departments of publicly traded European companies, also rated Erste Bank in its publication "The 2005 European Investor Relations Perception Study". Of the 19 Austrian companies examined, Erste Bank ranked first in investor relations; in the European banking sector, Erste Bank placed ninth of 90 banks.

In April 2005, under the management share option plan launched in 2002, a total of 1,408,068 shares were subscribed for at an exercise price of EUR 16.50 per share (taking into account the stock split performed in 2004). Additionally, 332,640 shares were purchased under the 2005 employee share ownership plan from 2 to 13 Mai 2005. This represented the highest participation rate thus far in such a scheme. The exercise price, set at 20 per cent below the share's average quoted price of April 2005, was EUR 31.50 per share. Under both plans the acquired shares are subject to a holding period of one year. In all, 1,740,708 new shares were issued in the capital increase from contingent capital. This raised the number of Erste Bank's shares outstanding from 241,442,892 to 243,183,600 and expanded the subscribed share capital from EUR 482,885,784 to EUR 486,367,200. The new, no-par-value shares have been listed in Vienna and Prague since 30 June 2005. Employees and management now own almost 2 percent of Erste Bank.

## Key figures for the Erste Bank share

| | |
|---|---|
| Share price at 30 June 2005 | EUR 41.37 |
| High for the year to date (7 March 2005) | EUR 44.30 |
| Low for the year to date (17 May 2005) | EUR 36.36 |
| Price-earnings ratio at 30 June 2005[1] | 14.67 |
| Trading volume (to 30 June 2005) | EUR 1,970 million |
| Market capitalisation at 30 June 2005 | EUR 10.1 billion |

1 Based on earnings per share of EUR 2.82 (IBES/consensus forecast for 2005)

## Institutions providing research on the Erste Bank share[1]

- Bank Austria Creditanstalt
- Citigroup
- Deutsche Bank
- Fox-Pitt, Kelton
- JP Morgan
- Lehman Brothers
- Morgan Stanley
- Sal. Oppenheim
- UBM UniCredit Banca Mobiliare
- WestLB
- Bear Stearns
- CSFB
- Dresdner Kleinwort Wasserstein
- ING
- Keefe, Bruyette & Woods
- Merrill Lynch
- Raiffeisen Centrobank
- Société Générale
- UBS

1 This list represents all institutions known to Erste Bank at press time that prepare research reports on the Erste Bank share.

# Developments at Erste Bank

The revised IASB standards IAS 32 (Financial Instruments: Disclosure and Presentation) and IAS 39 (Financial Instruments: Recognition and Measurement) are compulsory as of 1 January 2005. They mainly affect the presentation of securities trading and the valuation of loans. Under the transitional provisions, prior-year figures must be restated. The rates of change indicated are based on the restated prior-year figures.

**Net interest income** rose 5.2 per cent compared with the same period last year from EUR 1,318.5 m to EUR 1,386.5 m. This is mainly due to the strong volume expansion in the retail segment of CS.

Despite falling interest rates in Central Europe, we were successful in maintaining the net interest margin at 2.12 per cent in the first half of 2005, unchanged on the first-quarter figure. The slight decline compared to the full year 2004 figure (2.21 per cent) is attributable first and foremost to the additional refinancing costs payable in relation to the acquisition in January 2005 of the remaining 19.99 per cent of Slovenská sporiteľňa and the overall interest rate environment

The domestic net interest margin stabilised at about 1.6 per cent, while net interest margins in Central Europe ranged from 3.2 per cent to above 5.0 per cent, thus remaining significantly higher than in Austria.

The positive trend in **net commission income** continued with a rise of 9.5 per cent from EUR 563.6 m to EUR 617.0 m. This was due mainly to the above-average increases in commission income from securities trading (up 20.5 per cent at EUR 175.4 m) and from the sale of insurance products (up 23.8 per cent at EUR 38.0 m).

**Net trading income** was virtually stable year-on-year at EUR 105.2 m (first half of 2004: EUR 108.3 m). The slight fall is mainly attributable to foreign exchange trading.

**Earnings from insurance business** in the first half of the year reflected the significantly higher valuation gains in the securities portfolio and, at EUR 26.9 m, were more than double the EUR 13.1 m for the same period last year.

Total **operating income** in the first six months of 2005 was therefore up 6.6 per cent year-on-year at EUR 2,135.6 m (first half of 2004: EUR 2,003.5 m).

**General administrative expenses**, meanwhile, rose only by a modest 2.3 per cent from EUR 1,293.1 m to EUR 1,323.1 m. A fall of 1.0 per cent was recorded in Austria. This was, however, offset by a rise of 8.9 per cent in Central Europe, caused primarily by higher VAT rates in the Czech Republic and Slovakia as well as exchange rate trends.

**Personnel expenses** were EUR 761.4 m, a 5.5 per cent increase versus the EUR 721.9 m in the same period last year. Group **headcount** stood at 35,740 as at 30 June 2005, recording a marginal fall of 0.3 per cent in the first six months of 2005. There were slight increases in Austria as well as in Hungary and Croatia, due to branch network expansions, while the headcount was down in the Czech Republic and Slovakia.

Ongoing cost management led to a 2.2 per cent decline in **other administrative expenses** from EUR 403.3 m to EUR 394.4 m. Other administrative expenses in Austria fell 8.5 per cent to EUR 211.0 m, although they increased by 6.2 per cent to EUR 183.4 m in Central Europe – driven mainly by the rise in VAT rates mentioned previously and by currency appreciation.

| in EUR million | Jan–Jun 2005 | Jan–Jun 2004 restated | Change in per cent | Jan–Jun 2004 published |
|---|---|---|---|---|
| Net interest income | 1,386.5 | 1,318.5 | 5.2 | 1,317.1 |
| Loan loss provisions | (209.9) | (196.8) | 6.7 | (196.8) |
| Net commission income | 617.0 | 563.6 | 9.5 | 565.2 |
| Net trading result | 105.2 | 108.3 | (2.9) | 108.3 |
| General administrative expenses | (1,323.1) | (1,293.1) | 2.3 | (1,291.5) |
| Insurance business | 26.9 | 13.1 | >100.0 | 13.3 |
| Other operating result | (9.4) | (9.3) | (1.1) | (14.5) |
| **Pre-tax profit for the period** | **593.2** | **504.3** | **17.6** | **501.1** |
| **Profit for the period** | **453.7** | **362.8** | **25.1** | **366.0** |
| **Net profit after minority interests** | **335.7** | **238.3** | **40.9** | **240.2** |
| | | | | |
| Cost/income ratio | 62.0 % | 64.5 % | | 64.4 % |

**Depreciation** was EUR 167.3 m, in line with the level in the same period last year (EUR 167.9 m). Here, too, there was a sharp reduction in Austria – principally due to a restrictive IT investment policy.

**Operating profit** for the first half of 2005 advanced from EUR 710.4 m to EUR 812.5 m, an increase of 14.4 per cent.

The **cost/income ratio** has improved continuously since the IPO in 1997 and reached 62.0 per cent in the first half of 2005 down from 63.5 per cent for the full year of 2004. The target for 2006 is to achieve a figure of less than 61 per cent.

The **other operating result** was EUR -9.4 m, practically unchanged compared to the figure in the same period last year (EUR -9.3 m). The biggest positions under this item were local deposit insurance contributions and gains from revaluations and securities sales at group level.

**Risk provisions for loans and advances** were EUR 209.9 m in the first half, 6.7 per cent higher than in the same period last year (EUR 196.8 m). This increase was related to strong volume growth in Central Europe and the non-recurrence of releases at our Slovak and Croatian subsidiaries.

**Pre-tax profit** advanced from EUR 504.3 m to EUR 593.2 m, an increase of 17.6 per cent.

Despite the increase in pre-tax profit, **taxes on income and earnings** edged down 1.4 per cent from EUR 141.5 m to EUR 139.5 m. This was due to the positive impact from tax rate cuts (especially in Austria and the Czech Republic) and, in particular, to the effect of a one-off write-down of deferred tax assets in the first quarter of 2004 (EUR 20.0 m). The write-down resulted from the reduction in the Austrian corporate tax rate from 34 per cent to 25 per cent as of 2005.

The 5.2 per cent decline in **minority interests**, which fell from EUR 124.5 m in the first half of 2004 to EUR 118.0 m in the first half of 2005, is attributable mainly to the increase in the Slovenská sporiteľňa stake to 100 per cent and to the non-recurrence of a one-off gain recorded in 2004 from the disposal of the non-life insurance business in the Czech Republic.

**Group net profit** after taxes and minority interests improved significantly from EUR 238.3 m in the first half of 2004 to EUR 335.7 m, showing the impressive earnings power of Erste Bank. The related increase in **return on equity** (ROE) to 18.7 per cent (versus 17.0 per cent in financial year 2004) demonstrates the good use of the Group's capital, and reaffirms the strategic focus. In addition to profit growth of close to 50 per cent at Erste Bank's Central European subsidiaries, which boosted their contribution to group profit to 67 per cent in the first half of 2005, the Austrian business showed a very positive development.

**Earnings per share** for the first half grew from EUR 1.00 a year earlier to EUR 1.40.

| in EUR million | Jan–Jun 2005 | Jan–Jun 2004 restated | Change in per cent | Jan–Jun 2004 published |
|---|---|---|---|---|
| **Erste Bank Group** | | | | |
| Personnel expenses | 761.4 | 721.9 | 5.5 | 720.3 |
| Other administrative expenses | 394.4 | 403.3 | (2.2) | 403.3 |
| *Subtotal* | *1155.8* | *1125.2* | *2.7* | *1123.6* |
| Depreciation | 167.3 | 167.9 | (0.4) | 167.9 |
| **Total** | **1323.1** | **1293.1** | **2.3** | **1291.5** |
| | | | | |
| **Austria (incl. Corporate Center and International Business)** | | | | |
| Personnel expenses | 553.8 | 531.7 | 4.2 | 531.7 |
| Other administrative expenses | 211.0 | 230.6 | (8.5) | 230.6 |
| *Subtotal* | *764.8* | *762.3* | *0.3* | *762.3* |
| Depreciation | 86.1 | 97.3 | (11.5) | 97.3 |
| **Total** | **850.9** | **859.6** | **(1.0)** | **859.6** |
| | | | | |
| **Central Europe** | | | | |
| Personnel expenses | 207.6 | 190.2 | 9.2 | 188.6 |
| Other administrative expenses | 183.4 | 172.7 | 6.2 | 172.7 |
| *Subtotal* | *391.0* | *362.9* | *7.8* | *361.3* |
| Depreciation | 81.2 | 70.6 | 15.0 | 70.6 |
| **Total** | **472.2** | **433.5** | **8.9** | **431.9** |

## Performance in the second quarter of 2005

Erste Bank posted a record net profit of EUR 175.4 m in the **second quarter** of 2005, making this the best quarter in the group's history.

**Net interest income** increased 3.5 per cent quarter-on-quarter from EUR 681.2 m to EUR 705.3 m. The slight decline in **net commission income** (1.7 per cent) from EUR 311.1 m to EUR 305.9 had little impact on the very positive development of the quarterly figures.

The **trading result** was EUR 48.0 m, which – as expected – did not quite match the high figure recorded in the first quarter (EUR 57.2 m).

**General administrative expenses** rose marginally, up 0.8 per cent from EUR 658.9 m to EUR 664.2 m. While there was a slight reduction in other administrative expenses and in depreciation, personnel expenses rose 1.7 per cent from EUR 377.4 m to EUR 384.0 m. This was due in part to additional expenses relating to the employee stock ownership and option plans for 2005.

**Operating profit** was EUR 416.3 m, a 5.1 per cent increase versus the previous quarter (EUR 396.2 m).

The **cost/income ratio** improved from 62.4 per cent in the first quarter of 2005 to 61.5 per cent in the second quarter.

**Risk provisions** for loans and advances were EUR 108.6 m in the second quarter, up 7.2 per cent versus the previous three-month period (EUR 101.3 m), owing in particular to higher requirements at the savings banks.

**Other operating result** stood at EUR -7.4 m in the quarter versus EUR -2.0 m in the first quarter, with the change mainly attributable to revaluations and disposals in respect of securities investments.

**Pre-tax profit** for the second quarter was EUR 300.3 m, a 2.5 per cent increase versus the first three months (EUR 292.2 m).

**Group net profit after tax and minority interests** rose by 9.4 per cent from EUR 160.3 m to EUR 175.4 m.

## Outlook

The Group maintains its objective of delivering net profit of at least EUR 660 m in 2005 and its target of EUR 750 m for 2006. This translates into a target (cash) return on equity of at least 18 per cent and a cost/income ratio of no higher than 61 per cent in 2006.

The acquisition of an 83.28 per cent stake in Serbian Novosadska banka in July 2005 (transaction price: EUR 73.2 m) is not expected to have a substantial impact on earnings in 2005. Novosadska banka is expected to be consolidated in Erste Bank's accounts from the beginning of August 2005.

## Balance sheet performance

In the first half of 2005, Erste Bank Group's consolidated **total assets** grew 9.2 per cent to EUR 152.7 bn from EUR 139.8 bn at end-2004.

**Loans and advances to customers** increased 6.0 per cent from EUR 72.8 bn at end-2004 to EUR 77.2 bn at the end of June 2005. Loan growth in Central Europe is particularly noteworthy with loan volume increasing by an average 12.9 per cent since year-end 2004: in the Czech Republic volume rose by 11.5 per cent, in Slovakia by 19.4 per cent, in Hungary by 7.4 per cent and in Croatia it increased by 22.7 per cent.

**Risk provisions** increased 2 per cent to EUR 2.9 bn as a result of new allocations in the first half, although these allocations were partly offset by usage of existing provisions.

**Available for sale (AfS) and assets through profits and loss:** in accordance with the revised IAS 39, valuation profits or losses on the AfS portfolio must now be shown under total equity until the securities are sold or repaid (cumulative valuation profits at 30 June 2005: EUR 550 m versus EUR 429 m at end-2004). The heading also includes the new fair value portfolio category. Revaluations and realised profits or losses on this portfolio are booked to the profit and loss account. At 30 June 2005, the fair value and available for sale portfolios were valued at EUR 4.0 bn and EUR 14.1 bn respectively.

Assets shown under the headings trading assets, AfS and assets through profit and loss and financial investments grew 10.3 per cent from EUR 42.5 bn to EUR 46.9 bn overall. The increase was mainly attributable to fixed income securities and, in the case of **financial investments**, to the s Versicherung investment portfolio. The biggest percentage increase was in **trading assets**, which grew 26.2 per cent from EUR 4.6 bn at end-2004 to EUR 5.8 bn at the reporting date.

Interbank business made a higher-than-average impact on both sides of the balance sheet. **Loans and advances to credit institutions** increased 26.5 per cent from EUR 15.7 bn to EUR 19.8 bn, while **amounts owed to credit institutions** rose 24.6 per cent from EUR 28.6 bn to EUR 35.6 bn. The distribution of increases is relatively similar between domestic and foreign lending business. However, during the course of the year, this position tends to be scaled back.

On the liabilities side, **amounts owed to customers** increased 4.3 per cent from EUR 68.2 bn to EUR 71.1 bn. Savings deposits were marginally down, falling 0.6 per cent from EUR 38.0 bn to EUR 37.7 bn.

**Subordinated liabilities** grew 7.9 per cent from EUR 3.0 bn to EUR 3.2 bn, while other **debts evidenced by certificates** were up 0.8 per cent from EUR 19.7 bn to EUR 20.0 bn.

The Group's **total equity** increased by 6.2 per cent in the first half, from EUR 6.7 bn to EUR 7.1 bn. The increase mainly reflects earnings in the first half of 2005 (after deduction of the dividend paid by Erste Bank AG in May) and the EUR 0.2 bn hybrid capital issue in March.

In addition, capital increases in connection with the employee stock ownership and option plans raised a total of EUR 34.6 m (with subscribed capital accounting for EUR 3.4 m of this figure).

**Own funds** of Erste Bank Group as defined under the Austrian Banking Act (BWG) were approximately EUR 7.3 bn as at 30 June 2005. Given the statutory minimum requirement at that date of approximately EUR 5.9 bn, the Group's coverage ratio is approximately 125 per cent.

**Core capital** at end-June was approximately EUR 4.5 bn. This corresponds to a tier 1 ratio of 6.5 per cent (end-2004: 6.7 per cent).

The **solvency ratio** according to the Austrian Banking Act was 10.2 per cent as at 30 June 2005, still well above the statutory minimum requirement of 8 per cent.

| in EUR million | 30 Jun 2005 | 31 Dec 2004 restated | Change in per cent | 31 Dec 2004 published |
|---|---|---|---|---|
| **Assets** | | | | |
| Loans and advances to credit institutions | 19,840.0 | 15,684.0 | 26.5 | 15,513.0 |
| Loans and advances to customers | 77,227.0 | 72,843.0 | 6.0 | 72,722.0 |
| Risk provisions for loans and advances | (2,859.0) | (2,804.0) | 2.0 | (2,749.0) |
| Securities and other financial investments | 46,917.0 | 42,521.0 | 10.3 | 42,636.0 |
| Other assets | 11,535.0 | 11,568.0 | (0.3) | 11,560.0 |
| **Total assets** | **152,660.0** | **139,812.0** | **9.2** | **139,682.0** |
| | | | | |
| **Liabilities** | | | | |
| Amounts owed to credit institutions | 35,582.0 | 28,551.0 | 24.6 | 28,551.0 |
| Amounts owed to customers | 71,125.0 | 68,213.0 | 4.3 | 68,213.0 |
| Debts evidenced by certificates and subordinated capital | 23,102.0 | 22,704.0 | 1.8 | 22,935.0 |
| Total Equity | 7,077.0 | 6,665.0 | 6.2 | 6,476.0 |
| Other liabilities | 15,774.0 | 13,679.0 | 15.3 | 13,507.0 |
| **Total liabilities** | **152,660.0** | **139,812.0** | **9.2** | **139,682.0** |

# Consolidated Financial Statements for the first half of 2005 (IFRS)

The accompanying notes form an integral part of the financial statements.

# Group Balance Sheet of Erste Bank at 30 June 2005

| in EUR million | Notes | 30 Jun 2005 | 31 Dec 2004 restated | Change in per cent | 31 Dec 2004 published |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| 1. Cash and balances with central banks | | 2,463.0 | 2,723.0 | (9.5) | 2,723.0 |
| 2. Loans and advances to credit institutions | (1) | 19,840.0 | 15,684.0 | 26.5 | 15,513.0 |
| 3. Loans and advances to customers | (2) | 77,227.0 | 72,843.0 | 6.0 | 72,722.0 |
| 4. Risk provisions for loans and advances | (3) | (2,859.0) | (2,804.0) | 2.0 | (2,749.0) |
| 5. Trading assets | (4) | 5,839.0 | 4,628.0 | 26.2 | 4,628.0 |
| 6. AfS & assets through profit and loss | (5) | 18,076.0 | 15,967.0 | 13.2 | 9,141.0 |
| 7. Financial investments | (6) | 23,002.0 | 21,926.0 | 4.9 | 28,867.0 |
| 8. Intangible assets | | 1,851.0 | 1,823.0 | 1.5 | 1,823.0 |
| 9. Tangible assets | | 1,688.0 | 1,723.0 | (2.0) | 1,723.0 |
| 10. Other assets | | 5,533.0 | 5,299.0 | 4.4 | 5,291.0 |
| **Total assets** | | **152,660.0** | **139,812.0** | **9.2** | **139,682.0** |
| | | | | | |
| **Liabilities and shareholders' equity** | | | | | |
| 1. Amounts owed to credit institutions | (7) | 35,582.0 | 28,551.0 | 24.6 | 28,551.0 |
| 2. Amounts owed to customers | (8) | 71,125.0 | 68,213.0 | 4.3 | 68,213.0 |
| 3. Debts evidenced by certificates | | 19,871.0 | 19,710.0 | 0.8 | 19,887.0 |
| 4. Provisions | (9) | 8,076.0 | 7,500.0 | 7.7 | 7,328.0 |
| 5. Other liabilities | | 7,698.0 | 6,179.0 | 24.6 | 6,179.0 |
| 6. Subordinated capital | | 3,231.0 | 2,994.0 | 7.9 | 3,048.0 |
| 7. Total Equity | | 7,077.0 | 6,665.0 | 6.2 | 6,476.0 |
| *thereof Shareholders' equity* | | *3,703.0* | *3,424.0* | *8.1* | *3,347.0* |
| *thereof Minority interests* | | *3,374.0* | *3,241.0* | *4.1* | *3,129.0* |
| **Total liabilities and shareholders' equity** | | **152,660.0** | **139,812.0** | **9.2** | **139,682.0** |

# Group Income Statement of Erste Bank from 1 January to 30 June 2005

| in EUR million | Notes | Jan–Jun 2005 | Jan–Jun 2004 restated | Change in per cent | Jan–Jun 2004 published |
|---|---|---|---|---|---|
| 1. Interest and similar income | | 2,795.2 | 2,599.2 | 7.5 | 2,597.8 |
| 2. Interest paid and similar expenses | | (1,408.7) | (1,280.7) | 10.0 | (1,280.7) |
| **I. Net interest income** | **(10)** | **1,386.5** | **1,318.5** | **5.2** | **1,317.1** |
| 3. Risk provisions for loans and advances | (11) | (209.9) | (196.8) | 6.7 | (196.8) |
| 4. Fee and commission income | | 747.4 | 654.3 | 14.2 | 654.3 |
| 5. Fee and commission expenses | | (130.4) | (90.7) | 43.8 | (89.1) |
| *Net commission income (Net of 4 and 5)* | *(12)* | *617.0* | *563.6* | *9.5* | *565.2* |
| 6. Net trading result | (13) | 105.2 | 108.3 | (2.9) | 108.3 |
| 7. General administrative expenses | (14) | (1,323.1) | (1,293.1) | 2.3 | (1,291.5) |
| 8. Income from insurance business | (15) | 26.9 | 13.1 | >100.0 | 13.3 |
| 9. Other operating result | (16) | (9.4) | (9.3) | (1.1) | (14.5) |
| **II. Pre-tax profit for the period** | | **593.2** | **504.3** | **17.6** | **501.1** |
| 10. Taxes on income | | (139.5) | (141.5) | (1.4) | (135.1) |
| **III. Profit for the period** | | **453.7** | **362.8** | **25.1** | **366.0** |
| 11. Minority interests | | (118.0) | (124.5) | (5.2) | (125.8) |
| **IV. Net profit after minority interests** | | **335.7** | **238.3** | **40.9** | **240.2** |

### Earnings per share

Earnings per share represents net profit after minority interests divided by the average number of ordinary shares outstanding. Diluted earnings per share represents the maximum possible dilution in the event that the average number of shares covered by subscription or conversion rights granted has increased or may increase.

| in EUR | Jan–Jun 2005 | Jan–Jun 2004 restated | Change in per cent | Jan–Jun 2004 published |
|---|---|---|---|---|
| Earnings per share | 1.4 | 1.0 | 40.0 | 1.0 |
| Diluted earnings per share | 1.3 | 0.9 | 40.3 | 1.0 |

# Consolidated Statement of Changes in Equity

| in EUR million | Subscribed capital | Add. paid-in capital | Retained earnings | Shareholders' equity | Minority Interests | Total Shareholders' equity Jan–Jun 2005 | Total Shareholders' equity Jan–Jun 2004 restated |
|---|---|---|---|---|---|---|---|
| **Equity as of 01.01.** | **483.0** | **1,429.0** | **1,512.0** | **3,424.0** | **3,241.0** | **6,665.0** | **5,779.0** |
| Translation differences | | | 29.0 | 29.0 | 8.0 | 37.0 | 59.0 |
| Changes in own shares | | | (12.0) | (12.0) | | (12.0) | (5.0) |
| Dividends | | | (120.0) | (120.0) | (94.0) | (214.0) | (204.0) |
| Capital increases | 3.0 | 32.0 | | 35.0 | | 35.0 | 29.0 |
| Profit for the period | | | 336.0 | 336.0 | 118.0 | 454.0 | 363.0 |
| Other changes | | | 11.0 | 11.0 | 101.0 | 112.0 | 179.0 |
| thereof cash flow hedge | | | (25.0) | (25.0) | 8.0 | (17.0) | (16.0) |
| thereof Available for Sale Reserve | | | 40.0 | 40.0 | 80.0 | 120.0 | (17.0) |
| thereof deferred taxes | | | (4.0) | (4.0) | (22.0) | (26.0) | 9.0 |
| thereof Changes of investments | | | | 0.0 | 35.0 | 35.0 | 202.0 |
| thereof Other | | | | 0.0 | | 0.0 | 1.0 |
| **Equity as of 30.06.** | **486.0** | **1,461.0** | **1,756.0** | **3,703.0** | **3,374.0** | **7,077.0** | **6,200.0** |

# Cash Flow Statement

| in EUR million | Jan–Jun 2005 | Jan–Jun 2004 restated | Change in per cent | Jan–Jun 2004 published |
|---|---|---|---|---|
| **Cash and cash equivalents at the beginning of period** | **2,723.0** | **2,549.0** | **6.8** | **2,549.0** |
| Cash flow from operating activities | 445.0 | 1,218.0 | (63.5) | 1,790.0 |
| Cash flow from investing activities | (1,031.0) | (776.0) | 32.9 | (1,348.0) |
| Cash flow from financing activities | 291.0 | (317.0) | >100.0 | (317.0) |
| Effect of translation differences | 35.0 | 35.0 | 0.0 | 35.0 |
| **Cash and cash equivalents at end of period** | **2,463.0** | **2,709.0** | **(9.1)** | **2,709.0** |

# Notes to the consolidated financial statements of the Erste Bank Group for the first half of 2005

The consolidated financial statements of the Erste Bank Group are prepared in accordance with the International Financial Reporting Standards (IFRS – formerly IAS) as interpreted by the International Financial Reporting Interpretations Committee (IFRIC – formerly SIC). These financial statements for the first half of 2005 comply with IAS 34 (Interim Financial Reporting).

New standards published at the end of 2003 and in 2004 have given rise to important changes in the following areas in particular:

### IAS 39 and IAS 32

The revised versions of IAS 32 (Financial Instruments: Disclosure and Presentation) and IAS 39 (Financial Instruments: Recognition and Measurement) must be applied from 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. This means that the data for 2004 is presented as if the changed standards had always been applied in their new form.

These adjustments pertain largely to the securities business and the valuation of lendings and borrowings and do not result in material changes.

Under the transition provisions of the revised IAS 39, the value changes resulting from the remeasurement at 1 January 2004 must be recognised in equity retrospectively to that date.

As a result of these value adjustments, consolidated shareholders' equity at 1 January 2004 after deferred taxes increases by EUR 34.7 million to EUR 2,825 million; total minority interests in equity after deferred taxes at 1 January 2004 increases by EUR 73.8 million to EUR 2,953 million.

After taxes and minority interests, consolidated net profit for 2004 decreases by EUR 23.7 million to a total of EUR 520.8 million. The return on equity based on this new net profit after minority interests is now 17.0 per cent rather than 18.0 per cent.[1]

1 Further details on the change-over to IAS 39 are given in a news release dated 3 May 2005 that is available on Erste Bank's website.

## Significant business events during the reporting period

In April 2005, under the management share option plan launched in 2002, a total of 1,408,068 shares were subscribed for at an exercise price of EUR 16.50 per share (taking into account the stock split performed in 2004). Additionally, 332,640 shares were purchased from 2 to 13 May 2005 under the 2005 employee share ownership plan. The purchase price, set at 20 per cent below the average quoted price of April 2005, was EUR 31.50 per share.

Under both plans the acquired shares are subject to a holding period of one year.

A total of 1,740,708 new shares were issued in a capital increase from contingent capital. This raised the number of Erste Bank's shares outstanding from 241,442,892 to 243,183,600 and expanded the subscribed share capital by EUR 3,481,416, from EUR 482,885,784 to EUR 486,367,200. The new, no-par-value shares have been listed in Vienna and Prague since June 30, 2005.

On 11 May 2005 the Annual General Meeting of Erste Bank approved the 2005 management share option plan (MSOP). Under this MSOP, senior executives and key employees receive options on Erste Bank shares that can be exercised for the subsequent five years.

In total, the 2005 MSOP comprises options on up to 2,000,000 ordinary shares of Erste Bank. Each option confers the right to purchase one share. The options are allocated as follows:

a. 54,000 options for the members of Erste Bank's Managing Board (9,000 per person)
b. 216,000 options for the members of the managing boards of Česká spořitelná, Slovenská spořiteľňa, Erste Bank Hungary and Erste & Steiermärkische banka, Rijeka (9,000 per person)
c. 650,000 options for the members of the managing boards or top management of Group companies and for senior management of Erste Bank and Group companies (1,500 to 3,000 per person)
d. 750,000 options for certain key employees.

The options for managing boards and other management were granted on 1 June 2005 and are credited to the respective recipient's account in three equal tranches as follows: first tranche on 1 September 2005; 2. second tranche on 1 September 2006; 3. third tranche on 1 September 2007. The options for key employees are granted in three equal annual tranches, on 1 September of the years 2005, 2006 and 2007 and are credited immediately on the same day.

Once a tranche becomes exercisable (”vested”), all options of the tranche may be exercised beginning in the first exercise window of the year following the year of crediting. A tranche will be considered vested when the Erste Bank Group's return on equity reported in the consolidated financial statements for the financial year preceding the year of the tranche's first exercise window] reaches or exceeds 17 per cent (based on standard rounding to one digit after the decimal). If this vesting condition is not met, the options of the tranche in question may (subject to the fulfilment of all other exercise requirements) be exercised during the respective option term once a consolidated return on equity of the Erste Bank Group reaches or exceeds 17 per cent in one of the subsequent financial years. In that case the options of the tranche in question become exercisable at the beginning of the first exercise window of the following year.

The exercise price was set at 10 per cent above the average daily closing price of the Erste Bank share quoted on the Vienna Stock Exchange in April 2005, rounded to the nearest half euro. The exercise price applies to all options of all three tranches; it values the options at a total of EUR 43 million.

Every year during the option term, declarations to exercise may be submitted within a period of 14 days from the day following the publication of the quarterly results for the first three quarters of the year. Options cannot be exercised until at least six months after they were credited to the recipient's account. The shares purchased are credited to the exercising eligible participant after the end of the exercise window.

The term of the options in a given tranche begins when the tranche is credited to the recipient's account and ends on the value date of the last exercise window of the fifth calendar year following the year of the crediting date.

Plan participants must leave at least 75 per cent of the shares purchased under the 2005 MSOP in their employee account for one year from the respective value date. During this lock-up period they may not sell this 75 per cent portion of the shares, offer them for sale, otherwise transfer them, or use them as loan collateral. Thus, during this period, no more than 25 per cent of the purchased shares may be sold or used as loan collateral. In the event of a breach of these lock-up provisions, the profit from the options' exercise must be repaid to Erste Bank and unexercised options are forfeited.

## Events after the balance sheet date

On 15 July 2005 Erste Bank signed an agreement to acquire 83.28 per cent of the shares of Novosadska banka a.d., Novi Sad, (Novosadska banka) from the Republic of Serbia.

The purchase price for this stake is EUR 73.17 million. On completion of the transaction, Erste Bank will tender an offer to buy the other 16.72 per cent of Novosadska banka, currently held in the form of free float by more than 2,000 small shareholders. These shareholders will be offered the same price which Erste Bank offered in the privatisation purchase.

## Information on the Group Balance Sheet

### 1) Loans and advances to credit institutions

| in EUR million | 30 Jun 2005 | 31 Dec 2004 restated | Change in per cent | 31 Dec 2004 published |
|---|---|---|---|---|
| Loans and advances to domestic credit institutions | 4,070.0 | 2,495.0 | 63.1 | 2,495.0 |
| Loans and advances to foreign credit institutions | 15,770.0 | 13,189.0 | 19.6 | 13,018.0 |
| **Total** | **19,840.0** | **15,684.0** | **26.5** | **15,513.0** |

### 2) Loans and advances to customers

| in EUR million | 30 Jun 2005 | 31 Dec 2004 restated | Change in per cent | 31 Dec 2004 published |
|---|---|---|---|---|
| Loans and advances to domestic customers | 47,699.0 | 47,031.0 | 1.4 | 47,044.0 |
| Public sector | 2,820.0 | 2,899.0 | (2.7) | 2,899.0 |
| Commercial customers | 26,176.0 | 26,084.0 | 0.4 | 26,147.0 |
| Private customers | 18,535.0 | 17,892.0 | 3.6 | 17,892.0 |
| Unlisted debt securities | 50.0 | 50.0 | 0.0 | |
| Other | 118.0 | 106.0 | 11.3 | 106.0 |
| Loans and advances to foreign customers | 29,528.0 | 25,812.0 | 14.4 | 25,678.0 |
| Public sector | 1,722.0 | 2,569.0 | (33.0) | 2,695.0 |
| Commercial customers | 18,149.0 | 14,392.0 | 26.1 | 15,851.0 |
| Private customers | 8,067.0 | 6,937.0 | 16.3 | 6,937.0 |
| Unlisted debt securities | 1,468.0 | 1,719.0 | (14.6) | |
| Other | 122.0 | 195.0 | (37.4) | 195.0 |
| **Total** | **77,227.0** | **72,843.0** | **6.0** | **72,722.0** |

### 3) Risk provisions

| in EUR million | Jan–Jun 2005 | Jan–Jun 2004 restated | Change in per cent | Jan–Jun 2004 published |
|---|---|---|---|---|
| Risk provisions for loans and advances | | | | |
| **At 1 January** | **2,804.0** | **2,827.0** | **(0.8)** | **2,772.0** |
| Use | (156.0) | (146.0) | 6.8 | (146.0) |
| Net allocation of risk provisions | 191.0 | 180.0 | 6.3 | 180.0 |
| Changes in exchange rates | 20.0 | 21.0 | (4.8) | 21.0 |
| **At 30 June** | **2,859.0** | **2,882.0** | **(0.8)** | **2,827.0** |
| Other risk provisions (off-balance-sheet transactions and other lending commitments) | 151.0 | 78.0 | 93.6 | 78.0 |
| **Risik provisions at 30 June** | **3,010.0** | **2,960.0** | **1.7** | **2,905.0** |

### 4) Trading assets

| in EUR million | 30 Jun 2005 | 31 Dec 2004 restated | Change in per cent | 31 Dec 2004 published |
|---|---|---|---|---|
| Bonds and other fixed-income securities | 3,359.0 | 2,852.0 | 17.8 | 2,852.0 |
| Shares and other variable-yield securities | 843.0 | 562.0 | 50.0 | 561.0 |
| Positive fair value of derivative financial instruments | 1,637.0 | 1,214.0 | 34.8 | 1,215.0 |
| **Total** | **5,839.0** | **4,628.0** | **26.2** | **4,628.0** |

### 5) AfS & assets through profit and loss

| in EUR million | 30 Jun 2005 | 31 Dec 2004 restated | Change in per cent | 31 Dec 2004 published |
|---|---|---|---|---|
| ***Fair Value through profit and loss (Fair Value Portfolio)*** | | | | |
| Bonds and other fixed-income securities | 3,201.0 | 3,441.0 | (7.0) | 5,844.0 |
| Shares and other variable-yield securities | 836.0 | 910.0 | (8.1) | 3,297.0 |
| ***Fair Value directly in equity (AfS-Portfolio)*** | | | | |
| Bonds and other fixed-income securities | 11,065.0 | 8,983.0 | 23.2 | 0.0 |
| Shares and other variable-yield securities | 2,974.0 | 2,633.0 | 13.0 | 0.0 |
| **Total** | **18,076.0** | **15,967.0** | **13.2** | **9,141.0** |

### 6) Financial investments

| in EUR million | 30 Jun 2005 | 31 Dec 2004 restated | Change in per cent | 31 Dec 2004 published |
|---|---|---|---|---|
| Bonds and other fixed-income securities (held to maturity) | 13,985.0 | 13,729.0 | 1.9 | 20,569.0 |
| Variable-yield securities | 466.0 | 446.0 | 4.5 | 670.0 |
| Investments | 460.0 | 463.0 | (0.6) | 486.0 |
| Investments of insurance companies | 6,689.0 | 6,125.0 | 9.2 | 5,979.0 |
| Other financial investments (particularly carrying amounts of assets subject to operating leases and rental agreements) | 1,402.0 | 1,163.0 | 20.6 | 1,163.0 |
| **Total** | **23,002.0** | **21,926.0** | **4.9** | **28,867.0** |

### 7) Amounts owed to credit institutions

| in EUR million | 30 Jun 2005 | 31 Dec 2004 restated | Change in per cent | 31 Dec 2004 published |
|---|---|---|---|---|
| Amounts owed to domestic credit institutions | 10,021.0 | 6,658.0 | 50.5 | 6,658.0 |
| Amounts owed to foreign credit institutions | 25,561.0 | 21,893.0 | 16.8 | 21,893.0 |
| **Total** | **35,582.0** | **28,551.0** | **24.6** | **28,551.0** |

### 8) Amounts owed to customers

| in EUR million | 30 Jun 2005 | 31 Dec 2004 restated | Change in per cent | 31 Dec 2004 published |
|---|---|---|---|---|
| Savings deposits | 37,736.0 | 37,959.0 | (0.6) | 37,959.0 |
| Other | 33,389.0 | 30,254.0 | 10.4 | 30,254.0 |
| **Total** | **71,125.0** | **68,213.0** | **4.3** | **68,213.0** |

### 9) Provisions

| in EUR million | 30 Jun 2005 | 31 Dec 2004 restated | Change in per cent | 31 Dec 2004 published |
|---|---|---|---|---|
| Long-term employee provisions | 1,072.0 | 1,080.0 | (0.7) | 1,080.0 |
| Insurance reserves | 6,506.0 | 5,912.0 | 10.0 | 5,740.0 |
| Other | 498.0 | 508.0 | (2.0) | 508.0 |
| **Total** | **8,076.0** | **7,500.0** | **7.7** | **7,328.0** |

## Information on the Group Income Statement

### 10) Net interest income

| in EUR million | Jan–Jun 2005 | Jan–Jun 2004 restated | Change in per cent | Jan–Jun 2004 published |
|---|---|---|---|---|
| Interest income from | | | | |
| Lending and money market transactions with credit institutions | 346.4 | 340.2 | 1.8 | 340.2 |
| Lending and money market transactions with customers | 1,631.6 | 1,475.4 | 10.6 | 1,475.4 |
| Fixed-income securities | 653.8 | 628.1 | 4.1 | 628.1 |
| Other interest and similar income | 29.6 | 27.6 | 7.2 | 27.6 |
| Current income from | | | | |
| Shares and other variable-yield securities | 88.4 | 81.4 | 8.6 | 81.4 |
| Investments | 11.3 | 13.3 | (15.0) | 13.3 |
| Property used by outside parties | 34.1 | 33.2 | 2.7 | 31.8 |
| Total interest and similar income | **2,795.2** | **2,599.2** | **7.5** | **2,597.8** |
| Interest expenses for | | | | |
| Amounts owed to credit institutions | (357.6) | (258.2) | 38.5 | (258.2) |
| Amounts owed to customers | (597.4) | (605.9) | (1.4) | (605.9) |
| Debts evidenced by certificates | (346.3) | (316.8) | 9.3 | (316.8) |
| Subordinated capital | (105.0) | (87.0) | 20.7 | (87.0) |
| Other | (2.4) | (12.8) | (81.3) | (12.8) |
| Total interest and similar expenses | **(1,408.7)** | **(1,280.7)** | **10.0** | **(1,280.7)** |
| **Net interest income** | **1,386.5** | **1,318.5** | **5.2** | **1,317.1** |

### 11) Risk provisions for loans and advances

| in EUR million | Jan–Jun 2005 | Jan–Jun 2004 restated | Change in per cent | Jan–Jun 2004 published |
|---|---|---|---|---|
| Net allocation to risk provisions in lending business | (191.3) | (179.7) | 6.5 | (179.7) |
| Direct write-off for loans and advances less amounts recovered on loans and advances written off | (18.6) | (17.1) | 8.8 | (17.1) |
| **Total** | **(209.9)** | **(196.8)** | **6.7** | **(196.8)** |

### 12) Net commission income

| in EUR million | Jan–Jun 2005 | Jan–Jun 2004 restated | Change in per cent | Jan–Jun 2004 published |
|---|---|---|---|---|
| Lending business | 95.4 | 92.4 | 3.2 | 92.4 |
| Payment transfers | 231.7 | 213.3 | 8.6 | 213.3 |
| Securities transactions | 175.4 | 145.6 | 20.5 | 145.6 |
| *thereof: Investment fund transactions* | *71.4* | *54.8* | *30.3* | *54.8* |
| *Custodial fees* | *24.5* | *24.2* | *1.2* | *24.2* |
| *Brokerage* | *79.5* | *66.6* | *19.4* | *66.6* |
| Insurance business | 38.0 | 30.7 | 23.8 | 30.7 |
| Building society agency operations | 15.8 | 14.7 | 7.5 | 14.7 |
| Foreign exchange operations | 18.9 | 21.5 | (12.1) | 21.5 |
| Other | 41.8 | 45.4 | (7.9) | 47.0 |
| **Total** | **617.0** | **563.6** | **9.5** | **565.2** |

### 13) Net trading result

| in EUR million | Jan–Jun 2005 | Jan–Jun 2004 restated | Change in per cent | Jan–Jun 2004 published |
|---|---|---|---|---|
| Securities and derivatives trading | 55.8 | 52.4 | 6.5 | 52.4 |
| Foreign exchange | 49.4 | 55.9 | (11.6) | 55.9 |
| **Total** | **105.2** | **108.3** | **(2.9)** | **108.3** |

### 14) General administrative expenses

| in EUR million | Jan–Jun 2005 | Jan–Jun 2004 restated | Change in per cent | Jan–Jun 2004 published |
|---|---|---|---|---|
| Personnel expenses | (761.4) | (721.9) | 5.5 | (720.3) |
| Other administrative expenses | (394.4) | (403.3) | (2.2) | (403.3) |
| Depreciation and amortisation of fixed assets | (167.3) | (167.9) | (0.4) | (167.9) |
| **Total** | **(1,323.1)** | **(1,293.1)** | **2.3** | **(1,291.5)** |

## 15) Income from insurance business

| in EUR million | Jan–Jun 2005 | Jan–Jun 2004 restated | Change in per cent | Jan–Jun 2004 published |
|---|---|---|---|---|
| Earned premiums | 621.1 | 485.3 | 28.0 | 485.3 |
| Investment income on underwriting business | 201.6 | 162.8 | 23.8 | 164.0 |
| Claims incurred | (137.4) | (117.4) | 17.0 | (117.4) |
| Change in underwriting provisions | (583.8) | (420.2) | 38.9 | (420.2) |
| Expenses for profit-linked premium reimbursements | (54.4) | (26.7) | >100.0 | (28.0) |
| Operating expenses | (61.4) | (52.1) | 17.9 | (51.6) |
| Other underwriting income | 40.3 | 10.7 | >100.0 | 10.5 |
| *Net underwriting income* | *26.0* | *42.4* | *(38.7)* | *42.6* |
| Net investment income | 202.5 | 133.5 | 51.7 | 134.7 |
| Carried to underwriting account | (201.6) | (162.8) | (23.8) | (164.0) |
| **Total** | **26.9** | **13.1** | **>100.0** | **13.3** |

## 16) Other operating result

| in EUR million | Jan–Jun 2005 | Jan–Jun 2004 restated | Change in per cent | Jan–Jun 2004 published |
|---|---|---|---|---|
| Other operating income | 43.9 | 135.1 | (67.5) | 135.7 |
| Other operating expenses | (102.0) | (179.1) | (43.0) | (181.1) |
| *Goodwill impairment/amortisation* | *0.0* | *(80.0)* | *(100.0)* | *(80.0)* |
| *Other operating expenses* | *(102.0)* | *(99.1)* | *2.9* | *(101.1)* |
| Income from AfS & assets through profit and loss | 47.3 | 18.5 | >100.0 | 14.7 |
| *Result of assets at Fair Value* | *12.1* | *14.7* | *(17.7)* | *14.7* |
| *Selling gain/loss of assets (AfS Portfolio)* | *35.2* | *3.8* | *>100.0* | |
| Income from investments and related companies | 1.4 | 16.2 | (91.4) | 16.2 |
| **Total** | **(9.4)** | **(9.3)** | **(1.1)** | **(14.5)** |

# Other information

## 17) Contingent liabilities and other obligations

| in EUR million | 30 Jun 2005 | 31 Dec 2004 restated | Change in per cent | 31 Dec 2004 published |
|---|---|---|---|---|
| **Contingent liabilities** | **9,956.0** | **8,692.0** | **14.5** | **8,692.0** |
| Contingent liabilities | 9,810.0 | 8,335.0 | 17.7 | 8,335.0 |
| Other | 146.0 | 357.0 | (59.1) | 357.0 |
| **Other obligations** | **18,051.0** | **19,221.0** | **(6.1)** | **19,221.0** |
| Undrawn credit and loan commitments | 15,082.0 | 16,655.0 | (9.4) | 16,655.0 |
| Amounts owed resulting from repurchase transactions | 2,188.0 | 1,772.0 | 23.5 | 1,772.0 |
| Other | 781.0 | 794.0 | (1.6) | 794.0 |

## 18) Number of employees at 30 June 2005 (weighted by extent of employment)

| | 30 Jun 2005 | 31 Dec 2004 restated | Change in per cent | 31 Dec 2004 published |
|---|---|---|---|---|
| **Employed by Group** | **35,740.0** | **35,862.0** | **(0.3)** | **35,862.0** |
| Domestic | 14,685.0 | 14,629.0 | 0.4 | 14,629.0 |
| Abroad | 21,055.0 | 21,233.0 | (0.8) | 21,233.0 |
| *thereof Česká spořitelna* | *11,507.0* | *11,639.0* | *(1.1)* | *11,639.0* |
| *thereof Slovenská sporiteľňa* | *4,837.0* | *5,083.0* | *(4.8)* | *5,083.0* |
| *thereof Erste Bank Hungary* | *2,480.0* | *2,435.0* | *1.8* | *2,435.0* |

In addition to the above number of employees, 63 persons were employed in non-bank enterprises of the Group (hotel and leisure sector) at 30 June 2005.

# Segment reporting

The comparisons with the first half of 2004 and full-year 2004 refer to the restated figures indicated on page 1. Reported results from Group subsidiaries cannot be directly compared with results shown in the Segment reporting. For example funding costs are allocated to the CE subsidiaries in the divisional results.

## Austria

This segment reported profit growth of 7.0 per cent year-on-year, up from EUR 114.7 m to EUR 122.7 m. While risk provisions and general administrative expenses recorded a slight fall against the same period last year, net commission income (up 35.0 m or 9.7 per cent) and insurance business (up 13.3 m) both posted outstanding results. These positive trends were partly offset by a structurally driven decline in net interest income (Trading & Investment Banking segment) and the non-recurrence of income recorded in the Savings Banks segment in H1 2004. The cost/income ratio improved from 66.9 per cent to 65.3 per cent. Return on equity in this segment fell from 13.4 per cent to 12.7 per cent due to an increase in attributed equity.

### Savings Banks

Net profit after taxes and minority interests fell from EUR 9.8 m to EUR 0.7 m. This decline is primarily due to changes in the intragroup settlement policy for bank support services and one-off income items in the previous year. Both cost and income items experienced only minimal year-on-year changes. Commission income from core businesses developed positively. The fall in the other operating result was due to non-recurring income relating to branch transfers in the same period last year. The cost/income ratio deteriorated slightly to 70.6 per cent, while return on equity slipped to 0.6 per cent.

### Retail and Mortgage

This segment's result almost tripled, rising from EUR 16.1 m in the first half of 2004 to EUR 47.4 m. This demonstrates the successful implementation of the profit-enhancing measures introduced last year. Net commission income underwent a significant 11.2 per cent improvement to EUR 154.5 m, primarily driven by the outstanding securities result in the branch network. At the same time, general administrative expenses fell (by EUR 6.7 m or 2.1 per cent) as a result of the cost-cutting measures initiated in 2004. Revaluation gains in the insurance portfolio also contributed to this very positive trend.

| | Savings Banks | | | Retail and Mortgage | | |
|---|---|---|---|---|---|---|
| in EUR million | HY 2005 | HY 2004 restated | HY 2004 published | HY 2005 | HY 2004 restated | HY 2004 published |
| Net interest income | 409.1 | 409.6 | 409.6 | 257.3 | 257.0 | 257.0 |
| Risk provisions for loans and advances | (86.8) | (87.0) | (87.0) | (52.6) | (56.8) | (56.8) |
| Net commission income | 167.6 | 164.5 | 164.5 | 154.5 | 138.9 | 138.9 |
| Net trading result | 7.8 | 8.9 | 8.9 | 5.0 | 5.6 | 5.6 |
| General administrative expenses | (412.6) | (410.2) | (410.2) | (314.6) | (321.3) | (321.3) |
| Income from insurance business | 0.0 | 0.0 | 0.0 | 23.1 | 9.7 | 9.9 |
| Other operating result | (4.4) | 14.3 | 15.8 | 5.3 | (0.8) | (0.8) |
| **Pre-tax profit for the period** | **80.6** | **100.1** | **101.6** | **77.9** | **32.2** | **32.5** |
| Taxes on income | (21.6) | (28.4) | (28.1) | (18.8) | (9.1) | (7.2) |
| Minority interests | (58.3) | (61.9) | (63.4) | (11.7) | (7.1) | (7.3) |
| **Net profit after minority interests** | **0.7** | **9.8** | **10.0** | **47.4** | **16.1** | **18.0** |
| | | | | | | |
| Average risk-weighted assets | 23,453.7 | 22,797.5 | 22,797.5 | 12,023.1 | 12,687.3 | 12,687.3 |
| Average attributed equity | 249.5 | 214.8 | 211.5 | 914.1 | 819.2 | 806.6 |
| **Cost-Income ratio (in %)** | **70.6 %** | **70.4 %** | **70.4 %** | **71.5 %** | **78.1 %** | **78.1 %** |
| **ROE based on net profit (in %)** | **0.6 %** | **9.1 %** | **9.5 %** | **10.4 %** | **3.9 %** | **4.5 %** |

The Improvement in the other operating result was mainly driven by non-recurring income from equity interests allocated to this segment. Operating profit rose from EUR 89.9 m to EUR 125.2 m (+39.3 per cent). The cost/income ratio improved from 78.1 per cent in H1 2004 to 71.5 per cent, while return on equity was surpassed 10 per cent for the first time

### Large Corporates

Operating profit of Large Corporates rose from EUR 63.1 m, or 5.4 per cent year-on-year, to EUR 66.5 m. While net commission income posted a significant increase on the back of additional income from capital market transactions (up EUR 6.4 m or 22.1 per cent), the other operating result declined due to lower income from the revaluation of securitised financing instruments versus the first half of 2004. General administrative expenses rose by 4.9 per cent from EUR 40.6 m to EUR 42.6 m. This was exclusively due to the expansion of the real estate leasing business across the extended home market of Erste Bank. Combined with a slight drop in net interest income and risk provisions, this resulted in net profit after taxes and minority interests of EUR 24.2 m. The cost/income ratio equalled 39.0 per cent, while return on equity stood at 9.7 per cent.

### Trading and Investment Banking

Net profit fell by 12.9 per cent year-on year from EUR 57.8 m to EUR 50.4 m. Net interest income dropped from EUR 52.1 m to EUR 33.2 m. This was due to general market trends and FX hedging effects, which were only marginally offset by the slight improvement in the other operating result caused by valuation gains in the fair value portfolio. Net commission income rose from EUR 27.8 m to EUR 37.8 m, mainly due to increased commission from securities business and structured products. General administrative expenses improved slightly year-on-year. The cost/income ratio deteriorated from 37.0 per cent to 39.4 per cent, and return on equity declined from 46.9 per cent to 36.2 per cent.

| Large Corporate Customers | | | Trading & Investment Banking | | | **Austria total** | | |
|---|---|---|---|---|---|---|---|---|
| HY 2005 | HY 2004 restated | HY 2004 published | HY 2005 | HY 2004 restated | HY 2004 published | HY 2005 | HY 2004 restated | HY 2004 published |
| 73.0 | 74.2 | 74.2 | 33.2 | 52.1 | 52.1 | 772.6 | 792.9 | 792.9 |
| (28.9) | (25.0) | (25.0) | 0.0 | 0.0 | 0.0 | (168.3) | (168.8) | (168.8) |
| 35.4 | 29.0 | 29.0 | 37.8 | 27.8 | 27.8 | 395.2 | 360.2 | 360.2 |
| 0.7 | 0.5 | 0.5 | 43.9 | 47.8 | 47.8 | 57.4 | 62.8 | 62.8 |
| (42.6) | (40.6) | (40.6) | (45.3) | (47.3) | (47.3) | (815.1) | (819.4) | (819.4) |
| 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 23.1 | 9.7 | 9.9 |
| 0.9 | 8.9 | 8.9 | (1.4) | (2.8) | (1.4) | 0.5 | 19.6 | 22.4 |
| **38.5** | **47.0** | **47.0** | **68.3** | **77.7** | **79.1** | **265.3** | **257.1** | **260.1** |
| (9.4) | (10.6) | (10.6) | (17.9) | (19.9) | (18.9) | (67.8) | (68) | (64.9) |
| (4.9) | (5.4) | (5.4) | 0.0 | 0.0 | 0.0 | (74.8) | (74.4) | (76.1) |
| **24.2** | **31.0** | **30.9** | **50.4** | **57.8** | **60.2** | **122.7** | **114.7** | **119.2** |
| | | | | | | | | |
| 6,530.0 | 6,678.0 | 6,678.0 | 3,662.0 | 3,818.6 | 3,818.6 | 45,668.8 | 45,981.5 | 45,981.5 |
| 496.4 | 431.2 | 424.5 | 278.4 | 246.6 | 242.8 | 1,938.4 | 1,711.8 | 1,685.3 |
| **39.0 %** | **39.1 %** | **39.1 %** | **39.4 %** | **37.0 %** | **37.0 %** | **65.3 %** | **66.9 %** | **66.8 %** |
| **9.7 %** | **14.4 %** | **14.6 %** | **36.2 %** | **46.9 %** | **49.6 %** | **12.7 %** | **13.4 %** | **14.1 %** |

## Central Europe

### Česká spořitelna

Profit increased significantly against the previous year, up 48.6 per cent from EUR 94.0 m to EUR 139.6 m. Besides the improvement in net interest income (EUR 287.6 m versus EUR 244.7 m) due to strong growth in retail loan volumes, there was a further significant increase in net commission income from an already very high level, particularly in payment services and card business. Gains from sales related to the AfS and assets through profits and loss position played a major part in the considerable improvement in the other operating result. Operating profit improved by 21.2 per cent to EUR 190.4 m, thanks to the strong earnings performance and the favourable CZK/EUR exchange rate trend (+7 per cent). The cost/income ratio fell from 60.7 per cent to 58.4 per cent, while return on equity rose from 41.4 per cent to 42.4 per cent.

### Slovenská sporiteľňa

Profit at Slovenská sporiteľňa rose by 49.9 per cent against the first half of 2004 from EUR 29.0 m to EUR 43.4 m. At EUR 92.8 m the expansion in retail business almost entirely offset the non-recurrence of income from fixed interest bonds and interest rate adjustments in variable rate bonds. The favourable exchange rate trend (SKK/EUR +4.5 per cent) was offset by higher refinancing costs (as a result of the increase in the equity stake in SLSP to 100 per cent). Commission income grew by 27.5 per cent year-on-year from EUR 32.2 m to EUR 41.1 m due to the extremely positive trend in payment services and lending fees. General administrative expenses increased – partly due to the above-mentioned exchange rate trend – by EUR 6.6 m from EUR 77.3 m to EUR 83.9 m. The improvement in the other operating result was driven by the sale of fixed-interest securities. These trends moved return on equity from 52.3 per cent to 52.4 per cent and the cost/income ratio from 58.6 per cent to 59.4 per cent.

| | Česká spořitelna | | | Slovenská sporiteľňa | | |
|---|---|---|---|---|---|---|
| in EUR million | HY 2005 | HY 2004 restated | HY 2004 published | HY 2005 | HY 2004 restated | HY 2004 published |
| Net interest income | 287.6 | 244.7 | 243.3 | 92.8 | 92.5 | 92.5 |
| Risk provisions for loans and advances | (13.4) | (12.3) | (12.3) | (5.1) | 3.1 | 3.1 |
| Net commission income | 144.7 | 125.9 | 127.5 | 41.1 | 32.2 | 32.2 |
| Net trading result | 21.6 | 25.4 | 25.4 | 7.5 | 7.0 | 7.0 |
| General administrative expenses | (267.3) | (242.3) | (240.6) | (83.9) | (77.3) | (77.3) |
| Income from insurance business | 3.8 | 3.3 | 3.3 | 0.0 | 0.0 | 0.0 |
| Other operating result | 22.1 | (5.8) | (14.2) | (2.5) | (11.8) | (9.9) |
| **Pre-tax profit for the period** | **199.1** | **138.9** | **132.4** | **49.9** | **45.8** | **47.6** |
| Taxes on income | (52.6) | (39.8) | (36.6) | (6.5) | (6.8) | (6.8) |
| Minority interests | (6.9) | (5.1) | (4.9) | 0.0 | (10.0) | (10.3) |
| **Net profit after minority interests** | **139.6** | **94.0** | **90.9** | **43.4** | **29.0** | **30.4** |
| | | | | | | |
| Average risk-weighted assets | 8,653.0 | 7,021.8 | 7,021.8 | 2,181.2 | 1,715.6 | 1,715.6 |
| Average attributed equity | 657.9 | 453.4 | 446.4 | 165.8 | 110.8 | 109.1 |
| **Cost-Income ratio (in %)** | **58.4 %** | **60.7 %** | **60.2 %** | **59.4 %** | **58.6 %** | **58.6 %** |
| **ROE based on net profit (in %)** | **42.4 %** | **41.4 %** | **40.7 %** | **52.4 %** | **52.3 %** | **55.8 %** |

### Erste Bank Hungary

All business segments of EBH posted results ahead of expectations. Net interest income rose by EUR 16.8 m or 20.8 per cent year-on-year from EUR 80.8 m to EUR 97.6 m, mainly due to the strong growth in lending. Net commission income was boosted primarily by increases in payment services and securities business (EUR 6.1 m in total, or 25.8 per cent). These above-average growth rates, combined with a comparatively moderate rise in general administrative expenses (primarily due to the expansion of the branch network) doubled net profit after taxes and minority interests for the period from EUR 15.2 m to EUR 31.1 m. Return on equity rose from 24.6 per cent to 37.4 per cent, while the cost/income ratio improved significantly from 73.3 per cent to 59.9 per cent.

### Erste Bank Croatia

Operating profit increased by 44.8 per cent year-on-year from EUR 22.2 m to EUR 32.1 m. Interest income grew by 45.0 per cent from EUR 39.3 m to EUR 57.1 m due to higher business volumes, while commission income – particularly in payment services – improved by 35.0 per cent from EUR 7.4 m to EUR 10.0 m. The decline in trading income is due to foreign exchange valuation gains in the same period last year. The substantial increase in risk provisions was due to legally required provision releases in the first half of 2004. General administrative expenses rose by EUR 3.8 m or 12.3 per cent from EUR 30.6 m to EUR 34.3 m, primarily due to the planned expansion of the branch network. The decline in net profit after taxes and minority interests was partly caused by the reduction in Erste Bank's direct holding from 59.8 per cent to 51.0 per cent and the accompanying increase in minority interests. Return on equity fell to 15.5 per cent on the back of higher level of attributed equity, while the cost/income ratio improved significantly from 58.0 per cent to 51.7 per cent.

| Erste Bank Hungary | | | Erste Bank Croatia | | | **Central Europe total** | | |
|---|---|---|---|---|---|---|---|---|
| HY 2005 | HY 2004 restated | HY 2004 published | HY 2005 | HY 2004 restated | HY 2004 published | HY 2005 | HY 2004 restated | HY 2004 published |
| 97.6 | 80.8 | 80.8 | 57.1 | 39.3 | 39.3 | 535.1 | 457.3 | 455.9 |
| (9.2) | (8.8) | (8.8) | (4.3) | 2.1 | 2.1 | (31.9) | (16.0) | (16.0) |
| 29.7 | 23.6 | 23.6 | 10.0 | 7.4 | 7.4 | 225.4 | 189.1 | 190.7 |
| 17.4 | 9.5 | 9.5 | (0.6) | 6.0 | 6.0 | 45.8 | 47.9 | 47.9 |
| (86.7) | (83.5) | (83.5) | (34.3) | (30.6) | (30.6) | (472.2) | (433.6) | (431.9) |
| 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 3.8 | 3.3 | 3.3 |
| (10.3) | (6.6) | (6.6) | (1.9) | 0.2 | (1.3) | 7.4 | (23.9) | (32.0) |
| **38.5** | **15.0** | **15.0** | **25.9** | **24.5** | **23.0** | **313.4** | **224.2** | **218.0** |
| (7.4) | 0.3 | 0.3 | (4.9) | (4.5) | (4.5) | (71.4) | (50.9) | (47.6) |
| (0.1) | (0.1) | (0.1) | (8.6) | (7.1) | (6.6) | (15.6) | (22.3) | (22.0) |
| **31.1** | **15.2** | **15.2** | **12.3** | **13.0** | **11.9** | **226.4** | **151.0** | **148.4** |
| | | | | | | | | |
| 2,190.7 | 1,909.7 | 1,909.7 | 2,095.9 | 1,715.5 | 1,715.5 | 15,120.9 | 12,362.5 | 12,362.5 |
| 166.6 | 123.3 | 121.4 | 159.3 | 110.8 | 109.1 | 1.149.6 | 798.2 | 785.9 |
| **59.9 %** | **73.3 %** | **73.3 %** | **51.7 %** | **58.0 %** | **58.0 %** | **58.3 %** | **62.1 %** | **61.9 %** |
| **37.4 %** | **24.6 %** | **25.0 %** | **15.5 %** | **23.4 %** | **21.8 %** | **39.4 %** | **37.8 %** | **37.8 %** |

## International Business

International Business continued to follow the trend established in previous quarters with performance remaining strong. The improvement in net commission income to EUR 15.8 m was due to business expansion and one-off exceptional income in securities trading. Pre-tax profit rose by EUR 10.6 m or 19.4 per cent from EUR 54.6 m to EUR 65.2 m, thanks to an improvement in other operating income, which was driven in particular by declining revaluations of financial investments. Profit growth was almost fully cancelled out by increased tax expenses of the London branch. Overall, net profit after taxes and minority interests rose by 7.6 per cent from EUR 43.2 m to EUR 46.5 m. The cost/income ratio increased from 17.9 per cent to 19.7 per cent, while return on equity fell from 21.6 per cent to 19.4 per cent.

## Segment Corporate Center

The Corporate Centre segment encompasses the profits from all companies that cannot be clearly assigned to a business segment, profit consolidation between the segments and one-off effects not assigned to a business segment in order to allow comparability

The trend in net commission income and general administrative expenses can be largely attributed to lower profit consolidation from bank support operations. Operating costs of group projects started in 2004 also impacted general administrative expenses.

The deterioration in the other operating result was primarily due to revaluations of other investments and additional expenditure on non-banking activities.

The significant change in tax expenditure was due to the write-off of a deferred tax asset in the first quarter of 2004 in response to the decrease in Austrian corporation tax from 34 per cent to 25 per cent as of 1 January 2005.

| | International Business | | | Corporate Center | | | **Erste Bank Group total** | | |
|---|---|---|---|---|---|---|---|---|---|
| in EUR million | HY 2005 | HY 2004 restated | HY 2004 published | HY 2005 | HY 2004 restated | HY 2004 published | HY 2005 | HY 2004 restated | HY 2004 published |
| Net interest income | 75.1 | 74.2 | 74.2 | 3.8 | (5.9) | (5.9) | 1,386.5 | 1,318.5 | 1,317.1 |
| Risk provisions for loans and advances | (9.9) | (12.1) | (12.1) | 0.2 | 0.1 | 0.1 | (209.9) | (196.8) | (196.8) |
| Net commission income | 15.8 | 10.9 | 10.9 | (19.4) | 3.3 | 3.3 | 617.0 | 563.5 | 565.2 |
| Net trading result | (0.2) | 0.1 | 0.1 | 2.1 | (2.5) | (2.5) | 105.2 | 108.3 | 108.3 |
| General administrative expenses | (17.9) | (15.3) | (15.3) | (17.9) | (24.9) | (24.9) | (1,323.1) | (1,293.1) | (1,291.5) |
| Income from insurance business | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 26.9 | 13.1 | 13.3 |
| Other operating result | 2.3 | (3.2) | (3.2) | (19.6) | (1.8) | (1.8) | (9.4) | (9.3) | (14.5) |
| **Pre-tax profit for the period** | **65.2** | **54.6** | **54.6** | **(50.7)** | **(31.6)** | **(31.6)** | **593.2** | **504.3** | **501.1** |
| Taxes on income | (18.7) | (11.4) | (11.4) | 18.4 | (11.2) | (11.2) | (139.5) | (141.5) | (135.1) |
| Minority interests | 0.0 | 0.0 | 0.0 | (27.5) | (27.8) | (27.8) | (118.0) | (124.5) | (125.8) |
| **Net profit after minority interests** | **46.5** | **43.2** | **43.2** | **(59.9)** | **(70.7)** | **(70.7)** | **335.7** | **238.3** | **240.2** |
| | | | | | | | | | |
| Average risk-weighted assets | 6,308.4 | 6,200.3 | 6,200.3 | 321.9 | 474.0 | 474.0 | 67,420.0 | 65,018.4 | 65,018.4 |
| Average attributed equity | 479.6 | 400.3 | 394.2 | 24.5 | 30.6 | 30.1 | 3,592.0 | 2,940.9 | 2,895.5 |
| **Cost-Income ratio (in %)** | **19.7 %** | **17.9 %** | **17.9 %** | **n.a.** | **n.a.** | **n.a.** | **62.0 %** | **64.5 %** | **64.4 %** |
| **ROE based on net profit (in %)** | **19.4 %** | **21.6 %** | **21.9 %** | **n.a.** | **n.a.** | **n.a.** | **18.7 %** | **16.2 %** | **16.6 %** |

# Earnings performance at Erste Bank Group: Quarterly results

| in EUR million | Q1/2004* | Q2/2004* | Q3/2004* | Q4/2004* | Q1/2005 | Q2/2005 |
|---|---|---|---|---|---|---|
| Net interest income | 657.7 | 660.9 | 677.4 | 703.0 | 681.2 | 705.3 |
| Risk provisions for loans and advances | (108.2) | (88.6) | (110.1) | (99.3) | (101.3) | (108.6) |
| Net commission income | 280.5 | 283.0 | 285.3 | 286.5 | 311.1 | 305.9 |
| Net trading result | 62.4 | 45.9 | 47.9 | 60.3 | 57.2 | 48.0 |
| General administrative expenses | (643.1) | (650.0) | (660.2) | (641.7) | (658.9) | (664.2) |
| Income from insurance business | 8.4 | 4.7 | 12.7 | 11.1 | 5.6 | 21.3 |
| Other operating result | (2.6) | (6.7) | (12.6) | (29.5) | (2.0) | (7.4) |
| **Pre-tax profit for the period** | **255.1** | **249.2** | **240.4** | **290.4** | **292.9** | **300.3** |
| Taxes on income | (85.7) | (55.8) | (57.1) | (79.3) | (68.8) | (70.7) |
| **Profit for the period** | **169.4** | **193.4** | **183.3** | **211.1** | **224.1** | **229.6** |
| Minority interests | (75.7) | (48.8) | (58.0) | (53.9) | (63.8) | (54.2) |
| **Net profit after minority interests** | **93.7** | **144.6** | **125.3** | **157.2** | **160.3** | **175.4** |

* restated

# Development in Erste Bank Group's qualifying capital at 30 June 2005

| in EUR million | 30 Jun 2005 | 31 Dec 2004 | 30 Jun 2004 |
|---|---|---|---|
| Subscribed capital (less shares held in own portfolio) | 485.0 | 482.0 | 483.0 |
| Reserves and minority interests | 4,431.0 | 4,375.0 | 4,255.0 |
| Less intangible assets | (454.0) | (480.0) | (447.0) |
| **Core capital (Tier 1)** | **4,462.0** | **4,377.0** | **4,291.0** |
| Eligible subordinated liabilities | 2,710.0 | 2,528.0 | 2,640.0 |
| Revaluation reserve | 218.0 | 230.0 | 180.0 |
| **Qualifying supplementary capital (Tier 2)** | **2,928.0** | **2,758.0** | **2,820.0** |
| **Short-term subordinated capital (Tier 3)** | **338.0** | **316.0** | **320.0** |
| **Total qualifying capital** | **7,728.0** | **7,451.0** | **7,431.0** |
| Deductions according to Section 23 (13) and Section 29 (1–2) Austrian Banking Act | (426.0) | (165.0) | (144.0) |
| **Total eligible qualifying capital** | **7,302.0** | **7,286.0** | **7,287.0** |
| Capital requirement | 5,857.0 | 5,594.0 | 5,556.0 |
| Surplus capital | 1,445.0 | 1,692.0 | 1,731.0 |
| Cover ratio (in %) | 125 % | 130 % | 131 % |
| **Tier 1 ratio (in %)** | **6.5 %** | **6.7 %** | **6.6 %** |
| **Solvency ratio (in %)** | **10.2 %** | **10.7 %** | **10.7 %** |
| | | | |
| Risk-weighted basis acc. to Section 22 Austrian Banking Act | 68,411.0 | 65,384.0 | 65,087.0 |
| of which 8 per cent minimum capital requirement | 5,473.0 | 5,231.0 | 5,207.0 |
| Capital requirement for open foreign exchange position acc. to Section 26 Austrian Banking Act | 6.0 | 49.0 | 14.0 |
| Capital requirement for the Trading Book acc. to Section 22 b (1) Austrian Banking Act | 378.0 | 314.0 | 335.0 |
| **Capital requirement** | **5,857.0** | **5,594.0** | **5,556.0** |

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**We have prepared this interim report with the greatest possible care and have thoroughly checked the data presented in it. However, we cannot rule out errors associated with rounding, transmission, typesetting or printing. This interim report was written in German. The English- and Czech-language interim reports are translations. Only the German version is definitive.**