INVESTOR INFORMATION

28 February 2006

Erste Bank posts record net profit of EUR 712 million in 2005

Highlights (preliminary, unaudited results)[1]

- **Net interest income** rose by 5.0% from EUR 2,660.3 million to **EUR 2,794.2 million**
- **Net commission income** increased by 10.7% from EUR 1,135.4 million to **EUR 1,256.8 million**
- **Operating income** rose by 6.9% from EUR 4,049.0 million to **EUR 4,329.4 million**
- **General administrative expenses** increased by 3.2% from EUR 2,594.9 million to **EUR 2,676.9 million.**
- **Operating profit** improved by 13.6% from EUR 1,454.1 million to **EUR 1,652.5 million**
- **Pre-tax profit** increased by 21.9% from EUR 996.6 million to **EUR 1,214.8 million**
- **Net profit after taxes and minority interests** rose by 36.7% from EUR 520.8 million to **EUR 711.7 million**
- **The cost/income ratio** improved from 64.1% in 2004 to **61.8%**
- **The return on equity (ROE)** rose from 17.0% in 2004 to **19.0%**
- **Total assets** increased by 9.2% from EUR 139.8 billion at 31 December 2004 to **EUR 152.7 billion** at the end of last year
- **Earnings per share** rose by 35.8% from EUR 2.18 to **EUR 2.96**
- **The Tier 1 capital ratio stood at 6.8%** at 31 December 2005 (compared with 6.7% at year-end 2004), while the **solvency ratio** rose from 10.7% to **11.0%** last year (against a statutory minimum requirement of at least 8.0%)

“2005 was not only a very eventful year, but also the most profitable in the history of Erste Bank,” CEO Andreas Treichl commented during the presentation of preliminary figures for 2005. “Through the acquisitions in Serbia and especially Romania, we have expanded our coverage from 40 million to nearly 70 million people in Central and Eastern Europe, and currently have more than 15 million clients and a market share of more than 20% in this region. All our operations benefited from the robust economic growth in the region and consequently all Group members delivered better than expected performance. As a result we posted the strongest results in the history of the bank,” Treichl added.

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[1] The recently acquired Erste Bank Serbia is consolidated in the financial statements as from 9 August 2005 (transaction closing date). The impact of this first-time consolidation is minimal, however. As of 31 December 2005, the subsidiary‘s total assets were EUR 142 million; during the period from 9 August through 31 December 2005, it had operating income of EUR 6.7 million, operating expenses of EUR 10.7 million (which includes restructuring costs of EUR 5.9 million) and a pre-tax loss of EUR 7.8 million.
The revised IASB standards, IAS 32 (Financial Instruments: Disclosure and Presentation) and IAS 39 (Financial Instruments: Recognition and Measurement), became compulsory as of 1 January 2005. They mainly affect the presentation of securities trading, the valuation of loans and the presentation of hybrid capital. Under the transitional provisions, prior-year figures must be restated. The rates of change indicated are based on the restated prior-year figures. Additional information is presented in the Notes to the Consolidated Financial Statements. The details of these changes were outlined in press releases published on 3 May 2005 and 6 December 2005, which can be found on the Erste Bank home page at (www.erstebank.com).

In 2005, **operating income** rose by 6.9% to EUR 4,329.4 million. Despite low interest rate levels in Central Europe as well as in Austria, net interest income increased by 5.0% overall to EUR 2,794.2 million, while net commission income rose by 10.7% to EUR 1,256.8 million.

Given the modest 3.2% increase in **general administrative expenses** to EUR 2,676.9 million, **the operating profit** increased by 13.6% to EUR 1,652.5 million in 2005.

The **cost/income ratio** (general administrative expenses as a percentage of operating income) was substantially reduced from 64.1% to 61.8% last year.

After factoring in a slight 3.8% increase in **risk provisions for loans and advances** to EUR 421.6 million and the improvement in the **other operating result** from negative EUR 51.3 million to only EUR 16.1 million, the **pre-tax profit** increased by 21.9% to EUR 1,214.8 million in 2005.

The **Group net profit** after taxes and minority interests advanced 36.7% to EUR 711.7 million, while the **return on equity (ROE)** improved from 17.0% in 2004 to 19.0% last year. Earnings per share rose by 35.8% to EUR 2.96. "When one considers that Erste Bank's ROE has risen from 10% in 1998, and compound annual growth in earnings per share has been 20.1%, it is clear that we have made significant progress both strategically and operationally in recent years," observed Treichl.

At 31 December 2005, Erste Bank's **total assets** stood at EUR 152.7 billion, up 9.2% from EUR 139.8 billion the previous year. **Loans and advances to customers** rose by 10.4% from EUR 72.8 billion to EUR 80.4 billion, while **amounts owed to customers** increased by 6.7% from EUR 68.2 billion to EUR 72.8 billion. At the same time the ratio of non-performing loans to total loans has improved to 2.6% (2.9% at YE 2004) highlighting the quality of Erste Bank Group's loan portfolio.

Despite the strong increase in risk-weighted assets (up 14.8%), the Erste Bank Group's **Tier 1 capital ratio** stood at 6.8% at year-end 2005, up from 6.7% the previous year, while the **solvency ratio** rose from 10.7% to 11.0%.

Dividends
The Management Board will propose a dividend of EUR 0.55 per share to the Annual General Meeting for 2005. This proposed amount represents a 10% increase from the previous year. [2]

Outlook
Following the acquisition of Banca Comerciala Romana, the Romanian market leader, the Erste Bank Group set new targets. Over the period from **2005 until 2009,** the Group is forecasting more than 20% average annual growth in net profit after taxes and minority interests. The cost/income ratio target for 2009 is below 55%. Given the nearly 70% increase in shareholders' equity associated with the acquisition of BCR, the return on equity in the years ahead is expected to contract, but will return to the 18% to 20% range by 2009.

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[2] New shares issued in January 2006 equity offering are not eligible for 2005 dividend

I. Performance in detail

1. Earnings performance

in EUR million	Q4/2005	Q3/2005	Q2/2005	Q1/2005	2005	2004	% change
Net interest income	**730.7**	694.0	696.8	672.7	**2,794.2**	*2,660.3*	*5.0*
Loan loss provisions	**(92.5)**	(119.2)	(108.6)	(101.3)	**(421.6)**	*(406.2)*	*3.8*
Net commission income	**334.9**	304.9	305.9	311.1	**1,256.8**	*1,135.4*	*10.7*
Net trading result	**70.1**	66.4	48.0	57.2	**241.7**	*216.5*	*11.6*
General administrative expenses	**(686.9)**	(666.9)	(664.2)	(658.9)	**(2,676.9)**	*(2,594.9)*	*3.2*
Net income from insurance business	**(0.2)**	10.0	21.3	5.6	**36.7**	*36.8*	*(0.3)*
Other operating result	**(5.7)**	(1.0)	(7.4)	(2.0)	**(16.1)**	*(51.3)*	*68.6*
Pre-tax profit	**350.4**	**288.2**	**291.8**	**284.4**	**1,214.8**	***996.6***	***21.9***
Net profit after minority interests	**202.9**	**173.1**	**175.4**	**160.3**	**711.7**	***520.8***	***36.7***

1.1. Operating income

Total **operating income** (net interest income, net commission income, net trading result and income from insurance business) increased by 6.9% to EUR 4,329.4 million. Nearly all segments recorded strong increases, led in particular by net commission income and the net trading result.

Net interest income
Despite a difficult market environment particularly for the retail banking business, marked by persistent low interest rates in Austria and Central Europe, **net interest income** rose by 5.0% from EUR 2,660.3 million to EUR 2,794.2 million in 2005. This result includes a total of EUR 117.4 million in income from associates and subsidiaries as well as income from property used by third parties, up from EUR 105.2 million the previous year.

The overall net interest margin (net interest income as a percentage of average interest-bearing assets – calculated as total assets less cash, trading assets, tangible and intangible fixed assets and other assets) contracted slightly from 2.18% to 2.08%. This contraction resulted from the continuing margin pressure and low interest rate environment as well as the additional refinancing costs for the January 2005 acquisition of the remaining 19.99% equity interest in Slovenská sporiteľňa. In Austria, the net interest margin decreased from around 1.7% to around 1.6%, mainly due to the flat yield curve. In Central Europe, this margin ranged between 3.2% and 5.0%, slightly below the previous year's level but well above the level in Austria.

Net commission income
As in previous years, **net commission income** posted substantial gains in 2005, rising by 10.7% from EUR 1,135.4 million to EUR 1,256.8 million. These gains were generated mainly in the securities business, which rose by 29.3% to EUR 391.9 million thanks to a favourable securities market environment, and through sales of insurance products, which increased by 12.3% to EUR 69.2 million. The payments business also performed well, gaining 9.5% to EUR 485.7 million. Accordingly, net commission income posted above-average growth in all countries, including Austria.

Net commission income

in EUR million	1/1-31/12/05	1/1-31/12/04	% change
Lending business	178.8	178.7	0.1
Payment transfers	485.7	443.7	9.5
Securities transactions	391.9	303.1	29.3
thereof: Fund business	*182.5*	*133.6*	*36.6*
Custodial fees	*45.0*	*44.9*	*0.2*
Brokerage	*164.4*	*124.6*	*31.9*
Insurance business	69.2	61.6	12.3
FX operations	38.2	40.9	-6.6
Other	93.0	107.4	-13.4
Total	**1,256.8**	**1,135.4**	**10.7**

Net trading result
After 2004's strong performance, the **net trading result** grew by another 11.6% from EUR 216.5 million to EUR 241.7 million. All the Group's treasury divisions contributed to this favourable result. Securities and derivatives trading increased by 7.5% to EUR 96.6 million, while foreign exchange trading grew by 14.6% to EUR 145.1 million.

Income from insurance business
Income from the insurance business also recorded very favourable results in 2005, maintaining the previous year's result of nearly EUR 37 million. This was achieved despite the non-recurring expense relating to the conversion to new actuarial tables and a corresponding one-off charge of EUR 23 million for 2005. s-Versicherung, the Austrian life insurance market leader, and the local Central European companies performed very well. The favourable results in 2005 were supported by market-driven gains on financial investments held by Group insurance businesses.

1.2. Erste Bank Group general administrative expenses

in EUR million	1/1-31/12/05	1/1-31/12/04	% change
Personnel expenses	1,583.4	1,482.4	6.8
Other admin. expenses	759.0	772.2	(1.7)
Sub-total	*2,342.4*	*2,254.6*	*3.9*
Depreciation and amortisation of fixed assets	334.5	340.3	(1.7)
Total	**2,676.9**	**2,594.9**	**3.2**

Austria (incl. Corporate Center and International Business)

in EUR million	1/1-31/12/05	1/1-31/12/04	% change
Personnel expenses	1,131.9	1,070.5	5.7
Other admin. expenses	387.1	436.5	(11.3)
Sub-total	*1,519.0*	*1,507.0*	*0.8*
Depreciation and amortisation of fixed assets	168.9	188.9	(10.6)
Total	**1,687.9**	**1,695.9**	**(0.5)**

Central Europe

in EUR million	1/1-31/12/05	1/1-31/12/04	% change
Personnel expenses	451.5	411.9	9.6
Other admin. expenses	371.9	335.7	10.8
Sub-total	*823.4*	*747.6*	*10.1*
Depreciation and amortisation of fixed assets	165.6	151.4	9.4
Total	**989.0**	**899.0**	**10.0**

In 2005, **general administrative expenses** increased by only 3.2% to EUR 2,676.9 million. In Austria (incl. Corporate Center and the International Business) such expenses contracted by 0.5% despite increased expenditures to establish group-wide functions and preparations for strategic projects. In the Central European subsidiaries, these expenses rose by 10.0%, reflecting both business development expenditure and the appreciation of local currencies. Although the first-time consolidation of Erste Bank Serbia is for the most part immaterial, its impact on expenses is nevertheless of significance as restructuring costs for this company were already booked in 2005. Overall, the Erste Bank Group consolidated financial statements include EUR 10.7 million in general administrative expenses from Erste Bank Serbia. Adjusted for this effect, general administrative expenses in Central Europe increased by 8.8%.

Total personnel expense increased by 6.8% from EUR 1,482.4 million to EUR 1,583.4 million. This increase was disproportionately high in Central Europe, where it increased by 9.6%, or by 8.2% after adjusting for Erste Bank Serbia. Along with the generally higher wage and salary adjustments in Central Europe, the increase reflects investments in continuing education training for employees. It also covers severance provisions as part of the redundancy programme in the Czech Republic and the profit-sharing provisions for employees, which again came into play in 2005.

At 31 December 2005, the **headcount** had risen by 0.8% to 36,150 from the previous year. This figure includes 915 employees (2005 year-end total) from the first-time consolidation of Erste Bank Serbia. Adjusted for these employees, the Group's headcount actually fell by 1.7%. Further staff reductions were made in the Czech Republic in particular. The expansion of the branch network in Hungary and Croatia resulted in higher headcounts in those countries. The increase at other subsidiaries can be attributed to the growth at the Spordat, s-Versicherung and Immorent subsidiaries in Central and Eastern Europe.

Headcount	31/12/2005	31/12/2004	% change
Austria	14,757	14,629	0.9
of which Savings Banks	6,891	6,789	1.5
International	21,393	21,233	0.8
of which Ceska spořitelna	10,755	11,639	(7.6)
of which Slovenská sporiteľňa	4,836	5,083	(4.9)
of which Erste Bank Hungary	2,551	2,435	4.8
of which Erste Bank Croatia	1,604	1,441	11.3
of which Erste Bank Serbia	915	-	-
of which Other international subsidiaries	732	635	15.3
Total	**36,150**	**35,862**	**0.8**

The ongoing cost management efforts were reflected in the very positive development of **other administrative expenses**. Despite the continued expansion of group-wide functions and preparations for strategic group-wide projects as well as higher value-added tax rates in the

Czech and Slovak Republics, they decreased by 1.7% from EUR 772.2 million in 2004 to EUR 759.0 million last year.

In Austria (incl. Corporate Center and International Business), other administrative expenses contracted by 11.3% to EUR 387.1 million, while in Central Europe they rose by 10.8% to EUR 371.9 million as a result of restructuring costs related to Erste Bank Serbia and currency appreciation. Adjusted for Erste Bank Serbia, they increased by 9.4%. In particular, the Group was able to reduce its IT expenses by 13.0% to EUR 169.5 million.

Depreciation of fixed assets also fell by 1.7% from EUR 340.3 million to EUR 334.5 million. Overall depreciation expense included an increase in intangible assets (mainly software) from EUR 136.9 million to EUR 139.0 million, a decrease on real estate property from EUR 53.9 million to EUR 46.9 million and a decrease on other items (mainly office fixtures, including minor assets) from EUR 149.5 million to EUR 148.6 million.

1.3. Risk provisions

Overall, **risk provisions for loans and advances** rose slightly from EUR 406.2 million to EUR 421.6 million in 2005; representing 0.55% of average annual loans and advances to customers, down from 0.58% in the previous year. Central Europe accounted for approximately 19.0% of that total. This item includes EUR 74.7 million in write-offs for loans, up from EUR 61.2 million the previous year, as well as amounts recovered from loans and advances written off in the amount of EUR 36.6 million, up from EUR 15.3 million.

The increase in risk provisions for loans and advances was largely due to the Haftungsverbund (Cross-Guarantee Scheme) savings banks. Other factors included the strong growth in lending in the Central European countries as well as the non-recurrence of releases from the previous year at the Slovak and Croatian bank subsidiaries.

1.4. Other operating result

The other operating loss was significantly reduced from EUR 51.3 million in 2004 to EUR 16.1 million last year. Income from securities in the non-trading portfolio increased from EUR 51.3 million to EUR 77.8 million last year. Also, the proceeds from the sale or exceptional valuation of real estate property increased significantly from EUR 11.3 million in 2004 to EUR 36.4 million, largely as a result of the sale of a Vienna office building for approximately EUR 22 million. In addition, regulatory changes in the Czech Republic led to a reduction in the contribution to the deposit insurance of EUR 10 million. Overall, these payments fell from EUR 54.0 million in 2004 to EUR 42.6 million last year.

The **pre-tax profit** for 2005 totalled EUR 1,214.8 million, up 21.9% from the previous year's result of EUR 996.6 million.

1.5. Tax situation

In 2005, the Erste Bank Group's reported **tax rate** (taxes on income as a percentage of pre-tax profit) was 24.7%, down from 27.9% the previous year. The key contributors to this reduction were the absence of 2004's non-recurring exceptional depreciation of deferred tax assets made prior to the reduction in the Austrian corporate tax rate (approximately EUR 20 million), the application as from 1 January 2005 of this tax rate reduction from 34% to 25% and the lowering of the corporate tax rate in the Czech Republic from 28% in 2004 to 26% last year.

1.6. Group net profit

After deducting **taxes on income** and **minority interests** (which include shares held by third parties in the earnings of Group companies, in particular with respect to Haftungsverbund savings banks), **Group net profit** totalled EUR 711.7 million, a 36.7% increase from the previous year's result of EUR 520.8 million.

In 2005, the **return on equity** (RoE) based on the Group net profit after taxes and minority interests stood at 19.0%, up from 17.0% the previous year.

Earnings per share rose by 35.8% from EUR 2.18 in 2004 to EUR 2.96 last year.

II. Performance in the fourth quarter of 2005

In the fourth quarter of 2005, Erste Bank not only significantly exceeded the excellent result of the previous quarter but also that of the second quarter.

Group net profit after taxes and minority interests reached a new record level of EUR 202.9 million for the quarter, up from EUR 173.1 million in the third quarter.

Net interest income rose by 5.3% from EUR 694.0 million in the third quarter to EUR 730.7 million. This increase was bolstered by approximately EUR 9 million in non-recurring income from the Slovakian building society (PSS) consolidated under the equity method. In addition an exceptionally strong quarter at the Haftungsverbund segment (+ EUR 6 million to EUR 226.5 million) contributed to the positive result.

Net commission income also increased at an above-average rate of 9.8% to reach EUR 334.9 million, up from EUR 304.9 million in the previous quarter. The Haftungsverbund savings banks made a significant contribution to this result.

Net trading income increased from EUR 66.4 million to EUR 70.1 million, also a new high over the past two years.

Income from insurance business would have exceeded the favourable performance of the previous quarter in the amount of EUR 10.0 million. However, non-recurring expenses related to adjustments in the actuarial tables applied by s-Versicherung offset some of the gains, such that income remained close to zero during the quarter.

Overall, **operating income** thus totalled EUR 1,135.5 million in the fourth quarter, up from EUR 1,075.3 million in the previous quarter.

General administrative expenses reached EUR 686.9 million. This was significantly higher than the EUR 666.9 million recorded during the previous quarter, although it should be noted that the fourth quarter result includes approximately EUR 6.0 million in restructuring costs for Erste Bank Serbia.

Personnel expenses rose sharply from EUR 393.3 million in the third quarter to EUR 428.7 million in the fourth quarter, driven primarily by the establishment of higher provisions mainly in CEE for performance-related bonus compensation. Other administrative expenses in the fourth quarter totalled EUR 174.1 million, which was below the previous quarter's level of EUR 190.5 million.

Operating profit in the fourth quarter thus totalled EUR 448.6 million, which was significantly higher than the EUR 408.4 million recorded in the third quarter.

The **cost/income ratio** improved significantly, falling from 62.0% in the third quarter to 60.5%.

Risk provision allocations totalled EUR 92.5 million, which was less than in previous quarters.

Despite a non-recurring gain of nearly EUR 22 million from a property sale in Vienna, the **other operating result** deteriorated from a loss of EUR 1.0 million in the third quarter to a loss of EUR 5.7 million in the fourth.

The **pre-tax profit** totalled EUR 350.4 million, an all-time high and well above the third-quarter result of EUR 288.2 million.

After deducting taxes and minority interests, the **Group net profit** totalled EUR 202.9 million, an all-time high for the Erste Bank Group.

III. Balance sheet

in EUR million	31/12/2005	31/12/2004	% change
Loans and advances to credit institutions	16,858	15,684	7.5
Loans and advances to customers	80,419	72,843	10.4
Risk provisions for loans and advances	(2,817)	(2,804)	0.5
Securities and other financial investments	47,681	42,521	12.1
Other assets	10,519	11,568	(9.1)
Total assets	152,660	139,812	9.2

in EUR million	31/12/2005	31/12/2004	% change
Amounts owed to credit institutions	33,911	28,551	18.8
Amounts owed to customers	72,793	68,213	6.7
Debts evidenced by certificates and subordinated capital	25,581	23,416	9.2
Total equity	6,461	5,953	8.5
Other liabilities	13,914	13,679	1.7
Total liabilities and shareholders' equity	152,660	139,812	9.2

The **total assets** of the Erste Bank Group rose by 9.2% to EUR 152.7 billion at 31 December 2005, up from EUR 139.8 billion the previous year.

Overall, **loans and advances to customers** increased by 10.4% to EUR 80.4 billion. In Austria, these loans rose by 5.9% to EUR 49.8 billion, while abroad they increased by 18.6% to EUR 30.6 billion. The retail lending business segment in Central Europe recorded very satisfactory growth rates, rising by 40.9% to EUR 9.8 billion and underscoring the Erste Bank Group's strong position in the retail business.

Risk-weighted assets as defined under § 22 para. 2 of the Austrian Banking Act (BWG) increased by 14.8% to EUR 75.0 billion in 2005.

At 31 December 2005, **risk provisions** totalled EUR 2.8 billion, virtually unchanged from the previous year, as new provisions in 2005 were offset by reversals and uses. The regional composition of these provisions breaks down to 21% for Central Europe and approximately 79% for Austria and other regions.

Trading assets increased , by 17.2% from EUR 4.6 billion to EUR 5.4 billion. At 31 December 2005, 53.9% of the trading assets consisted of listed, fixed-income securities.

AfS and 'assets through profit and loss' increased by 16.8% from EUR 16.0 billion to EUR 18.7 billion last year. At 31 December 2005, assets making up the fair value portfolio totalled EUR 4.4 billion, while those in the available-for-sale portfolio stood at EUR 14.2 billion. Approximately 64.5% of the AfS and assets through profit and loss consisted of listed, fixed-income securities.

Financial investments also increased by 7.7% to EUR 23.6 billion (of this total, investments of the insurance companies grew by 15.4% to EUR 7.1 billion while the held-to-maturity portfolio — representing the bank's own investments and consisting mainly of listed fixed-income securities — gained 6.7% to EUR 15.1 billion). Hence the **total investment assets** in the form of trading assets, financial assets and other current assets increased by 12.1% from EUR 42.5 billion to EUR 47.7 billion last year. Of the total at 31 December 2005, 11.4% consisted of trading assets, 39.1% of other current assets and 49.5% financial investments.

Intangible assets rose by 4.8% to EUR 1.9 billion. At 31 December 2005, they included approximately EUR 1.5 billion in goodwill.

Interbank transactions increased substantially on both sides of the balance sheet. **Loans to credit institutions** rose by 7.5% to EUR 16.9 billion, as the bulk of the loans were to foreign credit institutions. These loans increased by 10.6% to EUR 14.6 billion.

In terms of liabilities, **amounts owed to credit institutions** rose by 18.8% to EUR 33.9 billion, as liabilities to domestic credit institutions increased by 47.3% to EUR 9.8 billion and those to foreign credit institutions increased by 10.1% to EUR 24.1 billion.

Amounts owed to customers increased by 6.7% to EUR 72.8 billion. Of that total, savings deposits increased by 2.3% to EUR 38.8 billion. Of the other customer deposits, those from private customers increased by 7.9% to EUR 16.3 billion. At 31 December 2005, Central Europe accounted for approximately 36% of the total.

Refinancing through **own securities issues** increased by 9.2% to EUR 25.6 billion. **Debts evidenced by certificates** rose by 8.0% to EUR 21.3 billion, while **subordinated liabilities** increased by 15.8% to EUR 4.3 billion. Finally, this last item at 31 December 2005 includes hybrid capital (which qualifies as Tier 1 capital under the Austrian Banking Act (BWG)) in the amount of EUR 900 million (previous year: EUR 711 million), with EUR 200 million in gross new issues in 2005.

Total equity, which in accordance with revised IFRS now includes shareholders' equity and minority interests, increased by 8.5% to 6.5 billion in 2005. This increase was mainly due to the net profit for the period. It broke down into a 20.6% increase in Erste Bank AG **shareholders' equity**, and a 7.8% decline in **minority interests**. These changes reflect for the most part the buy-out of all minority interests in Slovenská sporiteľňa and the deconsolidation of Erste Immobilien AG. Minority interests also include the equity interests of the Haftungsverbund savings banks in which Erste Bank either does not have an interest or only a minority interest.

At 31 December 2005, **total own funds** of the Erste Bank Group as defined by the Austrian Banking Act (BWG) stood at approximately EUR 8.6 billion, up from EUR 7.3 billion the previous year. Since the statutory minimum requirement at this date was about EUR 6.4 billion, the Group's coverage ratio is 135%, up from 130% the previous year.

At 31 December 2005, **tier 1 capital** as defined by the Austrian Banking Act (BWG) totalled approximately EUR 5.1 billion, up from EUR 4.4 billion the previous year.

The **risk-weighted assets** as defined by § 22 para. 2 of the Austrian Banking Act (BWG) increased by an above-average rate of 14.8% to EUR 75.0 billion, such that at 31 December 2005 the **Tier 1 capital ratio** as defined by the Austrian Banking Act was 6.8%, up from 6.7% the previous year.
The **solvency ratio** as defined by the Austrian Banking Act (BWG) stood at 11.0% at 31 December 2005, up from 10.7% the previous year and well above the statutory minimum requirement of 8%.

IV. Segment reporting[3]

Austria

In Austria, net profit after taxes and minority interests rose by 15.6% compared with the same period last year, from EUR 209.6 million to EUR 242.3 million. The outstanding result in net commission income, which rose by 14.3% to EUR 103.5 million, was partly offset by declines in net interest income related to structural factors such as the overall market environment and the flat yield curve, notably in the Trading & Investment Banking segments. General administrative expenses remained essentially unchanged at EUR 1,633.2 million, an increase of only 1.3%. As a result, the cost/income ratio improved slightly from 65.1% to 64.8%. Risk provision allocations increased by 2.9% in Austria as a result of non-recurring provisions in the Haftungsverbund savings banks. The return on equity rose slightly to 12.3%.

Savings banks:

Net profit after taxes and minority interests contracted from EUR 7.1 million to EUR 3.2 million, largely as a result of non-recurring income in 2004 from the disposal of branches at a Haftungsverbund savings bank. The increase in risk provisions was largely due to one-off provision allocations at two smaller savings banks, but had a marginal effect on net profit after taxes and minority interests. Net commission income rose by a substantial EUR 39.4 million, or 12.3%, relative to the previous year, with the securities business performing especially well. After factoring in a EUR 23.9 million, or 3.0%, increase in general administrative expenses, operating profit rose from EUR 385.5 million to EUR 387.2 million. The cost/income ratio was up slightly from 67.5% to 68.1%.

Retail and Mortgage

The retail business performed exceptionally in 2005. Net profit after taxes and minority interests in this segment more than doubled from EUR 41.1 million in 2004 to EUR 93.2 million last year. This success was the result of further improvement in net commission income, which rose by EUR 34.1 million, or 12.1%, mainly on the strength of the outstanding performance of the securities business in the branch network. The decline in general administrative expenses, which fell by EUR 10.7 million, or 1.7%, also demonstrated the success of cost-saving measures implemented in the previous year. In addition, the turnaround in the SME business segment was successfully completed, as evidenced by the EUR 13.8 million, or 11.6%, decline in risk provisions. The slight loss recorded by the insurance business in the fourth quarter of 2005 was due to increased technical reserve requirements related to the application of new actuarial tables. The improvement in other operating result is mainly due to a change in the allocation of securities in one of the subsidiaries included in this segment. Operating profit jumped by 19.9% from EUR 200.6 million to EUR 240.5 million. The cost/income ratio improved from 76.0% to 72.2%, while the return on equity reached the ambitious target of 10% for the first time, reflecting the successful efforts to manage the business profitably in a market characterised by overcapacity.

Large Corporates

The operating profit of the large corporates segment increased by 6.1% from EUR 129.3 million to EUR 137.2 million. Net commission income was up substantially by EUR 11.0 million, or 15.4%, thanks to higher revenues from capital market transactions and property projects of subsidiaries allocated to this segment. Meanwhile, the other operating result contracted as a result of lower income from the revaluation of financial assets and higher provisions for project revaluation requirements relative to 2004, leading to a release of risk provisions. At year-end, risk provisions totalled EUR 30.5 million, or 19.6% less than the previous year. General administrative expenses increased by 7.7% from EUR 83.0 million to EUR 89.4 million, mainly through increased property leasing expenditure following the expansion of these business activities in Central and Eastern Europe. After factoring in a slight increase in net interest income, net profit after taxes and

[3] Comparisons with the fourth-quarter or full-year results for 2004 are based exclusively on the restated figures in accordance with IAS 32 and 39. Also, the consolidation of subsidiaries has involved different valuation amounts. Therefore, the published results of individual Group members cannot be compared on a like-for-like basis with results in segment reporting. Finally, proportionate funding costs have been allocated to the segments where appropriate.

minority interests remained essentially unchanged relative to 2004 at EUR 55.5 million. The cost/income ratio stood at 39.4%, while the return on equity decreased very slightly to 11.0%, mainly as a result of a generally higher equity allocation.

Trading and Investment Banking
Net profit after taxes and minority interests declined by 14.4% from EUR 105.6 million to EUR 90.3 million. Net interest income (from Asset and Liability Management) fell from EUR 102.4 million to EUR 62.2 million as a result of general interest rate trends and the flat yield curve. Thanks to the substantial increase in net commission income, up by 37% from EUR 51.7 million to EUR 70.9 million, largely based on commission income in the securities business (and structured products in particular), the net trading result remained at the previous year's high level. General administrative expenses increased slightly. As a result, the cost/income ratio increased from 38.8% to 43.3% and the return on equity fell from 43.2% to 31.9%.

Central Europe:
Česká spořitelna
Net profit after taxes and minority interests increased by EUR 71.8 million, or 37.1%, from EUR 193.7 million to EUR 265.4 million. Net interest income recorded gains through increased lending volume, while net commission income — especially in the payments services and cards business — also progressed from previous high levels. The marked improvement in the other operating result resulted from gains on the sale of investments available for sale as well as the reduction in the contribution to the deposit insurance fund (- EUR 10 million). The increase in general administrative expenses was primarily due to additional severance provisions as a result of the personnel reductions beginning in the third quarter of 2005. Operating profit increased by 23.2% on the strength of robust gains in operating income and a favourable 6.6% CZK/EUR currency effect. The cost/income ratio improved from 61.3% to 58.6%, while the return on equity contracted minimally from 39.4% to 38.5% as a result of the higher equity allocation.

Slovenská sporiteľňa
The net profit after taxes and minority interests of Slovenská sporiteľňa jumped 52.5% from EUR 57.2 million in 2004 to EUR 87.3 million last year. In net interest income, the non-recurrence of income from fixed-interest bonds and higher funding costs (buyout of all minority interests in SLSP as from 1 January 2005) were more than offset by the growth of the retail business, increased income from participations accounted for under the equity method and a favourable currency effect. Net commission income was up 24.2% from EUR 66.4 million to EUR 82.5 million as a result of the very favourable results in both payment services and lending transactions. General administrative expenses increased slightly by EUR 8.8 million from EUR 158.5 million to EUR 167.3 million. The improved other operating result was due in part to capital gains on the sale of fixed-income securities and the non-recurrence in 2005 of required reserve allocations in 2004. Thanks to these developments, the return on equity increased from 46.1% to 47.7% while the cost/income ratio contracted from 59.0% to 57.2%.

Erste Bank Hungary
EBH posted results ahead of expectations in all areas. Net interest income rose by EUR 30.4 million, or 17.5%, from EUR 174.0 million to EUR 204.4 million, mainly due to the sharp growth in lending. Net commission income was boosted primarily by growth in payment services and securities trading (up EUR 12.2 million in total, or 23.3%). These above-average growth rates, combined with a relatively moderate rise in general administrative expenses (due primarily to the expansion of the branch network and performance-related compensation), led to an increase in net profit after taxes and minority interests from EUR 31.5 million to EUR 67.1 million. Return on equity increased from 23.6% to 34.1%, while the cost/income ratio fell from 68.1% to 61.2%.

Erste Bank Croatia
Operating profit increased by 39.0% from EUR 49.4 million to EUR 68.7 million. Interest income climbed by 18.7% from EUR 84.5 million to EUR 100.3 million thanks to higher business volumes.

The third and fourth quarters were down relative to previous quarters as a result of the reclassification of revaluation gains from derivatives into the net trading result. Commission income — especially in payment services — improved by 39.4% from EUR 16.7 million to EUR 23.3 million. The increase in the net trading result was due primarily to the above-mentioned reclassifications of derivative positions. The increase in risk provisions was due to one-off effects in 2004 (a reduction in the rate for general provisions from 2% to 0.8% by the Croatian National Bank and following the launch of a new rating system) which have reduced the 2004 figure significantly. General administrative expenses rose by EUR 10.9 million, or 17.0%, from EUR 64.3 million to EUR 75.3 million, mainly as a result of the expansion of the branch network. The increase in net profit after taxes and minority interests (up EUR 3.5 million, or 15.7%) was also impacted by the disposal of participations and the accompanying increase in minority interests. Return on equity fell to 14.8% on the back of higher attributed equity capital, while the cost/income ratio improved significantly from 56.6% to 52.3%.

Erste Bank Serbia

The recently acquired Serbian bank was first-time consolidated in August 2005. Beginning in September, a comprehensive restructuring programme was launched. This programme is designed to optimise operating processes while improving the bank's competitive position in the Serbian banking market.

The present segment report includes one-off restructuring charges of EUR 6 million.

International Business

The International Business recorded substantial gains above and beyond the existing high level. The continued success of this division's strategy resulted in a 3.3% increase in operating profit from EUR 141.5 million to EUR 146.3 million. The exceptionally favourable risk provision trends were the result of reversals made possible by the disposal of loans and the completion of restructurings on the one hand and to the recording of income from previously written-off loans. Along with the improvement in other operating income (driven in particular by declining revaluations applied to other financial investments). Overall, net profit after taxes and minority interests increased by 20.8% from EUR 93.6 million to EUR 113.2 million, the cost/income ratio rose slightly from 19.1% to 19.7% and the return on equity remained essentially unchanged at the high level of 22.9%.

Corporate Center

The Corporate Center segment encompasses the profits from all companies that cannot be assigned to a business segment, profit elimination between the segments and one-off effects not assigned to a business segment in order to support comparability.

The trend in net commission income and general administrative expenses can be largely attributed to changes in profit consolidation from bank support operations. General administrative expenses were impacted to a large extent by administrative costs of Group projects started in 2004 and expenses related to the performance of due diligence.

The decline in the other operating result was primarily due to the above-mentioned one-off effects assigned to the Corporate Center, in particular the gain on the disposal of the stake in Investkredit in the fourth quarter of 2004 and revaluations that largely offset the gains on the sale of an office building in the fourth quarter of 2005.

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 a decrease in Austrian corporation tax (KÖST) from 34% to 25% as of 1 January 2005.

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I. Balance sheet according to IFRS

in EUR m

	Assets	31/12/05	31/12/04 restated	+/- %	31/12/04 published
1.	Cash and balances with central banks	2,728	2,723	0.2	2,723
2.	Loans and advances to credit institutions	16,858	15,684	7.5	15,513
3.	Loans and advances to customers	80,419	72,843	10.4	72,722
4.	Risk provisions for loans and advances	(2,817)	(2,804)	0.5	(2,749)
5.	Trading assets	5,426	4,628	17.2	4,628
6.	AfS & assets through profit and loss	18,644	15,967	16.8	9,141
7.	Financial investments	23,611	21,926	7.7	28,867
8.	Intangible assets	1,911	1,823	4.8	1,823
9.	Tangible assets	1,688	1,723	(2.0)	1,723
10.	Other assets	4,192	5,299	(20.9)	5,291
	Total assets	**152,660**	**139,812**	**9.2**	**139,682**

	Liabilities and shareholders' equity	31/12/05	31/12/04 restated	+/- %	31/12/04 published
1.	Amounts owed to credit institutions	33,911	28,551	18.8	28,551
2.	Amounts owed to customers	72,793	68,213	6.7	68,213
3.	Debts evidenced by certificates	21,291	19,710	8.0	19,887
4.	Provisions	8,635	7,500	15.1	7,328
5.	Other liabilities	5,279	6,179	(14.6)	6,179
6.	Subordinated capital	4,290	3,706	15.8	3,048
7.	Total equity	6,461	5,953	8.5	6,476
	thereof shareholders' equity	4,129	3,424	20.6	3,347
	thereof minority interests	2,332	2,529	(7.8)	3,129
	Total liabilities and shareholders' equity	**152,660**	**139,812**	**9.2**	**139,682**

II. Income Statement according to IFRS

	in EUR m	1/1-31/12/05	1/1-31/12/04 restated	+/- %	1/1-31/12/04 published
I.	**Net interest income**	**2,794.2**	**2,660.3**	**5.0**	**2,695.5**
	Risk provisions for loans and advances	(421.6)	(406.2)	3.8	(406.2)
	Net commission income	1,256.8	1,135.4	10.7	1,141.1
	Net trading result	241.7	216.5	11.6	216.5
	General administrative expenses	(2,676.9)	(2,594.9)	3.2	(2,592.9)
	Result from insurance business	36.7	36.8	(0.3)	34.8
	Other operating result	(16.1)	(51.3)	68.6	(27.7)
II.	**Pre-tax profit for the period**	**1,214.8**	**996.6**	**21.9**	**1,061.1**
	Taxes on income	(300.0)	(277.9)	8.0	(273.8)
III.	**Profit for the period**	**914.8**	**718.7**	**27.3**	**787.3**
	Minority interests	(203.1)	(197.9)	2.6	(242.8)
IV.	**Net profit after minority interests**	**711.7**	**520.8**	**36.7**	**544.5**

Percentage changes in financial figures between two financial periods may differ slightly from non-rounded rates of change.

III. Erste Bank Group - Divisional Reporting

OVERVIEW								
	Austria		Central Europe		International Business		Corporate Centre	
in EUR m	**FY 2005**	**FY 2004 restated**	**FY 2005**	**FY 2004 restated**	**FY 2005**	**FY 2004 restated**	**FY 2005**	**FY 2004 restated**
Net interest income	1,550.2	1,607.9	1,096.6	948.5	152.7	150.8	(5.3)	(46.8)
Risk provisions for loan and adv.	(351.3)	(341.3)	(80.2)	(49.9)	10.2	(15.5)	(0.2)	0.5
Net commission income	825.7	722.1	459.4	398.6	29.4	22.5	(57.7)	(7.9)
Net trading result	116.8	117.6	120.9	101.4	(0.0)	1.7	4.0	(4.2)
General administrative expenses	(1,633.2)	(1,613.0)	(989.1)	(899.0)	(35.8)	(33.4)	(18.8)	(49.5)
Income from insurance business	28.8	28.5	7.9	8.4	0.0	0.0	0.0	0.0
Other operating result	(0.1)	(38.9)	(22.6)	(61.5)	2.0	(5.7)	4.6	54.8
Pre-tax profit for the period	**536.8**	**482.9**	**592.9**	**446.4**	**158.5**	**120.4**	**(73.4)**	**(53.0)**
Taxes on income	(133.7)	(120.2)	(131.0)	(105.0)	(45.3)	(26.7)	10.0	(25.8)
Minority interests	(160.8)	(153.1)	(24.7)	(36.8)	0.0	0.0	(17.6)	(8.1)
Net profit after minority interests	**242.3**	**209.6**	**437.2**	**304.5**	**113.2**	**93.6**	**(81.1)**	**(86.9)**
Average risk-weighted assets	46,575.7	46,484.0	16,562.5	13,318.7	6,547.4	6,262.0	339.4	405.7
Average attributed equity	1,967.8	1,759.1	1,251.2	874.8	494.6	411.3	25.6	26.6
Cost/Income Ratio	**64.8%**	**65.1%**	**58.7%**	**61.7%**	**19.7%**	**19.1%**	**n.a.**	**n.a.**
ROE based on net profit	**12.3%**	**11.9%**	**34.9%**	**34.8%**	**22.9%**	**22.8%**	**n.a.**	**n.a.**
Thereof funding costs	(63.0)	(70.6)	(63.3)	(64.8)	0.0	0.0	(19.7)	(27.7)

TOTAL		
	Erste Bank Group	
in EUR m	**FY 2005**	**FY 2004 restated**
Net interest income	2,794.2	2,660.3
Risk provisions for loan and adv.	(421.6)	(406.2)
Net commission income	1,256.8	1,135.4
Net trading result	241.7	216.5
General administrative expenses	(2,676.9)	(2,594.9)
Income from insurance business	36.7	36.8
Other operating result	(16.1)	(51.3)
Pre-tax profit for the period	**1,214.8**	**996.6**
Taxes on income	(300.0)	(277.9)
Minority interests	(203.1)	(197.9)
Net profit after minority interests	**711.7**	**520.8**
Average risk-weighted assets	70,025.0	66,470.4
Average attributed equity	3,739.2	3,071.9
Cost/Income Ratio	**61.8%**	**64.1%**
ROE based on net profit	**19.0%**	**17.0%**
Thereof funding costs	(145.9)	(163.1)

IV. Erste Bank Group - Divisional Reporting (Details)

AUSTRIA								
	Savings Banks		Retail and Mortgage		Large Corporate Customers		Trading and Investment Banking	
in EUR m	**FY 2005**	**FY 2004 restated**	**FY 2005**	**FY 2004 restated**	**FY 2005**	**FY 2004 restated**	**FY 2005**	**FY 2004 restated**
Net interest income	834.0	849.6	511.0	516.1	142.9	139.9	62.2	102.4
Risk provisions for loan and adv.	(215.8)	(184.5)	(105.1)	(118.9)	(30.5)	(37.9)	(0.0)	0.0
Net commission income	358.1	318.8	314.5	280.4	82.2	71.2	70.9	51.7
Net trading result	20.6	18.8	10.2	10.5	1.5	1.2	84.5	87.1
General administrative expenses	(825.6)	(801.7)	(624.1)	(634.8)	(89.4)	(83.0)	(94.1)	(93.5)
Income from insurance business	0.0	0.0	28.8	28.5	0.0	0.0	0.0	0.0
Other operating result	13.8	(18.8)	16.2	(5.5)	(29.0)	(7.7)	(1.1)	(7.0)
Pre-tax profit for the period	**185.2**	**182.1**	**151.6**	**76.3**	**77.8**	**83.8**	**122.2**	**140.8**
Taxes on income	(46.9)	(47.1)	(36.1)	(20.0)	(18.7)	(17.9)	(32.0)	(35.2)
Minority interests	(135.0)	(127.8)	(22.3)	(15.2)	(3.6)	(10.1)	0.1	0.0
Net profit after minority interests	**3.2**	**7.1**	**93.2**	**41.1**	**55.5**	**55.8**	**90.3**	**105.6**
Average risk-weighted assets	23,948.7	22,986.2	12,204.0	12,844.7	6,668.4	6,860.9	3,754.7	3,792.1
Average attributed equity	258.5	245.7	921.9	827.3	503.7	441.9	283.6	244.2
Cost/Income Ratio	**68.1%**	**67.5%**	**72.2%**	**76.0%**	**39.4%**	**39.1%**	**43.3%**	**38.8%**
ROE based on net profit	**1.3%**	**2.9%**	**10.1%**	**5.0%**	**11.0%**	**12.6%**	**31.9%**	**43.2%**
Thereof funding costs	(14.6)	(16.2)	(31.8)	(37.0)	(15.2)	(14.6)	(1.4)	(2.8)

CENTRAL EUROPE*										
	Česká spořitelna		Slovenská sporiteľňa		Erste Bank Hungary		Erste Bank Croatia		Erste Bank Serbia*	
in EUR m	**FY 2005**	**FY 2004 restated**	**FY 2005**	**FY 2004 restated**	**FY 2005**	**FY 2004 restated**	**FY 2005**	**FY 2004 restated**	**FY 2005**	**FY 2004**
Net interest income	595.0	504.2	194.9	185.8	204.4	174.0	100.3	84.5	2.1	-
Risk provisions for loan and adv.	(33.7)	(15.8)	(11.1)	0.8	(17.1)	(30.0)	(14.4)	(4.9)	(3.9)	-
Net commission income	287.0	262.9	82.5	66.4	64.8	52.6	23.3	16.7	1.9	-
Net trading result	49.4	41.0	14.9	16.5	34.6	31.3	20.4	12.6	1.7	-
General administrative expenses	(550.1)	(500.5)	(167.3)	(158.5)	(185.8)	(175.7)	(75.3)	(64.3)	(10.7)	-
Income from insurance business	7.9	8.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-
Other operating result	8.7	(10.8)	(13.2)	(28.4)	(16.7)	(21.0)	(1.7)	(1.3)	0.2	-
Pre-tax profit for the period	**364.1**	**289.3**	**100.6**	**82.6**	**84.3**	**31.3**	**52.7**	**43.2**	**(8.8)**	**-**
Taxes on income	(90.2)	(89.5)	(13.5)	(7.2)	(17.0)	0.3	(10.5)	(8.6)	0.2	-
Minority interests	(8.5)	(6.1)	0.1	(18.2)	(0.2)	(0.1)	(16.6)	(12.4)	0.3	-
Net profit after minority interests	**265.4**	**193.7**	**87.3**	**57.2**	**67.1**	**31.5**	**25.6**	**22.1**	**(8.3)**	**-**
Average risk-weighted assets	9,136.9	7,491.5	2,421.5	1,890.2	2,606.5	2,031.2	2,289.8	1,905.9	107.8	-
Average attributed equity	690.2	492.1	182.9	124.2	196.9	133.4	173.0	125.2	8.1	-
Cost/Income Ratio	**58.6%**	**61.3%**	**57.2%**	**59.0%**	**61.2%**	**68.1%**	**52.3%**	**56.6%**	**191.0%**	**-**
ROE based on net profit	**38.5%**	**39.4%**	**47.7%**	**46.1%**	**34.1%**	**23.6%**	**14.8%**	**17.7%**	**-**	**-**
Thereof funding costs	(22.0)	(26.4)	(16.0)	(11.1)	(19.9)	(21.5)	(4.4)	(5.8)	(1.0)	-

* EB Serbia included in Group P&L for 5 months