Consolidated Financial Statements

Consolidated Financial Statements 2006 (IFRS)

I. Consolidated Income Statement of Erste Bank for the year ended 31 December 2006

in EUR thousand	Notes	2006	restated*) 2005
Interest and similar income		7,089,295	5,784,237
Interest and similar expenses		(3,928,679)	(3,014,857)
Income from associates accounted for at equity		28,709	24,848
Net interest income	**1**	**3,189,325**	**2,794,228**
Risk provisions for loans and advances	2	(439,097)	(421,596)
Fee and commission income		1,805,098	1,545,213
Fee and commission expenses		(359,192)	(288,440)
Net fee and commission income	**3**	**1,445,906**	**1,256,773**
Net trading result	4	277,867	241,705
General administrative expenses	5	(2,945,330)	(2,669,976)
Income from insurance business	6	35,849	36,663
Other operating result	7	(144,043)	(73,207)
Result from financial assets - at fair value through profit or loss	8	(4,487)	11,420
Result from financial assets - available for sale	9	100,011	44,186
Result from financial assets - held to maturity	10	6,243	1,474
Pre-tax profit		**1,522,244**	**1,221,670**
Taxes on income	11	(339,843)	(301,713)
Net profit before minority interests		**1,182,401**	**919,957**
Minority interests		(250,155)	(203,244)
Net profit after minority interests	**12**	**932,246**	**716,713**

*) Restated to reflect the effects of retrospective application of the amended IAS 19, as well as changes in the presentation of individual items in preparation for the application of IFRS 7 effective for annual periods beginning on 1 January 2007. Detailed explanations are given in the Notes, section C. Accounting policies, c) Effects of applying amended and new IFRS/IAS.

Earnings per share

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

		2006	restated 2005
Net profit after minority interests	in EUR thousand	932,246	716,713
Average number of shares outstanding*)	number	300,272,502	240,145,648
Earnings per share	**in EUR**	**3.10**	**2.98**
Diluted earnings per share	in EUR	3.09	2.97
Dividend per share	in EUR	0.65	0.55

*) Including the shares held by members of the Haftungsverbund.

II. Consolidated Balance Sheet of Erste Bank at 31 December 2006

in EUR thousand	Notes	2006	restated*) 2005
ASSETS			
Cash and balances with central banks	13	7,377,868	2,728,439
Loans and advances to credit institutions	14	16,616,331	16,858,244
Loans and advances to customers	15	97,106,741	80,418,552
Risk provisions for loans and advances	16	(3,132,843)	(2,816,668)
Trading assets	17	6,188,401	5,426,142
Financial assets - at fair value through profit or loss	18	4,682,208	4,370,223
Financial assets - available for sale	19	14,926,945	14,537,142
Financial assets - held to maturity	20	16,699,666	15,121,943
Investments of insurance companies	21	7,329,156	7,066,080
Equity holdings in associates accounted for at equity	22	382,551	255,997
Intangible assets	23	6,092,150	1,910,901
Tangible assets	23	2,164,506	1,687,802
Tax assets	24	317,372	264,377
Other assets	23, 25	4,952,153	4,851,582
Total assets		**181,703,205**	**152,680,756**
LIABILITIES AND EQUITY			
Amounts owed to credit institutions	26	37,687,835	33,911,518
Amounts owed to customers	27	90,849,400	72,792,861
Debt securities in issue	28	21,813,518	21,291,373
Trading liabilities	29	1,200,106	1,303,762
Underwriting provisions	30	7,920,055	7,056,284
Other provisions	31	1,780,140	1,493,177
Tax liabilities	24	290,636	187,716
Other liabilities	32	4,047,332	3,975,085
Subordinated capital	33	5,209,976	4,289,826
Total equity	34	10,904,207	6,379,154
Shareholders' equity		7,979,073	4,065,137
Minority interests		2,925,134	2,314,017
Total liabilities and equity		**181,703,205**	**152,680,756**

*) Restated to reflect the effects of retrospective application of the amended IAS 19, as well as changes in the presentation of individual items in preparation for the application of IFRS 7 effective for annual periods beginning on 1 January 2007. Detailed explanations are given in the Notes, section C. Accounting policies, c) Effects of applying amended and new IFRS/IAS.

III. Consolidated Statement of Changes in Total Equity

A) CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY FOR THE YEAR ENDED 31 DECEMBER 2005 (RESTATED)

in EUR million	Subscribed capital	Additional paid-in capital	Retained earnings	Total Share-holders` equity	Minority interests	Total equity 2005
Equity at 31 December 2004	**483**	**1,429**	**1,512**	**3,424**	**2,529**	**5,953**
Restatement IAS 19	0	0	(59)	(59)	(12)	(71)
Equity at 1 January 2005 restated[1]	**483**	**1,429**	**1,453**	**3,365**	**2,517**	**5,882**
Currency translation	0	0	92	92	9	101
Changes in own shares	0	0	38	38	0	38
Purchase	0	0	(613)	(613)	0	(613)
Sale	0	0	634	634	0	634
Result	0	0	17	17	0	17
Dividends	0	0	(120)	(120)	(107)	(227)
Capital increases[2]	3	35	0	38	0	38
Net profit before minority interests	0	0	717	717	203	920
Income and expenses recognised directly in equity	0	0	(65)	(65)	(3)	(68)
Change in interest in subsidiaries	0	0	0	0	(305)	(305)
Equity at 31 December 2005	**486**	**1,464**	**2,115**	**4,065**	**2,314**	**6,379**
Cash flow hedge reserve at 31 December 2005	0	0	0	0	8	8
Available for sale reserve at 31 December 2005	0	0	145	145	261	406
Actuarial gains/losses from long-term employee provisions at 31 December 2005	0	0	(92)	(92)	(24)	(116)
Deferred tax reserve at 31 December 2005	0	0	(12)	(12)	(60)	(72)

1) Including deferred taxes.
2) Capital increase in connection with the Employee Share Ownership Plan (ESOP) and Management Share Option Plan (MSOP).

B) CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY FOR THE YEAR ENDED 31 DECEMBER 2006

in EUR million	Subscribed capital	Additional paid-in capital	Retained earnings	Total Share-holders` equity	Minority interests	Total capital 2006
Equity at 31 December 2005	**486**	**1,464**	**2,115**	**4,065**	**2,314**	**6,379**
Currency translation	0	0	337	337	36	373
Changes in own shares	0	0	(187)	(187)	0	(187)
Purchase	0	0	(1,831)	(1,831)	0	(1,831)
Sale	0	0	1,612	1,612	0	1,612
Result	0	0	32	32	0	32
Dividends	0	0	(133)	(133)	(50)	(183)
Capital increases[1)]	144	3,050	0	3,194	0	3,194
Net profit before minority interests	0	0	932	932	250	1,182
Income and expenses recognised directly in equity	0	0	(229)	(229)	(313)	(542)
Change in interest in subsidiaries	0	0	0	0	688	688
Equity at 31 December 2006	**630**	**4,514**	**2,835**	**7,979**	**2,925**	**10,904**
Cash flow hedge reserve at 31 December 2006	0	0	(14)	(14)	(17)	(31)
Available for sale reserve at 31 December 2006	0	0	5	5	(44)	(39)
Actuarial gains/losses from long-term employee provisions at 31 December 2005	0	0	(237)	(237)	(110)	(347)
Deferred tax reserve at 31 December 2006	0	0	57	57	44	101

1) Capital increases for the acquisition of shares of Banca Comercială Română (BCR) after deduction of the expenses incurred by the capital increase net of tax of about EUR 49.0 million as well as the capital increases in connection with the Employee Share Ownership Plan (ESOP) and Management Share Option Plan (MSOP).

Income and expenses recognised directly in equity

in EUR million	2006	restated 2005
Net profit before minority interests	**1,182**	**920**
Available for sale - reserve (including currency translation)	(445)	(23)
Cash flow hedge - reserve (including currency translation)	(39)	(47)
Actuarial gains and losses	(231)	(21)
Deferred taxes on items recognised directly in equity	173	23
Total gains and losses recognised directly in equity	**(542)**	**(68)**
Total	**640**	**852**
Shareholders' equity	703	652
Minority interests	(63)	200

Changes in number of shares (see Note 34)

in units	2006	2005
Shares outstanding at 1 January	**228,499,894**	**226,006,062**
Acquisition of own shares	(7,742,170)	(14,890,707)
Disposal of own shares	3,143,817	15,643,831
Capital increase for the acquisition of BCR	64,848,960	0
Capital increases in connection with share swap offer to BCR staff	6,287,236	0
Capital increases due to ESOP and MSOP	976,389	1,740,708
Shares outstanding at 31 December	**296,014,126**	**228,499,894**
Own shares *)	19,282,059	14,683,706
Number of shares at 31 December	**315,296,185**	**243,183,600**
Average number of shares outstanding	300,272,502	240,145,648

*) Including the shares held by members of the Haftungsverbund.

IV. Cash Flow Statement

in EUR million	2006	restated 2005
Net profit before minority interests	**1,182**	**920**
Non-cash adjustments for items in net profit before minority interests		
Depreciation, amortisation, revaluation of assets	355	355
Allocation to and release of provisions (including risk provisions)	580	512
Gains from the sale of assets	(74)	(52)
Other adjustments	(450)	(354)
Changes in assets and liabilities from operating activities after adjustment for non-cash components		
Loans and advances to credit institutions	820	(1,155)
Loans and advances to customers	(9,831)	(7,552)
Trading assets	(717)	(765)
Financial assets - at fair value through profit or loss	(958)	(518)
Financial assets - available for sale	340	(3,693)
Other assets from operating activities	(480)	908
Amounts owed to credit institutions	840	5,338
Amounts owed to customers	11,901	4,509
Debt securities in issue	(569)	1,688
Trading liabilities	(145)	238
Other liabilities from operating activities	703	17
Cash flow from operating activities	**3,497**	**396**
Proceeds of disposal		
Financial assets - held to maturity and associated companies	3,416	4,797
Fixed assets and investment properties	121	526
Acquisition of		
Financial assets - held to maturity and associated companies	(4,978)	(5,199)
Fixed assets and investment properties	(626)	(760)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	(944)	(188)
Cash flow from investing activities	**(3,011)**	**(824)**
Capital increases	3,195	38
Dividends paid	(133)	(120)
Other financing activities (mainly changes of subordinated capital)	920	477
Cash flow from financing activities	**3,982**	**395**
Cash and cash equivalents*) at beginning of period	**2,728**	**2,723**
Cash flow from operating activities	3,497	396
Cash flow from investing activities	(3,011)	(824)
Cash flow from financing activities	3,982	395
Effect of currency translation	182	38
Cash and cash equivalents*) at end of period	**7,378**	**2,728**
Cash flows related to taxes, interest and dividends	**2,859**	**2,490**
Payments for taxes on income	(330)	(304)
Interest and dividends received	7,118	5,809
Interest paid	(3,929)	(3,015)

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

Cash flow for the acquisition of subsidiaries

in EUR million (Successive) share purchase	BCR 69,15%[1]	Erste Bank Novi Sad 4,41%	Total
Cash and cash equivalents	3,256		
Loans and advances to credit institutions	578		
Loans and advances to customers	6,907		
Risk provisions for loans and advances	(313)		
Customer relationships	797		
Brand	367		
Tangible assets	482		
Other assets	691		
Amounts owed to credit institutions	2,936		
Amounts owed to customers	6,155		
Debt securities in issue	1,091		
Other liabilities	545		
Total equity	2,037	–	–
Shares purchased	69.15%	4.41%	–
Erste Bank's stake of total equity	1,409	0	1,409
Goodwill			2,791
Purchase price			4,200
Cash and cash equivalents			(3,256)
Cash flow for acquisition of companies net of cash and cash equivalents acquired			**944**

1) Incl. purchases of shares from BCR staff.

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

A. GENERAL INFORMATION

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

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

Unless otherwise indicated, all amounts are stated in millions of euros. The tables in this report may contain rounding differences.

B. ACQUISITIONS

On 21 December 2005 the share purchase agreement was signed for the acquisition by Erste Bank of 61.88% (490,399,321 shares) of Romania's Banca Comercială Română S.A. (BCR). Erste Bank acquired 36.88% of the bank's shares from the Romanian government, 12.5% plus one share from the European Bank for Reconstruction and Development (EBRD) and an equal interest of 12.5% plus one share from the International Finance Corporation (IFC). After its approval by the Romanian government, the acquisition of BCR was closed on 12 October 2006. BCR is included in the consolidated financial statements of Erste Bank with effect from that date.

As well, from 1 to 24 November, Erste Bank submitted a share purchase offer to BCR´s employee shareholders to either buy their BCR shares or swap them for Erste Bank shares. Through this offer, Erste Bank acquired an additional 57,577,014 shares, or 7.27% of BCR. As of 31 December 2006, Erste Bank's total ownership interest in BCR was 69.15 % (547,976,335 shares).

The total purchase price for the acquisition of the BCR shares, including additional expenses of the transactions involved, was approximately EUR 4,196.1 million. This gave rise to goodwill (taking into account net asset value adjustments) of RON 9,828.9 million or EUR 2,787.6 million.

The net asset value adjustments pertain to risk provisions for loans and advances, intangible assets acquired in this business combination (namely the value of the customer relationships and the brand) as well as related deferred taxes (see the table below on the following page).

Both the customer relationships and the brand can be measured with sufficient accuracy and are thus recognised separately from goodwill. The customer relationships are divided into retail and corporate clients, with both values determined separately. The retail customer relationships, measured at RON 1,651.4 million or EUR 467.0 million, is amortised on a straight-line basis over its estimated useful life of twelve years. The corporate customer relationships, measured at RON 1,166.9 million or EUR 330.0 million, is amortised over ten years on a straight-line basis. For the brand an amount of RON 1,297.8 million or EUR 367.0 million was determined and an indefinite useful life assumed.

The contribution of BCR to Erste Bank's consolidated net profit after minority interests from the time of initial consolidation is EUR 27.4 million after taking account of customer relationships amortisation. Had BCR already been included in Erste Bank's consolidated financial statements from 1 January 2006, its contribution to net profit after minority interests after amortisation of customer relationships would have amounted to EUR 115.8 million.

The identifiable assets acquired and liabilities assumed, measured at fair value, had the following composition from the time of initial consolidation:

in EUR million	Carrying amount	Fair value adjustment	Fair value
Cash and balances with central banks	3,256.4		3,256.4
Loans and advances to credit institutions	578.1		578.1
Loans and advances to customers	6,906.7		6,906.7
Risk provisions for loans and advances	(197.3)	(116.0)	(313.3)
Customer relationships	0.0	797.0	797.0
Brand	0.0	367.0	367.0
Tangible assets	482.4		482.4
Other assets	672.3	18.6	690.9
ASSETS	**11,698.6**		**12,765.2**
Amounts owed to credit institutions	2,936.3		2,936.3
Amounts owed to customers	6,155.2		6,155.2
Debt securities in issue	1,091.3		1,091.3
Other liabilities	359.2	186.3	545.5
Total equity	1,156.5	880.3	2,036.8
LIABILITIES AND EQUITY	**11,698.6**		**12,765.2**

Total goodwill is determined as follows:

in EUR million	2006
Purchase price incl. additional expenses	4,196.1
Shareholder's equity restated	(1,408.5)
Goodwill	**2,787.6**

On 3 May 2006 Erste Bank acquired a further 4.41% (17,740 shares) of Erste Bank a.d. Novi Sad. At 31 December 2006 Erste Bank thus held 99.99% of the subscribed capital of Erste Bank a.d. Novi Sad. The purchase price (including additional expenses) for the 4.41% stake totalled approximately EUR 4.0 million, which resulted in goodwill at the acquisition date of RSD 324.3 million or EUR 3.7 million.

Shareholdings in significant companies and their representation in the consolidated financial statements are detailed in Note 47.

C. ACCOUNTING POLICIES

The consolidated financial statements of Erste Bank for the 2006 financial year and the comparable data for 2005 were prepared in compliance with the applicable International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) published by the International Accounting Standards Board (IASB) and with their interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), formerly Standing Interpretations Committee (SIC), thus satisfying the requirements of section 59a Austrian Banking Act and section 245a Austrian Commercial Code. The standards were applied in accordance with the corresponding regulations of the European Union.

The comparable data for 2005 was restated in respect of the accounting for pension and severance benefits to reflect the revised IAS 19, the application of which is mandatory as of 1 January 2006 but which was applied retrospectively. This means that the data for 2005 is presented as if the revised version of the standard had always been applied. A detailed explanation of how the data was restated is given in section c) Effects of applying amended and new IFRS/IAS.

a) BASIS OF CONSOLIDATION

All significant subsidiaries directly or indirectly controlled by Erste Bank AG are fully consolidated in the group financial statements, on the basis of these subsidiaries' annual accounts at and for the year ended 31 December 2006.

Erste Bank is a member of the Haftungsverbund agreement of the savings bank sector. The Haftungsverbund was established in

2001 and took effect on 1 January 2002. At the balance sheet date almost all of Austria's savings banks formed part of this system.

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

Material investments in companies over which Erste Bank AG exercises a significant influence (associated companies, or "associates") are accounted for at equity (i.e. measured at equity). As a rule, a significant influence is given by an ownership interest of between 20% and 50%. Joint ventures are also included using the equity method (IAS 31.38). Entities accounted for by the equity method are recognised largely as measured in financial statements at and for the year ended 31 December 2006.

Subsidiaries whose overall effect on the group's financial position and results of operations is not material are not consolidated.

Other investments in companies are reported at fair value. If the fair value cannot be reliably determined, they are measured at cost. In the event of impairment, impairment losses are recognised.

Business combinations are accounted for using the purchase method by offsetting the acquisition cost against the parent company's share in identifiable assets and liabilities. The subsidiary's assets and liabilities are measured at their individual fair values at the acquisition date. The difference between acquisition costs and net assets at fair value has been recognised as goodwill since 1 January 1995. Any resulting goodwill is tested for imparement annually as required under IFRS 3 (Business Combinations) in conjunction with IAS 36 (Impairment of Assets) and IAS 38 (Intangible Assets).

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

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

b) ACCOUNTING AND MEASUREMENT METHODS

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

Currency translation

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

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

Net interest income

Interest and similar income mainly includes interest income in the narrow sense on loans and advances to credit institutions and customers, on balances at central banks and on fixed-interest securities. Current income from shares and other variable-yield securities (especially dividends), income from other investments in companies and non-consolidated subsidiaries, income from investment properties and similar income calculated as interest are also reported under interest and similar income.

Interest and similar expenses mainly include interest paid on amounts owed to credit institutions and customers, on deposits of central banks and on debt securities in issue and subordinated capital (including hybrid capital). This item also includes interest-like expenses calculated in the same way as interest.

Interest income (like interest expenses) is accrued and recognised if it is deemed collectible.

Income from investments measured at equity is likewise included in net interest income. Impairment losses, appreciation and realised gains and losses on investments accounted for at equity are included under other operating result.

Risk provisions for loans and advances

This item includes allocations to and releases of individually assessed and collectively assessed (portfolio-level) risk provisions on loans and advances for both on-balance-sheet and off-balance-sheet transactions. Also reflected in this item are direct write-offs of loans and advances as well as recoveries on previously charged-off loans and advances.

Impairment losses for suspended interest are reported under net interest income, but not in risk provisions for loans and advances.

Amounts allocated to and released from other risk provisions that do not pertain to lending business are reported in other operating result.

Net commission income

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

Net trading result

Net trading result includes all results from securities, derivatives and currencies classified as held for trading. These include both realised gains and losses as well as unrealised gains and losses from measurement at fair value, interest and dividend income from trading portfolios, and financing costs for these portfolios.

General administrative expenses

General administrative expenses represent personnel and other administrative expenses as well as depreciation and amortisation, accrued to the reporting period. Not included are any amortisation of customer relationships and impairment of goodwill.

Personnel expenses include wages and salaries, bonuses, statutory and voluntary social security contributions, staff-related taxes and levies, and expenses for severance benefits (i.e. termination benefits) and pension payments (including amounts allocated to and released from provisions).

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

Income from insurance business

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

Income includes primarily premiums earned net of ceded business, investment income from underwriting business and unrealised gains from capital investments.

Expenses include claims incurred, changes in underwriting provisions, expenses for bonuses to holders of with-profits policies, investment and interest expenses and all operating expenses of the insurance business.

Other operating result

Other operating result reflects all other income and expenses not attributable to Erste Bank Group's ordinary activities. This includes especially impairment losses or appreciation, as well as results on the sale of real estate and other tangible assets, amortisation and impairments of customer relationships, any impairment losses on goodwill, and impairment and appreciation of other intangible assets. In addition, other operating result also encompasses the following: expenses for other taxes and for deposit insurance contributions, income from the release of and expenses for allocations to other provisions, as well as impairment losses, appreciation and realised gains and losses from companies accounted for at equity.

Result from financial assets - at fair value through profit or loss

This item consists of results from fair value measurement and of realised gains and losses from securities, derivatives, investments in companies, and credit assets/liabilities assigned to the fair value portfolio (see Note: Financial assets - at fair value through profit or loss).

Result from financial assets – available for sale

The item includes – for available for sale securities and investments in companies – gains or losses on disposal as well as impairment losses and certain types of appreciation resulting from a change in the issuer's credit rating (see Note: Financial assets - available for sale).

Result from financial assets – held to maturity

Under this item gains and losses from securities classified as held to maturity (see Note: Financial assets - held to maturity) are disclosed. This includes especially impairment losses and appreciation, which are admissible up to the level of amortised cost.

Taxes on income

Taxes on income consist of current and deferred income.

Loans and advances

Loans and advances to credit institutions and customers are reported at amortised cost taking into account any direct write-offs of loans and advances.

The allowance for impairment of credit assets is disclosed as risk provisions for loans and advances on the face of the balance sheet.

Premiums and discounts are reported on an accrual basis under other assets or other liabilities.

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

Securities not quoted on an active market are also reported under loans and advances.

Risk provisions for loans and advances

The special risks inherent in the banking business are taken into account as required through an allowance for impairment of loans and advances (for lendings recognised on the balance sheet) and through provisions for off-balance-sheet transactions. Provisions for credit risks are allocated using the same measurement methods throughout the group and reflect any collateral present.

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

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

Trading assets

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

Financial assets - at fair value through profit or loss

Securities which, under the group's internal guidelines, are not classified as held for trading but whose performance is evaluated on a fair value basis are reported in financial assets - at fair value through profit or loss; this treatment is referred to as the fair value option. These securities are measured at fair value, with changes in fair value recognised in profit or loss under the respective income statement item result from financial assets - at fair value through profit or loss.

Financial assets - available for sale

Securities classified as available for sale as well as investments in unconsolidated companies are grouped in the item financial assets - available for sale (AFS). Changes in fair value of AFS securities arising from measurement are recognised directly in equity until the financial asset is derecognised. Impairment losses on AFS securities are recognised in profit or loss under result from financial assets - available for sale.

Financial assets - held to maturity

Assets held to maturity (HTM) represent securities held until maturity

Investments of insurance companies

Investments of insurance companies are reported as a separate main item. They include land and buildings, investments in non-consolidated subsidiaries and other companies, mortgage receivables, securities and prepayments on insurance contracts. Investments of insurance companies are measured in accordance with the standards applicable to the particular asset types concerned.

Investments in companies recognised at equity

This item represents investments in associates. In accordance with IAS 1.68, investments in companies accounted for by the equity method – known as investments in associates – are reported as a separate main item. Companies are accounted for at equity if the group exercises significant influence over them; this is generally deemed to be the case when Erste Bank has an ownership interest of 20% to 50%.

Intangible assets

Intangible assets consist of goodwill, customer relationships and brands acquired in a business combination, and software.

As required by IFRS 3 (in conjunction with IAS 36 and IAS 38), an annual impairment test is carried out for all cash-generating units (CGUs) to review the value of existing goodwill. A CGU is the smallest identifiable group of assets that generates cash inflows from continuing use which are largely independent of the cash inflows from other assets or groups of assets. In Erste Bank Group, all business segments distinguished in the segment reporting in the financial statements are defined as CGUs. Where individual business segments include investments in companies, these investments are considered to be independent CGUs.

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

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

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

Based on the above parameters, the CGU's value in use is calculated in euros at each November. Where available, the CGU's fair value less costs to sell is determined based on recent transactions, market quotations, appraisals, etc. The higher of value in use and fair value less costs to sell is the recoverable amount.

The subsidiary's proportionate or full recoverable amount (calculated as outlined above) is compared, respectively, to the sum of proportionate or full equity in the subsidiary, and goodwill. If the proportionate or full recoverable amount is less than the proportionate or full equity plus goodwill, the difference is recognised as an impairment loss, in the following order. The impairment loss is allocated first to writing down the CGU's goodwill. Any remaining impairment loss reduces the carrying amount of the CGU's other assets, though not to an amount less than their fair value. There is no need to recognise an impairment loss if the proportionate or full recoverable amount of the CGU is higher than or equal to proportionate or full equity plus goodwill. Once recognised, an impairment loss for goodwill cannot be reversed in later periods.

Customer relationships and brands are recognised as assets separately from goodwill when they can be measured with sufficient reliability. Customer relationships are linear amortised over their expected useful life; brands' useful life is assumed to be indefinite. In the event of impairment, impairment losses are recognised.

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

In the event of impairment, impairment losses are recognised.

Tangible assets

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

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

Other assets

Other assets include primarily accrued interest and commission income, prepaid expenses, investment properties as defined by IAS 40, and positive fair values of derivatives in the banking book.

Investment properties are reported at amortised cost (less accumulated depreciation in the case of property leased out under an operating lease) using the cost model permitted by IAS 40. In the case of impairment, impairment losses are recognised as required. If the reasons which led to the impairment cease to apply, the previously recognised impairment loss is reversed to no more than the amortised cost. Additionally, investment properties under IAS 40.32B are measured at fair value.

Leases

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

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

Liabilities

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

Trading liabilities

The item represents derivative financial instruments with a negative fair value, delivery obligations from securities short sales, and other trading portfolio liabilities.

Other provisions

In compliance with IAS 19 (Employee Benefits), long-term employee provisions (obligations for pension, severance (i.e. termination) and jubilee benefits) are determined using the projected unit credit method (jubilee benefits refer to anniversary benefits). Pension provisions relate only to already retired employees; whereas pension obligations for current staff were already transferred to external pension funds in previous years.

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

As of 31 December 2006 for all domestic subsidiaries, the most important actuarial assumptions used in the computation were adjusted as of year-end 2006. Thus, the actuarial calculation of pension, severance and jubilee benefit obligations is based on a discount rate (long-term capital market interest rate) of 4.5% per annum (previously: 5.5%). The statutory increase in pension benefits is assumed to be 2.0% per year (previously: 1.5%) and severance and jubilee benefit obligations are calculated based on an expected average annual increase of 3.3% in salaries (previously: 3.8%).

Long-term employee provisions (pension, severance and jubilee benefit obligations) were calculated in accordance with the Pagler & Pagler mortality tables titled "AVÖ 1999 P – Rechnungsgrundlagen für die Pensionsversicherung". In addition, from 31 December 2006 onwards, a flat safety margin of 5% of present value of the pension obligations was considered to cover the expected future adjustment of the mortality tables.

The expected retirement age for each employee was individually calculated on the basis of the changes set out in the Budget Implementation Act of 2003 (Austrian Federal Law Gazette Vol. I No. 71/2003) regarding the increase in the minimum retirement age. The currently applicable legislation on the gradual raising of the retirement age for men and women to 65 was complied with.

For the 2006 financial year the changes in actuarial assumptions resulted in an actuarial loss for pension, severance and jubilee benefit obligations. At 31 December 2006 the actuarial loss was EUR 191 million for pension obligations, EUR 20 million for severance benefit obligations and EUR 2 million for jubilee benefit obligations.

For the central European subsidiaries the discount rates used range from 4.5% to 7.4% depending on the country.

Beginning in the 2006 financial year, Erste Bank Group adopted to recognise actuarial gains or losses in respect of employee benefit provisions (defined contribution plans for post-employment benefits) outside profit or loss as allowed by IAS 19. Actuarial gains or losses in pension and severance benefit provisions are now recognised directly in equity for the period in which they occur (IAS 19.93A). Until and including 2005, Erste Bank Group used the corridor method for pension obligations and the method of immediate recognition of actuarial gains or losses in profit or loss for severance benefit obligations. From 2006 onwards, these two methods are no longer employed (see section c. below, Effects of applying amended and new IFRS/IAS). The data for the 2005 financial year was restated accordingly.

Actuarial gains or losses in provisions for jubilee benefits – for which the option of recognition outside of profit or loss is not allowed – continue to be recognised in profit or loss in the period during which they occur.

Other provisions are made for contingent liabilities to outside parties in the amount of the expected expense. Also included in other provisions are restructuring provisions as well as provisions for off-balance sheet transactions.

Underwriting provisions are presented as a separate main item.

Share-based payments

Erste Bank Group grants shares and share options to employees and managers as compensation for their services under employee share ownership and management share option plans. These share-based payments are recognised and measured in accordance with IFRS 2 (Share-based Payment). Shares and share options granted under the Employee Share Ownership Plan (ESOP) and the Management Share Option Plan (MSOP) of 2002 and 2005 (partially vested in 2006) are measured at fair value at the grant date. Any expense incurred in granting shares at a discounted price (the difference between issue price and fair value) under the ESOP is recognised immediately in profit or loss under personnel expenses. Any expense resulting from option grants under the MSOP is spread over the vesting period (the period between the grant date and first permitted exercise date) and recognised in personnel expenses.

Tax assets and liabilities

Assets and liabilities in respect of current and deferred taxes are reported in tax assets and tax liabilities.

Current tax assets and liabilities are recognised in the amounts in which the taxes are expected to be paid to or credited by the tax authorities concerned.

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

Deferred tax assets for unused tax losses are recognised inasmuch as it is likely that these loss carryforwards will be used in the future by offsetting against taxable income to realise a tax benefit. Deferred taxes are not discounted.

c) EFFECTS OF APPLYING AMENDED AND NEW IFRS/IAS

In December 2004 the IASB adopted an amended version of IAS 19 (Employee Benefits). Under the amended Standard, beginning on 1 January 2006, actuarial gains and losses in pension and severance benefit provisions (defined contribution plans for post-employment benefits) may be recognised directly in equity, i.e. outside profit or loss (IAS 19.93A). Erste Bank Group is making use of this option. By contrast, according to the IAS definition, jubilee benefits do not fall under IAS 19.93A.

In the interest of comparability and transparency, the change in the reporting method for pension and severance benefit provisions led to a restatement of the comparative figures for Erste Bank Group. The recognition of actuarial gains and losses for pension and severance benefit provisions outside profit or loss was effected retrospectively to 1 January 2005. For pension obligations, the actuarial gains and losses previously not reflected that arose before 2005 were charged to equity as of 1 January 2005. As well, the 2005 financial year and the first three quarters of 2006 were restated by reporting directly in equity the actuarial gains and losses of severance obligations and (to the extent that the corridor, or band, was exceeded) of pension obligations.

As a result of applying the option offered by the revised IAS 19, total equity at 31 December 2005 after deferred taxes decreased by EUR 82 million (1 January 2005: EUR 72 million), with own shareholders' equity accounting for a decrease of EUR 64 million (1 January 2005: EUR 59 million) and minority interests accounting for a decrease of EUR 18 million (1 January 2005: EUR 13 million). Net profit after minority interests for 2005 increased by a total of EUR 5 million to a restated EUR 716.7 million.

In preparation for the first-time adoption of IFRS 7 (Financial Instruments: Disclosures), which must be applied from 1 January 2007, Erste Bank Group restated its balance sheet and income statement for the 2005 and 2006 financial years. These measures – which result especially in a more detailed presentation of the balance sheet and income statement while not having an effect on earnings – provide improved transparency and facilitate comparisons with periods beginning in or after 2007.

The change consists largely of the disclosure of the different categories of financial assets (in accordance with IAS 39) as individual main entries both in the balance sheet and the income statement. The presentation of the segment reporting was adjusted accordingly.

All changes described above as well as their effects were published by Erste Bank in a press release on 30 January 2007 that is available on Erste Bank's website.

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

1) Net interest income

in EUR million	2006	restated 2005
Interest income		
Lending and money market transactions with credit institutions	990.0	796.1
Lending and money market transactions with customers	4,247.7	3,311.3
Fixed-income securities	1,490.9	1,315.1
Other interest and similar income	85.3	81.3
Current income		
Shares and other variable-yield securities	184.5	187.8
Investments		
Non-consolidated subsidiaries	11.2	10.8
Other investments	10.1	11.2
Investment properties	69.6	70.6
Total interest and similar income	**7,089.3**	**5,784.2**
Interest expenses		
Amounts owed to credit institutions	(1,288.6)	(858.2)
Amounts owed to customers	(1,562.9)	(1,183.9)
Debt securities in issue	(787.7)	(721.9)
Subordinated capital	(282.2)	(249.1)
Other	(7.3)	(1.8)
Total interest and similar expenses	**(3,928.7)**	**(3,014.9)**
Income from associates accounted for at equity	**28.7**	**24.9**
Total	**3,189.3**	**2,794.2**

Net interest income includes the net interest income of EUR 194.4 million (2005: EUR 155.1 million) from finance leases.

2) Risk provisions for loans and advances

in EUR million	2006	restated 2005
Allocation to risk provisions for loans and advances	(1,070.5)	(979.3)
Release of risk provisions for loans and advances	636.0	576.6
Direct write-offs of loans and advances	(49.3)	(55.5)
Recoveries on written-off loans and advances	44.7	36.6
Total	**(439.1)**	**(421.6)**

3) Net fee and commission income

in EUR million	2006	restated 2005
Lending business	211.2	178.8
Payment transfers	551.0	485.7
Securities transactions	454.3	391.9
Investment fund transactions	212.8	182.5
Custodial fees	52.1	45.0
Brokerage	189.4	164.4
Insurance business	63.9	69.2
Building society brokerage	31.8	32.8
Foreign exchange transactions	38.6	38.2
Other	95.1	60.2
Total	**1,445.9**	**1,256.8**

4) Net trading result

in EUR million	2006	restated 2005
Securities and derivatives trading	104.1	96.6
Foreign exchange transactions	173.8	145.1
Total	**277.9**	**241.7**

5) General administrative expenses

in EUR million	2006	restated 2005
Personnel expenses	(1,750.5)	(1,576.5)
Other administrative expenses	(848.2)	(759.0)
Depreciation and amortisation	(346.6)	(334.5)
Total	**(2,945.3)**	**(2,670.0)**

Personnel expenses

in EUR million	2006	restated 2005
Wages and salaries	(1,288.1)	(1,164.1)
Compulsory social security contributions	(342.1)	(307.9)
Long-term employee provisions	(86.0)	(75.0)
Other personnel expenses	(34.3)	(29.5)
Total	**(1,750.5)**	**(1,576.5)**

Average number of employees during the financial year (weighted according to the level of employment)

	2006	restated 2005
Employed by Erste Bank Group	**40,032**	**36,643**
Domestic	14,796	14,740
Haftungsverbund savings banks	6,841	6,826
Abroad	25,236	21,903
Banca Comercială Română Group[1]	3,345	0
Česká spořitelna Group	10,809	11,406
Slovenská sporiteľňa Group	4,869	4,901
Erste Bank Hungary Group	2,819	2,501
Erste Bank Croatia Group	1,735	1,546
Erste Bank Serbia	885	861
Other subsidiaries and foreign branch offices	774	688

1) BCR is consolidated since October 2006, therefore the average number of employees for the fourth quarter 2006 is allocated for the whole business year (the average number of employees of BCR for the entire fiscal year amounts to 13.380).

In addition to the staff count given in the table, during the reporting period an average of 64 people (2005: 66) were employed in non-bank group companies (hotel and leisure segment).

At the end of 2006, loans and advances to members of the management board totalled EUR 603,000 (end of 2005: EUR 129,000). Loans to members of the supervisory board totalled EUR 400,000 (end of 2005: EUR 400,000). The applicable interest rates and other terms (maturity dates and collateral) are in line with typical market practice. In 2006 members of the management board made loan repayments totalling EUR 10,000 (2005: EUR 9,000) and no repayments were made by the members of the supervisory board (2005: EUR 1,973,000).

For the full year 2006 the then members of the management board received remuneration (including compensation in kind) in their capacity as management board members totalling EUR 11,219,000 (2005: EUR 10,883,000), which represented 0.6% of the total personnel expenses of Erste Bank Group. In the 2006 financial year, EUR 647,000 (2005: EUR 627,000) was paid to former members of the management board or their surviving dependants.

The breakdown of the remuneration of the members of the management board in 2006 was as follows:

in EUR thousand	Monetary compensation Salary	Monetary compensation Bonus	Other compensation*)	Total
Managing board member				
Andreas Treichl	1,245	1,357	366	2,968
Elisabeth Bleyleben-Koren	934	1,030	222	2,186
Reinhard Ortner	778	850	189	1,817
Franz Hochstrasser	778	875	188	1,841
Erwin Erasim	519	583	131	1,233
Bernhard Spalt since 1 Nov 2006	71	0	16	87
Christian Coreth until 31 Oct 2006	417	583	87	1,087

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

In 2006 the management board of Erste Bank AG did not receive board emoluments or other compensation from fully consolidated subsidiaries of Erste Bank. The compensation of the members of the management board depends on the individual's responsibilities, the achievement of corporate targets and the group's financial situation.

In 2006, in their capacity as supervisory board members, the then-members of the supervisory board of Erste Bank were paid EUR 517,000 (2005: 372,000). Members of the supervisory board received the following compensation for board positions in fully consolidated subsidiaries of Erste Bank: Heinz Kessler: EUR 19,137; Josef Kassler: EUR 275. No other transactions were entered into with members of the supervisory board. Companies related to members of the supervisory board invoiced the following amounts from other transactions: PWC Corporate Finance Beratung GmbH, a company of which Friedrich Rödler is the managing director, in 2006 invoiced Erste Bank EUR 648,000 (before VAT) for work done under a contract.

PWC PricewaterhouseCoopers Wirtschaftsprüfung und Steuerberatung GmbH, a company of which Friedrich Rödler is the managing director and in which he holds an ownership interest of 79.1%, in 2006 invoiced Erste Bank EUR 150,000 (before VAT) for work done under a contract. In both orders, subcontractor fees of more than 50% of the order amounts were passed through to non-related companies.

DORDA BRUGGER JORDIS Rechtsanwälte GmbH, a company in which Theresa Jordis is a partner, in 2006 invoiced Erste Bank EUR 360,000 for one order and EUR 167,041 for further legal services.

The following amounts of compensation were paid to the individual members of the supervisory board:

in EUR thousand	Supervisory Board compensation	Meeting fees	Total
Supervisory Board member			
Heinz Kessler	50	18	68
Georg Winckler	33	18	51
Theresa Jordis	38	17	55
Bettina Breiteneder	25	10	35
Elisabeth Gürtler	25	7	32
Jan Homan	25	6	31
Werner Hutschinski until 19 May 2006	25	4	29
Josef Kassler	25	5	30
Lars-Olof Ödlund	25	3	28
Wilhelm Rasinger	17	9	26
Friedrich Rödler	25	14	39
Hubert Singer	25	3	28
Gabriele Zuna-Kratky since 19 May 2006	0	3	3
Günter Benischek	0	7	7
Erika Hegmala	0	10	10
Ilse Fetik	0	3	3
Joachim Härtel	0	13	13
Anton Janku	0	12	12
Christian Havelka	0	4	4
Klaus Braunegg until 11 May 2005	12	0	12

The compensation of the supervisory board members depends on the individual's responsibilities, the business volume and the company's financial situation.

Based on a resolution of the annual general meeting on 19 May 2006, the supervisory board has set the following annual compensation structure:

in EUR thousand	Number	Allowance per person	Total allowance
President	1	50,000	50,000
Vice Presidents	2	37,500	75,000
Members	9	25,000	225,000
Total	**12**	**112,500**	**350,000**

The specific compensation of each member is calculated by dividing the annual allowance by twelve and multiplying the result by the number of months served in the respective position during the year.

Other administrative expenses

in EUR million	2006	restated 2005
IT expenses	(169.8)	(169.5)
Expenses for office space	(179.2)	(152.6)
Office operating expenses	(158.2)	(139.8)
Advertising/marketing	(152.6)	(130.2)
Legal and consulting costs	(84.0)	(78.4)
Sundry administrative expenses	(104.4)	(88.5)
Total	**(848.2)**	**(759.0)**

Depreciation and amortisation

in EUR million	2006	restated 2005
Software and other intangible assets	(147.1)	(139.0)
Real estate used by the group	(53.6)	(46.9)
Office furniture and equipment and sundry tangible assets	(145.9)	(148.6)
Total	**(346.6)**	**(334.5)**

Amortisation of customer relationships is not included in the position depreciation and amortisation, but it is disclosed under other operating result.

6) Income from insurance business

in EUR million	2006	restated 2005
Premiums earned	1,081.3	1,223.0
Investment income from technical business	336.0	363.4
Claims incurred	(393.9)	(295.9)
Change in underwriting reserves	(831.1)	(1,098.9)
Expenses for policyholder bonuses	(66.0)	(97.8)
Operating expenses	(124.0)	(121.2)
Sundry underwriting profit/loss	38.6	65.7
Underwriting profit/loss	**40.9**	**38.3**
Financial profit/loss	329.8	361.8
Carry forward-underwriting	(334.9)	(363.4)
Total	**35.8**	**36.7**

7) Other operating result

in EUR million	2006	restated 2005
Other operating income	169.5	135.5
Other operating expenses	(313.5)	(208.7)
Total	**(144.0)**	**(73.2)**
Result from real estate/properties	29.9	36.4
Allocation/release of other provisions/risks	(38.6)	(21.5)
Expenses for deposit insurance contributions	(29.5)	(42.6)
Amortisation of intangible assets (customer relationships)	(18.0)	0.0
Other taxes	(25.1)	(20.2)
Result from other operating expenses/income	(62.7)	(25.3)
Total	**(144.0)**	**(73.2)**

8) Result from financial assets – at fair value through profit or loss

in EUR million	2006	restated 2005
Gain/(loss) from measurement/sale of financial assets at fair value through p&l	(4.5)	11.4

9) Result from financial assets – available for sale

in EUR million	2006	restated 2005
Gain/(loss) fom sale of financial assets available for sale	104.8	69.7
Impairment of financial assets available for sale	(4.8)	(25.5)
Total	**100.0**	**44.2**

10) Result from financial assets – held to maturity

in EUR million	2006	restated 2005
Income		
Income fom sale of financial assets held to maturity	0.7	2.3
Appreciation of financial assets held to maturity	6.9	1.3
Expenses		
Loss fom sale of financial assets held to maturity	(1.4)	(1.1)
Impairment of financial assets held to maturity	0.0	(1.0)
Total	**6.2**	**1.5**

11) Taxes on income

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

in EUR million	2006	restated 2005
Current tax expense	(257.1)	(277.9)
Deferred tax expense	(82.7)	(23.8)
Total	**(339.8)**	**(301.7)**

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

in EUR million	2006	restated 2005
Pre-tax profit	1,522.2	1,221.7
Income tax expense for the financial year at the domestic statutory tax rate (25%)	(380.6)	(305.4)
Impact of different foreign tax rates	13.3	(14.3)
Impact of tax-exempt earnings of investments and other tax-exempt income	105.5	103.6
Tax increases due to non-deductible expenses	(106.5)	(73.2)
Tax expense/income not attributable to the reporting period	28.5	(12.4)
Total	**(339.8)**	**(301.7)**

12) Appropriation of the net profit

in EUR million	2006	restated 2005
Net profit after minority interests	932.2	716.7
Changes in reserves	(727.4)	(583.3)
Profit carried forward of the parent company	0.2	0.4
Distributable profit of the parent company	**205.0**	**133.8**

It will be proposed to the annual general meeting of Erste Bank AG to pay shareholders a dividend of EUR 0.65 per share (prior year: EUR 0.55 per share), or EUR 204,942,520.25 million in total, and to carry forward the remaining retained profit under section 65 (5) Austrian Stock Corporation Act.

13) Cash and balances with central banks

in EUR million	2006	restated 2005
Cash in hand	1,619	1,230
Balances with central banks	5,759	1,498
Total	**7,378**	**2,728**

14) Loans and advances to credit institutions

in EUR million	2006	restated 2005
Loans and advances to domestic credit institutions	1,610	2,271
Loans and advances to foreign credit institutions	15,006	14,587
Total	**16,616**	**16,858**

15) Loans and advances to customers

in EUR million	2006	restated 2005
Loans and advances to domestic customers		
Public sector	2,812	2,667
Commercial customers	28,323	27,547
Private customers	20,466	19,429
Unlisted securities	20	27
Other	126	146
Total loans and advances to domestic customers	**51,747**	**49,816**
Loans and advances to foreign customers		
Public sector	1,898	1,595
Commercial customers	25,958	17,579
Private customers	15,963	9,771
Unlisted securities	1,225	1,442
Other	316	216
Total loans and advances to foreign customers	**45,360**	**30,603**
Total	**97,107**	**80,419**

Loans and advances to customers includes receivables from finance lease agreements totalling EUR 4,814 million (2005: EUR 4,145 million). The gross investment in leases, i.e. the minimum lease payments receivable together as well as any unguaranteed residual value, was EUR 6,133 million (2005: EUR 5,150 million); the related unearned finance income totalled EUR 1,318 million (2005: EUR 1,000 million).

16) Risk provisions for loans and advances

in EUR million	restated 2005	Acquisition of subsidiaries	Currency translation	Allocations[2]	Use	Releases[2]	Reclassification	2006
Risk provisions	2,762	314	27	1,000	(468)	(564)	5	3,076
Suspended interest	55	5	1	26	(12)	(10)	(8)	57
Risk provisions for loans and advances [1]	**2,817**	**319**	**28**	**1,026**	**(480)**	**(574)**	**(3)**	**3,133**
Other risk provisions [3]	98	0	4	12	0	(15)	6	105
Provision for guarantees	69	0	0	59	0	(57)	(1)	70
Total	**2,984**	**319**	**32**	**1,097**	**(480)**	**(646)**	**2**	**3,308**

1) Risk provisions for loans and advances are recognised in the balance sheet as a deduction from assets.

2) Allocations to and releases of risk provisions pertaining to lending business, including guarantees, are reported in the income statement under risk provisions for loans and advances. Impairment losses related to suspended interest are recognised in net interest income; other risk provisions are included in other operating result.

3) Other risk provisions mainly include provisions for legal proceedings, risks associated with investments in companies, realisation losses and liabilities for statements made in offering circulars.

17) Trading assets

in EUR million	2006	restated 2005
Bonds and other fixed-income securities		
Listed	3,534	2,925
Unlisted	159	269
Shares and other variable-yield securities		
Listed	201	339
Unlisted	807	438
Positive fair value of derivative financial instruments		
Currency-related derivatives	159	242
Interest-rate-related derivatives	1,242	1,183
Other derivatives	86	30
Total	**6,188**	**5,426**

18) Financial assets – at fair value through profit or loss

in EUR million	2006	restated 2005
Bonds and other fixed-income securities		
Listed	3,541	3,192
Unlisted	223	266
Shares and other variable-yield securities		
Listed	918	912
Total	**4,682**	**4,370**

19) Financial assets – available for sale

in EUR million	2006	restated 2005
Bonds and other fixed-income securities		
Listed	8,600	8,807
Unlisted	2,771	2,197
Shares and other variable-yield securities		
Listed	516	518
Unlisted	2,744	2,752
Equity holdings		
Unconsolidated subsidiaries[1]	118	102
Other investments[2]		
Credit institutions	43	21
Non-credit institutions	135	140
Total	**14,927**	**14,537**

1) Unconsolidated subsidiaries are companies that are more than 50% owned but which for reasons of immateriality are not consolidated.

2) Other investments are companies in which the group has an ownership interest of less than 20% and which are therefore not consolidated (by contrast, companies in which the group has an ownership interest of 20% to 50% are consolidated at equity).

20) Financial assets – held to maturity

in EUR million	2006	restated 2005
Listed	14,600	11,878
Unlisted	2,100	3,244
Total	**16,700**	**15,122**

21) Investments of insurance companies

in EUR million	2006	restated 2005
Held to maturity portfolio	1,467	1,455
Fair value portfolio (fair value option)	2,755	1,964
Available for sale portfolio	2,794	3,233
Other	313	414
Total	**7,329**	**7,066**

22) Equity holdings in associates accounted for at equity

in EUR million	2006	restated 2005
Credit institutions	102	85
Non-credit institutions	281	171
Total	**383**	**256**

23) Movements in fixed assets and financial investments

in EUR million	At cost restated 2005	Acquisition of sub-sidiaries (+)	Currency translation (+/-)	Additions (+)	Disposals (-)	At cost 2006
Intangible assets	**3,114**	**4,040**	**194**	**219**	**(141)**	**7,426**
Goodwill	1,952	2,791	109	0	0	4,852
Customer relationships	0	797	36	0	0	833
Brand	0	367	17	0	0	384
Other (primarily software)	1,162	85	32	219	(141)	1,357
Tangible assets	**3,501**	**671**	**120**	**263**	**(368)**	**4,187**
Land and buildings (used by the group)	1,960	444	69	116	(150)	2,439
Office furniture and equipment, hardware and sundry tangible assets	1,541	227	51	147	(218)	1,748
Investment properties and other movable properties[1)]	**1,129**	**53**	**16**	**144**	**(100)**	**1,242**
Investment properties	1,059	53	16	144	(81)	1,191
Other movable properties	70	0	0	0	(19)	51
Total	**7,744**	**4,764**	**330**	**626**	**(609)**	**12,855**

1) Investment properties and other movable properties are reported in other assets.

Tangible assets include assets under operating lease agreements with carrying amounts of EUR 248 million (31 December 2005: EUR 217 million).

in EUR million	Accumulated depreciation (–)	Currency translation (+/–)	Amortisation and depreciation (–)[2]	Impairment (+/–)[3]	Carrying amounts 2006	Carrying amounts restated 2005
Intangible assets	**(1,334)**	**(23)**	**(165)**	**(2)**	**6,092**	**1,911**
Goodwill	(423)	(1)	0	0	4,429	1,530
Customer relationships	(19)	(1)	(18)	0	814	0
Brand	0	0	0	0	384	0
Other (primarily software)	(892)	(21)	(147)	(2)	465	381
Tangible assets	**(2,022)**	**(51)**	**(200)**	**(16)**	**2,165**	**1,688**
Land and buildings (used by the group)	(728)	(18)	(54)	(15)	1,711	1,273
Office furniture and equipment, hardware and sundry tangible assets	(1,294)	(33)	(146)	(1)	454	415
Investment properties and other movable properties[1]	**(231)**	**0**	**(29)**	**21**	**1,011**	**904**
Investment properties	(197)	1	(26)	21	994	877
Other movable properties	(34)	(1)	(3)	0	17	27
Total	**(3,587)**	**(74)**	**(394)**	**3**	**9,268**	**4,503**

1) Investment properties and other movable properties are reported in other assets.
2) Including amortisation and depreciation reported by non-bank companies, which is reflected in other operating result.
3) Impairment losses are included in other operating result.

Goodwill comprises especially goodwill from Banca Comercială Română S.A. of EUR 2,904.9 million, from Česká spořitelna a.s. of EUR 543.1 million, from Erste Bank Hungary Rt. of EUR 312.7 million and from Slovenská sporitel'ňa a.s. of EUR 220.5 million.

24) Deferred tax assets and liabilities

in EUR million	Tax assets 2006	Tax assets restated 2005	Tax liabilities 2006	Tax liabilities restated 2005
Deferred tax assets				
Temporary differences relate to the following items:				
Loans and advances to credit institutions and customers	15	2	(89)	(50)
Risk provisions for loans and advances	44	8	11	7
Financial assets - at fair value through profit or loss	0	1	7	14
Financial assets - available for sale	48	52	(25)	(102)
Tangible assets	7	7	67	35
Amounts owed to credit institutions and customers	(1)	1	(36)	(29)
Long-term employee provisions	77	42	50	32
Sundry provisions	17	17	(4)	(7)
Tax loss carry forward	65	115	18	6
Customer relationships and brand	0	0	(191)	0
Other	45	19	(49)	(18)
Total deferred taxes	**317**	**264**	**(241)**	**(112)**
Current taxes	**0**	**0**	**(50)**	**(76)**
Total taxes	**317**	**264**	**(291)**	**(188)**

In compliance with IAS 12.39, no deferred tax liabilities were recognised for temporary differences relating to investments in subsidiaries in the amount of EUR 352 million (31 December 2005: EUR 329 million), since they are not considered as temporary differences.

No deferred taxes were recognised for tax loss carryforwards of EUR 587 million (31 December 2005: EUR 483 million).

25) Other assets

in EUR million	2006	restated 2005
Accrued interest and commissios	1,677	1,549
Deferred income	133	105
Investment properties	994	877
Positive fair values of derivatives (banking book)	111	530
Sundry assets	2,037	1,791
Total	**4,952**	**4,852**

The item sundry assets consists mainly of clearing items from the settlement of securities and payment transactions.

26) Amounts owed to credit institutions

in EUR million	2006	restated 2005
Amounts owed to domestic credit institutions	9,191	9,804
Amounts owed to foreign credit institutions	28,497	24,107
Total	**37,688**	**33,911**

27) Amounts owed to customers

in EUR million	Domestic 2006	Domestic 2005	Abroad 2006	Abroad 2005	Total 2006	Total restated 2005
Savings deposits	32,963	30,118	9,544	8,705	42,507	38,823
Sundry						
Public sector	535	502	3,176	2,211	3,711	2,713
Commercial customers	8,014	7,000	13,869	6,503	21,883	13,503
Private customers	3,788	4,894	17,637	11,375	21,425	16,269
Sundry	191	199	1,132	1,286	1,323	1,485
Total other	**12,528**	**12,595**	**35,814**	**21,375**	**48,342**	**33,970**
Total	**45,491**	**42,713**	**45,358**	**30,080**	**90,849**	**72,793**

28) Debt securities in issue

in EUR million	2006	restated 2005
Bonds	13,992	13,356
Certificates of deposit	3,690	4,194
Other certificates of deposits/ name certificates	1,683	1,566
Mortgage and municipal bonds	2,288	1,686
Other	187	519
Repurchased own issues	(26)	(30)
Total	**21,814**	**21,291**

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

In 2006, 74 new issues with total volume of about EUR 3.2 billion were floaded under the DIP. As of December 31, 2006 the DIP's utilisation rate was about 59%.

The volume of the Euro-commercial paper programme (including certificates of deposits) remained at EUR 3 billion. In all, 46 issues were placed in 2006, with total proceeds of approximately EUR 3.6 billion; issues totalling approximately EUR 3.4 billion were redeemed over the same period. As of 31 December 2006 the utilisation rate was about 44%.

29) Trading liabilities

in EUR million	2006	restated 2005
Currency-related derivatives	163	61
Interest-rate-related derivatives	946	1,198
Other derivatives	91	45
Total	**1,200**	**1,304**

30) Underwriting provisions

in EUR million	2006	restated 2005
Provision for unearned premium	59	30
Actuarial reserve	6,762	6,052
Provision for non-transacted insurance claims	72	45
Provision for profit-sharing	77	221
Other underwriting provisions	950	708
Total	**7,920**	**7,056**

The provision for unearned premium for property and accident insurance is determined on a pro-rata basis. In life insurance, unearned premiums are provided based on actuarial methods.

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

The interest rates used to calculate the actuarial reserves are 3% for contracts up to 1996, 4% from 1997, 3.25% from July 2000, 2.75% from January 2004 and 2.25 % from January 2005.

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

The provision for profit-sharing of policyholders contains the amounts earmarked for participating policyholders' bonuses based on business plans but which had not yet been decided upon as at the balance sheet date.

31) Other provisions

in EUR million	2006	restated 2005
Long-term employee provisions	1,453	1,180
Sundry provisions	327	313
Total	**1,780**	**1,493**

a) Long-term employee provisions

in EUR million	Pension provisions	Provisions for serverance payment	Jubilee provisions	Total long-term provisions
Long-term employee provisions (net present value) 31 Dec 2002	**827**	**314**	**44**	**1,185**
Long-term employee provisions (net present value) 31 Dec 2003	**822**	**311**	**54**	**1,187**
Long-term employee provisions (net present value) 31 Dec 2004 restated	**802**	**317**	**56**	**1,175**
Service cost	0	12	3	15
Interest cost	41	17	3	61
Payments	(68)	(19)	(4)	(91)
Actuarial gains/(losses) recognised directly in equity	18	3	0	21
Actuarial gains/(losses) recognised in income	0	0	(1)	(1)
Long-term employee provisions (net present value) 31 Dec 2005 restated	**793**	**330**	**57**	**1,180**
Increase from acquisition	2	37	0	39
Settlements	1	0	0	1
Service cost	1	14	5	20
Interest cost	41	18	3	62
Payments	(69)	(10)	(6)	(85)
Exchange rate difference	0	2	0	2
Actuarial gains/(losses) recognised directly in equity	212	19	0	231
Actuarial gains/(losses) recognised in income	0	0	3	3
Long-term employee provisions (net present value) 31 Dec 2006	**981**	**410**	**62**	**1,453**

b) Sundry provisions

in EUR million	restated 2005	Acquisition of subsidiaries	Currency translation	Alloca-tions	Use	Releases	Reclassi-fication	2006
Provision for off-balance-sheet and other risks	167	0	4	71	0	(72)	5	175
Sundry other provisions[1]	146	(1)	2	77	(47)	(23)	(2)	152
Total	**313**	**(1)**	**6**	**148**	**(47)**	**(95)**	**3**	**327**

1) Sundry provisions consists mainly of provisions for litigation and restructuring.

32) Other liabilities

in EUR million	2006	restated 2005
Deferred income	250	205
Accrued interest and commissios	873	723
Negative fair values of derivatives (banking book)	345	236
Sundry liabilities	2,579	2,811
Total	**4,047**	**3,975**

Sundry liabilities consist mainly of clearing items from the settlement of securities and payment transactions.

33) Subordinated capital

in EUR million	2006	restated 2005
Subordinated liabilities	2,154	1,615
Supplementary capital	1,806	1,775
Hybrid capital	1,250	900
Total	**5,210**	**4,290**

34) Equity

in EUR million	2006	restated 2005
Subscribed capital	630	486
Additional paid-in capital	4,514	1,464
Retained earnings	2,835	2,115
Shareholders' equity	**7,979**	**4,065**
Minority interests	2,925	2,314
Total[1]	**10,904**	**6,379**

1) Details regarding equity are provided in section III, Consolidated Statement of Changes in Total Equity.

At 31 December 2006 the subscribed capital (share capital) 2006 consisted of 315,296,185 voting bearer shares (ordinary shares).

Capital increases in 2006

Capital increase in January and February 2006

Clause 4.4. of the articles of association authorised the management board to increase the subscribed capital by issuing up to 80,000,000 shares (with a combined accounting par value of EUR 160,000,000.00). As decided by the management board and supervisory board on 25 January 2006, this option was utilised by issuing EUR 117,907,200.00 of capital in the form of 58,953,600 bearer shares. After the offering period for open subscription from 11 to 26 January 2006, the final subscription price was set on 26 January 2006 at EUR 45.00 and published after the close of trading. The issue proceeds were EUR 2,652,912,000.00. Of this total, EUR 117,907,200.00 was reported in subscribed capital and EUR 2,535,004,800.00 in additional paid-in capital. In the capital increase, the greenshoe option was fully exercised, resulting in the additional issue of 5,895,360 shares with an accounting par value of EUR 11,790,720.00. The resulting issue proceeds were EUR 265,291,200.00. Of this amount, EUR 11,790,720.00 was reported in subscribed capital and EUR 253,500,480.00 in additional paid-in capital.

Capital increase in connection with share swap offer to BCR staff

As further authorised by clause 4.4. of the articles of association, the management board decided on 29 August 2006 (based on the corresponding resolution passed by the annual general meeting on 19 May 2006) to increase the subscribed capital from authorised capital against non-cash contributions, with existing shareholders' subscription rights excluded. In this decision in principle, the management board set important parameters, notably the formula for calculating the exchange ratio of prospective new shares of Erste Bank to the shares in Banca Comercială Română S.A,,Romania ("BCR") held by BCR employees, the maximum amount of the capital increase and the maximum number of new shares to be issued.

In a decision of the management board on 12 September 2006, the issue price was set at EUR 45.91 per Erste Bank share and the exchange ratio between BCR staff shares and Erste Bank shares was set at six to one.

In the swap offer to BCR staff, 37,723,416 shares of BCR were exchanged for 6,287,236 shares of Erste Bank in a six-to-one ratio. The resulting issue proceeds was EUR 288,647,004.76. Of this amount, EUR 12,574,472.00 was recognised in subscribed capital and EUR 276,072,532.76 in additional paid-in capital.

Under the **MSOP 2002**, in the April 2006 exercise window, 87,059 options were exercised, representing the subscription for 348,236 bearer shares at an issue price of EUR 16.50. The resulting issue proceeds of EUR 5,745,894.00 were allocated as follows: EUR 696,472.00 was assigned to subscribed capital and EUR 5,049,422.00 to additional paid-in capital. A total of 20,838 options were exercised from the first tranche (14,170 by managers and 6,668 by other employees). Of the second tranche, 25,624 options were exercised (13,100 by managers and 12,524 by other staff). In the third tranche, 40,597 options were exercised (1,000 by members of boards, 28,050 by managers and 11,547 by other employees). For all Erste Bank shares, the difference between the exercise price (EUR 16.50) and the closing price at the value date (EUR 45.85) was EUR 29.35.

The exercise price of the individual options (the average of all closing prices in March 2002, rounded down to the nearest half euro) was EUR 66.00, taking account of the four-for-one stock split carried out since then, this gives a value of EUR 16.50 per share. The estimated value of the individual options at the balance sheet date of 31 December 2006 was EUR 41.82 for options vested in 2002; EUR 41.87 for options vested in 2003; and EUR 41.88 for options vested in 2004.

Under the **MSOP 2005, in the first exercise window** (from 2 to 12 May 2006), 85,855 options were exercised. Hence 85,855 bearer shares were issued, at a price of EUR 43.00. The resulting issue proceeds of EUR 3,691,765.00 were allocated as follows: EUR 171,710.00 was assigned to subscribed capital and EUR 3,520,055.00 to additional paid-in capital. The difference between the exercise price (EUR 43.00) and the closing price of the Erste Bank share at the value date (EUR 45.85) was EUR 2.85.

In the second exercise window (from 1 to 11 August 2006), a further 9,430 options were exercised, resulting in the subscription of 9,430 bearer shares at an issue price of EUR 43.00. The resulting issue proceeds were EUR 405,490.00. Of this amount, EUR 18,860.00 was assigned to subscribed capital and EUR 386,630.00 to additional paid-in capital. The difference between the exercise price (EUR 43.00) and the closing price of the Erste Bank share at the value date (EUR 45.86) was EUR 2.86.

In the third exercise window (from 2 to 17 November 2006), a further 53,344 options were exercised, resulting in the subscription of 53,344 bearer shares at an issue price of EUR 43.00. The resulting issue proceeds were EUR 2,293,792. Of this amount, EUR 106,688.00 was assigned to subscribed capital and EUR 2,187,104.00 to additional paid-in capital. The difference between the exercise price (EUR 43.00) and the closing price of the Erste Bank share at the value date (EUR 55.45) was EUR 12.45.

All 148,629 options exercised in the 2006 financial year under the MSOP 2005 represented the first tranche. Of these, 12,000 were exercised by board members, 78,910 by managers and 57,719 by other employees. The estimated value of the individual options at the balance sheet date of 31 December 2006 was EUR 20.22 for options vested in 2005 and EUR 21.93 for those vested in 2006.

Under the **ESOP 2006**, between 8 and 19 May 2006, employees purchased 479,524 shares at a price of EUR 39.00. The resulting issue proceeds of EUR 18,701,436.00 plus EUR 887,785.92 (from the difference between the issue price of EUR 39.00 and the quoted price of EUR 44.88 on the 1 June 2006 value date for 150,984 shares subscribed for by staff of Erste Bank AG, charged to personnel expenses in the income statement) totalled EUR 19,589,221.92. Of this amount, EUR 959,048.00 was assigned to subscribed capital and EUR 18,630,173.92 to additional paid-in capital.

Employee share ownership plan and management share option plan

MSOP 2002: The MSOP comprises a maximum of 4,400,000 ordinary shares of Erste Bank after the stock split, represented by 1,100,000 options. The distribution of vested options by the balance sheet date among management board members, managers and eligible other staff of Erste Bank Group is shown in the tables below.

Terms of MSOP 2002: Each of the options, which are granted free of charge, entitles the holder to receive four shares; the transfer of options inter vivos is not permitted. The options granted in 2002 vest in three tranches, at which time they are credited to recipients' accounts: For the management board and other managers, on 24 April 2002, 1 April 2003 and 1 April 2004; for other key personnel, on 1 June 2002, 1 June 2003 and 1 June 2004. The exercise price for all three tranches was set at the average market price of Erste Bank shares quoted in March 2002 (rounded down to the nearest half euro), which was EUR 66.00 per share. After the stock split performed in July 2004, the exercise price remains unchanged at EUR 66.00. This means that each option confers the right to purchase four shares of Erste Bank for a total of EUR 66.00. That corresponds to a purchase price of EUR 16.50 per share. The option term begins when the options are credited to the option account (i.e. at vesting) and ends on the value date of the exercise window (defined below) of the fifth calendar year after vesting. Every year, notices of intention to exercise may be submitted beginning on the day immediately following the publication of preliminary consolidated net profit for the most recent completed financial year, but no earlier than 1 April and no later than 30 April of the year. This period represents the exercise window. It is followed by the holding period, which ends on the value date of the year following exercise of the option. No more than 15% of the purchased shares may be sold during this holding period.

MSOP 2005: The MSOP comprises a maximum of 2,000,000 ordinary shares of Erste Bank, represented by 2,000,000 options. The distribution of vested options by the balance sheet date among management board members, managers and eligible other staff of Erste Bank Group is shown in the tables below.

Terms of MSOP 2005: Each of the options, which are granted free of charge, entitles the holder to receive one share; the transfer of options inter vivos is not permitted. The 2005 option grant dates were as follows: for the management board and other managers, 1 June 2005; for other key personnel, the grants occur in three tranches, on 1 September 2005, 1 September 2006 and 31 August 2007. The options vest in three tranches, at which time they are credited to recipients' accounts: 1 September 2005, 1 September 2006 and 31 August 2007. The exercise price for all three tranches was set at the average market price of Erste Bank shares quoted in April 2005, augmented by a 10% premium and rounded down to the nearest half euro. The resulting exercise price was EUR 43.00 per share. The option term begins at the grant date and ends on the value date of the last exercise window of the fifth calendar year after the year in which the option vested. Every year, notices of intention to exercise may be submitted within 14 days from the day of publication of the quarterly results for the first, second and third quarter of each financial year (three exercise windows per year). The holding period ends one year after the value date of the share purchase. No more than 25% of the purchased shares may be sold during this holding period.

The **MSOP 2002** options credited and exercised by the balance sheet date are distributed as follows among recipients:

	2002	2003	2004	Total	Exercised
Andreas Treichl	4,000	4,000	4,000	12,000	12,000
Elisabeth Bleyleben-Koren	4,000	4,000	4,000	12,000	12,000
Reinhard Ortner	4,000	4,000	4,000	12,000	12,000
Franz Hochstrasser	4,000	4,000	4,000	12,000	12,000
Erwin Erasim	4,000	4,000	4,000	12,000	12,000
Bernhard Spalt since 1 Nov 2006	1,000	1,000	1,000	3,000	1,200
Christian Coreth until 31 Oct 2006	1,000	1,000	1,000	3,000	3,000
Total received by management board members	**22,000**	**22,000**	**22,000**	**66,000**	**64,200**
Other management	172,200	182,800	214,000	569,000	473,497
Other staff	92,271	115,729	94,891	302,891	249,327
Total options credited and exercised	**286,471**	**320,529**	**330,891**	**937,891**	**787,024**

The **MSOP 2005** options granted, vested and exercised are distributed as follows among recipients:

	Granted	Credited 2005	Credited 2006	Total	Exercised
Andreas Treichl	9,000	3,000	3,000	6,000	3,000
Elisabeth Bleyleben-Koren	9,000	3,000	3,000	6,000	0
Reinhard Ortner	9,000	3,000	3,000	6,000	3,000
Franz Hochstrasser	9,000	3,000	3,000	6,000	3,000
Erwin Erasim	9,000	3,000	3,000	6,000	3,000
Bernhard Spalt since 1 Nov 2006	3,000	1,000	1,000	2,000	0
Christian Coreth until 31 Oct 2006	9,000	3,000	3,000	6,000	0
Total received by management board members	**57,000**	**19,000**	**19,000**	**38,000**	**12,000**
Other management	685,500	228,500	213,000	441,500	78,910
Other staff	219,810	219,810	230,211	450,021	57,719
Total options credited and exercised	**962,310**	**467,310**	**462,211**	**929,521**	**148,629**

Information about holdings of and transactions in Erste Bank shares by members of the management board and supervisory board (in number of shares):

Management board members:

Managing board member	At 31 Dec 2005	Additions 2006	Disposals 2006	At 31 Dec 2006
Andreas Treichl	120,040	3,400		123,440
Elisabeth Bleyleben-Koren	25,600			25,600
Reinhard Ortner	121,400	4,200		125,600
Franz Hochstrasser	44,256	3,000		47,256
Erwin Erasim	20,716	3,200	10,000	13,916
Bernhard Spalt since 1 Nov 2006				256
Christian Coreth until 31 Oct 2006	9,000	4,000	3,400	9,600

Supervisory board members held the following numbers of Erste Bank shares at the balance sheet date of 31 December 2006:

Supervisory Board member	Shares held
Georg Winckler	1,300
Bettina Breiteneder	2,560
Wilhelm Rasinger	2,935
Friedrich Rödler	24
Günter Benischek	605
Ilse Fetik	104
Joachim Härtel	24
Christian Havelka	1,000
Anton Janku	352
Erika Hegmala	128

As far as can be determined, persons related to members of the management board or supervisory board held 20,516 shares of Erste Bank as of 31 December 2006.

Personnel expenses include EUR 20.6 million (previous year: EUR 15.9 million) from the MSOP, ESOP and profit-sharing.

Authorised but unissued capital and contingent capital remaining at 31 December 2006

Clauses 4.4., 4.4.1 and 4.4.2 of the articles of association authorise the management board until 5 July 2011 to increase the subscribed capital of Erste Bank AG, subject to the approval of the supervisory board, by up to EUR 167,425,528.00 through the issue of up to 83,712,764 shares. The class of shares, issue price, issue terms and, as far as intended, the exclusion of shareholders' subscription rights, are determined by the management board with the consent of the supervisory board.

Under clause 4.5. of the articles of association, the management board is authorised by a resolution of the annual general meeting on 8 May 2001, with the approval of the supervisory board, conduct a contingent capital increase of up to EUR 18,168,208.54. By its decision of 21 January 2002, approved by the supervisory board on 31 January 2002, the management board utilised the full scope of this authorisation.

In the 2002 financial year, 252,159 ordinary bearer shares with an accounting par value of EUR 1,832,510.92 were subscribed for under the 2002 ESOP and MSOP.

In the 2003 financial year, 117,926 shares were subscribed for under the ESOP 2003 and 768 options were exercised under the MSOP 2002. In total, 118,694 ordinary bearer shares with an accounting par value of EUR 862,582.94 were subscribed for. The annual general meeting on 4 May 2004 passed a resolution to perform a four-for-one stock split.

In the 2004 financial year, 278,940 shares were subscribed under the ESOP 2004 and 1,388,720 options were exercised under the MSOP 2002. This resulted in a total, of 1,667,660 ordinary bearer shares with an accounting par value of EUR 3,335,320.

In the 2005 financial year, 332,640 shares were subscribed under the ESOP 2005 and 1,408,068 options were exercised under the MSOP 2002. In total, 1,740,708 ordinary bearer shares with an accounting par value of EUR 3,481,416.00 were subscribed for.

In the 2006 financial year, a total of 976,389 ordinary bearer shares with an accounting par value of EUR 1,952,778.00 were subscribed for under the ESOP 2006 and in the exercise of options under the MSOP 2002 and MSOP 2005.

There thus remains contingent capital of EUR 8,263,662.00 (accounting par value) that may be issued in the form of up to 4,131,831 ordinary bearer or registered shares at an issue price of at least EUR 2.00 per share against cash while excluding the subscription rights of the existing shareholders.

Under clause 4.6. of the articles of association the management board is authorised, for a period of five years from the date of registration of the amendment of the company's articles of association in the commercial register, to perform a contingent issue of up to EUR 20,000,000.00 of subscribed capital in the form of up to 10,000,000 ordinary bearer or registered shares at an issue price of at least EUR 2.00 per share against cash payment while excluding the subscription rights of existing shareholders.

The contingent capital serves to grant share options to employees, managers and management board members of Erste Bank AG or group companies.

As approved by the extraordinary general meetings on 21 August 1997 and 4 May 2005 as per clause 4.7. of the articles of association, the management board is authorised to perform a contingent increase in capital of EUR 48,000,000 by the issue of 24,000,000 ordinary bearer shares, to be carried out inasmuch as holders of convertible bonds exercise their conversion rights.

As of 31 December 2006, DIE ERSTE österreichische Spar-Casse Privatstiftung held a direct equity interest of approximately 30.5% in Erste Bank. Accordingly, DIE ERSTE österreichische Spar-Casse Privatstiftung is the single largest shareholder.

Under clause 12.1. of the articles of association, DIE ERSTE österreichische Spar-Casse Privatstiftung, is entitled for the duration of its shareholding in Erste Bank to nominate up to one-third of the supervisory board members to be elected by the annual general meeting. To date this right of delegation has not been exercised.

A provision relating to the appointment and withdrawal of members of the management board and supervisory board that does not follow directly from legislation is clause 12.4. of the articles of association. Under the clause, the withdrawal of supervisory board members requires a majority of three-quarters of valid votes cast and a majority of three-quarters of the subscribed capital represented at the meeting considering the resolution.

The articles contain no restrictions in respect of voting rights or the transfer of shares. To the management board's knowledge, no restrictions are provided by agreements between shareholders. Only the share ownership and share option plans (the MSOP and ESOP) involve a one-year holding period.

A provision not established directly by the law and relating to the process of changing the articles of association is found in clause 16.9. of the articles. Under this clause, provisions of the articles that require larger majorities can only be changed with the approval of the same respective larger majorities. Furthermore, the last two sentences of the same clause 16.9. can only be changed with a majority of three-quarters of votes cast and with a majority of three-quarters of the subscribed capital represented at the meeting considering the resolution.

The following are significant agreements to which Erste Bank is a party and which take effect, change, or end, in the event of a change of control resulting from a takeover offer:

For the event of a takeover bid, the share option plan of Erste Bank sets out the following special provisions (section 17 of the share option plan):

_Should a takeover offer for the shares of Erste Bank be announced to the public, all options that have been granted to the entitled management board members and other managers by that time but have not yet vested will immediately vest for those entitled management board members and other managers who fulfil the personal requirements for participation.

_In this case the vesting date, the end of the exercise window and the value date will be determined by the management board of Erste Bank. They are to be chosen such that the exercise of the options and sale of the shares can be effected during the takeover offer process.

_In the event of a takeover offer, no key personnel will be selected as recipients of options and no options will be granted to them.

_All options that have vested may be exercised by the eligible recipient from the day immediately following the vesting date; the provisions of section 11 (1)(2) (minimum holding period for options) and section 12 (1) sentence 1 (exercise window) do not apply. The shares obtained may be offered for sale to the prospective acquiring entity in the takeover bid; section 16 (holding period) does not apply.

_As well, for all shares already purchased previously that are still subject to a holding period (section 16), this holding period ends when the takeover bid is announced to the public.

_Should the takeover offer be withdrawn without the presence of a rival takeover offer, the options vested under subsection 1 above that are not yet exercised cannot be exercised for a period of one year from the publication of the withdrawal of the takeover offer, while shares already purchased through options vested under subsection 1 become subject to a holding period of one year from the vesting date. However, holding periods thathave ended pursuant to subsection 5 above are not revived.

No compensation agreements for the event of a public takeover offer exist between Erste Bank and members of its management board, supervisory board or other staff.

In respect of the repurchasing of shares, the management board members have the following powers not established directly by the law:

By a resolution of the annual general meeting (AGM) on 19 May 2006,

_Erste Bank is authorised to purchase own shares under section 65 (1)(7) Austrian Stock Corporation Act for the purpose of securities trading; at the end of each business day the balance of shares acquired for this purpose must not exceed 5% of Erste Bank's total share capital. The price paid per share must be not less than EUR 10.00 and not more than EUR 100.00. This authorisation is effective for a period of 18 months until 19 November 2007;

_the management board is authorised to purchase subject to the consent of the supervisory board, own shares under section 65 (1)(8) Austrian Stock Corporation Act; the total of the shares purchased under this authorisation and under section 65 (1)(1), 65 (1)(4) and 65 (1)(7) of the Act must not exceed 10% of Erste Bank´s total share capital. The price paid per share must be not less than EUR 10.00 and not more than EUR 100.00. Erste Bank is required to publish the relevant management board decision as well as the resulting repurchase programme and its duration. Own shares purchased under these provisions may, subject to the approval of the supervisory board, be disposed of in ways other than via the stock market or than by public offering; for instance, they may be used as compensation when acquiring companies, partial ownerships or other interests in companies in Austria or abroad. The management board is also empowered to retire own shares without a further resolution by the annual general meeting. This authorisation is effective for 18 months and thus until 19 November 2007.

All acquisitions and disposals made were consistent with the permission given by the annual general meeting.

The qualifying capital of Erste Bank Group of credit institutions as determined under the Austrian Banking Act had the following composition:

in EUR million	2006	2005
Subscribed capital	629	486
Reserves	6,065	5,087
Intangible assets	(509)	(461)
Core capital (Tier 1)	**6,185**	**5,112**
Eligible subordinated liabilities	3,604	3,029
Revaluation reserve	216	352
Qualifying supplementary capital (Tier 2)	**3,820**	**3,381**
Short-term subordinated capital (Tier 3)	**331**	**331**
Deductions pursuant to section 23 (13) and section 29 (1) and (2) Austrian Banking Act	(225)	(213)
Total eligible qualifying capital	**10,111**	**8,611**
Capital requirement	7,952	6,390
Surplus capital	2,159	2,221
Cover ratio	127.2%	134.8%
Tier 1 ratio	**6.6%**	**6.8%**
Solvency ratio	**10.3%**	**11.0%**

Capital requirement of Erste Bank Group as a group of credit institutions under the Austrian Banking Act:

in EUR million	2006	2005
Risk-weighted basis pusuant to section 22 (2) Austrian Banking Act	94,129	75,078
8% minimum capital requirement	7,530	6,006
Capital requirement for open foreign exchange position pursuant to Section 26 Austrian Banking Act	3	12
Capital requirement for the trading book pursuant to section 22b (1) Austrian Banking Act	419	372
Capital requirement	**7,952**	**6,390**

Under Austria's Financial Conglomerates Act, Erste Bank Group is considered a financial conglomerate. Regarding the capital requirement, Erste Bank displays a surplus capital at 31 December 2006.

35) Segment reporting
Segmentation by core business

A new aspect of the segment reporting is the method of capital allocation, which now takes account not only credit risk (through risk-weighted assets) but also market risk (through Value-at-Risk calculations) and operational risk (through general adminis-trative expenses).

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

Austria segment

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

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

Central and Eastern Europe segment

The Central and Eastern Europe market segment, which is subdivided into the major national subsidiaries operating in the CEE countries, represents the results of Banca Comercială Română S.A. (Romania segment, from October 2006), Česká spořitelna, a.s. (Czech Republic segment), Slovenská sporiteľňa (Slovakia segment), Erste Bank Hungary Rt. (Hungary segment), Erste & Steiermärkische banka d.d. (Croatia segment), and Erste Bank a.d. Novi Sad (formerly Novosadska Banka a.d.; Serbia segment).

International Business segment

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

Corporate Center segment

Corporate Center encompasses besides all, performance components of subsediaries that cannot be attributed directly to other segments, also refinancing costs of investments in companies, elimination of profits and losses between segments as well as one-off items that are not assigned to other segments due to comparability of previous segment reports.

The allocation of results to the segments is based on contribution margin analysis at the business unit level. Net interest income is determined based on opportunity cost (market spread, maturity mismatch), with the contribution from maturity transformation attributed entirely to the Treasury & Investment Banking segment. Fees and commissions, net trading result, risk costs and other result ("Other result" consists of four income statement items: other operating result, result from financial assets at fair value through profit or loss, result from financial assets available for sale, and result from financial assets held to maturity) are allocated to the business units where they are generated.

General administrative expenses are derived from activity-based costing (product cost, indirect costs and general overhead) at the business unit level.

Segmentation by core business

in EUR million	Total 2006	Total restated 2005	Austria 2006	Austria restated 2005	Central and Eastern Europe 2006	Central and Eastern Europe restated 2005
Net interest income	3,189.4	2,794.2	1,592.9	1,583.9	1,444.3	1,104.6
Risk provisions for loans and advances	(439.1)	(421.6)	(312.7)	(351.3)	(126.9)	(80.2)
Net fee and commission income	1,445.9	1,256.8	891.4	825.7	575.1	459.4
Net trading result	277.9	241.7	126.9	116.8	149.3	120.9
General administrative expenses	(2,945.3)	(2,670.0)	(1,645.1)	(1,632.5)	(1,227.5)	(989.1)
Income from insurance business	35.9	36.7	17.9	28.8	17.9	7.9
Other result[1]	(42.3)	(16.1)	27.4	(0.1)	(23.7)	(22.6)
Pre-tax profit	1,522.3	1,221.7	698.7	571.2	808.5	600.9
Taxes on income	(339.9)	(301.7)	(153.6)	(142.1)	(191.2)	(133.0)
Minority interests	(250.2)	(203.2)	(199.1)	(160.9)	(53.6)	(24.7)
Net profit after minority interests	**932.2**	**716.7**	**345.9**	**268.1**	**563.7**	**443.3**
Average risk-weighted assets	81,849.1	70,025.0	49,634.7	46,575.7	24,146.7	16,562.5
Average attributed equity	6,816.7	3,679.9	1,890.8	1,776.0	1,565.8	1,115.0
Cost/income ratio	**59.5%**	**61.7%**	**62.6%**	**63.9%**	**56.1%**	**58.4%**
ROE based on net profit after minority interests[2]	**13.7%**	**19.5%**	**18.3%**	**15.1%**	**36.0%**	**39.8%**

1) Other result consists of four income statement items: other operating result, result from financial assets at fair value through profit or loss, result from financial assets available for sale, and result from financial assets held to maturity.

2) ROE = return on equity.

in EUR million	International Business 2006	International Business restated 2005	Corporate Center 2006	Corporate Center restated 2005
Net interest income	149.0	149.6	3.2	(43.9)
Risk provisions for loans and advances	2.1	10.2	(1.5)	(0.2)
Net fee and commission income	33.3	29.4	(53.8)	(57.7)
Net trading result	(0.2)	0.0	1.8	4.0
General administrative expenses	(34.3)	(35.8)	(38.3)	(12.5)
Income from insurance business	0.0	0.0	0.0	0.0
Other result	10.1	2.0	(56.2)*)	4.6
Pre-tax profit	160.0	155.3	(144.9)	(105.7)
Taxes on income	(41.8)	(44.5)	46.8	17.9
Minority interests	0.0	0.0	2.6	(17.6)
Net profit after minority interests	**118.2**	**110.8**	**(95.6)**	**(105.4)**
Average risk-weighted assets	7,735.9	6,547.4	331.8	339.4
Average attributed equity	503.1	425.9	2,857.0	363.0
Cost/income ratio	**18.9%**	**20.0%**	-	-
ROE based on net profit after minority interests	**23.5%**	**26.0%**	-	-

*) Including amortisation of customer relationships of EUR 18 million.

in EUR million	Austria 2006	Austria restated 2005	Savings Banks 2006	Savings Banks restated 2005	Retail & Mortgage 2006	Retail & Mortgage restated 2005
Net interest income	1,592.9	1,583.9	839.7	841.2	537.3	524.6
Risk provisions for loans and advances	(312.7)	(351.3)	(171.3)	(215.8)	(88.1)	(105.1)
Net fee and commission income	891.4	825.7	365.0	358.1	335.1	314.5
Net trading result	126.9	116.8	25.4	20.6	10.6	10.2
General administrative expenses	(1,645.1)	(1,632.5)	(824.2)	(825.2)	(621.0)	(623.8)
Income from insurance business	17.9	28.8	0.0	0.0	17.9	28.8
Other result	27.4	(0.1)	11.4	13.8	(13.5)	16.2
Pre-tax profit	698.7	571.2	246.1	192.7	178.3	165.4
Taxes on income	(153.6)	(142.1)	(51.9)	(48.8)	(39.4)	(39.5)
Minority interests	(199.1)	(160.9)	(178.4)	(135.2)	(15.5)	(22.3)
Net profit after minority interests	**345.9**	**268.1**	**15.8**	**8.8**	**123.4**	**103.7**
Average risk-weighted assets	49,634.7	46,575.7	25,543.6	23,948.7	13,233.1	12,204.0
Average attributed equity	1,890.8	1,776.0	265.5	240.0	876.8	820.1
Cost/income ratio	**62.6%**	**63.9%**	**67.0%**	**67.6%**	**68.9%**	**71.0%**
ROE based on net profit after minority interests	**18.3%**	**15.1%**	**6.0%**	**3.6%**	**14.1%**	**12.6%**

in EUR million	Large Corporates 2006	Large Corporates restated 2005	Treasury & Investment Banking 2006	Treasury & Investment Banking restated 2005
Net interest income	147.6	140.2	68.3	78.0
Risk provisions for loans and advances	(53.3)	(30.5)	0.0	0.0
Net fee and commission income	101.0	82.2	90.3	70.9
Net trading result	3.0	1.5	87.9	84.5
General administrative expenses	(97.6)	(89.4)	(102.3)	(94.1)
Income from insurance business	0.0	0.0	0.0	0.0
Other result	14.7	(29.0)	14.8	(1.1)
Pre-tax profit	115.4	75.1	158.9	138.1
Taxes on income	(27.1)	(18.0)	(35.2)	(35.9)
Minority interests	(5.3)	(3.6)	0.0	0.1
Net profit after minority interests	**83.0**	**53.4**	**123.7**	**102.3**
Average risk-weighted assets	7,766.0	6,668.4	3,092.1	3,754.7
Average attributed equity	507.0	435.9	241.5	280.0
Cost/income ratio	**38.8%**	**39.9%**	**41.5%**	**40.3%**
ROE based on net profit after minority interests	**16.4%**	**12.3%**	**51.2%**	**36.5%**

in EUR million	Central and Eastern Europe 2006	Central and Eastern Europe restated 2005	Romania 2006	Romania restated 2005	Czech Republic 2006	Czech Republic restated 2005
Net interest income	1,444.3	1,104.6	127.8	-	705.6	583.5
Risk provisions for loans and advances	(126.9)	(80.2)	(8.2)	-	(52.5)	(33.7)
Net fee and commission income	575.1	459.4	45.0	-	324.9	287.0
Net trading result	149.3	120.9	19.0	-	55.1	49.4
General administrative expenses	(1,227.5)	(989.1)	(107.6)	-	(613.2)	(550.1)
Income from insurance business	17.9	7.9	3.5	-	14.5	7.9
Other result	(23.7)	(22.6)	(11.6)	-	17.4	8.7
Pre-tax profit	808.5	600.9	67.9	-	451.7	352.6
Taxes on income	(191.2)	(133.0)	(11.5)	-	(114.4)	(87.4)
Minority interests	(53.6)	(24.7)	(21.8)	-	(12.9)	(8.5)
Net profit after minority interests	**563.7**	**443.3**	**34.6**	**-**	**324.4**	**256.8**
Average risk-weighted assets	24,146.7	16,562.5	2,100.9	-	11,572.0	9,136.9
Average attributed equity	1,565.8	1,115.0	100.1	-	796.2	642.0
Cost/income ratio	**56.1%**	**58.4%**	**55.1%**	**-**	**55.7%**	**59.3%**
ROE based on net profit after minority interests	**36.0%**	**39.8%**	**34.6%**	**-**	**40.7%**	**40.0%**

in EUR million	Slovakia 2006	Slovakia restated 2005	Hungary 2006	Hungary restated 2005
Net interest income	239.5	197.3	251.2	219.0
Risk provisions for loans and advances	(16.5)	(11.1)	(34.2)	(17.1)
Net fee and commission income	82.8	82.5	88.4	64.8
Net trading result	20.9	14.9	35.3	34.6
General administrative expenses	(185.0)	(167.3)	(206.9)	(185.8)
Income from insurance business	0.0	0.0	0.0	0.0
Other result	(7.3)	(13.2)	(22.0)	(16.7)
Pre-tax profit	134.3	103.1	111.8	98.9
Taxes on income	(26.5)	(14.1)	(26.3)	(20.6)
Minority interests	(0.1)	0.1	(0.2)	(0.2)
Net profit after minority interests	**107.7**	**89.1**	**85.2**	**78.1**
Average risk-weighted assets	3,387.4	2,421.5	3,949.4	2,606.5
Average attributed equity	240.7	177.3	274.8	193.5
Cost/income ratio	**53.9%**	**56.8%**	**55.2%**	**58.4%**
ROE based on net profit after minority interests	**44.8%**	**50.3%**	**31.0%**	**40.4%**

in EUR million	Croatia 2006	Croatia restated 2005	Serbia 2006	Serbia restated 2005
Net interest income	111.1	101.9	9.2	3.0
Risk provisions for loans and advances	(12.3)	(14.4)	(3.3)	(3.9)
Net fee and commission income	29.7	23.3	4.3	1.9
Net trading result	19.8	20.4	(0.8)	1.7
General administrative expenses	(84.5)	(75.3)	(30.3)	(10.7)
Income from insurance business	0.0	0.0	0.0	0.0
Other result	0.3	(1.7)	(0.3)	0.2
Pre-tax profit	64.1	54.3	(21.3)	(7.9)
Taxes on income	(12.6)	(10.9)	0.1	0.0
Minority interests	(18.5)	(16.6)	0.1	0.3
Net profit after minority interests	**32.9**	**26.8**	**(21.2)**	**(7.5)**
Average risk-weighted assets	2,970.8	2,289.8	166.2	107.8
Average attributed equity	136.4	94.1	17.6	8.1
Cost/income ratio	**52.6%**	**51.7%**	-	-
ROE based on net profit after minority interests	**24.1%**	**28.5%**	-	-

36) Additional information

Assets and liabilities denominated in foreign currency:

in EUR million	2006	restated 2005
Assets	90,944	71,146
Liabilities	75,327	56,731

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

The assets and liabilities outside Austria are given below:

in EUR million	2006	restated 2005
Assets	108,824	84,713
Liabilities	89,949	73,815

37) Related party transactions

Compensation and other benefits provided to board members and staff of Erste Bank Group are presented and explained in Note 34, Equity.

Loans and advances to and amounts owed to unconsolidated subsidiaries, to companies accounted for at equity and to other investments:

in EUR million	2006	restated 2005
Loans and advances to credit institutions		
Associates accounted for at equity	32	99
Other investments	215	251
Total	**247**	**350**
Loans and advances to customers		
Unconsolidated subsidiaries	417	476
Associates accounted for at equity	242	226
Other investments	1,087	604
Total	**1,746**	**1,306**
Financial assets - at fair value through profit or loss		
Associates accounted for at equity	57	36
Other investments	126	0
Total	**183**	**36**
Financial assets - available for sale		
Other investments	54	0
Total	**54**	**0**
Financial assets - held to maturity		
Associates accounted for at equity	4	4
Other investments	4	4
Total	**8**	**8**
Amounts owed to credit institutions		
Unconsolidated subsidiaries	12	3
Associates accounted for at equity	26	15
Other investments	3,337	2,214
Total	**3,375**	**2,232**
Amounts owed to customers		
Unconsolidated subsidiaries	52	86
Associates accounted for at equity	27	73
Other investments	463	126
Total	**542**	**285**
Debt securities in issue		
Unconsolidated subsidiaries	4	4
Associates accounted for at equity	45	26
Other investments	146	42
Total	**195**	**72**
Subordinated capital		
Other investments	24	28
Total	**24**	**28**

At the end of 2006, DIE ERSTE österreichische Spar-Casse Privatstiftung, a foundation, held approximately 30.5% of the shares of Erste Bank AG, making it the largest shareholder. The foundation received a dividend of EUR 43.1 million on its shareholding in Erste Bank AG in 2006 (for the 2005 financial year). The purpose of the foundation, in addition to holding a substantial equity interest in Erste Bank AG, is to support social, scientific, cultural and charity institutions as well as to generally promote the guiding principles of the savings bank philosophy. The current members of the foundation's management board are Andreas Treichl (chairman of the management board of Erste Bank AG), Franz Ceska and Dietrich Karner. The supervisory board of the foundation had nine members at the end of 2006, two of whom are also members of the supervisory board of Erste Bank AG.

As at 31 December 2006, in respect of the foundation, Erste Bank AG reported accounts payable of EUR 35.2 million and accounts receivable of EUR 7.3 million. Standard derivative transactions for hedging purposes were in place between Erste Bank and the foundation at the end of 2006 (interest rate swaps with a notional value of EUR 75 million and interest rate swaps with caps and floors in the notional amount of EUR 247.4 million each).

In 2006 Erste Bank AG accrued interest income of EUR 3.2 million and interest expenses of EUR 2.7 million payable to the foundation from accounts receivable and payable and from the derivative transactions outlined.

38) Assets pledged as collateral

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

in EUR million	2006	2005
Amounts owed to credit institutions	5,415	6,168
Amounts owed to customers	1,600	147
Debt securities in issue	1,206	918
Other obligations	304	174
Total	**8,525**	**7,407**

Assets were received as collateral for the liabilities named above in the following amounts:

in EUR million	2006	2005
Loans and advances to credit institutions	886	181
Loans and advances to customers	2,111	1,119
Trading assets	34	23
Financial assets[1]	5,553	6,806
Tangible assets	1	20
Total	**8,585**	**8,149**

1) Financial assets consist of financial assets held to maturity, available for sale, at fair value through profit or loss and Investments of insurance companies.

39) Fiduciary transactions

Fiduciary operations are not reported on the balance sheet. They were as follows:

in EUR million	2006	2005
Assets held in trust		
Loans and advances to credit institutions	50	67
Loans and advances to customers	8,449	7,063
Financial assets[1]	846	859
Total	**9,345**	**7,989**
Liabilities held in trust		
Amounts owed to credit institutions	298	286
Amounts owed to customers	8,175	6,797
Debt securities in issue	872	906
Total	**9,345**	**7,989**

1) Financial assets include financial assets – held to maturity, available for sale and financial assets at fair value througt profit or loss as well es investments of insurance companies.

40) Risk report, risk policy and risk strategy

The conscious and selective assumption of risks and their professional management represent a core task of every bank. Erste Bank Group's approach to risk policy is designed for the early identification and effective, active management and limitation of risks. The central focus of these risk management activities is on employing available capital as efficiently as possible bearing in mind the medium- and long-term strategic goals and growth prospects. Erste Bank Group seeks an optimum balance between risk and returns in order to achieve a sustained high return on equity.

The risk management strategy of Erste Bank Group is marked by a conservative approach to banking risks that is driven both by the requirements of customer-centred banking and by the legal environment. Under this risk management strategy, Erste Bank Group uses a group-wide system of risk monitoring and control designed to identify all risks throughout the group (market, credit, business and operational risks), measuring these risks in terms of Value-at-Risk (VaR) and enable the management to exert active control over the identified and measured risks in order to reach the goal of optimising the risk-return relationship.

Risk management organisation

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

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

In order to ensure comprehensive risk management across Erste Bank Group, risk control and management are management board level functions exercised by the **chief risk officer (CRO).** The CRO's area of responsibility includes the following service units:

_Strategic Risk Management
_Credit Risk Management Austria
_Credit Risk Management International
_Credit Restructuring

The **strategic risk management service unit, as a risk control function,** supports the chief risk officer in furthering the disciplined handling of risks and in harmonising risk management applications for all risk types in the business units. Working closely with the risk management departments of the business units, this unit also ensures the implementation of the risk management strategy.

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

In addition, the chief risk officer is responsible for the development, implementation and review of limits, of risk reporting, of the risk management strategy and of the associated standards and processes.

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

In view of the growing demands placed on risk control, and in the interest of a clear definition of the roles and areas of authority of all units involved, the group credit risk reporting and risk control activities are combined and concentrated in the **strategic risk management** service unit.

Risk Control

The **group risk control** department forms part of the strategic risk management service unit. The group risk control department acts as the central and independent risk control unit required by section 39 (2) of the Austrian Banking Act and formulates group guidelines for processes relating to risk management (these guidelines are codified in the Erste Bank risk rule book). As an organisational arm independent of the business units, group risk control thus ensures that all measured risks are within the limits set by the management board based on Value-at-Risk.

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

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

Risk control process

Erste Bank Group's independent risk control process consists of five elements:

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

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

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

_The unexpected loss (equivalent to Value-at-Risk) is the maximum actual loss in excess of this amount for a given observation period and for a predetermined probability of occurrence (expressed in terms of a confidence level). Capital must be allocated to cover this unexpected loss.

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

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

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

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

Risk types

Market risk

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

Taking into account the bank's risk-absorbing capacity and projected earnings, the management board sets the aggregate limit in the risk committee. The aggregate limit is then allocated by the market risk committee based on a recommendation by the decentralised financial markets risk management unit. All market risk activities are assigned risk limits that, in the aggregate, are statistically consistent with the aggregate Value-at-Risk limit covering all market risks of Erste Bank. Limit compliance is verified at several levels: by the appropriate local risk management unit, by risk management financial markets unit and also by the independent group risk control unit.

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

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

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

The following table shows the Value-at-Risk amounts for December 2006 (unaudited, in EUR thousand, 99% confidence level, holding period of one day):

	Total	Interest	Currency	Shares	Commodity	Volatility
Erste Bank Group	**16,096**	**12,340**	**1,140**	**8,222**	**111**	**1,887**
Banking book	10,957	9,749	159	3,826	0	0
Trading book	5,643	2,630	1,264	4,526	111	1,887

Credit risk

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

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

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

The new standard risk cost model was introduced in Erste Bank AG's marginal costing at the beginning of 2005, using internal probabilities of default and transition probabilities. This measure was carried out in anticipation of the operational application of the Basel II provisions to credit pricing. Beginning in 2007, after a one-year preparation phase, the standard risk cost model of Erste Bank AG will also be employed in the entire savings bank group.

The development of stress test models required by the Austrian supervisory authorities for foreign currency lending and for loans with loan repayment investments was completed in 2005. The stress tests have since 2005 been performed semi-annually at Erste Bank AG and the savings banks.

Operational risk

In line with banking law, Erste Bank defines operational risk as "the risk of loss resulting from inadequacy or failure of internal processes, people or systems, or from external events." Both quantitative and qualitative methods are used to identify operational risks, and are refined further in order to capture all information relevant to risk management. Consistent with international practice, the responsibility for managing operational risk rests with line management.

The quantitative measurement methods are based on internal loss experience data, which are collated across the group using a standard methodology and entered in a central data pool. In order to be able to model losses that have not occurred in the past but that are nonetheless possible, scenarios and external data are also used. A noteworthy development in this context was the group-wide participation in the ORX loss data consortium in 2006.

Next to quantitative methods, qualitative approaches are used to determine operational risk, primarily by performing risk assessment surveys. The results and risk control suggestions from these responses by experts are reported to line management and thus serve as decision support to reduce operational risks. Towards the same end, at the subsidiaries a simplified top-down approach is currently used (risk mapping). In order to ensure early detection of changes in risk potential that may lead to losses, Erste Bank is a leading participant in an international study to define key risk indicators.

Since the beginning of 2004 the insurance cover procured by Erste Bank Group is combined in a group-wide insurance programme. By this approach, which involves retaining part of the losses in a captive reinsurance firm, the expenses for the group's traditional property insurance needs were reduced. The resulting savings are used to buy additional cover for previously uninsured bank-specific risks.

The quantitative and qualitative methods outlined, including the insurance concept and modelling approaches, form the operational risk framework of Erste Bank. Through periodic reporting, relevant information from these areas is communicated to the management board on a quarterly basis. A key ratio in this context is operational Value-at-Risk, which is calculated for Erste Bank AG and the group as a whole.

The operational risk framework and the structure of operational risk management and control at Erste Bank was also defined in the risk rulebook, thus safeguarding the complete identification of all risk components and the consistent treatment of all operational risks.

Business risk (fixed-costs risk)

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

Controlling Erste Bank´s overall risk

At Erste Bank AG, the regulatory requirements for qualitative risk management that result from pillar 2 of Basel II (Supervisory Review Process) and from the ICAAP (Internal Capital Adequacy Assessment Process) consultation paper of the CEBS (Committee of European Banking Supervisors) are fulfilled by the long-established calculation of risk-absorbing capacity and by risk-adjusted performance measurement.

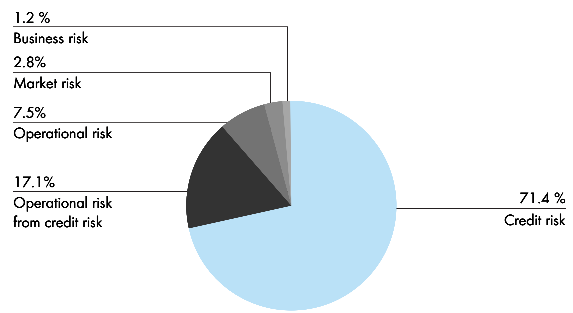
Determination of risk-absorbing capacity

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

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

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

Allocation of economic capital (99.95% confidence level) at 31 December 2006



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

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

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

Decentralised risk management

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

The treasury business is also where market risks relating to the banking book are measured. The balance sheet management unit submits monthly reports to the asset liability committee ("ALCO") on the interest rate risk of Erste Bank Group and the savings bank group, to be used as a basis for adjusting balance sheet risks. The responsibility for operational credit risk management rests with two service units: **Credit Risk Management Austria** and **Credit Risk Management International.** Foreign branches and subsidiaries have their own risk management units as required.

Basel II

In order to implement the requirements of the new capital adequacy regulations (Basel II/Brussels), Erste Bank Group operates a dedicated Basel II programme. Its technical direction is provided by the **strategic risk management** unit.

ICAAP implementation in the savings bank group

An ICAAP concept taking account especially of the principle of proportionality has been developed jointly with savings banks, the Savings Bank Association and the Savings Bank Audit Association. The conditions are thus in place for meeting the quantitative requirements of Basel II/Pillar 2 and ICAAP. This concept of a capital adequacy assessment for savings banks has been technically implemented by the Savings Bank Association and has been available to all savings banks as an on-line tool since the autumn of 2005.

Advanced approaches to measuring credit, market and operational risk

Erste Bank AG was an active participant in the consultation process shaping the new capital adequacy regulations for banks. As required, Erste Bank Group in 2006 was audited regarding credit risk by the Austrian Financial Market Authority (FMA). On 31 January 2007 the FMA conveyed its decision that Erste Bank has qualified for advanced approaches (as defined under Basel II) effective from the entry of the new regulations into force on 1 January 2007.

From 2007, for Austria and for the Czech Republic the Advanced IRB Approach will be used in the retail segment and the Foundation IRB Approach will be used in all other Basel-segments. For the measurement of market risk in the trading book, an internal model approved by the Austrian supervisory authority is already in place, and the model for measuring interest rate risk in the banking book already to a large extent satisfies the Basel II requirements. In the area of operational risk, Erste Bank is working to qualify for an advanced measurement approach (the Loss Distribution Approach) from the beginning of 2008. In 2007 operational risk will be measured by the Basic Indicator Approach.

Credit risk

in EUR million	Total loans and advances to credit institutions and customers (incl. fixed-income securities)	Guarantees/letters of credit	Total 2006	Total restated 2005
Banking and insurance	47,804	5,128	52,932	48,419
Private customers	35,348	204	35,552	28,033
Public administration, social security	20,753	2,133	22,886	21,664
Manufacturing	9,091	2,292	11,383	8,380
Real estate	16,574	1,127	17,701	14,019
Trade	8,866	1,116	9,982	8,175
Construction	3,526	1,272	4,798	4,274
Hotels and restaurants	3,213	233	3,446	3,416
Transport and communication	2,939	492	3,431	2,933
Energy and water supply	1,737	263	2,000	1,434
Other	6,445	418	6,863	6,106
Total	**156,296**	**14,678**	**170,974**	**146,853**

The total comprises loans and advances to credit institutions and customers, fixed-income securities held in the trading portfolio, in the fair value portfolio, in the available for sale portfolio and in the held to maturity portfolio, as well as off-balance-sheet credit risks.

The movement in risk provisions is explained in Notes 2 and 16.

Interest rate risk

Interest rate risk is the risk of adverse change in the fair value of financial instruments caused by movement in market interest rates. This type of risk arises when mismatches exist between assets and liabilities (including off-balance-sheet items) in respect of their maturities or of the timing of interest rate adjustments. In order to identify interest rate risk, all financial instruments, including transactions not recognised in the balance sheet, are grouped into maturity bands based on their remaining term to maturity or term to an interest rate adjustment.

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

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

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

in million	1-3 years	3-5 years	5-7 years	7-10 years	over 10 years
Fixed-interest gap in EUR positions at 31 December 2006	(535.8)	694.8	2,062.6	1,229.0	406.0
Fixed-interest gap in CZK positions at 31 December 2006	(48,053.2)	10,071.2	18,936.5	9,542.4	6,343.9
Fixed-interest gap in SKK positions at 31 December 2006	(8,782.0)	1,588.8	12,317.1	1,243.3	1,961.2
Fixed-interest gap in HUF positions at 31 December 2006	7,859.4	15,074.4	562.3	183.6	33.7

Hedging

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

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

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

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

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

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

41) Total volume of unsettled derivatives at 31 December 2006

in EUR million	Nominal amount by maturity < 1 year	1-5 years	> 5years	Total	Fair value Positive	Negative
Interest rate contracts						
OTC products						
Interest rate options						
Purchase	25,209	25,286	7,288	57,783	535	(11)
Sale	21,562	24,288	8,265	54,115	13	(600)
Interest rate swaps						
Purchase	129,239	46,728	32,522	208,489	3,888	(3,488)
Sale	139,910	42,870	25,398	208,178	784	(1,163)
FRA's						
Purchase	9,129	546	0	9,675	9	(1)
Sale	8,965	546	0	9,511	1	(6)
Listed products						
Futures						
Purchase	1,263	131	34	1,428	0	0
Sale	2,871	476	472	3,819	0	0
Interest rate options						
Purchase	482	0	0	482	1	0
Sale	0	0	0	0	0	0
Currency contracts						
OTC products						
Currency options						
Purchase	5,733	531	0	6,264	38	(28)
Sale	5,592	835	22	6,449	18	(58)
Currency swaps						
Purchase	42,477	2,275	1,826	46,578	477	(362)
Sale	41,810	2,578	1,489	45,877	557	(292)
Listed products						
Futures						
Purchase	245	0	0	245	0	(14)
Sale	236	0	0	236	3	0

in EUR million	Nominal amount by maturity < 1 year	1-5 years	> 5years	Total	Fair value Positive	Negative
Precious metal contracts						
OTC products						
Precious metal options						
Purchase	1	10	11	22	0	0
Sale	1	10	11	22	2	0
Listed products						
Futures						
Purchase	3	0	0	3	0	0
Sale	3	0	0	3	0	0
Securities-related transactions						
OTC products						
Share options						
Purchase	305	526	143	974	79	(56)
Sale	273	558	409	1,240	1	(15)
Listed products						
Futures						
Purchase	114	0	0	114	1	0
Sale	217	0	0	217	0	(1)
Share options						
Purchase	288	0	0	288	1	0
Sale	912	14	84	1,010	0	0
Total	**436,840**	**148,208**	**77,974**	**663,022**	**6,408**	**(6,095)**
OTC products						
Purchase	212,093	75,902	41,790	329,785	5,026	(3,946)
Sale	218,113	71,685	35,594	325,392	1,376	(2,134)
Listed products						
Purchase	2,395	131	34	2,560	3	(14)
Sale	4,239	490	556	5,285	3	(1)

42) Fair value of financial instruments

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

Fair value is the amount which could be obtained by the sale of a financial instrument on an active market or which would have to be paid in order to purchase the instrument in question. Financial instruments are measured at fair value where available, and at standardised, generally accepted valuation models where no market price is available. Net present values are determined for linear derivatives (e.g. interest rate swaps, cross currency swaps, foreign exchange forwards and forward rate agreements) by discounting the replicating cash flows. Plain vanilla OTC options (on shares, currencies and interest rates) are valued using option pricing models of the Black-Scholes class, Complex interest rate derivatives are measured using Hull-White and/or BGM models. Credit derivatives are valued with the aid of hazard rate models.

Erste Bank only uses valuation models which have been tested internally and for which the valuation parameters (such as interest rates, exchange rates and volatility) have been determined independently.

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

	2006		restated 2005	
in EUR million	Fair value	Carrying amount	Fair value	Carrying amount
ASSETS				
Cash and balances with central banks	7,378	7,378	2,728	2,728
Loans and advances to credit institutions	16,595	16,616	16,854	16,858
Loans and advances to customers	97,017	97,107	80,624	80,419
Risk provisions for loans and advances	(3,133)	(3,133)	(2,817)	(2,817)
Trading assets	6,188	6,188	5,426	5,426
Financial assets - at fair value through profit or loss	4,682	4,682	4,370	4,370
Financial assets - available for sale	14,927	14,927	14,537	14,537
Financial assets - held to maturity	16,818	16,700	15,421	15,122
Investments of insurance companies	7,342	7,329	7,119	7,066
Derivatives in banking book (other assets)	111	111	530	530
LIABILITIES				
Amounts owed to credit institutions	37,603	37,688	33,833	33,911
Amounts owed to customers	90,512	90,849	72,668	72,793
Debt securities in issue	21,814	21,814	21,291	21,291
Trading liabilities	1,200	1,200	1,304	1,304
Subordinated capital	5,210	5,210	4,290	4,290
Derivatives in banking book (other liabilities)	345	345	236	236

43) Contingent liabilities and other obligations

in EUR million	2006	restated 2005
Contingent liabilities		
Guarantees and warranties	14,661	10,130
Other	380	287
Total	**15,041**	**10,417**
Other obligations		
Undrawn credit and loan commitments, promissory notes	19,217	16,576
Other	1,109	1,317
Total	**20,326**	**17,893**

Legal proceedings

Haftungsverbund

In 2002 Erste Bank together with most Austrian savings banks formed the Haftungsverbund on the basis of several agreements. While the primary purpose of the Haftungsverbund was to establish a joint early warning system as well as a cross guarantee arrangement of member savings banks, and to strengthen co-operation in the savings bank group, the Haftungsverbund agreements also enable Erste Bank and the other member institutions to qualify as a "group of credit institutions" within the meaning of section 30 of the Austrian Banking Act. This allows Erste Bank to consolidate the "qualifying capital" (as required under section 24 of the Act) and the risk-weighted assets (as required under section 22 of the Act) of the members of the Haftungsverbund.

The consolidation of the Haftungsverbund members' qualifying capital and risk-weighted assets originally resulted in an improvement of approximately 0.55% in the Tier 1 (core) capital ratio of Erste Bank Group. Without the qualifying capital of the other Haftungsverbund member savings banks, Erste Bank would still comply with the statutory minimum levels of regulatory capital.

At the end of 2003 an Austrian competitor of Erste Bank alleged to the Austrian Financial Market Authority (FMA), to the Austrian Federal Competition Authority and to the European Commission that the formation of the Haftungsverbund between the Erste Bank and a number of the other Austrian savings banks violated European banking law and competition law.

A subsequent examination by the FMA of the validity of the competitor's allegations concluded that the FMA will continue to apply section 30 (2a) of the Austrian Banking Act and confirmed that the Haftungsverbund qualifies as a group of credit institutions.

In the competition proceedings, the competitor and the Austrian Federal Competition Authority requested the Austrian Cartel Court to set aside the Haftungsverbund because of an alleged infringement of article 81 of the EC Treaty. In July 2006, the Cartel Court handed down a preliminary decision in this case, which is not yet legally binding. In this decision, the court found that the agreements which constitute the Haftungsverbund are substantially in compliance with article 81 of the EC Treaty as, among other reasons, they are beneficial to consumers. This relates in particular to the joint marketing and business strategy within the Haftungsverbund as well as to the early warning system and the cross-guarantee system.

However, the court also held that certain aspects of the agreements restrain competition in principle (notably the fact that the savings banks disseminate some sensitive information not only to the Steering Company (legitimately) but also to Erste Bank).

As it handed down only a preliminary decision, the court did not stipulate any conclusions or consequences from its findings that would need to be implemented by Erste Bank and the other parties to the proceedings. The court explicitly left open its decision on the substance of the case.

This decision by the Cartel Court does not affect the permissibility of the consolidation of the savings banks' qualifying capital in the balance sheet of Erste Bank. However, it cannot be ruled out that the Cartel Court will impose measures which are incompatible with Erste Bank's reporting obligations as group parent under banking law. Erste Bank (together with the other members of the Haftungsverbund) is in the process of developing alternative solutions for this eventuality.

In December 2004, Erste Bank, together with some other members of the Haftungsverbund, filed an application with the Austrian Cartel Court for a declaratory judgment that the Haftungsverbund qualifies as a "Zusammenschluss" (merger) within the meaning of the Austrian Cartel Act. In November 2005 this application was widened to also cover a supplementary agreement to the Haftungsverbund, entered into as a test case by Erste Bank, s-Haftungs- und Kundenabsicherungs GmbH and a savings bank. On 9 November 2006 the Court handed down its ruling in the case, which is subject to appeal. In the judgment, which was welcomed by Erste Bank as very favourable, the Court determined that the supplementary agreement of November 2005 qualifies as a Zusammenschluss (merger) within the meaning of the Austrian Cartel Act. The Austrian Federal Competition Authority has appealed against this decision to the Supreme Court, which acts as appellate court in cartel matters. A final decision by the Supreme Court is not expected until mid-2007.

If the Supreme Court upholds the recent ruling, Erste Bank will enter into such agreements with all other interested savings banks. After formal authorisation of this "Zusammenschluss" (merger) by the Austrian competition authorities, all participating savings banks and Erste Bank will collectively qualify as an economic unit as defined by competition law. This has the effect that (following the precedent of the Viho case adjudicated by the European courts) the internal relations between Erste Bank and the respective savings banks will fall outside the scope of anti-trust rules.

Austrian Cartel Court ruling on Central European Acquisitions

In 2005 Erste Bank applied to the Austrian Cartel Court for a declaration that the acquisitions of majority interests in Česká spořitelna a.s., Slovenská sporiteľňa a.s., Postabank and Riječka banka between 2000 and 2003 were not subject to Austrian merger control requirements.

In March 2006 the Austrian Supreme Court ruled that the acquisitions of Postabank and Riječka banka are exempt from the notification requirements under section 41 et seq. of the Austrian Cartel Act (confirming the Cartel Court's prior decision to this effect), and that the acquisitions of Česká spořitelna and Slovenská sporiteľňa also are exempt. As a precautionary measure, during these proceedings Erste Bank had also formally applied for approval of the acquisitions and obtained the approvals in October 2005.

Lombard proceedings

In December 2006 the Court of First Instance of the European Communities dismissed the action of Erste Bank for annulment of the so-called "Lombard" decision of the EU Commission and thus also affirmed the amount of the fine of EUR 37.7 million imposed on Erste Bank in 2002. Erste Bank has filed an appeal against this decision with the European Court of Justice. Erste Bank already paid the full amount of the fine in 2002.

State aid to Erste Bank Hungary

As mentioned in the most recent annual reports, the European Commission in the course of its review of past state aid granted by the governments of newly acceded European Union member states has initiated against Hungary the formal investigation procedure provided in article 88 (2) of the EC Treaty, as the Commission has misgivings as to the compatibility of an "indemnity for unknown claims" – granted to Erste Bank by the Republic of Hungary at the acquisition of Postabank – with the Acquis Communautaire. This investigation, in which Erste Bank participates as an interested party, is still pending and has not yet led to a decision.

Erste Bank does not expect the outcome of this investigation to have a material effect on Erste Bank, particularly as no "unknown claims" have materialised since the acquisition of Postabank.

Potential law suit by Deloitte Hungary against Erste Bank Hungary

A suit has been brought against Deloitte Hungary, which had been the auditor of the former Postabank, by the Hungarian state alleging that, as the majority shareholder of Postabank, the Republic of Hungary suffered losses of HUF 171 billion as a result of negligence by Deloitte Hungary. The lawsuit is in respect of Deloitte Hungary's auditing of Postabank's financial statements for the year ended 31 December 1997, as well as the interim financial statements for the six months ended 30 June 1997 and the period ended 31 July 1998. The Hungarian state alleges that Deloitte Hungary was negligent in not uncovering certain transactions which disguised losses suffered by Postabank and discrepancies in respect of Postabank's provisioning and certain other matters. The Hungarian state alleges in particular that if Deloitte Hungary had uncovered these problems in the course of its audit activity, the shareholders of Postabank would have taken corrective action that would have prevented further losses. In 2005 the Hungarian court of first instance found that Deloitte Hungary and the Hungarian state were each 50% liable for the inaccuracies in Postabank's financial statements. The case is now before the court of appeal. The question of damages, should it become relevant, will only be considered thereafter.

Deloitte Hungary has advised Erste Bank Hungary that, if it is found liable, it will bring suit against Erste Bank Hungary as the legal successor to Postabank alleging that any inaccuracies in the financial statements of Postabank were the result of misleading data provided to Deloitte Hungary by Postabank. Erste Bank currently expects that a law suit will not be filed until the case between Deloitte Hungary and the Hungarian state is resolved in a final judgment, which is not expected to occur for at least two years. However, there is no certainty as to whether, and if so, when, such a law suit will be filed.

Ruling of the Supreme Court concerning the adjustment of savings deposit rate

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

In public statements Austrian consumer protection organisations argue that, as a result of this leading decision, credit institutions not only have an obligation to change the interest rate adjustment clause used thus far for savings accounts, but also that this ruling provides grounds forreviewing whether past adjustments of the applicable interest rates on savings accounts were objectively justified, including reviewing the possibility of consumers asserting claims against credit institutions retroactively. The consumer protection organisations have announced that they expect Austrian banks to honour justified claims made by customers on these grounds and that otherwise, they would file further test cases concerning interest rate adjustment for savings accounts.

Ecetra settlement case

Ecetra, the internet brokerage subsidiary of Erste Bank, is affected by a legal dispute involving several parties. The financial consequences of this dispute, which is related to the settling of securities transactions for customer accounts, exerted an adverse effect on the result of Erste Bank in 2006. However, there should be no negative impact on forecasts for the years after 2006. The transactions and activities of the parties involved in the trading leading to this situation are also the subject of investigations by the Austrian Financial Market Authority.

Banca Comercială Română

Several lawsuits are pending against BCR which result from the merger of the former Bancorex into BCR in 1999. In the course of the due diligence before acquiring BCR, Erste Bank examined these proceedings and the guarantee mechanism in place in favour of BCR in relation to these litigations and certain future disputes, and ensured in the acquisition process that no undue risk will arise from it for Erste Bank. This was safeguarded in particular by determining that the measures granted shall not be qualified as unlawful state aid.

Česká spořitelna – Consumer protection claims

In 2006, a Czech consumer protection organisation initiated legal proceedings as test cases against Czech banks – first against a competitor bank and later also against Česká spořitelna – in which it challenges the practice of charging certain fees in relation to maintaining current accounts and for closing accounts. In the campaign in preparation for and support of these law suits, consumers have been encouraged to participate and the consumer protection organisation has had the backing of politicians and media.

44) Analysis of remaining maturities at 31 December 2006

in EUR million	On demand	Up to 3months	3months -1 year	1-5 years	> 5 years
Loans and advances to credit institutions	1,164	11,606	2,123	1,489	234
Loans and advances to customers	6,950	11,301	12,103	26,341	40,412
Trading assets	381	174	639	1,849	3,145
Financial assets - at fair value through profit or loss	489	122	127	2,031	1,913
Financial assets - available for sale	567	598	881	4,327	8,554
Financial assets - held to maturity	1	699	1,999	9,796	4,205
Total	**9,552**	**24,500**	**17,872**	**45,833**	**58,463**
Amounts owed to credit institutions	1,855	28,364	2,198	3,126	2,145
Amounts owed to customers	33,767	21,149	12,437	11,059	12,437
Debt securities in issue	6	2,808	3,128	7,629	8,243
Subordinated capital	0	122	24	631	4,433
Total	**35,628**	**52,443**	**17,787**	**22,445**	**27,258**

45) Events after the balance sheet date

In January 2007 Erste Bank signed a purchase agreement to acquire 100% of **Diners Club Adriatic d.d. Croatia (DCA),** one of the leading Croatian credit card companies. The final purchase price will depend on the company's earnings for the 2006 financial year, but will not exceed EUR 153 million. The closing of the transaction still requires the approval of the supervisory authorities in Croatia and Austria.

The acquisition of 100% of **Bank Prestige, Ukraine,** for which the purchase agreement had been signed in December 2006, was closed successfully on 24 January 2007.

As notified by the Austrian Financial Market Authority on 31 January 2007, Erste Bank Group has qualified for the application of advanced approaches (as defined under **Basel II)** to the calculation of capital adequacy.

From 2007 onwards, Erste Bank seeks to apply, the Advanced IRB Approach in the retail segment and the Foundation IRB Approach in the other Basel segments. Market risks are already covered by an internal model approved by the Austrian supervisory authority. In 2007 operational risk will be measured by the Basic Indicator Approach.

46) Boards of Erste Bank der oesterreichischen Sparkassen AG

SUPBERVISORY BOARD

Heinz Kessler, President	Retired CEO
Georg Winckler, First Vice President	Rector of the University of Vienna Professor of Economics at the University of Vienna
Theresa Jordis, Second Vice President	Attorney at law
Bettina Breiteneder	Businesswoman
Elisabeth Gürtler	Businesswoman
Jan Homan	Chief Executive Officer of Teich AG
Werner Hutschinski, until 19 May 2006	Retired General Manager
Josef Kassler	Retired CEO
Lars-Olof Ödlund	Advisor
Wilhelm Rasinger	Businessman
Friedrich Rödler	Public Accountant and Tax Consultant
Hubert Singer	Chief Executive Officer of Dornbirner Sparkasse AG
Gabriele Zuna-Kratky, since 19 May 2006	Manager of Technisches Museum Wien

REPRESENTATIVES OF THE STAFF COUNCIL

Günter Benischek	Chairman of the Central Staff Council
Erika Hegmala	Vice Chairwoman of the Central Staff Council
Ilse Fetik	Member of the Central Staff Council
Joachim Härtel	Member of the Central Staff Council
Christian Havelka	Member of the Central Staff Council
Anton Janku	Member of the Central Staff Council

REPRESENTATIVES OF THE SUPERVISORY AUTHORITY

Robert Spacek	Senior Senate Councillor, State Commissioner
Dietmar Griebler	Senate Councillor, Deputy State Commissioner
Sabine Kanduth-Kristen	State Controller for Premium Reserve
Eduard Moser	Deputy State Controller for Premium Reserve
Irene Kienzl	Trustee under Mortgage Bank Act
Anton Rainer	Deputy Trustee under Mortgage Bank Act

MANAGING BOARD

Andreas Treichl	Chairman
Elisabeth Bleyleben-Koren	Vice Chairwoman
Reinhard Ortner	Member
Franz Hochstrasser	Member
Erwin Erasim	Member
Christian Coreth, until 31 October 2006	Member
Bernhard Spalt, since 1 November 2006	Member

47) Details of the companies wholly or partly owned by Erste Bank Group at 31 December 2006

Equity and earnings data shown was generally calculated in accordance with IFRS and may therefore differ from the financial statements of the individual companies prepared under national accounting standards and from the presentation in segment reporting. The net profit shown represents net profit/loss after tax (but before allocations to reserves).

Directly and indirectly held shares disclosed in the following tables do not include shares held through savings banks consolidated as a result of the Haftungsverbund agreements.

Company name, domicile	Interest	Shareholders´ equity in EUR million	Net income in EUR million	Profit-transfer[1]	Balance sheet date	Inclusion in Consolidated Financial Statements[2]
Credit institutions						
Allgemeine Sparkasse Oberösterreich Bankaktiengesellschaft, Linz (Group)	26.9%	451.9	67.0		31.12.2006	V
Banca Comercială Română S.A., Bukarest (Group)	69.2%	1,255.8	218.0		31.12.2006	V
Bausparkasse der österreichischen Sparkassen Aktiengesellschaft, Vienna	95.0%	138.8	23.2		31.12.2006	V
Česká spořitelna a.s., Prag (Group)	98.0%	1,814.1	372.8		31.12.2006	V
Erste & Steiermärkische banka d.d., Rijeka (Group)	54.7%	386.9	56.0		31.12.2006	V
Erste Bank (Malta) Limited, Sliema	100.0%	130.0	9.7		31.12.2006	V
ERSTE BANK AD NOVI SAD, Novi Sad	100.0%	59.2	(28.3)		31.12.2006	V
Erste Bank Hungary Nyrt., Budapest (Group)	99.9%	456.3	88.4		31.12.2006	V
ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H., Vienna	84.3%	13.1	30.2		31.12.2006	V
Europay Austria Zahlungsverkehrssysteme GmbH, Vienna	3.1%	53.3	21.8		31.12.2005	E
Intermarket Bank AG, Vienna	21.3%	29.2	4.4		31.12.2006	E
Kapital-Beteiligungs Aktiengesellschaft, Vienna	15.0%	8.6	(0.2)		30.09.2006	A
Kärntner Sparkasse Aktiengesellschaft, Klagenfurt (Group)	25.0%	319.7	44.9		31.12.2006	V
NÖ Beteiligungsfinanzierungen GmbH, Vienna	30.0%	3.0	0.0		30.09.2006	E
NÖ Bürgschaften GmbH, Vienna	25.0%	6.5	0.0		31.12.2005	E
Oesterreichische Kontrollbank Aktiengesellschaft, Vienna (Group)	12.9%	352.9	47.9		31.12.2005	A
Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H., Vienna	18.8%	26.9	1.2		31.12.2005	A
Prvá stavebná sporitelna, a.s., Bratislava (Group)	35.0%	231.7	33.0		31.12.2006	E
s Wohnbaubank AG, Vienna (Group)	90.3%	33.1	2.8		31.12.2006	V
Salzburger Sparkasse Bank Aktiengesellschaft, Salzburg	98.7%	171.9	21.0	X	31.12.2006	V
Slovenská sporiteľňa a.s., Bratislava (Group)	100.0%	592.3	104.1		31.12.2006	V

1) Profit transfer agreement with Erste Bank AG
2) V = Fully consolidated, E = accounted for at-equity, A = not consolidated

Company name, domicile	Interest	Shareholders´ equity in EUR million	Net income in EUR million	Profit-transfer[1]	Balance sheet date	Inclusion in Consolidated Financial Statements[2]
„Spar - Finanz" - Investitions- und Vermittlungs-Aktiengesellschaft, Vienna	50.0%	3.7	0.1		31.12.2005	E
Sparkasse Hainburg-Bruck-Neusiedl Aktiengesellschaft, Hainburg	75.0%	32.2	8.4	X	31.12.2006	V
Sparkasse Kremstal-Pyhrn Aktiengesellschaft, Kirchdorf	24.1%	49.3	7.6		31.12.2006	V
Sparkasse Mühlviertel-West Bank Aktiengesellschaft, Rohrbach	40.0%	55.6	8.8		31.12.2006	V
Sparkasse Voitsberg-Köflach Bankaktiengesellschaft, Voitsberg	6.3%	23.1	1.6		31.12.2006	V
Steiermärkische Bank und Sparkassen Aktiengesellschaft, Graz (Group)	25.0%	720.9	107.8		31.12.2006	V
Tiroler Sparkasse Bankaktiengesellschaft Innsbruck, Innsbruck (Group)	75.0%	152.5	16.8		31.12.2006	V
Other financial institutions						
EBV - Leasing Gesellschaft m.b.H. & Co. KG., Vienna	100.0%	8.7	0.6		31.12.2006	V
Erste Corporate Finance GmbH, Vienna	100.0%	2.1	1.3		31.12.2006	V
Erste Securities Polska S.A., Warschau (Group)	100.0%	8.1	3.3		31.12.2006	V
Erste Securities Zagreb d.o.o., Zagreb	97.7%	2.6	0.4		31.12.2006	V
IMMORENT Aktiengesellschaft, Vienna (Group)	100.0%	450.5	85.5		31.12.2006	V
Neue Eisenstädter gemeinnützige Bau, Wohn- und Siedlungsgesellschaft m.b.H., Eisenstadt	50.0%	6.4	0.4		31.12.2005	A
Österreichisches Volkswohnungswerk, Gemeinnützige Gesellschaft mit beschränkter Haftung, Vienna	100.0%	37.0	3.3		31.12.2005	A
s Autoleasing GmbH, Vienna	100.0%	0.1	0.1		31.12.2006	V
„Wohnungseigentümer" Gemeinnützige Wohnbaugesellschaft m.b.H., Mödling	26.0%	24.6	4.1		31.12.2005	A
Others						
ARWAG Holding-Aktiengesellschaft, Vienna (Group)	19.2%	54.5	15.4		31.12.2005	A
Aviso Alpha Veranlagung GmbH, Vienna	22.9%	442.0	4.5		31.12.2006	E
Budapesti Értéktözsde Zrt, Budapest	12.2%	31.2	9.0		31.12.2005	A
Capexit Private Equity Invest AG, Vienna (Group)	93.9%	15.9	9.8		31.12.2006	V
CSSC Customer Sales Service Center GmbH, Vienna	46.9%	0.0	0.0		31.12.2006	V
Dezentrale IT-Infrastruktur Services GmbH, Vienna	74.4%	0.1	0.2		31.12.2006	V
Donau Allgemeine Versicherungs-Aktiengesellschaft, Vienna	8.5%	90.5	20.6		31.12.2005	A
EB-Beteiligungsservice GmbH, Vienna	99.8%	0.0	0.0		31.12.2006	V
EB-Malta-Beteiligungen Gesellschaft m.b.H., Vienna	100.0%	131.2	10.2		31.12.2006	V
EB-Restaurantsbetriebe Ges.m.b.H., Vienna	100.0%	0.1	0.0		31.12.2006	V

1) Profit transfer agreement with Erste Bank AG
2) V = Fully consolidated, E = accounted for at-equity, A = not consolidated

Company name, domicile	Interest	Shareholders´ equity in EUR million	Net income in EUR million	Profit-transfer[1)]	Balance sheet date	Inclusion in Consolidated Financial Statements[2)]
ecetra Internet Services AG, Vienna(Group)	100.0%	17.6	(2.8)		31.12.2006	V
ECO Unternehmensbeteiligungs-GmbH, Vienna	100.0%	16.7	(1.0)		31.12.2006	V
Erste Reinsurance S.A., Luxemburg	100.0%	12.8	(2.2)		31.12.2006	V
Informations-Technologie Austria GmbH, Vienna	25.8%	22.6	0.2		31.12.2006	E
OM Objektmanagement GmbH, Vienna (Group)	100.0%	81.5	(0.7)		31.12.2006	V
Procurement Services GmbH, Vienna	99.8%	2.8	1.9		31.12.2006	V
s Haftungs- und Kundenabsicherungs GmbH, Vienna	62.6%	0.2	0.0		31.12.2006	V
s Immobilienfinanzierungsberatung GmbH, Vienna	72.6%	(4.9)	0.1		31.12.2006	V
s REAL Immobilienvermittlung GmbH, Vienna (Group)	96.1%	2.1	1.0		31.12.2006	V
S Tourismus Services GmbH, Vienna	100.0%	5.2	0.3		31.12.2006	V
s IT Solutions AT Spardat GmbH, Vienna	73.3%	2.7	2.7		31.12.2006	V
s IT Solutions SK, spol. s.r.o., Bratislava	99.5%	1.6	1.2		31.12.2006	V
Sparkassen Immobilien Aktiengesellschaft, Vienna (Group)	15.1%	387.7	8.5		31.12.2005	E
Sparkassen Versicherung Aktiengesellschaft, Vienna (Group)	61.9%	171.3	19.2		31.12.2006	V
Sparkassen Zahlungsverkehrabwicklungs GmbH, Linz	40.0%	0.3	0.0		31.12.2006	V
„Sparkassen-Haftungs Aktiengesellschaft“, Vienna	38.3%	0.2	0.0		31.12.2006	V
S-Tourismusfonds Management Aktiengesellschaft, Vienna	99.9%	47.9	1.7		31.12.2006	V
UBG-Unternehmensbeteiligungs-gesellschaft m.b.H., Vienna	100.0%	0.6	0.0		31.12.2005	A
VBV - Betriebliche Altersvorsorge AG, Vienna	27.2%	42.1	4.4		31.12.2005	E
VERMREAL Liegenschaftserwerbs- und -betriebs GmbH, Vienna	25.6%	7.7	0.2		31.12.2006	E
VMG-Erste Bank Versicherungsmakler GmbH, Vienna	100.0%	0.2	0.4		31.12.2006	V
WED Holding Gesellschaft m b H., Vienna	19.2%	11.5	0.0		31.12.2005	A
Wiener Börse AG, Vienna	10.1%	43.2	14.9		31.12.2005	A

1) Profit transfer agreement with Erste Bank AG
2) V = Fully consolidated, E = accounted for at-equity, A = not consolidated

Vienna, 6 March 2007

The Management Board

Andreas Treichl mp
Chairman

Elisabeth Bleyleben-Koren mp
Vice Chairwoman

Reinhard Ortner mp
Member

Franz Hochstrasser mp
Member

Erwin Erasim mp
Member

Bernhard Spalt mp
Member

Independent auditor´s report

We have audited the accompanying consolidated financial statements of Erste Bank der oesterreichischen Sparkassen AG for the financial year from 1 January 2006 to 31 December 2006. These consolidated financial statements comprise the balance sheet as at 31 December 2006 and the income statement, statement of changes in total equity and cash flow statement for the year ended 31 December 2006, and a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to show a true and fair view and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and in accordance with International Standards on Auditing, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud of error. In making those risk assessments, the auditor considers internal control that is relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not give rise to any objections. In our opinion, based on the results of our audit, the consolidated financial statements of Erste Bank der oesterreichischen Sparkassen AG present fairly, in all material respects, the financial position of the group as at 31 December 2006 and its financial performance and its cash flows for the financial year from 1 January 2006 to 31 December 2006 in accordance with International Financial Reporting Standards as adopted by the European Union.

Laws and regulations applicable in Austria require us to perform audit procedures to determine whether the consolidated management report is consistent with the consolidated financial statements and whether the other disclosures in the consolidated management report do not create a misconception of the group's position.

The consolidated management report for the group is consistent with the consolidated financial statements.

Vienna, 6 March 2007

Sparkassen-Prüfungsverband
Prüfungsstelle
(Public Accountant for credit institutions)

Friedrich Hief mp
Public Accountant

Erich Steffl mp
Public Accountant

Deloitte Wirtschaftsprüfungs Gmbh

Thomas Becker mp
Public Accountant

Erich Kandler mp
Public Accountant

Glossary

Average total shareholder return
Average of the annual total shareholder returns since the IPO in 1997.

Book value per share
Equity capital of a company divided by the number of shares outstanding excluding treasury shares.

Cash return on equity
Also referred to as cash-ROE. Calculated as return on equity, but excluding the impact of non-cash items on net profit after minorities, such as goodwill impairments and depreciation of the value customer relationships.

Cash earnings per share
Calculated as earnings per share, but excluding the impact of non-cash items on net profit, such as goodwill impairments and depreciation of the value customer relationships.

CEE (Central and Eastern Europe)
Covers the new member states of the EU that joined in 2004 and 2007 as well as the CIS countries and the states that evolved from the former Yugoslavia.

Coverage ratio (own funds)
Own funds as a percentage of the statutory minimum capital requirement.

Coverage ratio (risk provisions)
Risk provisions as a percentage of non-performing loans excluding collateral.

Dividend yield
Dividend payment of the fiscal year as a percentage of the year-end closing price or the most recent price of the share.

Earnings per share
Net profit after minorities divided by average shares outstanding.

Interest-bearing assets
Total assets less cash, trading assets, tangible and intangible fixed assets and other assets.

Net interest margin
Net interest income as a percentage of average interest-bearing assets, calculated on a monthly basis.

Operating income
Consists of net interest income, net commission income, trading result and income from insurasnce business.

Operating result
Operating income less operating expenses (=general administrative expenses).

Price/earnings ratio
Closing share price of the fiscal year divided by earnings per share. Usually used for valuation comparisons.

Market capitalisation
Overall value of a company calculated by multiplying the share price by the number of shares outstanding.

NPL ratio
Non-performing loans as a percentage of total credit exposure.

Return on equity
Also referred to as ROE. Net profit after minorities as a percentage of average equity. Average equity is calculated on the basis on month-end values.

Return on investment
A measurement of yield which reflects the interest on the capital invested. It is calculated as a percentage profit on the capital.

Risk categories
The classification of credit assets into the risk classes is based on Erste Bank's internal rating of customers. Erste Bank Group employs internal rating systems that, for private individuals, have eight rating grades for customers not in default and one grade for customers in default; for all other clients, the internal rating systems have 13 rating grades for customers not in default and one rating grade for those in default.

Risk category – low risk
The borrower demonstrates a strong repayment capacity; new business generally involves clients in this risk class.

Risk category – management attention
The borrower's financial situation is in effect good, but his repayment ability may be negatively affected by unfavourable economic conditions. New business with clients in this risk class requires adequate structuring of the credit risks, e.g. by way of collateral.

Risk category – substandard
The borrower is vulnerable to negative financial and economic impacts; such loans are managed in specialised risk management departments.

Risk category – non-performing
Non-performing: at least one of the default criteria under Basle II, e.g. total repayment unlikely, interest or principal payment more than 90 days past due, restructuring resulting in a loss to lender, realisation of a loan loss, or opening of bankruptcy proceedings.

Share capital
The equity capital of a company subscribed by the sharedolders at par.

Solvency ratio
Own funds less trading book requirements and unsettled currency positions as a percentage of risk-weighted assets under section 22 (2) of the Austrian banking Act (BWG).

Tax rate
Taxes on income as a percentage of pre-tax profit.

Total shareholder return
Annual performance of an investment in Erste Bank shares including all income streams, such as dividends.