

**Erste Bank der
oesterreichischen
Sparkassen AG**

2005 Annual Report

[The German text of this 2005 Annual Report shall be binding. The English translation is for information purposes only.]

ERSTE

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**Erste Bank der
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2005 Annual Report

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2005 Erste Bank AG MANAGEMENT REPORT

Summary Financial Review of Erste Bank AG for 2005

In fiscal year 2005, the **operating income** of Erste Bank AG grew by 7.6% to a total of EUR 1,266.1 million. Despite low interest levels, total interest income (net interest income and income from securities and equity interests) grew by 6.8% - largely due to higher income from equity interests and subsidiaries – and we are particularly happy to report that net commission income (commission income less commission expenses) grew by 15.8%.

Since **operating expenses** decreased by 3.3% to EUR 660.6 million, **net operating income** (operating income less operating expenses) increased by 22.5% to EUR 605.6 million.

In 2005, we saw an improvement in the **cost/income ratio** (operating expenses expressed as a percentage of operating income) from 58.0% to 52.2%.

Taking into account the charges to and releases from impairment adjustments for receivables, , securities and equity interests, **results from ordinary business activities** totalled EUR 432.6 million. This figure, which is 67.4% higher than in the previous year, exceeded the most recent forecasts.

Based on average number of employees of Erste Bank AG (4,183 in 2005 compared to 4,239 in the previous year - see Notes for details), **employee productivity** was approx. EUR 103,000 (EUR 61,000 in the previous year).

Net income after extraordinary results and taxes, but before **movement in reserves** was EUR 422.2 million, up 73.0% on the previous year.

This results in a **return on equity** (ROE - net income before allocation to reserves expressed as a percentage of average equity capital, which consists of subscribed capital, reserves and net profit less treasury shares) was 13.0% (7.9% in the previous year).

In 2005, the 142 domestic and 3 international branches of Erste Bank together generated a business volume (**balance sheet total**) of EUR 74.2 billion, up by 11.3% on the previous year (EUR 66.6 billion). **Loans and advances to customers** increased by 8.8% from EUR 21.5 billion to EUR 23.4 billion, while **accounts owed to customers** rose by 8.0% from EUR 12.8 billion to EUR 13.8 billion.

Erste Bank AG's **Tier 1 ratio** (Tier 1 capital pursuant to the Austrian Banking Act (BWG) as a percentage of risk-weighted assets in accordance with section 22 (2) BWG) was 11.3% as of 31 December 2005 (11.2% in the previous year). The **solvency ratio** (qualifying capital less trading book requirement and open currency positions as a percentage of risk-weighted assets pursuant to sec. 22 (2) BWG) was 18.0% (17.4% in the previous year).

Details on earnings

Net interest income in 2005 declined slightly by 0.6% from EUR 392.2 million to EUR 389.9 million. One of the reasons for this decline is the margin squeeze, which is partly caused by the continuing low level of interest rates.

Net interest income also includes the changes of the provision for interest receivables as well as the pro-rata write-ups and write-downs of long-term securities purchased above or below their redemption value.

Income from securities and equity interests has shown above-average growth of 13.9% from EUR 405.0 million to EUR 461.2 million. The reason for this is that income from equity interests and subsidiaries grew by 15.1%, from EUR 372.3 million to EUR 428.5 million.

Total **interest income**, calculated as the sum of net interest income and income from securities and equity interests was 6.8% higher than in the previous year, reaching a level of EUR 851.1 million.

Net commission income also followed a very positive trend, having grown by 15.8% from EUR 256.3 million to EUR 296.9 million. This was mainly the result of the strong expansion of our investment services, although our lending and payment transactions business also showed satisfactory results. Commission income from foreign exchange trading decreased slightly.

Net trading income, at EUR 103.2 million, was 9.0% higher than in the previous year at EUR 94.7 million. Once again, the securities and derivatives business was the main reason for this very positive result.

Income from rent, capital gains on fixed asset sales and reversals of reserves are the biggest contributors to **other operating results**, which declined in 2005 due to the markedly lower capital gains from real estate sales.

Personnel expenses, which are included in **operating expenses**, grew by 3.5% from 369.5 million to EUR 382.6 million. This increase was primarily brought about by wage increases in the collective agreement, increases in the employee share ownership plan and the scaling-up of employee welfare provisions (pension provision, severance payment provision and the provision for anniversary bonuses), which became necessary due to changes in the legal framework.

As a result of these legal changes, these provisions are now accounted for in the balance sheet using IAS 19 of IFRS (International Financial Reporting Standards) values; this change in accounting principles has caused a shortfall which will be recognised as personnel expenses over a period of 5 years, as is admissible under statutory law.

At the end of 2005, the **number of employees** of Erste Bank AG (weighted according to their number of man hours spent at work) was more or less unchanged compared to the previous year:

	Date 31/12/2005	Date 31/12/2004
Domestic	4,294	4,290

International	92	97
Total	4,386	4,387
<i>of which on unpaid leave</i>	266	281

Administration and office expenses rose by 6.7%, from EUR 201.6 million in the previous year to EUR 215.1 million this year. Among other things, this reflects the expenses incurred for strategic projects, which, however, should facilitate growth in the coming years. Moreover, training and office expenses, as well as auditing and consulting costs incurred in the preparations for the capital increase of Erste Bank, which was carried out in January 2006, were higher than usual. IT expenses, the biggest single expense segment, remained unchanged from the previous year.

Depreciation and amortisation further decreased by 15.3%, from EUR 68.4 million in the previous year to EUR 57.9 million this year. This is the result of the lower investment volumes of the past three years, particularly in software development.

Other operating expenses fell sharply by 88.7% from EUR 43.5 million in the previous year to EUR 4.9 million. This is mainly due to the fact that in the previous year this item included extraordinary expenses for litigation risks and the de-recognition of project costs from unused software developments, which did not accrue in 2005.

The net requirement for the allocation of profits to the **risk provision** for receivables (including write-offs of receivables less income from payments of receivables that had been written off) in 2005 were approximately 9% above the previous year's figure. The biggest increase was registered in domestic business, especially in the retail segment.

The balance of the items income from and value adjustments of **equity interests and fixed asset securities** has shown much improvement over the previous year, with a significant reduction in amortisation of investment.

In 2005, **extraordinary expenses** – which remained unchanged to the previous year – once again consisted solely of expenses recognised to close the pension provision gap and the proportional amortisation of the shortfall generated by transfers of pension obligations vis-à-vis active employees to pension funds in recent years.

Taxation: new group taxation regulations were introduced in 2005: under these new regulations, the main domestic subsidiary companies and Erste Bank are treated as a fiscal unity. Due to the high proportion of tax-exempt income - especially income from equity interests - as well as existing loss carried forward from previous years, and the possibility to off-set withholding taxes, no Austrian corporate income tax was payable in fiscal year 2005. On 31 December 2005, there still remained a substantial tax loss carried forward from previous years, which could be carried forward again.

The **income tax** item in 2005 mainly refers to foreign taxes, as well as the tax revenue from the tax allocation to the subsidiary companies in fiscal unity with Erste Bank for under the new group taxation regulations. On balance, there was a surplus of taxation in 2005.

Profit for the year was EUR 133.5 million, up by 10.6% on the previous year. This figure takes into account additions to reserves of EUR 288.8 million, which have risen strongly since 2004 (whereas in 2005 approx. EUR 136.3 million were allocated to the reserve pursuant to sec. 23 (6) BWG).

To the Annual General Meeting, the Management Board will propose a dividend of EUR 0.55 per share be paid out from net profit, constituting an increase of 10.0% (EUR 0.50 per

share in the previous year). Including profit carried forward, total net profit was EUR 133.8 million in 2005.

Notes on the balance sheet

The **balance sheet total** of Erste Bank AG grew by 11.3% in 2005, from EUR 66.6 billion to approx. EUR 74.2 billion.

Loans and advances to customers increased by 8.8% to EUR 23.4 billion: this increase is attributed mainly to the above-average development of loans to foreign customers (+18.0%). However, we also saw an increase of 3.0% in domestic business.

Securities investments (treasury bills, fixed-interest and variable-interest securities) have shown above-average growth of 16.4% to approx. EUR 16.3 billion. First and foremost, this is a result of higher investment in treasury bills, which increased by 19.7% to approx. EUR 6.0 billion.

The carrying value of **equity interests and shares in subsidiaries** grew slightly by 2.4% to EUR 4.6 billion, mainly because of the acquisition of Erste Bank, a.d., Novi Sad (formerly Novosadska banka) and the increase of the stake in Slovenska sporitelna to 100%.

The strong growth in **other assets** by 55.6% to EUR 4.9 billion is mainly the result of an increase in the securities lending business. Aside from the above-mentioned securities lending business, this item in particular also covers accrued interest and commission income in the derivatives business, as well as other current accounts.

On the assets side of the balance sheet, **loans and advances to credit institutions** grew by 6.5% from EUR 22.4 billion to EUR 23.9 billion; on the liabilities side the increase in **accounts payable to credit institutions** was significantly higher, at 12.9% from EUR 27.9 billion to EUR 31.5 billion. Here, above-average growth was noted especially for deposits of domestic credit institutions outside the Savings Bank sector.

Amounts owed to customers in the reporting year increased by 8.0% from EUR 12.8 billion to EUR 13.8 billion, while savings deposits also rose slightly by 1.8% to EUR 5.6 billion.

In 2005, as in previous years, refinancing through **own issues** of shares was expanded. The sum of **debt securities in issue**, subordinated liabilities and supplementary capital grew by 4.6%, from EUR 19.6 billion to EUR 20.5 billion in the reporting year.

In line with the development of the other assets item on the balance sheet, **other liabilities** increased by 60.2%, from EUR 2.6 billion to EUR 4.1 billion as a result of the strong expansion of the securities lending business.

Due to capital increases carried out in 2005 for the employee stock ownership programmes, the **subscribed capital** increased by EUR 3.5 million, or 0.7%, to EUR 486.4 million.

Capital reserves grew by EUR 39.9 million, or 2.7%, to EUR 1,491.4 million.

The **qualifying capital** of Erste Bank AG pursuant to the Austrian Banking Act (BWG), including capital to cover the trading book requirements in accordance with sec. 22b BWG and the open foreign currency positions in accordance with sec. 26 BWG, taking into account eligible short-term subordinated capital, had grown to EUR 5.5 billion by 31 December 2005, compared to approx. EUR 4.8 billion in the previous year.

The legal minimum requirement was approx. EUR 2.6 billion on the balance sheet date, resulting in a coverage ratio of approx. 209%.

The requirement contained therein for the trading book, including unsettled foreign currency positions, was approx. EUR 321 million at the end of 2005 (EUR 270 million in the previous year).

The **Tier 1 capital** of Erste Bank AG had grown from EUR 2.9 billion in the previous year to EUR 3.3 billion by 31 December 2005, causing **Tier 1 ratio** (Tier 1 capital expressed as a percentage of risk-weighted assets pursuant to sec. 22 (2) BWG) to increase from 11.2% to 11.3%.

The **solvency ratio** (qualifying capital less trading book requirements and the open foreign currency position expressed as a percentage of risk-weighted assets pursuant to sec. 22 (2) BWG) on 31 December 2005 had increased from 17.4% in the previous year to approx. 18.0%, and is therefore still significantly above the legally required minimum ratio of 8%.

In addition, it should be noted that Erste Bank AG – as well as nearly all Austrian Savings Banks – are members of the **Haftungsverbund** of the **Savings Bank Group**, which was created in 2001 and started operation on 1 January 2002.

The Savings Bank Group considers itself an association of independent, regionally established Savings Banks, which strives to strengthen its market position by creating an effective common product development, harmonising its market appearance and the advertising concept, pursuing a common risk policy, engaging in a coordinated liquidity management and applying common controlling standards.

In addition, it is the purpose of this agreement,

- to identify any business problems of member banks at an early stage and to provide effective assistance to its members in the resolution of business problems - which can range from offering technical assistance or giving guarantees to providing borrowed or qualifying capital funds, as well as
- to provide customers with a deposit guarantee system that goes beyond the legal deposit guarantee requirement (sec. 93 ff BWG), which guarantees certain types of customer deposits, by creating a suitable obligation to service the liabilities of other participating Savings Banks if the need arises.

The implementation of such measures and the analysis of the business situation of every member bank of the Haftungsverbund is the responsibility of s Haftungs- und Kundenabsicherungs-GmbH, in which the participating Savings Banks – assuming all Savings Banks participate – hold a maximum stake of 49% and Erste Bank AG always holds a minimum stake of 51%.

Taking into account the requirements of the BWG, individual members of the Haftungsverbund may need to provide assistance to other members (such as giving liquidity assistance, giving credits or guarantees and providing equity capital), and in the case of sec. 93 (3) 1 BWG, to service the guaranteed deposits of customers of a member of the Haftungsverbund. The scope of the individual services to be provided by individual members of the Haftungsverbund where needed cannot therefore be determined beforehand; any contributions made by the members of the Haftungsverbund under the statutory deposit guarantee system pursuant to sec. 93 ff BWG are taken into account.

Events after the balance sheet date and outlook

In January 2006, Erste Bank AG carried out a **capital increase**. Including the greenshoe offering, a total of 64,848,960 new shares were issued at a price of EUR 45.00 per share. This increased the group's share capital by EUR 129.7 million to EUR 616.1 million. The capital increase is intended to finance the acquisition of a 61.9% stake in **Banca Comerciala Romana**, Romania's largest bank. The related share purchase agreement was signed on 21 December 2005 and the transaction is expected to close in the second quarter of 2006.

Erste Bank AG expects the **positive business trend** to continue **in 2006**. In addition to continuing improvements in domestic business, significant dividend payments are expected from the Central European subsidiaries. The transaction described above should also bring about positive effects in the coming years.

The **group-wide synergy projects** (group-wide purchasing, fine-tuning of controlling systems, centralisation of IT developments, continuing service improvements for customers) should make positive contributions to future end-of-year results for Erste Bank.

Taking into account the above transactions, the **targets** that Erste Bank Group has set itself include achieving average net profit growth after taxes and minority interests of more than 20% p.a. in the **2005 through 2009 period**, and to achieve a cost/revenue ratio of less than 55% in 2009.

Comments to the financial risks of Erste Bank and its risk management goals and methods

As a financial services company, Erste Bank is particularly exposed to the following **risks**:

a) Market risks: these concern currency exchange risks relating to changes in value due to exchange rate fluctuations, interest-related risks due to interest rate fluctuations, which can in particular result in fluctuations of future cash flows, as well as price risks due to changes in market prices.

b) Credit risk: this is caused by the fact that the business partner may not be able to perform his contractual duties.

c) Liquidity risk: this is the risk that the bank may not have enough liquid funds to meet its own obligations.

d) Operational risk: this describes the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events.

Risk management aims and methods:

Erste Bank Group's approach to risk management seeks to find the optimum between risks and returns in order to earn a sustained high return on equity. The risk management strategy of Erste Bank Group is marked by a conservative approach to risks facing the bank that is driven both by the requirements of customer-centred banking and by the legal environment.

In application of this risk management strategy, Erste Bank Group has implemented a group-wide system for risk monitoring and controlling, which has the task to identify all and any risks that arise throughout the group, to measure them on a "Value at Risk" (VaR) basis and to facilitate active management control. In 2005, the development of the risk management system was given particular attention in order to enable it to meet the Basel II requirements.

Under the ALCO process, Erste Bank employs the following risk assessment methods: fixed interest statements, reports on interest rate terms, capital maturity statements, gap analyses, cash value fluctuations, net interest income simulations, Monte Carlo simulations of net interest income and Value-at-Risk.

In risk controlling, the market risk is calculated using historic simulations, while credit and operational risk are calculated using Monte Carlo simulations. Risk is limited for each product either on the basis of nominal, sensitivity or Value-at-Risk limits.

In order to ensure that the main aim of overall bank risk control is met, i.e. the continued existence of the institute, its risk-absorbing capacity is determined in quarterly intervals and reported to the Management Board.

Hedging operations are conducted primarily to cover against the risk of interest fluctuations of our own issues, securities investments, the balance sheet structure, foreign currency risks of outstanding loans and for securities, share price risks, as well as to secure dividend income and to mitigate partner risk.

Organisation of the risk management department:

Ultimate responsibility for risk management lies with the Management Board, and a **Chief Risk Officer (CRO)** has been appointed as a member of the Management Board to oversee risk management within the group. The departments "Strategic Risk Management" (which supports the implementation of the risk management strategy and the harmonisation of risk management applications within business units), "Credit Risk Management Austria", "Credit Risk Management International" and "Credit Restructuring" all report to the CRO.

Within the Strategic Risk Management department, the "**Group Risk Control**" section assumes the function of central and independent risk controlling unit, as required by the Austrian Banking Act, and draws up group-wide directives for processes relevant to risk management (Erste Bank Risk Rulebook).

Identification and management of risks:

The risk control process at Erste Bank consists of 5 steps: risk identification, risk measurement, risk aggregation, risk mitigation and risk reporting.

Credit risk, the biggest risk category by far, is determined for the entire lending business of Erste Bank AG using a value-at-risk-based portfolio model.

The credit commitments are rated on the basis of Erste Bank Group's own credit rating system. In early 2005, a new standard risk cost model was implemented by Erste Bank AG in marginal costing, using the internal default and transition probabilities, which anticipates the operative application of the Basel-II rules for credit pricing.

The risk classes with higher credit risk only constitute a small part of the entire risk volume. In individual cases, provisions are made in the balance sheet, taking into account the securities and creditworthiness of borrowers; for private customers and small commercial customers, calculations are made on a lump-sum basis. Sufficient precautions to cover the associated risk level exist concerning uncollateralized shares.

The foreign currency risk exposure is low and is largely mitigated by currency-matching refinancing or the use of other hedging instruments.

The refinancing structure of Erste Bank does not show any increased risks in the main currencies. Only CHF-denominated loans to customers are for the most part refinanced in the short run.

Concerning the share and index positions entered, the price risks mainly exist on the large American and European markets (including the Austrian market), as well as the Japanese market, all of which have a high liquidity. Securities investments are mainly made in liquid markets.

The risk of diminution of the present values of discounted cash flows is considered low.

Corporate Social Responsibility

The present sustainability report, which has been published for the first time, this year focuses on the activities of the parent company Erste Bank AG. A wide range of initiatives have also been launched by the Central and Eastern European subsidiaries, and they will be reported in greater detail in next year.

Social responsibility is a central theme for Erste Bank. Ever since “Die Erste oesterreichische Spar-Casse” was founded in 1819, the mission of this institution has been aligned with serving the public interest. Erste Bank has always served the community, been a responsible business partner for constituent groups and has shared its entrepreneurial success. Erste Bank’s chosen motto is therefore no coincidence: “Every relationship is about people”. The bank’s business philosophy is based on transparency, ethical conduct and respect for all those affected by its activities. The bank also has a long tradition of supporting social and cultural endeavours.

Toward CSR. The concept of corporate social responsibility (CSR), or sustainable development, has become increasingly important in the German-speaking part of Europe, as well as in Central and Eastern Europe. The financial services industry has recently taken up this practice. CSR promotes standards-based accountability for companies – especially listed companies – in terms of how they do business and treat people and the environment.

It goes without saying that a venerable institution with nearly 200 years of history conducts business in a sustainable manner. Although the term CSR may have been coined only recently, Erste Bank has always practised social responsibility in diverse ways that reflect the times.

The CSR Programme. Erste Bank strongly supports CSR both in principle and in deed, and CSR initiatives are taken seriously and are fully supported. In 2005, Erste Bank acted on this commitment by taking the first step of appointing a CSR Manager.

To gather the necessary information and data in a systematic fashion and lay the groundwork for CSR reporting, Erste Bank began the process of reconfiguring its reporting systems and developing a specific reporting procedure. Erste Bank’s CSR performance will become increasingly transparent each year and meet internationally recognised standards. One enormous advantage in this respect is that Erste Bank does not first have to create most of the CSR measures and elements, since the bank’s identity has always been based on socially responsible business practices.

Expansion of the CSR commitment. The concrete steps being taken by Erste Bank toward expanding its CSR commitment have been established in an action plan:

- Expansion of CSR reporting in the 2006 annual report
- Bringing CSR performance indicators into line with internationally recognised standards such as the Global Reporting Initiative
- Systematic Stakeholder Management
- Broadening of risk management to include social, ethical and environmental issues
- Supplier selection based on the fair treatment principle
- Environmental audit with certification
- Increased co-operation with schools for skills training

- Group-wide employee satisfaction survey
- Customer satisfaction survey
- Bringing Central and Eastern European subsidiaries up to Erste Bank standards
- Intensifying communication on sustainability issues
- Inclusion in the Dow Jones Sustainability Index and FTSE4Good

Our Initiatives for Stakeholders

Shareholders

Erste Bank is particularly committed to being responsible and accountable to shareholders. In 2005, the bank further enhanced its investor relations programme through greater transparency and responsiveness. The bank was recognised for these efforts on several occasions and is now working on maintaining and further enhancing its high communication standards.

Top among European banks. In its “2005 European Investor Relations Perception Study”, an annual ranking of investor relations departments of listed European companies, the Institutional Investor Research Group rated Erste Bank first out of 19 Austrian companies. In the European banking sector, Erste Bank vaulted into the top 10 out of 90 banks rated.

Recognised for sustainability and social responsibility. One measure of Erste Bank’s widely acknowledged socially responsible business practices is its inclusion in VÖNIX, the first sustainability index of listed Austrian companies. The companies in the index are all leaders in terms of their social and environmental activities, which are assessed on the basis of more than 100 criteria. Ever since the index was launched in June 2005, Erste Bank has been a major component of this index, which includes 23 listed companies.

Employees

Outstanding employees. Currently, data on key employee figures are only compiled for Erste Bank AG. As the CSR reporting is expanded, employee figures will be compiled on a group-wide basis and presented in the annual report. Noteworthy achievements include the low absenteeism and employee turnover.

Attendance record

Work days	Average per person		
	2003	2004	2005
Training	3.2	2.8	2.6
Illness	8.5	8.0	8.2

Employee turnover

Percentages	2005	2004
Employee resignations	4.5%	4.6%

On the path to a successful 3-generation company with LIFETIME. LIFETIME is Erste Bank's way of contributing to a balanced employee age structure. Erste Bank offers its staff targeted measures to promote health and fitness. These measures include training initiatives, the development of the company health care clinic into a work health centre and the creation of a work life centre. The latter, which is a complementary facility, is intended to support employees in their long-term healthcare with measures that go beyond conventional healthcare.

Age structure (as of late 2005)

Persons	
Age	% share
<= 20	1
21-30	14
31-40	32
41-50	31
>= 51	22
Total	100

Employee charter as the Code of Conduct. At Erste Bank, the Code of Conduct (in CSR terminology) goes by the name of "Richard Wollein Employee Charter". This charter sets forth the principles for plotting the company's future course and maintaining relations with stakeholders. This basic covenant is intended to ensure that Erste Bank's corporate culture is consistent with the company's goals. In that sense, it is based on values that put people and employees first. Changes and challenges are addressed and overcome through measures based on these common values and principles.

Equal opportunities, training for women and employee advisory service. Erste Bank stands for equal opportunity for men and women and provides targeted career development support for women. It also provides a free employee advisory service to help employees solve domestic and professional problems. This service is available at all times.

The first European Staff Council. At the beginning of 2005, the "European Staff Council of the Erste Bank Group" was established. This expanded Staff Council was the first such council to be set up in Austria since the accession of the Central and Eastern European countries to the European Union.

Creating opportunities in 2005. Erste Bank has had its own apprenticeship training programme since 2005, and has a special responsibility to participate in the creation of apprenticeship positions, which have been sorely lacking. As part of its 2005 apprenticeship initiative, the bank worked closely with Wiener Städtische Versicherung to put together an incentive package for commercial customers, thereby providing these companies with additional incentives to create new apprenticeship positions.

Customers

Customer satisfaction is a decisive success factor for financial services providers, just as it is for any other company. As a quality leader, Erste Bank places great value on this criterion.

The customer's needs, goals and expectations are therefore at the heart of all the bank's activities.

Quality assurance and complaint management. In Austria as well as Central and Eastern Europe, Erste Bank has put in place advanced quality assurance systems that include complaint management in order to ensure lasting customer satisfaction. Quality standards are developed jointly with customers, and managers as well as employees always take care to ensure strict compliance with these standards.

Retirement expertise on behalf of customers. Many current demographic studies confirm that the average life expectancy of the population continues to grow. In that context, the elderly need supplementary private retirement insurance in addition to social security in order to maintain their living standards.

Civil Society

“Kontakt”: the Central European sponsoring platform. Erste Bank's programme for arts and civil society in Central and Europe was launched under the name “Kontakt” in 2004. This programme serves as the platform for the bank's sponsoring activities.

Erste Bank partners with institutions and artists and takes part in initiatives in the Central European region by supporting contemporary artistic, cultural, educational and social projects.

The countries in which the Group is based – Austria, Hungary, the Czech Republic, Slovakia, Croatia and, since 2005, Serbia – are part of a region marked by strong economic growth. In some parts, however, the infrastructure for civil society remains underdeveloped. Erste Bank is therefore keen to become an agent for positive change in this important respect.

Social sponsoring. Together with Caritas, Erste Bank supports the annual “ÖsterReich helps ÖsterArm” campaign in Austria as well as the annual Eastern European campaign on behalf of ethnic minorities and street children in Romania and Ukraine. Erste Bank thereby contributes to the social welfare of these countries and the development of stable yet diverse civil societies in the new Europe.

Science. In conjunction with the Vienna University of Economics and Business Administration, Erste Bank promotes research and teaching in the field of economics and business in Central Europe. These initiatives include the “Jozsef” management training program, the “Eastern Europe Master Class” to develop theoretical and practice-based understanding for the region and the “Erste Bank Award for Research in Central Europe”. This award, backed by a EUR 20,000 prize, was handed out for the second time in 2005 to young scientists examining issues involving economic integration and internationalisation.

Each year, 60 selected students from Austria, the Czech Republic, Slovakia, Hungary and Croatia participate in the “Erste Bank Summer University Danubia”, established in conjunction with the Vienna University of Economics and Business Administration. This programme is offered in English and is offered on a rotating basis in the participating countries. It combines practical know-how from the Central European business environment with academic knowledge, and promotes the free exchange of opinions and experience.

The environment.

Erste Bank is firmly committed to environmental protection in its everyday operations. Energy consumption and the use of non-renewable resources are continuously reduced through numerous programmes.

Energy conservation and waste management. In 2005, Erste Bank's waste management policy and comprehensive measures for controlled energy consumption in the various branches resulted in a reduction of 10% compared to the 2004 figures. In addition, paper consumption was kept constant at 570 metric tonnes throughout 2004 and 2005. As recently as 2001, paper consumption was 700 tonnes.

Procurement. Erste Bank's procurement policy is to purchase products that can be recycled and use limited natural resources. In the future, suppliers will be chosen based on the fair treatment principle. Preference will be given to suppliers who comply with specific social, ethical and environmental principles.

Vienna, 6 March 2006

Management Board

Andreas Treichl

Chairman of the Management Board

Elisabeth Bleyleben-Koren

Vice Chairwoman of the Management Board

Reinhard Ortner

Member of the Management Board

Franz Hochstrasser

Member of the Management Board

Erwin Erasim
Member of the Management Board

Christian Coreth
Member of the Management Board

Balance Sheet as of 31 December 2005

Erste Bank der oesterreichischen Sparkassen AG

Assets

	€	€	€ '000 previous year	€ '000 previous year
1. Cash in hand and balances with central banks		778,065,732.20		744,814
2. Treasury bills and other bills eligible for refinancing with central banks:	5,985,088,736.75		4,998,780	
a) Treasury bills and similar instruments				
b) bills eligible for refinancing with central banks	0.00	5,985,088,736.75	0	4,998,780
3. Loans and advances to credit institutions	418,188,160.15		302,410	
a) repayable on demand				
b) other loans and advances	23,460,312,632.86	23,878,500,793.01	22,128,082	22,430,492
4. Loans and advances to customers		23,400,348,426.94		21,503,983
5. Bonds and other fixed-interest securities	1,137,204,940.64		977,234	
a) issued by public-sector issuers				
b) issued by other issuers of which: own bonds	7,567,770,629.28	8,704,975,569.92	6,671,257	7,648,491
6. Shares and other variable-yield securities	82,379,368.53		271,048	
7. Equity interest		1,649,183,663.08		1,394,888
of which: credit institutions	442,497,116.61	536,528,861.58	447,053	514,528
8. Shares in subsidiaries		4,027,492,244.60		3,941,277
of which: credit institutions	3,227,080,314.25		3,005,212	
9. Intangible fixed assets		88,814,036.25		112,202
10. Tangible assets		97,462,423.38		105,191
of which: land and buildings used by the credit institution for its own activities	46,087,778.07		46,279	
11. Own shares and shares in a controlling company		1,994,590.65		8,728
of which: nominal value	84,786.00		444	
12. Other assets		4,894,359,869.44		3,145,712
13. Subscribed capital that has been called up but not yet paid in		0.00		0
14. Prepaid expenses		122,933,021.25		68,823
Total assets		74,165,747,969.05		66,617,909
Supplementary items (off-balance sheet items)		39,202,854,942.86		34,944,098
1. Foreign assets				

Balance Sheet as of 31 December 2005

Erste Bank der oesterreichischen Sparkassen AG

Liabilities

	€	€	€ '000 previous year	€ '000 previous year
1. Accounts owed to credit institutions	2,087,276,711.45		1,532,997	
a) repayable on demand				
b) subject to an agreed term or period of notice	29,449,462,101.07	31,536,738,812.52	26,388,974	27,921,971
2. Accounts owed to customers	5,583,729,492.21		5,484,458	
a) savings deposits				
of which:	417,104,255.22		430,740	
aa) repayable on demand				
bb) subject to an agreed term or period of notice	5,166,625,236.99		5,053,718	
b) other liabilities	8,230,369,152.54		7,303,373	
of which:	5,659,585,433.32		4,799,411	
aa) repayable on demand				
bb) subject to an agreed term or period of notice	2,570,783,719.22	13,814,098,644.75	2,503,962	12,787,831
3. Debts evidenced by certificates	10,827,410,369.50		11,839,708	
a) bonds in issue				
b) other debts evidenced by certificates	6,296,880,325.79	17,124,290,695.29	4,812,888	16,652,596
4. Other liabilities		4,134,036,377.77		2,580,877
5. Deferred income		122,894,163.41		117,709
6. Provisions	103,531,899.00		78,679	
a) provisions for severance payments				
b) provisions for pensions	290,937,549.00		233,808	
c) tax provisions	8,000,913.16		5,483	
d) other	161,070,358.35	563,540,719.51	149,255	467,225
6.A Fund for general banking risks		0.00		0
7. Subordinated liabilities		1,255,996,458.61		922,934
8. Supplementary capital		2,125,136,828.82		2,022,952
9. Subscribed capital		486,367,200.00		482,886
10. Capital reserves	1,491,446,000.00		1,451,541	
a) appropriated				
b) not appropriated	0.00		0	
c) treasury shares	0.00	1,491,446,000.00	0	1,451,541
11. Revenue reserves	34,156,000.00		34,156	
a) statutory reserves				
b) reserves provided for by the Articles of Association	0.00		0	
c) other reserves	559,691,000.00		399,487	
d) reserves for treasury shares	1,995,000.00	595,842,000.00	8,729	442,372
Carry over		73,250,387,900.68		65,850,894

Liabilities

	€	€	€ '000 previous year	€ '000 previous year
Carry over		73,250,387,900.68		65,850,894
12. Reserves pursuant to sec. 23 (6) Austrian Banking Act		767,000,000.00		630,704
13. Net profit		133,917,068.37		120,852
14. Untaxed reserves	14,443,000.00		15,459	
a) valuation reserve resulting from special depreciation				
b) other untaxed reserves	0.00	14,443,000.00	0	15,459
of which:	0.00		0	
aa) investment reserve pursuant to sec. 9 Austrian Income Tax Act of 1988				
bb) investment allowance pursuant to sec. 10 Austrian Income Tax Act of 1988	0.00		0	

cc) rent reserves pursuant to sec11 Austrian Income Tax Act of 1988	0.00		0
dd) transfer reserve pursuant to sec12 Austrian Income Tax Act of 1988	0.00		0
Total liabilities		74,165,747,969.05	66,617,909
Supplementary items (off-balance sheet items)			
1. Contingent liabilities		7,108,374,219.58	5,431,733
of which:	0.00		0
a) acceptances and endorsements from rediscounted bills			
b) liabilities from guarantees and assets pledged as collateral security	7,108,374,219.58		5,431,733
2. Commitments		8,354,165,332.66	9,821,932
of which: commitments from repurchase agreements	0.00		2,710
3. Liabilities arising from fiduciary services		230,486,209.74	237,578
4. Qualifying capital pursuant to sec. 23		5,515,528,088.62	4,789,812
of which: qualifying capital pursuant to sec. 23 (14) (7)	204,394,148.63		248,886
5. Qualifying capital requirement pursuant to sec. 22 (1)		2,636,450,821.71	2,350,789
of which: required qualifying capital pursuant to sec. 22 (1) (1) and (4)	2,315,325,821.71		2,080,937
6. Foreign liabilities		33,434,144,086.85	32,937,570
7. Loss acc. to art. X (3) Austrian Financial Reporting Act		0.00	34,144

Income Statement 2005

Erste Bank der oesterreichischen Sparkassen AG

1. Interest and similar income	a) Personnel expenses			
of which: from fixed-interest securities	of which:			
	aa) wages and salaries			
2. Interest and similar expenses	bb) expenses for statutory social contributions and compulsory contributions related to wages and salaries			
	cc) other social benefits			
I. NET INTEREST INCOME	dd) expenses for old-age provision and assistance			
	ee) allocation to provision for pension commitments			
3. Income from securities and equity interests	ff) expenses for severance pay and contributions to employee welfare funds			
a) income from shares, other ownership interests and variable-interest securities	b) other administrative expenses (non-staff operating expenses)			
b) income from equity interests				
c) income from shares in subsidiaries				
4. Income from commissions	9. Depreciation and amortisation of asset items 9 and 10			
5. Expenses from commissions				
6. Net trading income	10. Other operating expenses			
7. Other operating results				
II. OPERATING INCOME	III. OPERATING EXPENSES			
8. General administrative expenses				
	IV. OPERATING RESULT			
	€	€	€ '000 previous year	€ '000 previous year
		2,189,497,612.16		1,799,036
	693,016,930.71		578,814	
		1,799,568,443.96		1,406,837
		389,929,168.20		392,199

32,651,758.99		32,683		62,948,205.51		61,472	
19,971,303.75		18,088		3,715,056.36		4,479	
408,562,545.43	461,185,608.17	354,191	404,962	48,490,834.27		48,570	
	398,850,220.08		326,121	1,803,277.00		- 3,181	
	101,914,895.78		69,804	17,284,994.98		13,857	
	103,206,882.44		94,699	215,087,659.37		201,554	
	14,869,642.92		28,977		57,947,478.51		68,391
	1,266,126,626.03		1,177,154		4,910,867.34		43,464
	597,717,542.91		571,087		660,575,888.76		682,942
382,629,883.54		369,533			605,550,737.27		494,212
248,387,515.42		244,336					

	€	€ '000 previous year
Carry over (IV. Net operating income)	605,550,737.27	494,212
11. Value adjustments on claims and allocations to provisions for contingent liabilities and for credit risks	273,649,421.31	246,492
12. Income from the release of value adjustments on loans and provisions for contingent liabilities and credit risks	119,560,307.59	138,484
13. Value adjustments on securities held as financial assets and on equity interests and holdings in subsidiaries	61,081,786.43	157,799
14. Income from value adjustments on securities held as financial assets and on equity interests and holdings in subsidiaries	42,206,875.72	30,023
V. RESULTS FROM ORDINARY BUSINESS ACTIVITIES	432,586,712.84	258,428
15. Extraordinary result	0.00	0
of which: released from the fund for general banking risks	0.00	0
16. Extraordinary expenses	11,757,763.11	11,758
of which: allocated to the fund for general banking risks	0.00	0
17. Extraordinary income (subtotal of items 15 and 16)	- 11,757,763.11	- 11,758
18. Taxes on income	- 2,468,301.51	1,526
19. Other taxes not included under item 18	1,068,220.07	1,016
VI. NET INCOME	422,229,031.17	244,128
20. Movement in reserves	288,751,767.88	123,421
of which: addition to the unallocated risk reserve	136,296,000.00	5,207
reversal of unallocated risk reserve	0.00	0
VII. PROFIT FOR THE YEAR	133,477,263.29	120,707
21. Profit brought forward from previous year	439,805.08	145
22. Appropriations because of profit transfer agreements	0.00	0
VIII. NET PROFIT	133,917,068.37	120,852

Notes to the 2005 financial statements of Erste Bank AG

I. General information

The 2005 financial statements of Erste Bank der oesterreichischen Sparkassen AG (Erste Bank) have been prepared in accordance with regulations of the Austrian Commercial Code ("Handelsgesetzbuch", HGB), in connection with the applicable provisions of the Austrian Banking Act ("Bankwesengesetz", BWG).

Pursuant to section 59a BWG, Erste Bank also has prepared the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as of the same balance sheet date.

Erste Bank is a member of the Haftungsverbund of the Savings Bank group, which took effect on 1 January 2002. At the balance sheet date almost all Austrian Savings Banks are members of this system.

According to the provisions of the agreement in principle, which was concluded between Erste Bank and the member Savings Banks, the partners must reimburse solidarily all amounts owed to customers (all deposits pursuant to sec. 1 (1) 1 BWG, all receivables accruing from credit balances from the banking business, all receivables accruing from the issue of securities, with the exception of receivables from qualifying capital items in accordance with sec. 23 BWG and receivables from criminal transactions).

Taking into account the requirements of the BWG, individual members of the Haftungsverbund may need to provide assistance to other members (such as providing liquidity assistance, granting loans or guarantees and providing equity capital), and in the case of sec. 93 (3) 1 BWG, to service the secured loans to customers of a member of the Haftungsverbund. The scope of the individual services to be provided by individual members of the Haftungsverbund where needed cannot therefore be determined beforehand; any contributions made by the members of the Haftungsverbund under the statutory deposit guarantee system pursuant to sec. 93 ff BWG are taken into account.

The guarantee obligation is entered in the balance sheet as a memorandum item carrying the notional amount of EUR 1, as it is impossible to determine the potential liability of Erste Bank within the Haftungsverbund.

Since the amendment to the BWG of 1 September 2002, the members of the Haftungsverbund are considered a group of credit institutions as defined in sec. 30 BWG, with Erste Bank as superordinate credit institution.

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

At present, the Austrian Cartel Court (at the request of the Austrian Federal Competition Authority and the competitor) is reviewing whether European competition law is applicable to the co-operation between Erste Bank and the member Savings Banks under the Haftungsverbund. While groups of credit institutions such as the Haftungsverbund are explicitly exempt from Austrian competition rules, the plaintiffs argue that the Haftungsverbund affects intra-European commerce between Austria and other EU member states, thus becoming subject to EU competition rules.

Currently, the existing Haftungsverbund operated by Erste Bank and the members of the Haftungsverbund is categorised as a group of credit institutions, allowing Erste Bank to consolidate the qualifying capital (pursuant to sec. 24 BWG) and the risk-weighted assets (pursuant to sec. 22 BWG) of the members of the Haftungsverbund. Upon examination of the validity of the competitor's allegations, the Austrian Financial Market Authority concluded that it shall continue to apply section 30 (2a) of the Austrian Banking Act and confirmed that the Haftungsverbund qualifies as a group of credit institutions.

The consolidation of the qualifying capital and risk-weighted assets of the members of the Haftungsverbund originally resulted in an increase in the Tier 1 ratio of the Erste Bank Group by 55 basis points. Thus, even without the qualifying capital of the other members of the Haftungsverbund, Erste Bank would comply with the statutory minimum levels of regulatory capital.

In order to quickly resolve these proceedings, Erste Bank, together with some other members of the Haftungsverbund, filed an application with the Austrian Cartel Court in December 2004 for a declaratory decision as to whether the Haftungsverbund qualifies as a "Zusammenschluss" (merger) within the meaning of the Austrian Cartel Act. If the Austrian Cartel Court finds that the Haftungsverbund in fact constitutes a merger, the rules regarding co-operation agreements would no longer be applicable, resulting in the termination of the aforementioned proceedings.

In a ruling announced in January 2006, the Austrian Supreme Court declared that certain clauses used by an Austrian competitor in his terms and conditions for passbook savings accounts were unlawful. One of these

clauses deals with the right of the credit institution to change the interest rate for savings deposits. This clause is not only used by the competitor, but by most Austrian credit institutions, including Erste Bank. According to the ruling of the Supreme Court, a credit institution may not adjust the interest rate for savings deposits unilaterally and in the absence of other conditions, which were defined in more detail, unless such adjustment is reasonable, in particular because the change is only minor and objectively justified.

In its public statements, the Verein für Konsumentenschutz, an Austrian consumer protection organisation, argues that as a result of this landmark decision there does not only exist a duty on the part of the affected credit institutions to change the interest rate adjustment clause used until now for passbook savings accounts, but it also states that it considers this ruling to provide the grounds for a review whether past adjustments of interest rates on savings deposits were objectively justified, including the possibility for consumers to make claims against credit institutions retroactively. Further test cases relating to the adjustment of interest rates for savings deposits were announced.

Due to the fact that a test case concerning an Austrian competitor was resolved by a decision of the Austrian Supreme Court and that it was impossible at the time to make a reliable assessment of the business consequences for Erste Bank, no provision could be made in the financial statements for potential liability suits.

II. Notes on accounting and valuation methods

1) The financial statements have been prepared in accordance with **generally accepted accounting principles** and according to the principle that the financial statements should give a fair and accurate view of the financial position of the company and results of its operations. The principle of item-by-item valuation was applied in the assessment of the company's assets and liabilities, and it was assumed that the company would continue to operate. The particularities of the banking business were taken into account in the application of the principle of prudence.

2) **Receivables and liabilities in foreign currency** were valued at the ECB reference rate of 30 December 2005. Foreign currencies were valued at their purchase rate on the balance sheet date. All non-euro currencies are considered foreign currencies.

3) **Equity interests and shares in subsidiaries** were recognised at cost of purchase. Where permanent impairments have resulted from sustained losses or other circumstances, valuations were revised downward accordingly. Where necessary, sufficient provisions were established to cover against losses incurred by the subsidiaries.

4) **For bonds and other fixed-interest fixed asset securities**, the difference between the cost of acquisition and the redemption value is amortised pro rata temporis in accordance with sec. 56 (2) BWG, or recognised as income pro rata temporis over the residual time to maturity until redemption in accordance with sec. 56 (3) BWG. **Securities in the trading portfolio** and other **current asset securities** are assessed in accordance with the current value principle pursuant to sec. 207 HGB and sec. 56 (5) BWG.

5) **Loans and advances to credit institutions and customers, bills of exchange and other assets** were assessed in accordance with sec. 207 HGB. Appropriate impairment adjustments have been made to account for recognisable risks. Write-ups have been made from the reversal of value adjustments. Loans to private persons were valued in consideration of statistical risk factors, and provisions in the form of portfolio corrections have been made where applicable. Receivables from borrowers in high-risk countries have been assessed conservatively in consideration of the opinion of the Expert Senate for Commercial Law and Auditing (Fachsenat für Handelsrecht und Revision) of the Chamber of Tax Advisors and Certified Accountants (Kammer der Wirtschaftstreuhänder).

6) **Intangible assets and tangible fixed assets** were measured at cost of purchase or production less planned depreciation/amortisation and less impairment adjustments. Straight-line depreciation was employed where planned. The useful life for buildings is 25 to 50 years, for fixtures and fittings 5 to 20 years; the amortisation period for intangible assets is 4 to 15 years. Capitalised goodwill is written off over 5 to 15 years. Small-value assets were fully written off in the year in which they were obtained.

7) **Debts evidenced by certificates and subordinated liabilities** were recognised in the balance sheet with their repayment values or the pro rata annual values (zero coupon bonds).

8) **Costs of issues of securities** were expensed immediately; **premiums and discounts on issues** were amortised over the term of the debt.

9) **Provisions** were made in the amounts deemed necessary in standard commercial practice.

The **provision for employer pension plans** for those in retirement were measured according to IFRS principles on the basis of an actuarial expertise. The entitlements to pensions were measured in accordance with IAS 19 using the Projected Unit Credit Method and in application of the corridor method.

The pension liabilities of Erste Bank to employees who were employed as of 31 December 2005 and those who have entered retirement since 1 January 1999, who have been given definitive status or have vested pension rights, have been transferred to VBV-Pensionskassen AG. The resulting difference between the coverage capital transferred to the pension fund since 1998 and the existing pension provision formed for these employees has been disclosed under deferred expenses in accordance with the transitional provisions of section XII of the Austrian Pension Fund Act and will be amortised over a period of ten years.

The severance payment provision has been measured in accordance with IFRS principles on the basis of an actuarial expertise. Entitlements for severance payments have been measured in accordance with IAS 19 using the Projected Unit Credit Method. Provisions that are set aside in this way fulfil the requirements of sec. 211 (2) HGB.

The **provision for anniversary bonuses** was measured in the same way as the severance payment provision.

10) Trust funds are stated in the balance sheet in accordance with sec. 48 (1) BWG.

11) In derivatives trading the assets and liabilities were valued as follows: hedging products were measured in the same way as their related underlyings (i.e. "mark to market" assessment or simple recognition of interest/income without valuation). Trading portfolios were valued "mark to market". The other products of the banking book (especially strategic positions) were recognised in the Income Statement.

III. Notes on the Balance Sheet

1) Maturity structure of loans and advances as well as liabilities to credit institutions and customers, respectively (by residual period):

a) Loans and advances

(in EUR million)	31/12/2004	31/12/2005
<i>Loans and advances to credit institutions</i>	22,430	23,879
up to 3 months	16,819	16,115
more than 3 months to 1 year	3,028	4,971
more than 1 year to 5 years	1,717	1,573
more than 5 years	564	802
payable upon demand	302	418
<i>Loans and advances to customers</i>	21,504	23,400
up to 3 months	4,178	4,332
more than 3 months to 1 year	2,032	1,831
more than 1 year to 5 years	5,086	5,382
more than 5 years	9,017	10,834
payable upon demand	1,191	1,021

b) Amounts owed

(in EUR million)	31/12/2004	31/12/2005
<i>Amounts owed to credit institutions</i>	27,922	31,537
up to 3 months	23,070	26,352
more than 3 months to 1 year	1,893	1,745
more than 1 year to 5 years	410	629
more than 5 years	1,016	724
payable upon demand	1,533	2,087
<i>Amounts owed to customers</i>	12,788	13,814
<i>Savings deposits</i>		
up to 3 months	229	148
more than 3 months to 1 year	753	406
more than 1 year to 5 years	988	798
more than 5 years	3,084	3,814
payable upon demand	431	417
<i>Other</i>		
up to 3 months	2,036	2,129
more than 3 months to 1 year	159	121
more than 1 year to 5 years	1	1
more than 5 years	308	320
payable upon demand	4,799	5,660
<i>Debts evidenced by certificates</i>	16,653	17,124
up to 3 months	1,921	4,029
more than 3 months to 1 year	2,312	2,507
more than 1 year to 5 years	6,377	4,914
more than 5 years	6,043	5,674
payable upon demand	0	0

For the savings deposits, the residual periods was calculated based on the average holding period.

2) The amounts for bonds due within one year

As of 31/12/2005 **bonds and other fixed-interest securities** for Erste Bank maturing in the year following the balance sheet date amounted to EUR 1,010.0 million (EUR 065.6 million in previous year).

As of 31/12/2005 **debt securities** with these maturities amounted to EUR 6,616.7 million (EUR 4,233.4 million in previous year).

3) Assets and liabilities in foreign currencies (in EUR million)

	Fixed assets		Liabilities	
	31/12/2004	31/12/2005	31/12/2004	31/12/2005
Total	23,017	26,892	20,563	22,073

For foreign currencies, the definition set forth in section II/2, last sentence.

1) Advances and loans as well as amounts owed to subsidiaries and companies in which equity interests are held (in EUR million)

	Advances and loans to subsidiaries		Advances and loans to companies in which equity interests are held	
	31/12/2004	31/12/2005	31/12/2004	31/12/2005
Loans and advances to credit institutions	5,533	6,986	4,028	3,763
Loans and advances to customers	2,171	2,165	839	645
Bonds and other fixed-interest securities				
	282	258	743	1,012
Shares and other variable -interest securities	126	159	55	101
	Amounts owed to subsidiaries		Amounts owed to companies in which equity interest are held	
	31/12/2004	31/12/2005	31/12/2004	31/12/2005
Accounts payable to credit institutions	2,009	2,287	3,391	3,479
Accounts payable to customers	356	418	99	204

Among these the most important companies are:

Loans and liabilities to subsidiaries:

Tiroler Sparkasse Bankaktiengesellschaft, Innsbruck
 Erste Bank Hungary Rt, Budapest
 Salzburger Sparkasse Bank AG, Salzburg
 Erste & Steiermärkische banka d.d., Rijeka

Loans and liabilities to companies, in which equity interests are held:

Sparkasse Voitsberg-Köflach Bankaktiengesellschaft,
 Voitsberg Kärntner Sparkasse AG, Klagenfurt
 Allgemeine Sparkasse Oberösterreich Bank AG, Linz
 Steiermärkische Bank und Sparkassen AG, Graz

Amounts owed to subsidiaries:

Salzburger Sparkasse Bank AG,
 Salzburg s Wohnbaubank AG, Vienna
 Tiroler Sparkasse Bankaktiengesellschaft, Innsbruck
 Erste -Sparinvest Kapitalanlagesellschaft mbH,
 Vienna

Amounts owed to companies in which equity interests are held:

Oesterreichische Kontrollbank AG, Wien
 Kärntner Sparkasse AG, Klagenfurt

Allgemeine Sparkasse Oberösterreich Bank AG, Linz
Steiermärkische Bank und Sparkassen AG, Graz

2) Subordinated assets (in EUR million)

	31/12/2004	31/12/2005
a) Loans and liabilities to credit institutions	121	190
of which:		
to subsidiaries	113	182
to companies in which equity interests are held	7	7
b) Loans and liabilities to customers	165	122
of which:		
to subsidiaries	62	33
to companies in which equity interests are held	50	1
c) Bonds and		
other fixed-interest securities	223	222
of which:		
to subsidiaries	6	20
to companies in which equity interests are held	83	0

3) Fiduciary business

The above items include fiduciary business in the amount of:

Loans and advances to credit institutions	EUR 16.8 million (31/12/2004 EUR 19.6 million)
Loans and advances to customers	EUR 31.1 million (31/12/2004 EUR 32.0 million)
Accounts owed to credit institutions	EUR 47.9 million (31/12/2004 EUR 51.6 million)

4) Equity interests and holdings in subsidiaries

A detailed break-down of material equity interests and holdings in subsidiaries is disclosed in the Notes "Holdings of Erste Bank as of 31/12/2005"

8) Securities**a) Break-up of securities listed for trade on the stock exchanges (in EUR million)**

(pursuant to sec. 64 (1) (10) Austrian Banking Act)

	listed		not listed	
	31/12/2004	31/12/2005	31/12/2004	31/12/2005
a) Bonds and other fixed-interest securities	6,271	7,213	1,378	1,492
b) Shares and other variable-interest securities	217	302	98	125
c) Equity interests	20	42	0	0
d) Holdings in subsidiaries	186	108	0	0
Total	6,694	7,665	1,476	1,617

(pursuant to sec. 64 (1) (11) Austrian Banking Act)

	Long-term assets		Current assets	
	31/12/2004	31/12/2005	31/12/2004	31/12/2005
a) Bonds and other fixed-interest securities	5,448	6,292	2,200	2,413
b) Shares and other variable-interest securities	15	75	300	352
Total	5,463	6,367	2,500	2,765

Allocation pursuant to section 64 (1) (11) Austrian Banking Act was in accordance with the organisational guidelines adopted by the Management Board with the long-term assets comprising the positions built up under strategic aspects of long-term profitable investment.

The difference to the redemption value resulting from the pro-rata write-downs pursuant to section 56 (3) Austrian Banking Act amounts to EUR 107.1 million (EUR 53.8 million), while the difference to the redemption value from the pro-rata write-ups pursuant to section 56 (3) Austrian Banking Act amounts to EUR 12.4 million (EUR 19.9 million in previous year).

b) Break-down of the differences of the securities listed for trade in the stock exchange not held as long-term assets (in EUR million.)

31/12/2004

31/12/2005

Difference between the higher market value recognised on the balance sheet date and the cost of purchase pursuant to section 56 (5) Austrian Banking Act.	111	123
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c) Repurchase agreements

The carrying value of the assets subject to sale and repurchase agreements amounts to EUR 4,700.9 million (EUR 431.2 million in previous year) on the balance sheet date.

d) Break-down of bonds and other fixed-interest securities (in EUR millions)

	31/12/2004	31/12/2005
issued by public-sector issuers	977	1,137
issued by other issuers	6,671	7,568
of which:		
own issues	271	82
domestic bonds credit institutions	719	890
foreign bonds credit institutions	1,958	2,723
mortgage bonds and municipal bonds	648	603
convertibles	149	113
other bonds	2,926	3,157

9) Trading book

Erste Bank, throughout the fiscal year, kept a trading book within the meaning of sec. 22b BWG. The **securities portfolio** allocated to the trading book (incl. capitalised option premiums and pension transactions not recognised in the balance sheet) was of a total of EUR 3,865.6 million on 31 December 2005 (EUR 3,045.3 million in the previous year).

Exercising the option of sec. 22 lit. b BWG, **money market instruments** of a volume of EUR 19,279.3 million were allocated to the trading book on 31 December 2005 (EUR 18,776.2 million on 31 December 2004).

The volume of **other financial instruments** included in the trading book had a par value of EUR 224,129 million on 31 December 2005, compared to EUR 216,860 million in the previous year, and was distributed as follows:

(EUR millions)	Long position		Short position		Total	
	2004	2005	2004	2005	2004	2005
Options	5,350	6,412	5,367	7,481	10,717	13,893
Caps and Floors	24,782	25,917	27,620	25,186	52,402	51,103
Currency swaps	19,768	25,868	0	0	19,768	25,868
Interest swaps	119,194	121,916	0	0	119,194	121,916
Forward Rate Agreements	2,836	2,556	3,196	2,580	6,032	5,136
Financial Futures	4,918	3,074	3,829	3,139	8,747	6,213
Total	176,848	185,743	40,012	38,386	216,860	224,129

Please note: Interest and currency swaps are depicted as unilateral (purchase), all other products as bilateral.

10) Tangible assets

The consolidated statement of changes in fixed assets in accordance with sec. 226 (1) HGB is disclosed separately in the Notes.

The carrying value of the developed land was EUR 13.1 million as of 31 December 2005, down from EUR 13.9 million in the previous year. Leased assets were not included for in the carrying value of 31 December 2005.

For the next fiscal year, Erste Bank will have expenses from the use of tangible assets not capitalised in the balance sheet (rental and leasing contracts) of a total of EUR 29.4 million (EUR 29.0 million in the previous year), and of a total of EUR 162.6 million for the next five fiscal years (EUR 160.0 million in the previous year).

The intangible fixed assets item includes assets of a value of EUR 62.7 million (EUR 76.5 million in the previous year) that have been acquired from a subsidiary. In the reporting year, EUR 13.1 million worth of such assets were acquired (EUR 11.4 million in the previous year).

11) Deferred expenses

The remaining difference between the coverage requirement of the pension fund and the pension reserve for transfers of pension entitlements of active employees since 1998 was recognised as deferred expenses on 31 December 2005, at a total

of EUR 14.7 million (EUR 21.5 million in the previous year). The difference will be amortised in 10 equal annual instalments as of the year of transfer. Section II. 9 of these Notes has details on the transfer of employer pension plans.

As of the 2005 reporting year, the pension provision, severance payment provision and the provision for anniversary bonuses are measured in accordance with IAS 19 principles. The increase is disclosed under deferred expenses at an amount of EUR 40.0 million, and will be amortised in 5 equal annual instalments starting with the 2005 reporting year.

The pension provision gap noted below the balance sheet up to the 2004 reporting year in accordance with art. X (3) RLG was allocated to the pension reserve and recognised under deferred expenses in 2005 after proportionate amortisation. This amount totalling EUR 29.3 million will be amortised in equal instalments over the next six years. Due to these changes, the balance of deferred expenses had increased to EUR 122.9 million by the balance sheet date of 31 December 2005 (EUR 68.8 million in the previous year).

12) Other assets (EUR millions)

	31/12/2004	31/12/2005
Total:	3,146	4,894
of which from securities transactions	1,406	2,813
of which from derivative products	624	779
of which from recognised interest and commission income	606	662
of which from receivables from equity interests and subsidiaries	338	424

13) Debt securities in issue (EUR millions)

	31/12/2004	31/12/2005
Total:	16,653	17,124
of which consolidated loans and bank bonds	158	96
of which non-consolidated loans and bank bonds	12,790	12,140
of which mortgage bonds and local government bonds	836	765
of which certificates of deposit and commercial paper	2,784	4,059

14) Other liabilities (EUR millions)

	31/12/2004	31/12/2005
Total:	2,581	4,134
of which from derivative products	554	702
of which from investment transactions	1,422	2,836
of which from interest and commission expenses	420	465

15) Provisions (EUR millions)

	31/12/2004	31/12/2005
Provision for severance payments	79	104
Pension provision	234	291
Tax provision	5	8
Risk provision	55	72
Other	94	89
Total	467	564

The **pension provision** increase by EUR 57 million in the reporting year is the result of a reversal of EUR 3 million, offset against the pension provision coverage gap in accordance with art. X (3) RLG of EUR 34 million, which was transferred to the provision in full on the balance sheet date of 31 December 2005, as well as an increase of EUR 26 million due to the adoption of the IAS 19 measurement method. The **severance payment provision** has increased by EUR 25 million: this is in part also the result of the adoption of the IAS 19 measurement method, which led to an increase of EUR 20 million, as well as provision allocation requirements of EUR 5 million. The change of measurement method for social capital provisions is described in these Notes under section II. 9.

16) Subordinated debt

Total subordinated debt on 31 December 2005 was EUR 3,381.1 million (EUR 2,945.8 million in the previous year), of which EUR 1.0 million are attributed to 14,281 GIRO CREDIT profit participating certificates (unchanged at the end of 2004) issued in 1984 (participation rights in accordance with sec. 174 AktG). The profit participating certificates guarantee a share in earnings, but not in equity, and do not give the holder voting rights.

Of the subordinated debt taken on by Erste Bank in the balance sheet year (including supplementary capital), no issue is above the 10 percent limit (EUR 338.1 million) of the total amount of the subordinated debt.

Movements in total subordinated debt have been as follows:

Increase due to new issues	EUR 576.1 million
Decrease due to maturity	EUR 156.0 million
Increase due to changes in the valuation rate	EUR 15.2 million

On the balance sheet date, the bank held no own issues from subordinated debt that were not listed on stock exchanges.

In 2005, Erste Bank expenses for subordinated liabilities and supplementary capital were EUR 151.2 million (EUR 151.0 million in the previous year).

The term "subordinated" is defined in sec. 45 (4) and sec. 51 (9) BWG.

17) Subscribed capital

Subscribed capital was EUR 486.4 million on 31 December 2005 (EUR 482.9 million in the previous year). This was represented by 243,183,600 voting bearer shares (ordinary shares). The increase is a result of capital increases carried out as part of the employee stock ownership programme (ESOP) and the management stock option programme (MSOP).

The contingent capital increase in accordance with article 4.4.3. of the articles of association was exercised insofar as 1,740,708 bearer shares with a total par value of EUR 3,481,416 were subscribed by employees, managers and members of the Management Board of Erste Bank and its subsidiaries under the management stock option programme 2002 (MSOP) and the employee stock ownership programme 2005 (ESOP) set up by the Management Board and approved by the Supervisory Board.

352,017 options were exercised under **MSOP 2002** (exercise window April 2005), resulting in subscriptions of 1,408,068 bearer shares at an issue price of EUR 16.50. The proceeds from the issue of EUR 23,233,122 plus EUR 8,736,166.80 from the difference between the issue price of EUR 16.50 and the price on the value date of 18 May 2005 of EUR 37.11, for 423,880 shares subscribed by Erste Bank AG employees, passed to the account of Income Statement position 8a (personnel expenses), totalled EUR 31,969,288.80; of this, EUR 2,816,136 were allocated to the share capital and EUR 29,153,152.80 to capital reserves. 45,559 options were exercised for the first tranche (of which 25,470 by managers and 20,089 by other employees). 73,424 options were exercised for the second tranche (of which 5,000 by board members, 36,890 by managers and 31,534 by other employees). 233,034 options were exercised for the third tranche (of which 21,000 by board members, 146,322 by managers and 65,712 by other employees). The difference between the exercise price (EUR 16.50) and the closing price of Erste Bank shares on the value date (EUR 37.11) was EUR 20.61 for all three tranches.

The exercise price of the individual options (the average of all closing prices in March 2002, rounded down to the nearest half euro) was EUR 66.00 which, taking account of the stock split carried out in the meantime (1:4), resulted in a value of EUR 16.50 per share. The estimated value of the individual options on the balance sheet date (31 December 2005) was EUR 30.64 for options credited in 2002, EUR 30.57 for options credited in 2003 and EUR 30.51 for options credited in 2004.

332,640 shares were subscribed to at a price of EUR 31.50 between 2 and 13 May 2005 under ESOP 2005. The proceeds from the issue of EUR 10,478,160 plus EUR 937,199.32 (from the difference between the issue price of EUR 31.50 and the price on the value date (20 May 2005) of EUR 39.29 for 120,308 shares subscribed by Erste Bank AG employees, passed to the account of Income Statement position 8a, (personnel expenses), totalled EUR 11,415,359.32; of this, EUR 665,280 were allocated to the share capital and EUR 10,750,079.32 were allocated to capital reserves.

Employee stock ownership programme and management stock option programme:

MSOP 2002: MSOP comprises a maximum of 4,400,000 ordinary shares of Erste Bank after the stock split, represented by 1,100,000 options. This total includes 60,000 options for the five members of the Management Board at the time (12,000 per person) and an additional 3,000 options for the sixth member, who joined the Management Board of Erste Bank on 1 July 2004. The remaining 1,037,000 options were designated for distribution to eligible management staff and other eligible employees of the Erste Bank Group.

Conditions: each of the options, which are granted free of charge, entitles the holder to subscribe to four shares; the transfer of options inter vivos is not permitted. Options of the 2002 round were credited to recipients' securities portfolios in three tranches: to Management Board members and other managers on 24 April 2002, 1 April 2003 and 1 April 2004; to performance leaders among employees on 1 June 2002, 1 June 2003 and 1 June 2004. The exercise price for all three tranches was set at the average quoted price of Erste Bank shares in March 2002 (rounded down to the nearest half euro), which was EUR 66.00 per share. After the stock split performed in July 2004, the exercise price remains 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, equivalent to a subscription price of EUR 16.50 per share. The option term starts on the allocation date (the date on which the options are credited to the option account) and ends on the value date of the exercise window (described below) of the fifth calendar year after the delivery date. Every year, declarations to exercise may be submitted beginning on the day after publication of the preliminary consolidated net profit for the most recent completed fiscal year, but no earlier than 1 April and no later than 30 April: this period represents the exercise window. It is followed by the lockup period, which ends on the value date of the year following the exercise of the option. No more than 15 percent of the purchased shares may be sold during the lockup period.

MSOP 2005: MSOP comprises a maximum of 2,000,000 ordinary shares of Erste Bank. This total includes 54,000 options for the six members of the Management Board (9,000 per person). The remaining 1,946,000 options are designated for distribution to eligible management staff and other eligible employees of the Erste Bank Group.

Conditions: each of the options, which are granted free of charge, entitles the holder to subscribe to one share; the transfer of options inter vivos is not permitted. The options granted in 2005 are delivered to Management Board members and other management on 1 June 2005; to performance leaders among employees they are delivered in three tranches on the following dates: 1 September 2005, 1 September 2006 and 31 August 2007. Options are credited to recipients' securities accounts in three tranches on the following dates: 1 September 2005, 1 September 2006 and 31 August 2007. The exercise price for all three tranches was set at the average quoted price of Erste Bank shares in April 2005 plus a 10% premium and rounded down to the nearest half euro, which was EUR 43.00 per share. The option term begins with the reception date and ends on the value date of the last exercise window of the fifth calendar year after the delivery date. Every year, declarations to exercise may be submitted within 14 days of the day of publication of the quarterly results for the first to third quarters of each fiscal year (three exercise windows). It is followed by the lockup period, which ends one year after the value date of the share purchase. No more than 25% of the purchased shares may be sold during the lockup period.

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

	2002	2003	2004	Total:	of which exercised
Andreas Treichl	4,000	4,000	4,000	12,000	12,000
Elisabeth Bleyleben-Koren	4,000	4,000	4,000	12,000	12,000
Reinhard Ortner	4,000	4,000	4,000	12,000	12,000
Franz Hochstrasser	4,000	4,000	4,000	12,000	12,000
Erwin Erasim	4,000	4,000	4,000	12,000	12,000
Christian Coreth	1,000	1,000	1,000	3,000	2,000
Board members total:	21,000	21,000	21,000	63,000	62,000
Managers	173,200	183,800	215,000	572,000	419,377
Employees	92,611	116,369	95,091	304,071	218,588
Total credited options:	286,811	321,169	331,091	939,071	699,965

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

	granted	credited
Andreas Treichl	9,000	3,000
Elisabeth Bleyleben-Koren	9,000	3,000
Reinhard Ortner	9,000	3,000
Franz Hochstrasser	9,000	3,000
Erwin Erasim	9,000	3,000
Christian Coreth	9,000	3,000
Therefore, total board members:	54,000	18,000
Managers	696,150	232,050
Employees	244,605	244,605
Total credited options:	994,755	494,655

On 31 December 2005 (balance sheet date), the estimated value of the individual MSOP 2005 options was EUR 11.94.

Authorised but unissued capital and contingent capital remaining on 31 December 2005:

Articles 4.4., 4.4.1. and 4.4.2. of the articles of association allow for the issue of up to 80,000,000 shares with a total par value of EUR 160,000,000, for a five-year period from the date of registration of the amendment of the articles of association in the commercial register. Under the articles of association, the Management Board is authorised, with the approval of the Supervisory Board, to exclude shareholders' subscription rights if the shares are subscribed to against non-cash contributions or if the capital increase serves to issue shares to staff, management and Management Board members of Erste Bank or of its subsidiaries.

Article 4.4.3. of the articles of association allows, for a period of five years from the date of registration of the amendment to the articles of association in the commercial register, for the issue of capital of a total par value of EUR 18,168,208.54 in the form of 2,500,000 ordinary bearer or registered shares, to be used to grant share options to employees, managers and members of the Management Board of Erste Bank or of its subsidiaries. The contingent capital increase was carried out insofar as a total of 252,150 bearer shares (with a total par value of EUR 1,832,510.92) were subscribed to in 2002 and a further 118,694 bearer shares (with a total par value of EUR 862,582.94) were subscribed to in 2003 under ESOP and MSOP, so that, as of 31 December 2003, the authorisation to issue up to 2,129,147 bearer shares of a total par value of EUR 15,473,114.68 was still effective. Upon registration in the commercial register of the resolution passed at the Annual General Meeting of Erste Bank on 4 May 2004 in respect of the capital correction and stock split, the Management Board was

authorised, upon approval by the Supervisory Board, to effect a contingent capital increase of a par value of up to EUR 17,033,176.00 by issuing up to 8,516,588 ordinary bearer shares at an issue price of at least EUR 2.00. Under the employee stock ownership programmes in 2004 (ESOP 2004 and MSOP 2002), 1,667,660 ordinary bearer shares were subscribed to at a total par value of EUR 3,335,320.00. In 2005, 332,640 shares were subscribed to under ESOP 2005 and 352,017 options were exercised under the MSOP 2002, resulting the subscription of 1,408,068 shares. Therefore, a total of 1,740,708 ordinary bearer shares of a total par value of EUR 3,481,416 were subscribed to under the employee stock ownership programmes in 2005.

The Management Board therefore still has the authorisation, with the approval of the Supervisory Board, to effect a contingent capital increase of a par value of up to EUR 10,216,440.00 by issuing up to 5,108,220 ordinary shares.

As approved at the extraordinary Annual General Meeting held on 21 August 1997 and pursuant to article 4.5. of the articles of association, there is sufficient authorised capital for a contingent capital increase by 24,000,000 ordinary bearer shares of a total par value of EUR 48,000,000, to be carried out if holders of convertible bonds exercise their conversion rights (bearer shares).

18) Reserves

a) Changes in capital reserves:

Capital reserves on 31 December 2005 totalled EUR 1,491.4 million (EUR 1,451.5 million in the previous year). The increase in capital reserves by EUR 39.9 million is the result of the capital increase carried out in May 2005 as part of the ESOP and MSOP programmes.

b) Changes in retained earnings:

Retained earnings have increased from EUR 442.3 million to EUR 595.8 million in the reporting year. This change is the result of the allocation of EUR 160.2 million to unrestricted retained earnings, offset against the reversal of a reserve for treasury shares of EUR 6.7 million.

c) Changes in the liability reserve:

The target level of the liability reserve is 2.5% of the risk-weighted assets on 31 December 2000 plus 1% of growth in risk-weighted assets from 31 December 2000 to 31 December 2005. In 2005, the required profit allocation to the reserve totalled EUR 136.3 million; the reserve total on 31 December 2005 is therefore EUR 767.0 million.

d) Changes in untaxed reserves (EUR millions)

The reduction in untaxed reserves to a new total of EUR 14.4 million (EUR 15.5 million in the previous year) is the result of the reversal of valuation reserves due to special depreciations. This has been recognised in the Income Statement.

19) Own supplementary capital

On the balance sheet date 2005, Erste Bank held subordinated own capital with a carrying value of EUR 9.6 million (EUR 21.3 million in the previous year).

20) Own subordinated capital

On the balance sheet date 2005, Erste Bank held subordinated capital issued by itself of a carrying value of EUR 2.0 million (EUR 48.0 million in the previous year).

21) Own shares

Treasury shares in portfolio

	No. of shares	Par value in EUR
Portfolio as of 01/01/2005	222,089	444,178
Total additions	12,343,277	24,686,554
Total disposals	12,522,973	25,045,946
Portfolio as of 31/12/2005	42,393	84,786
Highest level of treasury shares held during 2005	751,650	1,503,300

All sales and purchases are carried out during the ordinary course of business as authorised by the Annual General Meeting.

22) Qualified capital

a) Risk-weighted assets pursuant to section 22 (2) Austrian Banking Act (in EUR million):

Risk category (qualified capital coverage)	31/12/2004	31/12/2004	31/12/2005	31/12/2005
	par value of gross assets	risk-weighted assets acc. to BWG (1)	par value of gross assets	risk-weighted assets acc. to BWG (1)
0%	12,882	0	14,970	0
10%	40	4	43	4

20%	8,386	1,677	10,136	2,027
50%	4,601	2,300	4,975	2,488
100%	18,247	18,247	20,385	20,385
Investment certificates	643	177	512	154
On-balance total	44,799	22,405	51,021	25,058
Off-balance-sheet transactions (particularly sureties and guarantees)		3,500		3,786
Special off-balance-sheet financial transactions		106		98
Volumes dedicated to the trading book	21,819	-	23,145	-
Total	66,618	26,012	74,166	28,942

(1) Risk-weighted assets pursuant to section 22 (2) Austrian Banking Act therefore do not include the risk-weighted assets for the trading book pursuant to section 22 b Austrian Banking Act.

b) Qualified capital requirement in accordance with section 22 Abs.1 BWG (in EUR million):

	31/12/2004	31/12/2005
8 % of the weighted asset position, off-balance-sheet and special off-balance-sheet financial transactions in accordance with section 22 (2) BWG	2,081	2,315
Qualified capital required for the trading book and the open position in foreign currency (section 22b and section 26 Austrian Banking Act) <u>270</u>		321
Total qualified capital requirement	2,351	2,636

c) Qualified capital in acc. with sec. 23 BWG (in EUR million):

31.12.2004

31.12.2005

Tier 1 capital		
Paid-in capital	482	486
Reserves	2,532	2,867
less intangible assets	-112	-89
Tier 1 total	2,902	3,264
Qualifying additional qualifying capital (Tier 2)		
Supplementary capital	970	966
Revaluation surplus	54	173
Subordinated capital	778	1,115
Eligible subordinated liabilities	1,802	2,254
Eligible short-term subordinated capital (Tier3)		
Rededication of non-qualifying eligible subordinated liabilities	249	204
Tier 1 capital and additional qualifying capital total	4,953	5,722
Deductions pursuant to section 23 (13) and section 29 (1) and (2) BWG	-163	-207
Qualifying capital (Tier 1 + 2 + 3)	4,790	5,515
Requirement of qualifying capital	2,351	2,636
Qualifying capital surplus	2,439	2,879
Coverage ratio	203.8%	209.2%
Qualifying capital surplus from Tier 1+2 funds	2,439	2,879
Qualifying capital surplus from Tier 3 funds	0	0
Solvency ratio (1)	17.4%	18.0%
of which Tier 1 ratio (2)	11.2%	11.3%

(1) Total eligible qualifying capital pursuant to section 23 Austrian Banking Act less trading book requirements and open foreign currency positions in relation to the risk-weighted assets acc. to section 22 (2) Austrian Banking Act.

(2) Tier 1 capital in relation to the risk-weighted assets acc. to section 22 (2) Austrian Banking Act.

23) List of assets which serve as security for liabilities pursuant to section 64 (1) (8) Austrian Banking Act

Assets in EUR million	31/12/2005	as security for liabilities from the following transactions
Fixed-interest securities	27	Collateral for the benefit of Oesterr. Kontrollbank AG
		Securities for loans to companies of the Erste Bank Group:
	141	of Slovenská Sporitelna a.s.
	34	of Česká Sporitelna a.s.
	79	Reserve for consolidated Erste Bank bonds
	7	Securities for other liabilities
	42	Premium reserve for gilt-edged savings deposits
	4,121	Securities for ECB custody account
	251	Margin requirements
Loans and advances to customer	72	Premium reserve for consolidated Erste Bank bonds
	21	Margin requirements
	960	Premium reserve for mortgage and municipal bonds
Loans and advances to credit institutions	100	Securities for loans of Erste & Steiermärkische Bank d.d. to companies of the Erste Bank Group
	53	Securities for other liabilities

24) Total volume of unsettled derivatives

as of 31/12/2005 (in EUR million):

	< 1 year	Nominal amounts by remaining maturity		total
		1-5 years	> 5 years	
Interest rate contracts	123,712	49,340	30,423	203,475
OTC products:				
Interest rate options purchase	9,547	11,706	6,133	27,386
sale	8,161	11,565	6,350	26,076
Interest rate swaps	88,848	25,206	17,230	131,284
FRAs	9,901	372	0	10,273
Listed products:				
Futures	5,063	491	517	6,071
Interest rate options	2,192	0	193	2,385
Currency contracts	37,419	767	821	39,007
OTC products:				
Currency options purchase	3,674	127	0	3,801
sale	3,683	67	0	3,750
Currency swaps	30,062	573	821	31,456
Listed products:				
Futures	0	0	0	0
Currency options	0	0	0	0
Precious metal contracts	5	0	0	5
OTC products:				
Precious metal options purchase	3	0	0	3
sale	2	0	0	2
Listed products:				
Futures	0	0	0	0
Precious metal options	0	0	0	0
Securities-related transactions	1,952	341	1,926	4,219
OTC products:				
Stock options purchase	115	54	139	308
sell	203	268	1,787	2,258
Listed products:				
Futures	142	1	0	143
Stock options	1,492	18	0	1,510
Total	163,088	50,448	33,170	246,706
of which OTC products:	154,199	49,938	32,460	236,597
of which listed products:	8,889	510	710	10,109

Note: Interest rate and currency swaps are one-sided (purchase), currency options are two-sided.

25) Derivatives and financial instruments of assets under the Fair-Value Valuation Act

Derivative financial instruments

as of 31/12/2005 (in EUR '000):

Par value	Positive fair
purchase	value
Par value	Negative
sale	fair value
Carrying value	

Interest rate contracts

OTC products		3,033,411			-10,544
Interest rate options			464,708		467
Interest rate swaps	27,386,428			85,485	
FRAs	131,283,881				-23,304
Listed products	2,556,243				
Futures		1,772,036			0
Interest rate options	3,037,812	31,370,471	0		-202
	1,919,865				
Currency contracts				2,964	
OTC products					
Currency options			-1,384		0
Currency swaps	1,940,562		5,558	23,977	
Listed products	31,457,056				
Futures		2,257,458			
Currency options			0		0
		105,817			0
		1,129,631			
Securities-related contracts					0
OTC products					
Stock options			42	0	-435,289
Listed products	308,698				
Futures		1,511			-23,304
Stock options	36,246		672		-458,593
	374,140				
				0	
Precious metal contracts					
OTC products					
Precious metal options			-202	0	
Listed products	815				
Futures		0		780,812 23,977	
Precious metal options			0	804,789	
		0			
		0			
Commodity and other contracts					
OTC products		195,195,649	0	-75,869	
Commodity options	0	4,733,567		-270,431	
Listed products		199,929,216			
Futures	500		0		
Commodity options	6,061				
			129,966 672		0
OTC products	194,933,683		130,638		
Listed products	5,374,624				
	200,308,307				
Totals				-1,944	
			48,231 643,576	-76,062	
			89		
	26,075,863				
	131,138,031				0
	2,580,279		0		

Financial instruments (assets)

as of 31/12/2005 (in EUR '000):	Carrying value	Fair value	Hidden liabilities Hidden reserves
Treasury bills	1,666,907 1,879,357	8,833	31,560
Loans and advances to credit institutions	2,882,656 657,894 1,658,074 1,910,917 2,881,083 659,064 976,843	1,573	1,170
Loans and advances to customers	1,045,694	20,479	3,804
Bonds	2,480,786 2,870,117		42,556
Shares	40,367 406,871		17,354
Total	8,047,559 6,859,933 975,808 1,049,498 2,472,183 2,912,673 39,932 424,225 8,027,081 6,956,377 1,035 8,603		96,444

Assets were not written off as the impairments are presumably not permanent. The fair value is the amount that could be achieved in an active market through the sale of a financial instrument or that would be payable for the corresponding purchase thereof. Provided that market prices were available, these have been taken as reference. If no market prices were available, valuation models, particularly the discounted cash flow method, was applied. The positions were recognised the interest income in the Income Statement and in net trading income.

26) Risk provisions

Changes in risk provisions (loans and advances to credit institutions and loans and advances to customers as well as contingent liabilities) in EUR million	2004	2005
At beginning of year	751	748
less utilised provisions	-117	-120
less released provisions	-101	-94
changes due to spin-offs / legal mergers	-1	0
plus additions	216	239
Currency fluctuations, transfers and changes to the provisions recognised in the provisions for interest receivables	0	13
At end of year	748	786

IV. Notes on the Income Statement:

1) The profits from profit pools listed under the item **profits from equity interests and shares in subsidiaries** of the Erste Bank Income Statement (subsidiaries that are treated as a fiscal unity with Erste Bank AG group of companies under the new group taxation regulations of 2005, or that were integrated companies in 2004) reached a total of EUR 137.8 million in the reporting year (EUR 67.0 million in the previous year). Devaluation requirements and other expenses for profit pools totalling EUR 14.0 million (EUR 12.4 million in the previous year) came about in the reporting year.

2) The **gross profit** of Erste Bank had the following regional distribution, by domicile of business offices:

(EUR millions)	Domestic	International	2004 Total	Domestic	International	2005 Total
Interest and similar income	1,556	243	1,799	1,744	446	2,190
Income from securities and equity interests	400	5	405	458	3	461
Fee and commission income	313	13	326	382	17	399
Income from financial transactions	91	4	95	102	1	103
Other operating income	29	0	29	15	0	15
Total	2,389	265	2,654	2,701	467	3,168

3) Fee and commission income includes income from **administrative and agency services** of the credit institution vis-à-vis third parties of EUR 65.9 million (EUR 56.5 million in the previous year).

4) **Other operating results** totalling EUR 14.9 million (EUR 29.0 million in the previous year) primarily include reversals of reserves and income from rent.

5) Personnel expenses include severance payments of EUR 8.5 million (EUR 11.6 million in the previous year), severance payment provision allocations of EUR 8.5 million (2.1 million in the previous year) and employee welfare fund expenses of EUR 0.2 million (EUR 0.1 million in the previous year) under item **severance payments and contributions to pension funds**.

6) **Other operating expenses** of Erste Bank, totalling EUR 4.9 million (EUR 43.5 million in the previous year) in general consist of losses in sales of real estate purchased at auctions, as well as litigation risks and damage events.

7) The reported sub-total of **extraordinary income and extraordinary expenses** of EUR 11.8 million (EUR 11.8 million in the previous year) is the result of expenses incurred to close the pension provision gap (as of 2005, the shortfall will be reported under deferred expenses) and the proportional amortisation of the difference from the transfer of pension expectancies for active employees to the pension fund, which is also reported as a deferred item.

8) Under item **income tax**, net income of EUR 2.5 million was reported (EUR -1.5 million in the previous year). This net income includes a total of EUR 27.7 million from the tax allocation to subsidiaries under the group taxation scheme pursuant to sec. 9 KStG 1988 effective as of reporting year 2005. The principal expenses under this item were foreign income tax and other foreign income-related taxes totalling EUR 23.5 million, as well as deferred tax liabilities carried over from previous years.

V. Information on board members and employees

1) Employees

The average number of employees at Erste Bank (weighted, excluding employees on leave and members of the Management Board) was 4,183 during fiscal year 2005 (4,239 in the previous year).

Of these, 469 employees (492 in the previous year) worked for other companies in exchange for reimbursed expenses. The total reimbursement was EUR 34.733 million (EUR 34.627 million in the previous year) and is recognised as general administrative expenses (personnel expenses) in the Income Statement.

2) Board members

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

In 2005, the then members of the Management Board received remuneration (including non-cash compensation) in their capacity as Management Board members totalling EUR 10.833 million (EUR 11.672 million in the previous year), which represented 2.84% of the total personnel expenses of the Erste Bank Group.

In fiscal year 2005, EUR 627,000 (EUR 683,000 in the previous year) were 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 2005 was as follows:

(EUR thousands)

Name of the Management Board member:	Monetary income Fixed income	Monetary income Bonus payments	Other emoluments	Total:
Andreas Treichl	1,200	1,357	354	2,911
Elisabeth Bleyleben-Koren	900	1,028	214	2,142
Reinhard Ortner	750	854	183	1,787
Franz Hochstrasser	750	875	181	1,806
Erwin Erasim	500	580	126	1,206
Christian Coreth	500	427	104	1,031
	<u>4,600</u>	<u>5,121</u>	<u>1,162</u>	<u>10,883</u>

Pension fund contributions and various in kind benefits are included in "other emoluments". In 2005 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.

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

PWC Business Solutions GmbH, a company related to Friedrich Rödler, invoiced a total of EUR 15,006.00 in 2005 for consulting contracts with Erste Bank AG. DORDA BRUGGER JORDIS Rechtsanwälte GmbH, a law firm related to Theresa Jordis, received a total of EUR 302,722.00 in 2005 for consulting contracts with Erste Bank AG.

Emoluments for members of the Supervisory Board in detail:

(in EUR '000).

Name of Supervisory Board member:	Supervisory Board emoluments	Total:
	attendance fee	
Heinz Kessler	36 27	
Klaus Braunegg until 11/05/2005	1 8	
Georg Winckler	27 12 18	
Theresa Jordis	12 18 18	
Bettina Breiteneder	18	
Elisabeth Gürtler		
Jan Homan	0 12 18	
Werner Hutschinski	0 0 0 0 0	
Josef Kassler	0 6 6 3	
Lars-Olof Ödlund	12 4	
Wilhelm Rasinger	11	
as of 11/05/2005	12 8 3 4	
Friedrich Rödler	10 4 2	
Hubert Singer		
Günter Benischek	4 10 3 3 6	
Erika Hegmala	3 11 10 3	
Ilse Fetik	0 0 0	
Joachim Härtel	48 31 29	
Anton Janku	39 20 21	
Christian Havelka	16 28 22	
Dietrich Blahut until 04/05/2004	20	
Wolfgang Houska until 04/05/2004	4	
Dietrich Karner until 10/03/2004	22 21 3 6	
	3 11 10 3	
	6 6 3	

The emoluments for members of the Supervisory Board are determined by the duties and responsibilities of the Supervisory Board, the performance and the company's position.

Information on securities held by and Erste Bank share transactions of Management Board and Supervisory Board members (in units):

Members of the Management Board:

Name of the Management Board member:	as of 31/12/2004	additions 2005	disposals 2005 as of 31/12/2005	
Andreas Treichl	Christian Coreth	104,040	20,800	24,000
Elisabeth Bleyleben-Koren		24,400	16,000	24,000 0
Reinhard Ortner		105,400	16,000	0
Franz Hochstrasser		28,256	20,000	18,800 0
Erwin Erasim			16,000	

18,000	24,084	7,000	121,400	34,256
120,040	25,600		20,716	9,000

The following members of the Supervisory Board held the following Erste Bank shares as of 31/12/2005:

Name of Supervisory Board member:	No. of shares
Georg Winckler	1,100
Werner Hutschinski	480
Bettina Breiteneder	2,024
Wilhelm Rasinger	2,080
Günter Benischek	2,192
Ilse Fetik	12
Joachim Härtel	192
Christian Havelka	800
Anton Janku	340

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

Expenses for severance payments, pension severance payments and pensions of Erste Bank pertain to the positions "Wages and salaries", "Expenses for old-age provision and assistance", "Allocation / reversal of pension provision", "Allocation/reversal of severance payment provision" in the Income Statement and, if it pertains to the pro-rata catch-up requirements, to "Non-recurring expenses". Expenses for severance payments and pensions for members of the Management Board and managers in accordance with section 80 (1) Stock Corporation Act amounted to EUR 7,930 thousand (EUR 6,821 thousand in the previous year.). Expenses for severance payments and pensions for other employees amounted to EUR 59,996 thousand. (EUR 55,598 thousand in the previous year). Each of the amounts indicated includes the respective expenses for surviving dependants.

The information regarding members of the Management Board and Supervisory Board in accordance with section 239 (2) Austrian Commercial Code (UGB, Unternehmensgesetzbuch) are disclosed separately in the Attachment to the Notes.

VI. Proposed distribution of profit

In consideration of section 65 (5) Austrian Stock Corporation Act, the Management Board will propose to the Annual General Meeting the payment of a dividend of EUR 0.55 per share. Hence, the dividend totals EUR 133,750,980.00; the remaining retained profit of EUR 166,088.37 is to be carried forward.

Attachment to the Notes Executive bodies of Erste Bank der oesterreichischen Sparkassen AG

Supervisory Board

Heinz Kessler,
President

Chief Executive
Officer (retired)

Klaus Braunegg,

1 st Vice President	until 11/05/2005 Lawyer
Dr. Georg Winckler	Rector of the University of Vienna Professor for Economics at the University of Economics and Business Management, Vienna
1 st Vice President	as of 11/05/2005
Theresa Jordis, 2 nd Vice President	Lawyer
Bettina Breiteneder	Business owner
Elisabeth Gürtler	Businesswoman Board member of the Austrian Professional Hoteliers Association
Jan Homan	CEO of Teich AG
Werner Hutschinski	General manager (retired)
Josef Kassler	CEO (retired)
Lars-Olof Ödlund	Senior advisor
Wilhelm Rasinger	as of 11/05/2005 Businessman
Friedrich Rödler	Public accountant and tax advisor
Hubert Singer	CEO of Dornbirner Sparkasse AG

Representatives of the Employees' Council:

Günter Benischek	Chairman of the Central Employees' Council
Erika Hegmala	Deputy Chairwoman of the Central Employees' Council
Ilse Fetik	Member of the Central Employees' Council
Joachim Härtel	Member of the Central Employees' Council
Christian Havelka	Member of the Central Employees' Council
Anton Janku	Member of the Central Employees' Council

Representatives of the supervisory authority

Robert Spacek
Senate Councillor, State Commissioner

Dietmar Griebler **as of 01/02/2005**

Senate Councillor, Deputy State Commissioner

Sabine Kanduth-Kristen

State Controller for Premium Reserve

Eduard Moser

Deputy State Controller for Premium Reserve

Irene Kienzl

Trustee for Guarantee of Mortgage and Municipal Bonds

Anton Rainer

Deputy Trustee for Guarantee of Mortgage and Municipal Bonds

Management Board

Andreas Treichl

President, Chairman

Elisabeth Bleyleben-Koren

Vice President, Vice Chairwoman

Reinhard Ortner

Member of the Management Board

Franz Hochstrasser

Member of the Management Board

Erwin Erasim

Member of the Management Board

Christian Coreth

Member of the Management Board

Attachment to the Notes

Statement of changes in fixed assets and long-term assets 2005

	in EUR million	as of 01/01/2005	of Additions	<u>Purchase costs</u> Disposals	as of 31/12/2005	
1.	Equity interests	574.1		46.2	177.0	
2. 3.	Holdings in subsidiaries					45.3
		4,356.5		293.8		318.2
	Intangible assets				0.0	
	Goodwill				0.2	
	Other	45.3		0.0		
		<u>302.4</u>		<u>16.0</u>	555.2	
				65.1	4,473.3	

	347.7	16.0	0.2	363.5
4. Tangible assets	398.3	13.6	16.0	395.9
5. Securities				
Treasury bills and similar securities	2,630.9			
Loans and advances to credit institutions	3,063.6			
Loans and advances to customers	1,413.5			
	4,441.8			
Bonds and other fixed-interest securities	458.2			
Shares and variable-interest securities	1,618.0			
	2,642.4			
	985.0			
	1,780.4			
	<u>60.9</u>			
	672.6			
	2,166.8			
	373.7			
	872.7			
	67.7			
	3,576.3			
	3,539.2			
	2,024.8			
	5,349.5			
	451.4			
	12,008.0	7,086.7	4,153.5	14,941.2
Total	<u>17,684.6</u>		<u>7,456.3</u>	20,729.1
	<u>4,411.8</u>			

Write-ups acc. to sec. 56 (3) BWG	Cumulated write-offs 31/12/2005	Carrying value 31/12/2005	Carrying value 01/01/2005	Write-offs 2005
Currency exchange rate revaluations				
0.0	18.7	536.5	514.5	0.5
0.0	445.8	4,027.5	3,941.3	55.5
0.0	36.0	9.3	13.2	3.9
0.0	238.7	79.5	99.0	35.3
0.0	274.7	88.8	112.2	39.2
0.0	298.4	97.5	105.2	18.7
11.0	41.0	3,546.3	2,581.1	19.0
1.3	0.0	3,540.5	3,060.0	0.0
1.0		2,022.5	1,399.1	0.0
21.1	19.7	5,350.9	4,403.2	5.0
0.1	4.3	447.2	454.1	0.1
34.5	68.3	14,907.4	11,897.5	24.1
34.5	1,105.9	19,657.7	16,570.7	138.0

Attachment to the Notes

Equity interests of Erste Bank AG as of 31/12/2005

Equity interests of Erste Bank-AG

In principle, the amounts for equity and results have been determined on the basis of the financial statements and Group financial statements uniformly drawn up according to IFRS standards for the entire Group and may therefore differ from the amounts published by the companies in compliance with their respective local legal requirements. An attempt is made to improve the information provided by indicating the amounts from the financial statements prepared according to uniform Group accounting standards.

The indicated result corresponds to the net income after taxes (but before changes in reserves).

Company name, domicile	Indirect share in %	Equity in EUR million	Result in EUR million	Result transfer 1)	Date of balance sheet	Accounted for consolidated financial statements 2)
1.) Credit institution						
Allgemeine Sparkasse Oberösterreich Bankaktiengesellschaft, Linz (Group)	26.9%	456.4	54.1		31/12/2005	F
Bausparkasse der österreichischen Sparkassen Aktiengesellschaft, Vienna	98.0%	123.7	15.0	X	31/12/2005	F
Ceská sporitelna a.s., Prague (Group)	98.0%	1,523.1	309.8		31/12/2005	F
Erste & Steiermärkische banka d.d., Rijeka	51.4%	240.8	46.9		31/12/2005	F
Erste Bank (Malta) Limited, Sliema	100.0%	129.9	9.0		31/12/2005	F
ERSTE BANK ad Novi Sad, Novi Sad	95.6%	17.2	-7.6		31/12/2005	F
Erste Bank Hungary Rt., Budapest (Group)	99.9%	322.3	75.8		31/12/2005	F
ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H., Vienna	84.3%	13.1	25.5	X	31/12/2005	F
Europay Austria Zahlungsverkehrssysteme GmbH, Vienna	3.1%	44.5	18.0		31/12/2004	E
Intermarket Bank AG, Vienna	21.3%	25.2	3.7		31/12/2005	E
Kapital-Beteiligungs Aktiengesellschaft, Vienna	15.0%	8.8	0.1		30/09/2005	A
Kärntner Sparkasse Aktiengesellschaft, Klagenfurt (Konzern)	25.0%	287.4	31.7		31/12/2005	F
NÖ Beteiligungsfinanzierungen GmbH, Vienna	30.0%	3.0	0.1		30/09/2005	E
NÖ Bürgschaften GmbH, Vienna	25.0%	6.5	0.0		31/12/2004	E
Oesterreichische Kontrollbank Aktiengesellschaft, Vienna (Group)	12.9%	269.8	24.7		31/12/2004	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 (Konzern)	35.0%	199.7	9.6		31/12/2005	E
s Wohnbaubank AG, Vienna (Group)	90.7%	32.5	2.9	X	31/12/2005	F
Salzburger Sparkasse Bank Aktiengesellschaft, Salzburg	98.7%	168.0	9.5	X	31/12/2005	F
Slovenská sporitelna a.s., Bratislava (Group)	100.0%	505.6	92.6		31/12/2005	F
"Spar Finanz" Investitions- und Vermittlungsgesellschaft, Vienna	50.0%	3.7	0.1		31/12/2005	E
Company name, domicile	Indirect share in %	Equity capital in EUR million	Result in EUR million	Result transfer 1)	Date of balance sheet	Accounted for consolidated financial statements 2)
Sparkasse Kremstal-Pyhrn Aktiengesellschaft, Kirchdorf	24.1%	46.6	6.7		31/12/2005	F
Sparkasse Mühlviertel-West Bank Aktiengesellschaft, Rohrbach	40.0%	49.8	4.4		31/12/2005	F
Sparkasse Voitsberg-Köflach	6.3%	26.3	1.3		31/12/2005	F

Bankaktiengesellschaft, Voitsberg						
Steiermärkische Bank und Sparkassen Aktiengesellschaft, Graz (Group)	25.0%	687.2	66.7		31/12/2005	F
Tiroler Sparkasse Bankaktiengesellschaft Innsbruck, Innsbruck (Group)	74.7%	171.7	14.6		31/12/2005	F
2.) Financial institutions						
EBV - Leasing Gesellschaft m.b.H. & Co. KG., Vienna	100.0%	2.1	0.6		31/12/2005	F
Erste Corporate Finance GmbH, Vienna	100.0%	0.7	0.2		31/12/2005	F
Erste Securities Polska S.A., Warsaw (Group)	100.0%	4.7	0.5		31/12/2005	F
Erste Securities Zagreb d.o.o., Zagreb	97.6%	2.2	0.7		31/12/2005	F
IMMORENT Aktiengesellschaft, Vienna (Group)	100.0%	418.3	58.6	X	31/12/2005	F
Neue Eisenstädter gemeinnützige Bau-, Wohn- und Siedlungsgesellschaft m.b.H., Eisenstadt	50.0%	3.0	0.4		31/12/2004	A
Österreichisches Volkswohnungswerk, Gemeinnützige Gesellschaft mit beschränkter Haftung, Vienna	100.0%	30.2	2.8		31/12/2004	A
s Autoleasing GmbH, Vienna	100.0%	0.1	0.1		31/12/2005	F
"Wohnungseigentümer" Gemeinnützige Wohnbaugesellschaft m.b.H., Mödling	26.0%	20.5	3.7		31/12/2004	A
3.) Others						
ARWAG Holding-Aktiengesellschaft, Vienna (Group)	19.2%	54.6	12.5		31/12/2004	A
AVS Beteiligungsgesellschaft m.b.H., Innsbruck	51.0%	99.5	0.9		31/12/2005	F
BMG-Warenbeschaffungsmanagement GmbH, Vienna	55.9%	0.0	0.0		31/12/2005	F
Budapesti Értéktözsde Rt, Budapest	12.2%	21.3	4.2		31/12/2004	A
Capexit Private Equity Invest AG, Vienna (Group)	93.9%	12.8	-1.3		31/12/2005	F
CSSC Customer Sales Service Center GmbH, Vienna	46.9%	0.0	0.0		31/12/2005	F
Dezentrale IT-Infrastruktur Services GmbH, Vienna	74.4%	0.0	0.0	X	31/12/2005	F
Donau Allgemeine Versicherungs- Aktiengesellschaft, Vienna	8.5%	84.1	9.6		31/12/2004	A
EB-Beteiligungsservice GmbH, Vienna	99.8%	0.0	0.0	X	31/12/2005	F
EB-Malta-Beteiligungen Gesellschaft m.b.H., Vienna	100.0%	131.6	10.2		31/12/2005	F
EB-Restaurantsbetriebe Ges.m.b.H., Vienna	100.0%	0.0	0.0	X	31/12/2005	F
ecetra Internet Services AG, Vienna (Group)	100.0%	17.8	-3.9		31/12/2005	F
ECO Unternehmensbeteiligungs-GmbH, Vienna	100.0%	17.7	-0.9		31/12/2005	F
Erste Reinsurance S.A., Luxemburg	100.0%	15.0	0.0		31/12/2005	F
GESCO Gesellschaft für Unternehmenscommunication GmbH, Vienna	55.8%	0.9	-1.1		31/12/2005	F
Informations-Technologie Austria GmbH, Vienna	25.9%	22.5	0.2		31/12/2005	E
OM Objektmanagement GmbH, Vienna (Group)	100.0%	83.4	16.7	X	31/12/2005	F
s Haftungs- und Kundenabsicherungs GmbH, Vienna	62.6%	0.2	0.0		31/12/2005	F
s Immobilienfinanzierungsberatung GmbH, Vienna	72.9%	-4.9	-0.2		31/12/2005	F

Company name, domicile	Indirect share in %	Equity capital in EUR million	Result in EUR million	Result transfer 1)	Date of balance sheet	Einbeziehung Accounted for consolidated financial statements 2)
s REAL Immobilienvermittlung GmbH, Vienna (Group)	98.4%	1.7	0.7		31/12/2005	V
S Tourismus Services GmbH, Vienna	100.0%	4.8	-9.4		31/12/2005	V
SPARDAT Sparkassen-Datendienst Gesellschaft m.b.H., Vienna	73.4%	1.7	0.1		31/12/2005	V
Sparkassen Immobilien Aktiengesellschaft, Vienna (Group)	16.2%	224.7	5.0		31/12/2004	E
Sparkassen Versicherung Aktiengesellschaft, Vienna (Group)	61.9%	211.5	25.4		31/12/2005	V
Sparkassen Zahlungsverkehrabwicklungs GmbH, Linz	40.0%	0.4	0.0		31/12/2005	V
"Sparkassen-Haftungs Aktiengesellschaft", Vienna	38.5%	0.2	0.0		31/12/2005	V
SporDat, spol. s.r.o., Bratislava	99.5%	1.0	0.9		31/12/2005	V
S-Tourismusfonds Management Aktiengesellschaft, Vienna	99.9%	42.9	1.0		31/12/2005	V
UBG-Unternehmensbeteiligungs-gesellschaft m.b.H., Vienna	100.0%	0.6	0.0		31/12/2004	A
VBV-Pensionskasse Aktiengesellschaft, Vienna	27.2%	46.3	9.1		31/12/2004	E
VERMREAL Liegenschaftserwerbs- und -betriebs GmbH, Vienna	25.6%	8.2	0.1		31/12/2005	E
VMG-Erste Bank Versicherungsmakler GmbH, Vienna	100.0%	0.2	0.2	X	31/12/2005	V
WED Holding Gesellschaft m b H., Vienna	19.2%	11.5	0.0		31/12/2004	A
Wiener Börse AG, Vienna	10.1%	30.3	6.2		31/12/2004	A

1) Profit transfer agreements with Erste Bank AG

2) F ... Fully consolidated

E ... At equity

A ... Not consolidated

Vienna, 6 March 2006

Management Board

Andreas Treichl
Chairman

Elisabeth Bleyleben-Koren
Vice Chairwoman

Reinhard Ortner.
Member of the Management Board

Franz Hochstrasser
Member of the Management Board

Erwin Erasim
Member of the Management Board
Christian Coreth
Member of the Management Board

Auditors' Report

"We have audited the financial statements, including the accounting records, of Erste Bank der oesterreichischen Sparkassen AG for the fiscal year from 1 January 2005 to 31 December 2005. The management is responsible for the accounting records, the preparation and the content of the financial statements and the management report in accordance with Austrian corporate law and the supplementary provisions of the Articles of Association. In accordance with the provisions of sec. 275 HGB (Austrian Commercial Code) in conjunction with sec. 906 (6) HGB as amended by Federal Law Gazette I 2004/14, in particular with respect to the limitations of liability governed therein, our responsibility is to express an opinion on these financial statements and state whether the management report is consistent with to the financial statements.

We conducted our audit in accordance with the laws and regulations applicable in Austria and in accordance with Austrian Standards on Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement and whether we can state that the management report is consistent with the consolidated financial statements. In determining the audit procedures, we considered our knowledge of the business, the economic and legal environment of the Group as well as the expected occurrence of potential errors. An audit involves procedures to obtain evidence about amounts and disclosures in the accounting records and consolidated financial statements predominantly on a sample basis. An audit also includes assessing the accounting principles applied and significant estimates made by the management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonably sound basis for our opinion.

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the financial statements are in accordance with legal requirements and the supplementary provisions in the Articles of Association, and present fairly, in all material respects, the financial position of Erste Bank der oesterreichischen Sparkassen AG and the results of its operations in accordance with Austrian generally accepted accounting principles. The management report is consistent with the consolidated financial statements."

Vienna, 6 March 2006

Sparkassen-Prüfungsverband
Auditing agency
(bank auditors)

Friedrich O. Hief mp
Public Accountant

Erich Kandler mp
Public Accountant

Deloitte Wirtschaftsprüfungs GmbH

Kurt Schweighart mp
Public Accountant

Thomas Becker mp
Public Accountant

On disclosure or reproduction of the financial statements in a form differing from the audited original German version (e.g. shortened version and/or version translated into another language), the auditor's report may neither be quoted nor referred to without our approval.

Supervisory Board Report

The Supervisory Board has been regularly informed by the Management Board of the business activities and the situation of Erste Bank der oesterreichischen Sparkassen AG and has in its meetings discharged its duties under statutory law and the articles of association.

The 2005 financial statements and the management report have been audited by the Sparkassen-Prüfungsverband and by Deloitte Wirtschaftsprüfungs GmbH. Upon completion of the audit, no reasons for objection were found, and the unqualified audit certificate was issued.

The Supervisory Board is in agreement with the results of this audit and has declared its agreement with the report given by the Management Board, as well as the recommendation of the appropriation of profits. The Supervisory Board accepts the 2005 financial statements, which are thus considered approved pursuant to sec. 125 (2) of the Austrian Stock Corporation Act.

Heinz Kessler mp
President