

**Interim Report
03/2005**



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

Capital Markets Day 2005: New Erste Bank growth targets for 2006 to 2008

Novosadska banka: Erste Bank presents takeover offer to minority shareholders

Erste Bank share: Three additional brokerage firms initiate coverage

Key figures (IFRS)

in EUR million	30 Sep 2005	31 Dec 2004 restated	31 Dec 2004 published
Balance sheet			
Total assets	156,931	139,812	139,682
Loans and advances to customers	79,946	72,843	72,722
Amounts owed to customers	71,421	68,213	68,213
Shareholders' equity	3,871	3,424	3,347
Solvency ratio pursuant to Sec. 22 Banking Act (in %)	10.0		10.7
of which core capital ratio (in %)	6.3		6.7
	Jan-Sep 2005	Jan-Sep 2004 restated	Jan-Sep 2004 published
Income statement			
Operating result	1,229.8	1,073.5	1,075.4
Pre-tax profit	890.3	744.7	769.6
Net profit after minority interests	508.8	363.6	382.6
	Jan-Sep 2005	Jan-Dec 2004 restated	Jan-Sep 2004 restated
Profitability			
Interest margin in per cent of average interest bearing assets	2.1	2.2	2.2
Cost-income ratio (in %)	61.8	63.5	64.5
Return on Equity (RoE) (in %)	18.5	17.0	16.2
Earnings per share (in EUR)	2.1	2.1	1.5

Ratings

FITCH

Long-term	A
Short-term	F1
Individual	B/C

Moody's Investors Service

Long-term	A1
Short-term	P-1
Bank Financial Strength Rating	B-

Standard & Poor's

Short-term	A-2
------------	-----

Performance of Erste Bank share



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

Financial calendar*

28 February 2006*	Release of preliminary results for 2005
28 April 2006*	Release of results for the first quarter of 2006
19 May 2006	Annual General Meeting 2006
31 July 2006*	Release of results for the first half of 2006
30 October 2006*	Release of results for the third quarter of 2006

*) tentative date

Erste Bank Investor Relations

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

Gabriele Semmelrock-Werzer

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

Josef Kerekes

PHONE: from within Austria 05 0100-16878
international +43 5 0100-16878
E-MAIL: Josef.kerekes@erstebank.at

Thomas Sommerauer

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

Ticker symbols

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

Erste Bank

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

Highlights in figures*

_____ The newly acquired Novosadska banka in Serbia has been consolidated from 9 August 2005 following the closing of the transaction. However, the impact on group accounts is currently minimal. Novosadska's total assets on 30 September 2005 were approximately EUR 123 m. For August and September it contributed operating income of roughly EUR 2.2 m, general administrative expenses of around EUR 1.4 m and risk provisions for loans and advances of EUR 0.7 m to group accounts.

- > **Net interest income** rose by 4.7% from EUR 1,995.9 m to **EUR 2,089.4 m**.
- > **Net commission income** increased by 8.6% from EUR 848.9 m to **EUR 921.9 m**.
- > **Operating income** rose by 6.4% from EUR 3,026.8 m to **EUR 3,219.8 m**.
- > **General administrative expenses** increased by 1.9% from EUR 1,953.3 m to **EUR 1,990.0 m**.
- > **Operating profit** improved by 14.6%, rising from EUR 1,075.3 m to **EUR 1,229.8 m**.
- > **Pre-tax profit** rose by 19.6% from EUR 744.7 m to **EUR 890.3 m**.
- > **Group net profit after taxes and minorities** increased by 39.9% from EUR 363.6 m to **EUR 508.8 m**.
- > **Cost/income ratio** improved from 63.5% in FY 2004 to **61.8%**.
- > **Earnings per share** for the first three quarters rose 38.6% to **EUR 2.12**.
- > **Return on equity** rose from 17.0% in FY 2004 to **18.5%**.
- > **Total assets** increased by 12.2% on the year-end 2004 figure of EUR 139.8 bn to **EUR 156.9 bn**.
- > **Tier 1 capital ratio** was **6.3%** on 30 September 2005, down from 6.7% at the end of 2004.

_____ The excellent results for the first nine months of the year once again confirm Erste Bank's earnings power. As in previous quarters, along with the strong performance of the subsidiaries in Central Europe, the improvement in the Austrian business was an important growth driver. The fact that the usually weak third quarter matched the record results achieved in the second-quarter was particularly encouraging.

_____ The trend in the **cost/income ratio** is particularly encouraging. It has fallen steadily in recent years and now stands at an impressive 61.8%. This trend is set to continue in the coming quarters.

_____ Erste Bank is currently involved in negotiations related to the privatisation of both Casa de Economii si Consemnatiuni (CEC) and Banca Comerciala Romana (BCR) in Romania. In the privatisation of BCR, Erste Bank has been shortlisted by the Romanian Government as one of two candidates with whom they will undertake detailed negotiations.

*) The revised IASB standards, IAS 32 (Financial Instruments: Disclosure and Presentation) and IAS 39 (Financial Instruments: Recognition and Measurement), became compulsory as of 1 January 2005. They mainly affect the presentation of securities trading and the valuation of loans. Under the transitional provisions, prior-year figures must be restated. The rates of change indicated are based on the restated prior-year figures. Details of the changeover to IAS were provided in a release published on 3 May 2005, which can be found on the Erste Bank website.

Overview

Erste Bank's new growth targets for 2006 to 2008

On 16 September at the annual Capital Markets Day, which this year was held in Prague, Erste Bank released its new growth targets for the years 2006 to 2008. Despite the unfavourable interest rate environment, the Erste Bank Group's growth in Central Europe and further earnings improvement in Austria are expected to permit an average annual increase of at least 15% in net profit after minority interests during the period from 2006 to 2008. On the assumption that the Tier 1 ratio in 2008 will be between 7 and 7.5%, this earnings growth will lead to an increase in return on equity to 20%. By 2008 the cost-income ratio of the Erste Bank Group will be lowered to 57%.

Sustained impetus for the earnings growth of Erste Bank will come from further efficiency gains flowing from the New Group Architecture programme. The purpose of this programme launched last year is to streamline the processes and business models within the Group and thus achieve both cost and earnings effects. For the projects developed to date, these effects will grow to a total of EUR 210 million per year by 2008 and contribute to reaching the corporate targets.

Logical markets targeted for further expansion are Romania and the Ukraine, with a combined total population of 69 million. Erste Bank continues to pursue its disciplined acquisition strategy according to business plan criteria that are clearly based on value growth. As well, acquisition targets are being sought in the existing markets of Croatia and Serbia to strengthen market shares there.

Erste Bank presents a takeover bid to minority shareholders of Novosadska banka

_____ In the middle of October, after acquiring 83.3% of the shares of Serbia's Novosadska banka a.d., Novi Sad on 9 August 2005, Erste Bank fulfilled the terms of the purchase agreement by tendering an offer to buy the shares of the minority shareholders of Novosadska banka. These 67,045 shares are held in the form of free float by more than 2,000 small shareholders. Until 7 November 2005 the minority shareholders of Novosadska banka can sell their interest to Erste Bank for EUR 218.98 per share. Payment is made in Serbian dinar (CSD) at the middle rate of the Serbian National Bank at completion of the tender offer. The small shareholders are thus offered the same price per share as that paid to the Serbian Republic in the bank's privatisation.

_____ The extraordinary general meeting on 9 August 2005 elected the new management of Novosadska banka and the new supervisory board. The management team of Novosadska banka is led by its existing CEO Vladimir Medan, who has already successfully steered the bank through the privatisation process. As well, numerous experienced managers from Erste Bank were elected to the supervisory board.

_____ Upon the transfer of title to Erste Bank, a comprehensive transformation programme was launched at the end of September 2005 that will improve both the business processes and the competitive position of Novosadska banka in the Serbian banking market. Break-even is to be reached by the end of 2006 and return on equity after taxes in 2008 is to exceed 20%.

The Erste Bank share

Performance of equity indices

_____ In the third quarter of 2005, events on international stock markets remained driven by the trend in oil prices and their effects on economic activity, inflation and interest rate policies. The major equity markets moved higher in July amid good financial results reported from the USA and Europe for the second quarter, mounting optimism for the further economic trend in the large economies, and a short-term easing in oil prices. In August, once the corporate reporting season was largely over, investors' focus returned to the high price of oil. Stock market performance was dampened by fears of the associated inflationary risks and a resulting more restrictive monetary policy on the part of the US Federal Reserve – concerns that were borne out by renewed interest rate increases – as well as the potential implications for the economic cycle and corporate earnings. In the wake of Hurricanes Katrina and Rita and an unexpectedly sharp decrease in oil inventories, crude oil prices rose again. The hurricane damage and the threat of bottlenecks in oil production and refining pushed the price of futures on West Texas crude to a record level of more than USD 70 per barrel. The announcement by OPEC that it would secure the supply for international markets by raising production, coupled with the US government's decision to release part of its strategic oil reserves, led oil prices to decline towards the end of September and caused a renewed upsurge in international stock markets. In the course of their rise, equity markets more than recouped the previous month's losses to close the quarter on a net gain.

_____ In the performance comparison between the American and European bourses for the nine months to 30 September 2005, the trend difference vis-

ible since the beginning of the year became even more evident in the third quarter. While the American stock indices fell towards the end of each quarter amid the continuing US interest rate tightening cycle and fears for economic growth against the backdrop of rising oil prices, the European markets expanded their gains. Compared to the beginning of the year, all observed stock markets charted double-digit gains, with the FTSE Eurotop 300 Index up 17.9%.

_____ In the third quarter of 2005 the ATX, the Austrian blue-chip equity index, continued its exceedingly positive performance of the previous quarter by reaching a new all-time high of 3,457.45 points on 30 September. With an advance of 13.4% in the quarter under review or 42.2% in the first three quarters of 2005, the ATX significantly surpassed all major international stock indices. The key reasons for the standout performance in the third quarter included marked advances of the utility and commodity shares in the index that were aided by the boom in prices of oil and other resources.

_____ The DJ Euro Stoxx Bank Index as well continued its rise of the first half of the year by climbing 9.2% in the third quarter. As of 30 September 2005 this European banking index, at 339.05 points, stood 17.6% higher than at the beginning of the year. In addition to the positive second-quarter results reported by the European banks, takeover bids and merger speculation (Commerzbank/BNP) in the European banking sector were the driving forces behind the rising share prices. Upcoming takeovers involved the acquisition of a majority stake in Italy's Banca Antonveneta by ABN Amro, and the bidding by both BBVA and Italian insurance group Unipol for another Italian institution, Banca Nazionale del Lavoro (BNL).

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



Performance of the Erste Bank share

With a further price advance of 7.6% in the third quarter of 2005 and the reaching of its highest-ever closing price of EUR 47.45 on 9 September 2005, the Erste Bank share maintained the positive momentum of the first half of the year. At the end of the third quarter of 2005, Erste Bank's share quoted at EUR 44.50, up 13.2% on its year-end level. The share's good performance benefited from the publication of the best quarterly profit in the bank's history for the second quarter of 2005. After the release of the higher-than-expected consolidated earnings figures, some analyst houses covering Erste Bank published new research reports. The ratings and target prices for the Erste Bank share were confirmed or in some cases revised upward. In the view of the financial analysts, the positive business performance confirms the improving trend in Austria and the vigorous growth in Central Europe.

Investor relations

On 16 September 2005 Erste Bank held its third international Capital Markets Day in Prague. In detailed presentations to the approximately 40 institutional investors and analysts present, the management of Erste Bank and its Central European subsidiaries provided a comprehensive overview of the Group's business developments and results. Avid interest was also shown in

the live webcast of the Capital Markets Day on the Internet, with 254 downloads on the day of the event.* Focal points of the Capital Markets Day were a presentation on the opportunities for Erste Bank in the markets of Central and Eastern Europe, an update on the accomplishments and prospects of the subsidiaries in the Czech Republic, Slovakia, Hungary and Croatia, and the progress and further implementation of the ongoing efficiency improvement programme known as New Group Architecture. At the event Erste Bank also announced the Group's growth targets for 2006 to 2008.

Growing interest in the Erste Bank share is documented by the initiation of coverage by three highly respected providers of investment research – Goldman Sachs, Redburn Partners and Cazenove.

The management of Erste Bank had numerous meetings with investors at a banking conference held by HSBC in London and at the investor road shows in London and Edinburgh organised by the Vienna Stock Exchange together with RCB and BA-CA. These opportunities were used to familiarise international investors with the strategy and positioning of the Erste Bank Group.

* The video recording is available to you for replay on the website of Erste Bank at www.erstebank.com under the headings Investor Relations, Capital Markets Day.

Key figures for the Erste Bank share

Share price at 30 September 2005	EUR 44.50
High for the year to date (9 September 2005)	EUR 47.45
Low for the year to date (17 May 2005)	EUR 36.36
Price-earnings ratio at 30 September 2005 ¹	15.51
Trading volume (to 30 September 2005)	EUR 3,171 million
Market capitalisation at 30 September 2005	EUR 10.8 billion

¹ Based on earnings per share of EUR 2.87 (IBES/consensus forecast for 2005)

Institutions providing research on the Erste Bank share¹

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

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

Developments at Erste Bank

_____ The newly acquired Novosadska banka in Serbia has been consolidated from 9 August 2005 following the closing of the transaction. However, the impact on group accounts is currently minimal. Novosadska's total assets on 30 September 2005 were approximately EUR 123 m; for August and September it contributed operating income of roughly EUR 2.2 m, general administrative expenses of around EUR 1.4 m and risk provisions for loans and advances of EUR 0.7 m to group accounts.

_____ The revised IASB standards, IAS 32 (Financial Instruments: Disclosure and Presentation) and IAS 39 (Financial Instruments: Recognition and Measurement), became compulsory as of 1 January 2005. They mainly affect the presentation of securities trading and the valuation of loans. Under the transitional provisions, prior-year figures must be restated. The rates of change indicated are based on the restated prior-year figures. Details of the changeover to IAS were provided in a release published on 3 May 2005, which can be found on the Erste Bank website.

Performance in detail

_____ **Net interest income** came in at EUR 2,089.4 m, up 4.7% from EUR 1,995.9 m in the same period last year. This growth was driven to a considerable extent by the sharp increase in lending volumes at the Central European subsidiaries.

_____ At 2.10%, the net interest margin for the first three quarters of 2005 was stable compared with the same period in 2004. The slight fall relative to 2004 as a whole, when the margin was 2.21%, can be explained primarily by the additional refinancing costs incurred for the acquisition of the remaining 19.99% of Slovenská sporiteľňa in January 2005 and the overall low interest rate environment. The recently announced 25 BP increase in interest rates by the CNB is a positive signal going forward.

_____ The domestic net interest margin remained at roughly 1.6%. Margins in Central Europe, meanwhile, stayed well above the Austrian level, ranging from 3.1% to over 5%.

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

_____ **Net commission income** rose 8.6% from EUR 848.9 m to EUR 921.9 m and thus made a significant contribution to earnings. Particularly strong growth was recorded not only among the Central European subsidiaries, but also at Erste Bank AG. The main drivers of this trend were securities trading (commission income up 29.4% at EUR 273.8 m) and commissions on the sale of insurance products (up 18.3% at EUR 52.9 m).

_____ **Net trading income** once again showed strong year-on-year growth, rising 9.9% from EUR 156.2 m to EUR 171.6 m. This result was achieved mainly thanks to positive trends in securities and derivatives trading, as well as foreign-exchange trading.

_____ **Income from insurance business** showed an above average increase of 43.0%, rising from EUR 25.8 m to EUR 36.9 m due to significantly higher valuation gains on financial assets held by group insurance businesses.

_____ **Total operating income** registered a 6.4% rise from EUR 3,026.8 m to EUR 3,219.8 m.

_____ **General administrative expenses** showed a modest increase of 1.9% from EUR 1,953.3 m to EUR 1,990.0 m. The main factors here were rising costs at Central European subsidiaries (up 10%) also due to higher value-added tax rates in the Czech Republic and Slovakia. Local currency movements are also reflected in this increase. In the Czech Republic, extraordinary expenses were incurred in connection with headcount reductions, especially in the third quarter. In Austria (including the Corporate Centre and International Business segments), on the other hand, general administrative expenses fell 2.2% despite the upward trend in expenditure on establishing additional group functions.

in EUR million	Jan-Sep 2005	Jan-Sep 2004 restated	Change in per cent	Jan-Sep 2004 published
Net interest income	2,089.4	1,995.9	4.7	1,993.7
Loan loss provisions	(329.1)	(306.9)	7.2	(306.9)
Net commission income	921.9	848.9	8.6	851.8
Net trading result	171.6	156.2	9.9	156.2
General administrative expenses	(1,990.0)	(1,953.3)	1.9	(1,950.9)
Insurance business	36.9	25.8	43.0	24.6
Other operating result	(10.4)	(21.9)	52.5	1.1
Pre-tax profit for the period	890.3	744.7	19.6	769.6
Profit for the period	508.8	363.6	39.9	382.6
Cost/income ratio	61.8%	64.5%		64.5%

Group **personnel expenses** were up 6.3% to EUR 1,154.7 m, compared with EUR 1,085.8 m in the same period last year. **Headcount** rose 1.5% over the first three quarters, with 36,383 people employed by Erste Bank on 30 September 2005. Novosadska banka was consolidated for the first time, adding 843 employees to the Group total. Adjusted for this effect, Group headcount was about 0.9% lower year-to-date. Further steps were taken to reduce headcount in the Czech Republic during the third quarter. At the same time, however, headcount increased in Hungary and Croatia due to the expansion of the branch networks in those countries.

The excellent quarterly results reflect both the positive earnings trend and Erste Bank's rigorous approach to cost management. **Other administrative expenses** fell 4.4% year-on-year from EUR 611.7 m to EUR 584.9 m thanks in particular to declining expenditure on IT (down 20.3% to EUR 138.5 m) and premises (down 6.1% at EUR 110.8 m). A fall of 13.0% to EUR 309.3 m was recorded in Austria, while Central Europe posted a 7.5% increase to EUR 275.6 m. This was mainly attributable to the VAT increase and currency trends mentioned above.

Depreciation on tangible fixed assets was also lower, falling 2.1% to EUR 250.4 m. This was principally a result of reduced IT investment in Austria.

Operating result – operating income minus general administrative expenses – for the first three quarters was EUR 1,229.8 m, 14.6% higher than the previous year's figure of EUR 1,073.5 m.

The trend in the **cost/income ratio** was particularly encouraging. It has fallen steadily in recent years and now stands at a satisfying 61.8%. This trend is clearly set to continue in the coming quarters.

While the **other operating result** remained in negative territory at EUR -10.4 m, it showed a significant improvement on the previous year's figure of EUR -21.9 m. This was due in particular to higher income from sales of securities. The Central European subsidiaries' contributions to the local deposit insurance schemes are the most significant items under this heading.

Risk provisions for loans and advances rose by a considerable 7.2% to EUR 329.1 m in the first three quarters. However, half of this increase was due to extraordinary third quarter expenditure at one of the smaller cross-guarantee scheme savings banks. This therefore only had a minimal impact on the Erste Bank Group's net profit after minority interests. The other half can be explained by strong growth in lending in Central Europe and the non-recurrence of the releases made by the Slovak and Croatian subsidiary banks last year.

The positive trend in non-performing loan coverage continued in the third quarter resulting in a NPL cover ratio of 75.8% for the Group (72.5% at YE 2004). The overall credit exposure grew by 12.9% ytd, with the lowest risk class growing strongest (+ 15.2%) and non-performing loans nearly unchanged with a 0.7% increase, leading to a further decline of the NPL ratio of 2.6% (2.9% at YE 2004).

in EUR million	Jan-Sep 2005	Jan-Sep 2004 restated	Change in per cent	Jan-Sep 2004 published
Erste Bank Group				
Personnel expenses	1,154.7	1,085.8	6.3	1,083.4
Other administrative expenses	584.9	611.7	(4.4)	611.7
<i>Subtotal</i>	<i>1,739.6</i>	<i>1,697.5</i>	<i>2.5</i>	<i>1,695.1</i>
Depreciation	250.4	255.8	(2.1)	255.8
Total	1,990.0	1,953.3	1.9	1,950.9
Austria (incl. Corporate Center and International Business)				
Personnel expenses	835.0	798.6	4.6	798.6
Other administrative expenses	309.3	355.3	(13.0)	355.3
<i>Subtotal</i>	<i>1,144.3</i>	<i>1,153.9</i>	<i>(0.8)</i>	<i>1,153.9</i>
Depreciation	127.3	146.3	(13.0)	146.3
Total	1,271.6	1,300.2	(2.2)	1,300.2
Central Europe				
Personnel expenses	319.7	287.2	11.3	284.7
Other administrative expenses	275.6	256.4	7.5	256.4
<i>Subtotal</i>	<i>595.3</i>	<i>543.6</i>	<i>9.5</i>	<i>541.1</i>
Depreciation	123.1	109.5	12.4	109.5
Total	718.4	653.1	10.0	650.6

_____ **Pre-tax profit** registered a 19.6% increase from EUR 744.7 m to EUR 890.3 m.

_____ Tax cuts in the Czech Republic and Austria, together with the non-recurring write-off of deferred tax assets (EUR 20.0 m) in the first quarter of 2004, will result in a lower **tax rate** in 2005 than was recorded last year.

_____ The 5.5% fall in **minority interests** for the first three quarters (EUR 172.4 m, down from EUR 182.5 m in the same period last year), was caused first and foremost by the Group increasing its stake in Slovenská sporiteľňa to 100% and the non-recurrence of the profit made in 2004 on the sale of the property insurance business in the Czech Republic.

_____ Erste Bank Group's sustained earnings momentum is evident in the **Group net profit** after taxes and minority interests, which increased approximately 40% from EUR 363.6 m to EUR 508.8 m for the first nine months of the year. This gave rise to an increase in the **return on equity** (ROE) from 17.0% in 2004 as a whole to 18.5%.

_____ **Earnings per share** for the first three quarters increased from EUR 1.53 last year to EUR 2.12.

Performance in the third quarter of 2005

_____ Virtually matching the second quarter's record net profits of EUR 175.4 m, this latest period represents another excellent performance. **Group net profit** after taxes and minority interests of EUR 173.1 m was achieved in the **third quarter of 2005**.

_____ At EUR 702.9 m, **net interest income** was almost unchanged on the second quarter (EUR 705.3 m). **Net commission income** of EUR 304.9 m was also flat compared to the preceding three months (EUR 305.9 m).

_____ On the other hand, the **net trading income** of EUR 66.4 m was the highest quarterly figure in 18 months (up 38.3%).

_____ **General administrative expenses** of EUR 666.9 m remained practically unchanged compared to the second quarter (EUR 664.2 m). While personnel expenses increased by 2.4% from EUR 384.0 m to EUR 393.3 m, other administrative expenses, particularly at Česká spořitelna, declined by 3.3% from EUR 197.0 m to EUR 190.5 m.

_____ Thus, at EUR 417.3 m, the operating result was marginally above that for the previous quarter (EUR 416.3 m). This is all the more remarkable as results are traditionally weaker in the third quarter because of the holiday period.

_____ The **cost/income ratio** was unchanged at 61.5%.

_____ **Risk provisions for loans and advances** of EUR 119.2 m were considerably higher than in the previous quarter (EUR 108.6 m). This was exclusively due to the previously mentioned extraordinary expense at one of the smaller cross-guarantee scheme savings banks.

_____ **Income from insurance business**, which was unusually high at EUR 21.3 m in the previous quarter because of valuation gains in the securities portfolio, returned to a more normal figure of EUR 10.0 m in the third quarter.

_____ At EUR -1.0 m, the balance of positions under **other operating result** was more favourable than in the previous quarter (EUR -7.4 m) mainly due to positive effects from valuation gains in the securities portfolio.

_____ In the third quarter, the **pre-tax profit** of EUR 297.1 m was only marginally below that for the previous quarter (EUR 300.3 m), as was the **Group net profit** after taxes and minority interests as mentioned above (EUR 173.1 m compared to EUR 175.4 m).

Outlook

_____ Erste Bank anticipates that Group net profit for 2005 will be above EUR 660 m. New targets covering the 2006 – 2008 period were announced at the Capital Markets Day in mid-September; over this time Erste Bank aims to reduce the Group cost/ income ratio to 57% and achieve average annual growth in Group net profit after taxes and minority interests of at least 15%. Assuming a Tier 1 ratio of 7–7.5% in 2008, this level of earnings growth will imply an increase in return on equity to 20%.

_____ The acquisition during the third quarter of Serbia's Novosadska banka will not have any major effect on the operating result in 2005; however, restructuring costs, the final amount of which cannot be precisely determined at this stage, are expected in the fourth quarter of 2005.

Balance sheet performance

_____ In the first three quarters of 2005, Erste Bank Group's consolidated total assets grew by 12.2%, from EUR 139.8 bn at end-2004 to EUR 156.9 bn.

_____ **Loans and advances** to customers increased by 9.8% from EUR 72.8 bn to EUR 79.9 bn over the same period, mainly as a result of the above-average rise of 20.9% to EUR 31.2 bn in lending to private and corporate customers in Central Europe.

_____ **Risk provisions** rose by 3.5% to EUR 2.9 bn, with new allocations partly offset by usage of existing provisions.

_____ **Available for sale and assets through profit and loss** saw an above-average increase of 15.9% from EUR 16.0 bn to EUR 18.5 bn. In accordance with the revised IAS 39, valuation profits or losses on the AfS portfolios must now be shown under total equity until the securities are sold or repaid. Cumulative valuation profits as at 30 September 2005 stood at EUR 548 m versus EUR 429 m at end-2004. The heading also includes the new category of fair value portfolios. Valuation and realised profits or losses on these portfolios are booked to the income statement. At 30 September 2005, the fair value portfolios and portfolios available for sale were valued at EUR 4.0 bn and EUR 14.5 bn respectively, with only portfolios available for sale seeing a rise.

_____ **Trading assets** also saw an above-average rise of 21.1% from EUR 4.6 bn to EUR 5.6 bn (partly due to much higher positive market values of deriva-

tive financial instruments). Together with the increase of 7.5% to EUR 23.6 bn in **financial investments, total trading, financial and other current assets** enjoyed overall growth of 12.2% from EUR 42.5 bn at end-2004 to stand at EUR 47.7 bn on the reporting date.

_____ The biggest rise on both sides of the balance sheet was in interbank business, which traditionally expands during the year but is then scaled back towards the end of the year.

_____ **Loans and advances to credit institutions** increased by 27.9% from EUR 15.7 bn to EUR 20.1 bn, while **amounts owed to credit institutions** rose by 30.9% from EUR 28.6 bn to EUR 37.4 bn. The above-average increases covered both domestic and foreign credit institutions.

_____ **Amounts owed to customers** rose by 4.7% from EUR 68.2 bn to EUR 71.4 bn, with savings deposits virtually unchanged at EUR 37.9 bn.

_____ **Subordinated liabilities** increased by 15.0% from EUR 3.0 bn to EUR 3.4 bn, while other **debts evidenced by certificates** rose by 7.4% from EUR 19.7 bn to EUR 21.2 bn.

_____ **Total equity** increased by 9.1% in the first three quarters from EUR 6.7 bn to EUR 7.3 bn. Here, the 13.1% rise in shareholders' equity was much higher than the 4.9% rise in equity held by minority interests. This change mainly reflects earnings in the first three quarters (after deduction of the dividend paid by Erste Bank AG in May).

_____ **Total own funds** of Erste Bank Group as defined in the Austrian Banking Act (BWG) were approximately EUR 7.5 bn at 30 September 2005. Since the statutory minimum requirement at this date was about EUR 6.1 bn, the Group's coverage ratio is 124%.

_____ **Core capital** at end-September stood at EUR 4.4 bn, corresponding to a **tier 1 capital ratio** of 6.3% (end-2004: 6.7%). The decline in the ratio is the result of the sharp rise (7.8%) in risk-weighted assets, particularly at the Central European subsidiaries.

_____ The **solvency ratio** according to the Austrian Banking Act equalled 10.0% at 30 September 2005, still well above the statutory minimum requirement of 8%.

in EUR million	30 Sep 2005	31 Dec 2004 restated	Change in per cent	31 Dec 2004 published
Assets				
Loans and advances to credit institutions	20,058	15,684	27.9	15,513
Loans and advances to customers	79,946	72,843	9.8	72,722
Risk provisions for loans and advances	(2,902)	(2,804)	3.5	(2,749)
Securities and other financial investments	47,678	42,521	12.1	42,636
Other assets	12,151	11,568	5.0	11,560
Total assets	156,931	139,812	12.2	139,682
Liabilities and shareholders' equity				
Amounts owed to credit institutions	37,365	28,551	30.9	28,551
Amounts owed to customers	71,421	68,213	4.7	68,213
Debts evidenced by certificates and subordinated capital	24,611	22,704	8.4	22,935
Total Equity	7,271	6,665	9.1	6,476
Other liabilities	16,263	13,679	18.9	13,507
Total liabilities and shareholders' equity	156,931	139,812	12.2	139,682

Consolidated Financial Statements for the third quarter of 2005 (IFRS)

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

Group Balance Sheet of Erste Bank at 30 September 2005

in EUR million	Notes	30 Sep 2005	31 Dec 2004 restated	Change in per cent	31 Dec 2004 published
Assets					
1. Cash and balances with central banks		2,906	2,723	6.7	2,723
2. Loans and advances to credit institutions	(1)	20,058	15,684	27.9	15,513
3. Loans and advances to customers	(2)	79,946	72,843	9.8	72,722
4. Risk provisions for loans and advances	(3)	(2,902)	(2,804)	3.5	(2,749)
5. Trading assets	(4)	5,606	4,628	21.1	4,628
6. AFS & assets through profit and loss	(5)	18,511	15,967	15.9	9,141
7. Financial investments	(6)	23,561	21,926	7.5	28,867
8. Intangible assets		1,916	1,823	5.1	1,823
9. Tangible assets		1,695	1,723	(1.6)	1,723
10. Other assets		5,634	5,299	6.3	5,291
Total assets		156,931	139,812	12.2	139,682
Liabilities and shareholders' equity					
1. Amounts owed to credit institutions	(7)	37,365	28,551	30.9	28,551
2. Amounts owed to customers	(8)	71,421	68,213	4.7	68,213
3. Debts evidenced by certificates		21,168	19,710	7.4	19,887
4. Provisions	(9)	8,403	7,500	12.0	7,328
5. Other liabilities		7,860	6,179	27.2	6,179
6. Subordinated capital		3,443	2,994	15.0	3,048
7. Total Equity		7,271	6,665	9.1	6,476
<i>thereof Shareholders' equity</i>		3,871	3,424	13.1	3,347
<i>thereof Minority interests</i>		3,400	3,241	4.9	3,129
Total liabilities and shareholders' equity		156,931	139,812	12.2	139,682

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

in EUR million	Notes	Jan-Sep 2005	Jan-Sep 2004 restated	Change in per cent	Jan-Sep 2004 published
1. Interest and similar income		4,242.9	4,018.4	5.6	4,016.2
2. Interest paid and similar expenses		(2,153.5)	(2,022.5)	6.5	(2,022.5)
I. Net interest income	(10)	2,089.4	1,995.9	4.7	1,993.7
3. Risk provisions for loans and advances	(11)	(329.1)	(306.9)	7.2	(306.9)
4. Fee and commission income		1,128.7	1,001.2	12.7	1,001.2
5. Fee and commission expenses		(206.8)	(152.3)	35.8	(149.4)
<i>Net commission income (Net of 4 and 5)</i>	<i>(12)</i>	<i>921.9</i>	<i>848.9</i>	<i>8.6</i>	<i>851.8</i>
6. Net trading result	(13)	171.6	156.2	9.9	156.2
7. General administrative expenses	(14)	(1,990.0)	(1,953.3)	1.9	(1,950.9)
8. Income from insurance business	(15)	36.9	25.8	43.0	24.6
9. Other operating result	(16)	(10.4)	(21.9)	52.5	1.1
II. Pre-tax profit for the period		890.3	744.7	19.6	769.6
10. Taxes on income		(209.1)	(198.6)	5.3	(197.0)
III. Profit for the period		681.2	546.1	24.7	572.6
11. Minority interests		(172.4)	(182.5)	(5.5)	(190.0)
IV. Net profit after minority interests		508.8	363.6	39.9	382.6

Earnings per share

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

in EUR	Jan-Sep 2005	Jan-Sep 2004 restated	Change in per cent	Jan-Sep 2004 published
Earnings per share	2.12	1.53	38.4	1.61
Diluted earnings per share	2.11	1.51	39.3	1.60

Consolidated Statement of Changes in Total Equity

in EUR million	Subscribed capital	Add. paid-in capital	Retained earnings	Shareholders' equity	Minority Interests	Total equity Jan-Sep 2005	Total equity Jan-Sep 2004 restated
Equity as of 01 January	483	1,429	1,512	3,424	3,241	6,665	5,779
Translation differences			39	39	5	44	58
Changes in own shares			(4)	(4)		(4)	(19)
Dividends			(120)	(120)	(133)	(253)	(234)
Capital increases	3	32		35		35	31
Profit for the period			509	509	172	681	546
Other changes			(12)	(12)	115	103	133
thereof cash flow hedge			(34)	(34)	4	(30)	0
thereof Available for Sale Reserve			18	18	100	118	64
thereof deferred taxes			4	4	(26)	(22)	(17)
thereof Changes of investments					37	37	86
thereof Other							
Equity as of 30 September	486	1,461	1,924	3,871	3,400	7,271	6,294

Cash Flow Statement

in EUR million	Jan-Sep 2005	Jan-Sep 2004 restated	Change in per cent	Jan-Sep 2004 published
Cash and cash equivalents at the beginning of period	2,723	2,549	6.8	2,549
Cash flow from operating activities	1,369	2,490	(45.0)	3,352
Cash flow from investing activities	(1,729)	(1,861)	(7.1)	(2,723)
Cash flow from financing activities	513	(411)	>100.0	(411)
Effect of translation differences	30	35	(14.3)	35
Cash and cash equivalents at end of period	2,906	2,802	3.7	2,802

Notes to the Consolidated Financial Statements of the Erste Bank Group for the first three quarters of 2005 ¹⁾

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

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

IAS 39 and IAS 32

_____ The revised versions of IAS 32 (Financial Instruments: Disclosure and Presentation) and IAS 39 (Financial Instruments: Recognition and Measurement) must be applied from 1 January 2005.

_____ As required by the transition provisions in the standards, and in the interest of enhanced comparability and transparency, Erste Bank has restated its consolidated financial statements for the 2004 financial year. This means that the data for 2004 is presented as if the changed standards had always been applied in their new form.

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

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

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

_____ On balance after taxes and minority interests, consolidated net profit for 2004 decreases by EUR 23.7 million to a restated total of EUR 520.8 million. The return on equity based on this recalculated net profit after minority interests is now 17.0% rather than 18.0%.¹

Significant business events during the reporting period

_____ On 15 July 2005 Erste Bank signed an agreement to acquire 83.28% of the shares of Novosadska banka a.d., Novi Sad, (Novosadska banka) from the Republic of Serbia; the transaction closed on 9 August 2005. The purchase price for this stake is EUR 73.17 million.

Events after the balance sheet date

_____ In mid-October, in accordance with the terms of the share purchase agreement, Erste Bank presented an offer to the minority shareholders of Novosadska banka to buy their shares in the subsidiary.

_____ Until 7 November 2005 the minority shareholders of Novosadska banka have the opportunity to sell their shares to Erste Bank. The small shareholders are offered the same price per share as that paid to the Serbian Republic in the bank's privatisation.

_____ On 18 October 2005 Erste Bank delivered a binding offer to acquire 61.9% of Banca Commerciala Romana S.A.

1) Further details of the transition to IAS 39 are explained in a communication from 3 May 2005 that is available on Erste Bank's website.

Information on the Group Balance Sheet

1) Loans and advances to credit institutions

in EUR million	Jan-Sep 2005	31 Dec 2004 restated	Change in per cent	31 Dec 2004 published
Loans and advances to domestic credit institutions	3,801	2,495	52.3	2,495
Loans and advances to foreign credit institutions	16,257	13,189	23.3	13,018
Total	20,058	15,684	27.9	15,513

2) Loans and advances to customers

in EUR million	30 Sep 2005	31 Dec 2004 restated	Change in per cent	31 Dec 2004 published
Loans and advances to domestic customers	48,739	47,031	3.6	47,044
Public sector	3,107	2,899	7.2	2,899
Commercial customers	26,489	26,084	1.6	26,147
Private customers	18,982	17,892	6.1	17,892
Unlisted debt securities	32	50	(36.0)	
Other	129	106	21.7	106
Loans and advances to foreign customers	31,207	25,812	20.9	25,678
Public sector	1,605	1,699	(5.5)	2,695
Commercial customers	19,292	15,262	26.0	15,851
Private customers	8,774	6,937	26.5	6,937
Unlisted debt securities	1,414	1,719	(17.7)	
Other	122	195	(37.4)	195
Total	79,946	72,843	9.8	72,722

3) Risk provisions

in EUR million	Jan-Sep 2005	Jan-Sep 2004 restated	Change in per cent	Jan-Sep 2004 published
Risk provisions for loans and advances				
At 1 January	2,804	2,827	(0,8)	2,772
Use	(217)	(204)	6,4	(204)
Net allocation of risk provisions	296	276	7,2	276
Changes in exchange rates	19	17	11,8	17
At 30 September	2,902	2,916	(0,5)	2,861
Other risk provisions (off-balance-sheet transactions and other lending commitments)	149	82	81,7	82
Risik provisions at 30 September	3,051	2,998	1,8	2,943

4) Trading assets

in EUR million	30 Sep 2005	31 Dec 2004 restated	Change in per cent	31 Dec 2004 published
Bonds and other fixed-income securities	3,178	2,852	11.4	2,852
Shares and other variable-yield securities	775	562	37.9	561
Positive fair value of derivative financial instruments	1,653	1,214	36.2	1,215
Total	5,606	4,628	21.1	4,628

5) AfS & assets through profit and loss

in EUR million	30 Sep 2005	31 Dec 2004 restated	Change in per cent	31 Dec 2004 published
Fair Value through profit and loss (Fair Value Portfolio)				
Bonds and other fixed-income securities	3,137	3,441	(8.8)	5,844
Shares and other variable-yield securities	852	910	(6.4)	3,297
Fair Value directly in equity (AFS-Portfolio)				
Bonds and other fixed-income securities	11,360	8,983	26.5	0
Shares and other variable-yield securities	3,162	2,633	20.1	0
Total	18,511	15,967	15.9	9,141

6) Financial investments

in EUR million	30 Sep 2005	31 Dec 2004 restated	Change in per cent	31 Dec 2004 published
Bonds and other fixed-income securities (held to maturity)	14,051	13,729	2.3	20,569
Variable-yield securities	472	446	5.8	670
Investments	498	463	7.6	486
Investments of insurance companies	7,085	6,125	15.7	5,979
Other financial investments (particularly carrying amounts of assets subject to operating leases and rental agreements)	1,455	1,163	25.1	1,163
Total	23,561	21,926	7.5	28,867

7) Amounts owed to credit institutions

in EUR million	30 Sep 2005	31 Dec 2004 restated	Change in per cent	31 Dec 2004 published
Amounts owed to domestic credit institutions	9,916	6,658	48.9	6,658
Amounts owed to foreign credit institutions	27,449	21,893	25.4	21,893
Total	37,365	28,551	30.9	28,551

8) Amounts owed to customers

in EUR million	30 Sep 2005	31 Dec 2004 restated	Change in per cent	31 Dec 2004 published
Savings deposits	37,869	37,959	(0.2)	37,959
Other	33,552	30,254	10.9	30,254
Total	71,421	68,213	4.7	68,213

9) Provisions

in EUR million	30 Sep 2005	31 Dec 2004 restated	Change in per cent	31 Dec 2004 published
Long-term employee provisions	1,068	1,080	(1.1)	1,080
Insurance reserves	6,846	5,912	15.8	5,740
Other	489	508	(3.7)	508
Total	8,403	7,500	12.0	7,328

Information on the Group Income Statement

10) Net interest income

in EUR million	Jan-Sep 2005	Jan-Sep 2004 restated	Change in per cent	Jan-Sep 2004 published
Interest income from				
Lending and money market transactions with credit institutions	531.7	537.7	(1.1)	537.7
Lending and money market transactions with customers	2,481.5	2,255.1	10.0	2,255.1
Fixed-income securities	983.7	977.8	0.6	977.8
Other interest and similar income	44.3	51.9	(14.6)	51.9
Current income from				
Shares and other variable-yield securities	131.2	119.3	10.0	119.3
Investments	17.9	26.8	(33.2)	26.8
Property used by outside parties	52.6	49.8	5.6	47.6
Total interest and similar income	4,242.9	4,018.4	5.6	4,016.2
Interest expenses for				
Amounts owed to credit institutions	(577.7)	(304.1)	90.0	(304.1)
Amounts owed to customers	(887.5)	(1,032.2)	(14.0)	(1,032.2)
Debts evidenced by certificates	(525.0)	(543.3)	(3.4)	(543.3)
Subordinated capital	(159.3)	(124.5)	28.0	(124.5)
Other	(4.0)	(18.4)	(78.3)	(18.4)
Total interest and similar expenses	(2,153.5)	(2,022.5)	6.5	(2,022.5)
Net interest income	2,089.4	1,995.9	4.7	1,993.7

11) Risk provisions for loans and advances

in EUR million	Jan-Sep 2005	Jan-Sep 2004 restated	Change in per cent	Jan-Sep 2004 published
Net allocation to risk provisions in lending business	(295.9)	(275.5)	7.4	(275.5)
Direct write-off for loans and advances less amounts recovered on loans and advances written off	(33.2)	(31.4)	5.7	(31.4)
Total	(329.1)	(306.9)	7.2	(306.9)

12) Net commission income

in EUR million	Jan-Sep 2005	Jan-Sep 2004 restated	Change in per cent	Jan-Sep 2004 published
Lending business	143.4	134.1	6.9	134.1
Payment transfers	354.3	318.9	11.1	318.9
Securities transactions	273.8	211.6	29.4	211.6
<i>thereof: Investment fund transactions</i>	<i>112.1</i>	<i>87.0</i>	<i>28.9</i>	<i>87.0</i>
<i>Custodial fees</i>	<i>37.8</i>	<i>35.0</i>	<i>8.0</i>	<i>35.0</i>
<i>Brokerage</i>	<i>123.9</i>	<i>89.6</i>	<i>38.3</i>	<i>89.6</i>
Insurance business	52.9	44.7	18.3	44.7
Building society agency operations	23.5	22.5	4.4	22.5
Foreign exchange operations	28.6	31.6	(9.5)	31.6
Other	45.4	85.5	(46.9)	88.4
Total	921.9	848.9	8.6	851.8

13) Net trading result

in EUR million	Jan-Sep 2005	Jan-Sep 2004 restated	Change in per cent	Jan-Sep 2004 published
Securities and derivatives trading	77.3	65.5	18.0	65.5
Foreign exchange	94.3	90.7	4.0	90.7
Total	171.6	156.2	9.9	156.2

14) General administrative expenses

in EUR million	Jan-Sep 2005	Jan-Sep 2004 restated	Change in per cent	Jan-Sep 2004 published
Personnel expenses	(1,154.7)	(1,085.8)	6.3	(1,083.4)
Other administrative expenses	(584.9)	(611.7)	(4.4)	(611.7)
Depreciation and amortisation of fixed assets	(250.4)	(255.8)	(2.1)	(255.8)
Total	(1,990.0)	(1,953.3)	1.9	(1,950.9)

15) Income from insurance business

in EUR million	Jan-Sep 2005	Jan-Sep 2004 restated	Change in per cent	Jan-Sep 2004 published
Earned premiums	923.0	733.4	25.9	733.4
Investment income on underwriting business	292.7	242.8	20.6	235.9
Claims incurred	(204.3)	(171.3)	19.3	(171.3)
Change in underwriting provisions	(851.2)	(631.1)	34.9	(631.1)
Expenses for profit-linked premium reimbursements	(94.7)	(52.4)	80.7	(47.4)
Operating expenses	(88.6)	(76.3)	16.1	(75.6)
Other underwriting income	59.0	10.7	>100.0	10.7
<i>Net underwriting income</i>	<i>35.9</i>	<i>55.8</i>	<i>(35.7)</i>	<i>54.6</i>
Net investment income	293.7	212.8	38.0	205.9
Carried to underwriting account	(292.7)	(242.8)	(20.6)	(235.9)
Total	36.9	25.8	43.0	24.6

16) Other operating result

in EUR million	Jan-Sep 2005	Jan-Sep 2004 restated	Change in per cent	Jan-Sep 2004 published
Other operating income	63.3	151.4	(58.2)	158.7
Other operating expenses	(148.7)	(228.4)	(34.9)	(232.0)
<i>Goodwill impairment/amortisation</i>	<i>0.0</i>	<i>(80.0)</i>	<i>(100.0)</i>	<i>(80.0)</i>
<i>Other operating expenses</i>	<i>(148.7)</i>	<i>(148.4)</i>	<i>0.2</i>	<i>(152.0)</i>
Income from AfS & assets through profit and loss	72.4	37.4	93.6	37.7
<i>Result of assets at Fair Value</i>	<i>25.0</i>	<i>26.0</i>	<i>(3.8)</i>	<i>37.7</i>
<i>Selling gain/loss of assets (AFS Portfolio)</i>	<i>47.4</i>	<i>11.4</i>	<i>>100.0</i>	
Income from investments and related companies	2.6	17.7	(85.3)	36.7
Total	(10.4)	(21.9)	52.5	1.1

Other information

17) Contingent liabilities and other obligations

in EUR million	30 Sep 2005	31 Dec 2004 restated	Change in per cent	31 Dec 2004 published
Contingent liabilities	10,097	8,692	16,2	8,692
Contingent liabilities	9,984	8,335	19,8	8,335
Other	113	357	(68,3)	357
Other obligations	16,395	17,452	(6,1)	19,221
Undrawn credit and loan commitments	14,821	16,655	(11,0)	16,655
Other ¹	1,574	797	97,5	2,566

1) Uniform presentation after revised IASB standards (IAS 32 and IAS 39)

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

in EUR million	30 Sep 2005	31 Dec 2004 restated	Change in per cent	31 Dec 2004 published
Employed by Group	36,383	35,862	1.5	35,862
Domestic	14,805	14,629	1.2	14,629
Abroad	21,578	21,233	1.6	21,233
<i>thereof Česká spořitelna</i>	<i>11,089</i>	<i>11,639</i>	<i>(4.7)</i>	<i>11,639</i>
<i>thereof Slovenská sporiteľňa</i>	<i>4,878</i>	<i>5,083</i>	<i>(4.0)</i>	<i>5,083</i>
<i>thereof Erste Bank Hungary</i>	<i>2,491</i>	<i>2,435</i>	<i>2.3</i>	<i>2,435</i>

_____ In addition to the above number of employees, 65 persons were employed in non-bank enterprises of the Group (hotel and leisure sector) at 30 September 2005.

Segment reporting ²

Novosadska banka posted a loss after taxes and minority interests EUR 0.2 m for the 2 month period starting 1 August 2005. (P&L line by line (in EUR m): NII 0.9m; Risk provisions (0.7m); Commission income 0.6m; Trading income 0.4m; Expenses (1.4m); Other operating income (0.1m); Pre-tax profit 0.2m.

The 9 month results of 2005 include segment contributions of Novosadska banka for the period starting 1 August 2005 in the Central Europe segment. As a result the figures of the Central Europe segment deviate slightly from the sum totals of the Central Europe sub-segments shown in this release.

Austria

In this segment, net profit after taxes and minority interests improved by 8.3% compared with the same period last year, from EUR 163.7 m to EUR 177.3 m. Both commission income (up 10.5% - EUR 56.0m) and income from insurance business (up 60.3% - EUR 11.6m) continued to show a strong performance. This progress was, however, partly offset by declines in net interest income (in the Trading and Investment Banking segment) caused by general interest rate trends and by the absence of exceptional gains made in the same

period last year (in the Savings Banks segment). A combination of good business performance and a slight decline in general administrative expenses led to a sharp drop in the cost/income ratio, from 67.1% to 65.7% for the first nine months of the current financial year. Return on equity in this segment fell only slightly from 12.5% to 12.1% due to the higher attributed equity for the period.

Savings Banks

Net profit after taxes and minority interests declined from EUR 11.8 m to EUR 1.6 m, mainly due to lower risk provisions in the previous year and this year's absence of exceptional gains on the disposal of subsidiaries. Net interest income improved greatly in the third quarter of this year, putting net interest income for the first nine months at last year's level. The rise in risk provisions was exclusively due to non-recurring expenditure at one of the smaller savings banks in the third quarter of this year. However, due to the ownership ratio, this had only a marginal impact on this segment's net profit after minority interests. Net commission income saw a slight increase, but the overall trend in this position was weighed down by changes in the intragroup settlement policy for bank support services, when compared with last year. Commission income from core businesses grew substantially. Combined with the minimal rise in gener-

2) The published results of individual Group members cannot be compared on a like-for-like basis with results in segment reporting. For example, refinancing costs are allocated to Central European subsidiaries in segment reporting. Comparisons with the third quarter of 2004 and full-year 2004 relate to the restated figures as mentioned earlier.

in EUR million	1-9/2005	Savings Banks		Retail and Mortgage		
		1-9/2004 restated	1-9/2004 published	1-9/2005	1-9/2004 restated	1-9/2004 published
Net interest income	618.3	618.1	618.1	383.9	383.9	383.9
Risk provisions for loans and advances	(145.0)	(133.6)	(133.6)	(79.8)	(84.6)	(84.6)
Net commission income	252.0	244.3	244.3	234.6	205.5	205.5
Net trading result	12.6	12.7	12.7	7.4	7.9	7.9
General administrative expenses	(620.3)	(615.1)	(615.1)	(473.2)	(481.0)	(481.0)
Income from insurance business	0.0	0.0	0.0	30.9	19.3	18.1
Other operating result	3.4	17.7	29.1	5.4	3.1	3.1
Pre-tax profit for the period	120.9	144.1	155.6	109.1	54.0	52.9
Taxes on income	(31.4)	(40.1)	(42.0)	(25.1)	(14.4)	(11.2)
Minority interests	(87.9)	(92.3)	(99.6)	(16.5)	(12.5)	(12.3)
Net profit after minority interests	1.6	11.8	14.0	67.4	27.1	29.3
Average risk-weighted assets	23,685.4	23,051.8	23,051.8	12,109.6	12,868.9	12,868.9
Average attributed equity	262.0	239.8	236.3	915.7	821.6	809.5
Cost-Income ratio (in %)	70.3%	70.3%	70.3%	72.1%	78.0%	78.2%
ROE based on net profit (in %)	0.8%	6.6%	7.9%	9.8%	4.4%	4.8%

al administrative expenses (EUR 5.2 m, 0.9%), the operating result improved year-on-year from EUR 260.0 m to EUR 262.5 m. The decline in the other operating result can be explained by the one-off income on disposal of subsidiaries during the same period last year. The cost/income ratio remained constant at 70.3%, with return on equity falling from 6.6% to 0.8% as a result of non-recurring items.

Retail and Mortgage

Net profit after taxes and minority interests in this segment more than doubled from EUR 27.1 m in the first three quarters of 2004 to EUR 67.4 m. This was due to the sharp rise of EUR 29.1 m (up 14.1%) in net commission income – mainly the result of excellent securities business in the branch network – and the decline of EUR 7.8 m (down 1.6%) in general administrative expenses. Non-recurring income from equity interests allocated to this segment was a major factor in the improvement in the other operating result. Operating result increased by 35.3% from EUR 135.6 m to EUR 183.4 m. The cost/income ratio improved on last year from 78.0% to 72.1%, and return on equity more than doubled from 4.4% to 9.8% on the same period last year.

Large Corporates

This segment's operating result rose by 3.1% year-on-year, from EUR 92.9 m to EUR 95.8 m. While net commission income saw a sharp rise of EUR 8.4 m (up 18.6%), the other operating result was down on the same period last year due to lower income from the revaluation of financial assets. General administrative expenses rose by 3.7% from EUR 62.0 m to EUR 64.2 m, mainly due to higher property leasing expenses as business expanded in Central Europe. Together with slight declines in interest income and rising risk provisions, this produced a net profit after taxes and minority interests of EUR 35.9 m (down 14.7%). The cost/income ratio was 40.1%, while return on equity was 9.6%.

Trading and Investment Banking

Net profit after taxes and minority interests declined by 12.6% on the preceding year from EUR 82.7 m to EUR 72.3 m. As a result of interest rate trends and hedging effects, net interest income fell from EUR 80.8 m to EUR 48.5 m. Net commission income rose from EUR 39.9 m to EUR 50.9 m, mainly due to increased commission from securities trading and structured products. General administrative expenses improved on last year. The cost/income ratio deteriorated from 38.7% to 41.4%, as did return on equity from 45.1% to 34.6%.

1-9/2005	Large Corporate Customers		Trading & Investment Banking			Austria total		
	1-9/2004 restated	1-9/2004 published	1-9/2005	1-9/2004 restated	1-9/2004 published	1-9/2005	1-9/2004 restated	1-9/2004 published
105.4	108.8	108.8	48.5	80.8	80.8	1,156.0	1,191.6	1,191.6
(42.6)	(37.3)	(37.3)	0.0	0.0	0.0	(267.4)	(255.5)	(255.5)
53.6	45.2	45.2	50.9	39.9	40.0	591.0	535.0	535.0
1.0	0.9	0.9	70.4	65.8	65.8	91.4	87.3	87.2
(64.2)	(62.0)	(62.0)	(70.3)	(72.1)	(72.1)	(1,228.1)	(1,230.2)	(1,230.2)
0.0	0.0	0.0	0.0	0.0	0.0	30.9	19.3	18.1
2.6	8.0	8.0	(1.8)	(4.0)	(2.3)	9.7	24.8	37.9
55.8	63.6	63.6	97.7	110.4	112.1	383.5	372.2	384.1
(13.2)	(13.5)	(13.5)	(25.4)	(27.8)	(26.3)	(95.1)	(95.8)	(92.9)
(6.7)	(7.9)	(7.9)	0.0	0.0	0.0	(111.1)	(112.6)	(119.9)
35.9	42.2	42.1	72.3	82.7	85.9	177.3	163.7	171.3
6,585.0	6,822.8	6,822.8	3,687.4	3,826.5	3,826.5	46,067.4	46,569.9	46,569.9
497.9	435.6	429.2	278.8	244.3	240.7	1,954.5	1,741.3	1,715.6
40.1%	40.0%	40.0%	41.4%	38.7%	38.7%	65.7%	67.1%	67.2%
9.6%	12.9%	13.1%	34.6%	45.1%	47.6%	12.1%	12.5%	13.3%

Central Europe

Česká spořitelna

Profit after taxes and minority interests advanced 45.4% year-on-year to EUR 208.9 m, up EUR 65.2 m from EUR 143.7 m. Besides the clear improvement in net interest income (up 18.8%) due to the expansion of lending volumes, there was a further significant increase in net commission income from an already high level, particularly in payment services and card business. The 13.3% rise in general administrative expenses (up 5.6% after foreign exchange adjustment) is partly due to the creation of reserves for redundancy payments as part of the headcount reduction. Gains on the sale of investments available for sale as well as a reduced contribution to the deposit insurance fund played a major part in the considerable improvement in the other operating result. Operating result improved by 22.1% to EUR 290.0 m, thanks to the strong earnings performance. The cost/income ratio improved from 60.3% to 58.5%, and return on equity from 40.9% to 41.5%. Rates of change in this segment are impacted by a 6.8% appreciation of the CZK against the EUR.

Slovenská sporiteľňa

At Slovenská sporiteľňa, net profit after taxes and minority interests rose by 51.0% against the first nine months of 2004, from EUR 41.6 m to EUR 62.8 m. In net interest income the non-recurrence of income from fixed interest bonds and the adjustment of rates to the lower market levels of variable rate securities was almost entirely offset by the expansion in retail business. The favourable exchange rate trend (up 4.1%) was offset by higher refinancing costs (as a result of the increase in holding in SLSP to 100%).

Commission income grew by 25.3% year-on-year from EUR 49.5 m to EUR 62.0 m, due to the extremely favourable trends in payment services and financing. General administrative expenses – driven almost exclusively by the exchange rate trend – increased by EUR 5.1 m from EUR 117.6 m to EUR 122.7 m. Overall, operating result was up by just under 7.0%. These trends boosted return on equity slightly, from 47.5% to 48.4%, while the cost/income ratio improved from 58.8% to 58.2%. Rates of change in this segment are impacted by a 4.1% appreciation of the SK against the EUR.

in EUR million	Česká spořitelna			Slovenská sporiteľňa		
	1-9/2005	1-9/2004 restated	1-9/2004 published	1-9/2005	1-9/2004 restated	1-9/2004 published
Net interest income	439.1	369.6	367.4	139.8	140.3	140.3
Risk provisions for loans and advances	(19.9)	(18.6)	(18.6)	(9.0)	2.8	2.8
Net commission income	217.2	191.0	193.8	62.0	49.5	49.5
Net trading result	35.8	30.4	30.4	9.0	10.4	10.4
General administrative expenses	(408.1)	(360.1)	(357.7)	(122.7)	(117.6)	(117.6)
Income from insurance business	6.0	6.5	6.5	0.0	0.0	0.0
Other operating result	26.3	(5.4)	2.9	(5.8)	(21.1)	(19.2)
Pre-tax profit for the period	296.4	213.4	224.8	73.3	64.3	66.1
Taxes on income	(76.9)	(61.1)	(62.3)	(10.6)	(9.1)	(9.1)
Minority interests	(10.6)	(8.6)	(8.6)	0.2	(13.6)	(14.0)
Net profit after minority interests	208.9	143.7	153.9	62.8	41.6	43.1
Average risk-weighted assets	8,868.5	7,335.7	7,335.7	2,290.5	1,829.2	1,829.2
Average attributed equity	670.6	468.3	461.4	173.2	116.8	115.1
Cost-Income ratio (in %)	58.5%	60.3%	59.8%	58.2%	58.8%	58.8%
ROE based on net profit (in %)	41.5%	40.9%	44.5%	48.4%	47.5%	49.9%

Erste Bank Hungary

_____ EBH posted results ahead of expectations in all areas. Net interest income rose by EUR 29.9 m or 24.9% year-on-year from EUR 120.2 m to EUR 150.1 m, mainly due to the sharp growth in lending. Net commission income was boosted primarily by growth in payment services and securities trading (up EUR 8.8 m in total, or 24.1%). These above-average growth rates, combined with a comparatively moderate rise in general administrative expenses (due primarily to the expansion of the branch network), led to an 84% surge in operating result to EUR 89.4 m. Net profit after taxes and minority interests more than doubled from EUR 19.6 m to EUR 50.7 m, while return on equity jumped from 20.7% to 38.0%, and the cost/income ratio fell from 72.4% to 59.9%. Rates of change in this segment are impacted by a 2.3% appreciation of the HUF against the EUR.

Erste Bank Croatia

_____ Operating profit increased by 39.0% year-on-year from EUR 36.8 m to EUR 51.2 m. Interest income climbed by 31.9% from EUR 61.2 m to EUR 80.7 m, thanks to higher business volumes, although the third quarter on its own was down on previous quarters as a result of the reclassification of revaluation gains from derivatives in the net trading result. Commission income – especially in payment services – improved by 33.8% from EUR 12.0 m to EUR 16.1 m.

The decline in the net trading result was due primarily to exceptionally favourable valuations last year.

_____ The increase in risk provisions up from EUR 3.5 m to EUR 8.3 m is due firstly to one-off effects in 2004 and secondly to the expansion of lending volumes. General administrative expenses rose by EUR 5.0 m or 10.5% from EUR 47.6 m to EUR 52.6 m, almost exclusively due to the expansion of the branch network. The increase in net profit after taxes and minority interests (up EUR 3.5 m or 21.7%) was also impacted by the disposal of participations as at 1 January 2005 and the accompanying increase in minority interests.

_____ Return on equity fell to 15.9% on the back of higher attributed equity capital, while the cost/income ratio improved significantly from 56.4% to 50.7%.

Novosadska banka

_____ First-time consolidation of Novosadska banka took place in August this year. As the two months contribution since first-time consolidation currently has no significant impact to the Group's performance it has not been shown in a separate segment in Q3 2005, but has been included in the overall Central European division. Starting YE 2005 Novosadska banka will be shown as a separate sub-segment.

1-9/2005	Erste Bank Hungary		Erste Bank Croatia			Central Europe total		
	1-9/2004 restated	1-9/2004 published	1-9/2005	1-9/2004 restated	1-9/2004 published	1-9/2005	1-9/2004 restated	1-9/2004 published
150.1	120.2	120.2	80.7	61.2	61.2	810.6	691.3	689.1
(14.1)	(16.7)	(16.7)	(8.3)	(3.5)	(3.5)	(52.0)	(36.0)	(36.0)
45.3	36.5	36.5	16.1	12.0	12.0	341.3	289.0	291.8
27.5	19.5	19.5	6.9	11.1	11.1	79.7	71.4	71.4
(133.6)	(127.6)	(127.6)	(52.6)	(47.6)	(47.6)	(718.4)	(653.0)	(650.5)
0.0	0.0	0.0	0.0	0.0	0.0	6.0	6.5	6.5
(11.4)	(12.6)	(12.6)	(2.5)	(2.2)	(2.6)	6.5	(41.3)	(31.5)
63.8	19.2	19.2	40.4	31.1	30.7	473.7	327.9	340.8
(13.0)	0.6	0.6	(7.9)	(6.0)	(6.0)	(108.4)	(75.6)	(76.8)
(0.1)	(0.1)	(0.1)	(12.9)	(9.0)	(8.9)	(23.5)	(31.4)	(31.6)
50.7	19.6	19.6	19.6	16.1	15.8	341.8	221.0	232.4
2,348.4	1,977.2	1,977.2	2,175.7	1,836.3	1,836.3	15,795.0	12,978.4	12,978.4
177.6	126.2	124.4	164.5	117.2	115.5	1,194.4	828.6	816.4
59.9%	72.4%	72.4%	50.7%	56.4%	56.4%	58.1%	61.7%	61.4%
38.0%	20.7%	21.1%	15.9%	18.3%	18.3%	38.2%	35.6%	38.0%

International Business

International Business continued to follow the trend established in previous quarters with performance remaining strong. The improvement in net commission income was due to business expansion and one-off exceptional income in securities trading. Pre-tax profit rose by EUR 15.5 m or 17.8% from EUR 86.9 m to EUR 102.4 m, thanks to an improvement in other operating income (driven in particular by declining revaluations applied to other financial investments) and the decline in requirements for risk provisions. This positive trend was almost completely offset by the tax rate applicable to the London branch this year. Overall, net profit after taxes and minority interests rose by 7.9% from EUR 68.1 m to EUR 73.5 m. The cost/income ratio increased from 18.0% to 19.8%, while return on equity fell from 22.9% to 20.3%.

Segment Corporate Center

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

The trend in net commission income and general administrative expenses can be largely attributed to changes in profit consolidation from bank support operations. Administrative costs of Group projects started in 2004 had a particularly strong impact on general administrative expenses.

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

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

in EUR million	International Business			Corporate Center			Erste Bank Group total		
	1-9/2005	1-9/2004 restated	1-9/2004 published	1-9/2005	1-9/2004 restated	1-9/2004 published	1-9/2005	1-9/2004 restated	1-9/2004 published
Net interest income	114.5	113.3	113.3	8.3	(0.3)	(0.3)	2,089.4	1,995.9	1,993.7
Risk provisions for loans and advances	(9.7)	(15.4)	(15.4)	0.0	0.0	0.0	(329.1)	(306.9)	(306.9)
Net commission income	22.7	16.8	16.8	(33.1)	8.1	8.2	921.9	848.9	851.8
Net trading result	0.0	0.1	0.1	0.5	(2.6)	(2.6)	171.6	156.2	156.2
General administrative expenses	(27.2)	(23.4)	(23.4)	(16.3)	(46.8)	(46.8)	(1,990.0)	(1,953.3)	(1,950.9)
Income from insurance business	0.0	0.0	0.0	0.0	0.0	0.0	36.9	25.8	24.6
Other operating result	2.1	(4.4)	(4.4)	(28.7)	(0.9)	(0.9)	(10.4)	(21.9)	1.1
Pre-tax profit for the period	102.4	86.9	86.9	(69.3)	(42.4)	(42.3)	890.3	744.7	769.6
Taxes on income	(29.0)	(18.9)	(18.9)	23.4	(8.4)	(8.4)	(209.1)	(198.6)	(197.0)
Minority interests	0.0	0.0	0.0	(37.8)	(38.5)	(38.5)	(172.4)	(182.5)	(190.0)
Net profit after minority interests	73.5	68.1	68.1	(83.8)	(89.2)	(89.2)	508.8	363.6	382.6
Average risk-weighted assets	6,387.9	6,199.7	6,199.7	352.2	438.6	438.6	68,602.5	66,186.7	66,186.7
Average attributed equity	483.0	395.8	390.0	26.6	28.0	27.6	3,658.5	2,993.7	2,949.5
Cost-Income ratio (in %)	19.8%	18.0%	18.0%	n.a.	n.a.	n.a.	61.8%	64.5%	64.5%
ROE based on net profit (in %)	20.3%	22.9%	23.3%	n.a.	n.a.	n.a.	18.5%	16.2%	17.3%

Earnings performance at Erste Bank Group: Quarterly results

in EUR million	Q1/2004*	Q2/2004*	Q3/2004*	Q4/2004*	Q1/2005	Q2/2005	Q3/2005
Net interest income	657.7	660.9	677.4	703.0	681.2	705.3	702.9
Risk provisions for loans and advances	(108.2)	(88.6)	(110.1)	(99.3)	(101.3)	(108.6)	(119.2)
Net commission income	280.5	283.0	285.3	286.5	311.1	305.9	304.9
Net trading result	62.4	45.9	47.9	60.3	57.2	48.0	66.4
General administrative expenses	(643.1)	(650.0)	(660.2)	(641.7)	(658.9)	(664.2)	(666.9)
Income from insurance business	8.4	4.7	12.7	11.1	5.6	21.3	10.0
Other operating result	(2.6)	(6.7)	(12.6)	(29.5)	(2.0)	(7.4)	(1.0)
Pre-tax profit for the period	255.1	249.2	240.4	290.4	292.9	300.3	297.1
Taxes on income	(85.7)	(55.8)	(57.1)	(79.3)	(68.8)	(70.7)	(69.6)
Profit for the period	169.4	193.4	183.3	211.1	224.1	229.6	227.5
Minority interests	(75.7)	(48.8)	(58.0)	(53.9)	(63.8)	(54.2)	(54.4)
Net profit after minority interests	93.7	144.6	125.3	157.2	160.3	175.4	173.1

* restated

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

in EUR million	30 Sep 2005	31 Dec 2004	30 Sep 2004
Subscribed capital (less shares held in own portfolio)	486	482	483
Reserves and minority interests	4,404	4,375	4,060
Less intangible assets	(455)	(480)	(470)
Core capital (Tier 1)	4,435	4,377	4,073
Eligible subordinated liabilities	3,000	2,528	2,533
Revaluation reserve	221	230	193
Qualifying supplementary capital (Tier 2)	3,221	2,758	2,726
Rededicated subordinated capital (Tier 3)	246	316	353
Deductions according to Section 23 (13) and Section 29 (1-2) Austrian Banking Act	(423)	-165	-143
Total qualifying capital	7,479	7,286	7,009
Capital requirement	6,050	5,594	5,682
Surplus capital	1,429	1,692	1,327
Cover ratio (in %)	124	130	123
Tier 1 ratio (in %)	6,3	6,7	6,1
Solvency ratio (in %)	10,0	10,7	10,0
Risk-weighted basis acc. to Section 22 Austrian Banking Act	70,486	65,384	66,614
of which 8% minimum capital requirement	5,639	5,231	5,329
Capital requirement for open foreign exchange position acc. to Section 26 Austrian Banking Act	6	49	17
Capital requirement for the Trading Book acc. to Section 22 b (1) Austrian Banking Act	405	314	336
Capital requirement	6,050	5,594	5,682