

ERSTE BANK

The Bank for Central and Eastern Europe



INTERIM REPORT
FIRST QUARTER 2006

KEY FINANCIAL AND OPERATING DATA

EUR million (unless otherwise stated)	1.1.-31.3.06	1.1.-31.3.05*
Income statement		
Net interest income	724.0	672.7
Risk provisions for loans and advances	-109.1	-101.3
Net commission income	342.2	311.1
Net trading result	91.2	57.2
General administrative expenses	-693.9	-658.9
Operating result	471.2	387.7
Pre-tax profit	380.4	284.4
Net profit after minority interests	239.6	160.3
Profitability ratios		
Net interest margin (in %)	2.04	2.10
Cost/income ratio (in %)	59.6	63.0
Return on equity (in %)	15.6	18.0
Earnings per share (in EUR)	0.83	0.67
Balance sheet		
Total assets	158,815	152,660
Loans and advances to credit institutions	18,604	16,858
Loans and advances to customers	84,310	80,419
Risk provisions for loans and advances	-2,809	-2,817
Securities and other financial investments	48,401	47,681
Other assets	10,309	10,519
Total liabilities and shareholders' equity	158,815	152,660
Amounts owed to credit institutions	36,213	33,911
Amounts owed to customers	75,151	72,793
Debts evidenced by certificates, including subordinated capital	24,202	25,581
Other liabilities, provisions – minority interests	16,313	16,246
Shareholder's equity	6,936	4,129
Changes in total qualifying capital		
Risk-weighted assets pursuant to Sec. 22 Banking Act (in %)	76,639	75,078
Solvency ratio pursuant to Sec. 22 Banking Act (in %)	14.1	11.0
of which core capital ratio	10.2	6.8
Stock market data		
High (EUR)	51.69	44.30
Low (EUR)	44.70	36.51
Closing price (EUR)	48.66	40.35
Market capitalisation (EUR billion)	14.90	9.70
Trading volume (EUR billion)	2.86	1.00

*) Prior-year figures (2005) have been adapted pursuant to the requirements of IAS 32 and IAS 39. Details of these changes were outlined in the press release dated 6 December 2005, which can be found on the Erste Bank website (www.erstebank.com).

RATINGS

Fitch

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

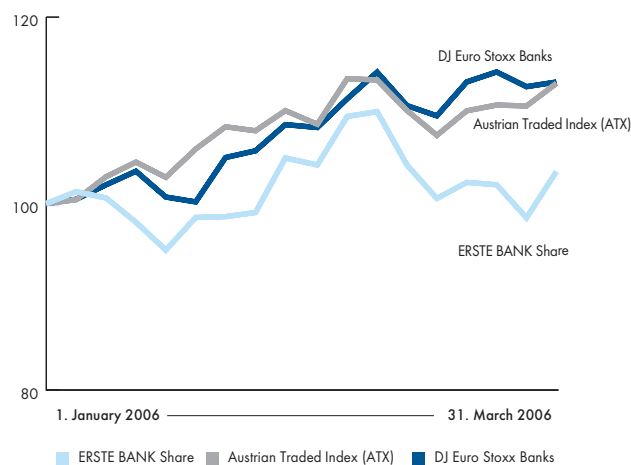
Moody's Investors Service

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

Standard & Poor's

Short-term	A-2
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PERFORMANCE OF THE ERSTE BANK SHARE



Highlights

- _ Net interest income up +7.6% from EUR 672.7 million to EUR 724.0 million.
- _ Net commission income increased +10.0 % from EUR 311.1 million to EUR 342.2 million.
- _ Operating income rose +11.3 % from EUR 1,046.6 million to EUR 1,165.1 million.
- _ General administrative expenses increased +5.3% from EUR 658.9 million to EUR 693.9 million.
- _ Operating profit improved +21.5% from EUR 387.7 million to EUR 471.2 million.
- _ Pre-tax profit rose +33.8% from EUR 284.4 million to EUR 380.4 million.
- _ Consolidated net profit after taxes and minorities increased +49.5% from EUR 160.3 million to EUR 239.6 million.
- _ Cost/income ratio improved from 61.8 % for 2005 as a whole to 59.6% in the first quarter of 2006.
- _ Return on equity in the first quarter of 2006 (following the capital increase) amounted to 15.6% as compared to 19.0% for 2005 as a whole.
- _ Total assets increased +4.0% from EUR 152.7 billion at the end of 2005 to EUR 158.8 billion.
- _ First quarter earnings per share rose from EUR 0.67 last year to EUR 0.83 this year.
- _ Tier 1 capital ratio was 10.2% on 31 March 2006 (as compared to 6.8% percent at the end of 2005), solvency ratio was 14.1% up from 11.0% at the end of 2005 (8.0% is the legal requirement).

Letter from the CEO

Dear shareholders,

in the first quarter of 2006 we continued our strong business run. We grew net profit to EUR 240 million, 50% ahead over the same quarter last year and far surpassing our latest record set in the final quarter of 2005. We successfully completed the largest ever capital increase in Austrian stock market history and we are well on track with the preparations for the integration of Banca Comerciala Romana.

In operating terms and on group level, net interest income – even after allowing for non-recurring interest income on the capital raised – and commission income, as well as above average contributions from trading and other operating income were the major earnings drivers. The performance of our Austrian operations, led by double-digit commission income growth and strong trading income on the back of a vibrant domestic stock market, was once again excellent.

In Central Europe loan growth continued unabated and underlying business growth was equally satisfactory. At Česká spořitelna this translated into strong net interest income growth, while the increase in provisions was directly related to the absence of extraordinary releases. At Erste Bank Hungary net interest income growth was solid, while fee income decreased temporarily due to one-off marketing costs. For the full

year we nonetheless expect net commission growth in excess of 15%.

Slovenská sporiteľňa improved profitability despite the expiry of its fixed rate high-yield bonds. In addition the result was supported by strong retail loan growth and growing net interest income as well as a substantial decrease in deposit insurance contributions. At Erste Bank Croatia commission growth was the strongest among all our subsidiaries, but offset by cost increases associated with network expansion.

The interest rate environment in all our markets remained favourable. In the Czech Republic, Hungary and Croatia the interest rates remained unchanged in the period under review. In Slovakia the Central Bank raised rates by 50 bps to 3.5% on March 1. Overall, the additional rate hike by the ECB in March should underpin the favourable scenario of slowly rising rates.

Based on our excellent results we maintain our existing earnings guidance of compound annual growth of at least 20% for the period of 2005 to 2009 and would characterise such growth for 2006 as eminently achievable. We have laid a strong foundation for another successful year with our record-breaking first quarter and look forward to executing our business plan through the rest of the year.



Andreas Treichl

The Share

DEVELOPMENT OF STOCK INDICES

The positive trend on the international stock markets continued in the first quarter of 2006. Throughout this period several indices reached a five-year peak. The lead US indices, the Dow Jones Industrial and the S&P500, rose by 3.7% while the NASDAQ technology index saw gains of 6.1%. Prices on the FTSE Eurotop 300 Index have risen 7.4% since the start of 2006. The high level of the oil price trend and interest rate hikes by the US and European central banks created volatility but were overcompensated by the positive basic sentiment on exchanges. Stock markets were bolstered by the 2005 company reporting season where good news predominated as well as by the rosy prospects for growth and positive economic data from the US and Europe. Trading was also stimulated by merger and acquisition speculations in several industries (insurance, chemicals, finance, stock exchange operators, etc.).

In the first quarter of 2006, the Austrian Traded Index (ATX) continued its extraordinary performance of the previous year to hit an all-time high of 4,158.59 points on 21 February 2006. The ATX outperformed all significant international stock markets in the quarter under review with a gain of 12.9%.

The DJ Euro Stoxx Bank Index continued its upward trend with another surge of 13.0% in the first quarter of 2006. As of 31 March 2006, the European Bank Index stood at 412.35 points. The rising prices are mainly attributable to the announcement of positive results by European banks for business year 2005 and to takeover offers and speculations about bank mergers in the European bank sector. There was talk of a possible takeover of the British-based Alliance & Leicester by the French-based Credit Agricole or the Spanish-based Banco Santander and about an impending takeover offer for the French-based Société Générale by the US-based Citigroup.

DEVELOPMENT OF ERSTE BANK STOCK

Erste Bank stock saw another quarter of positive growth, reaching its highest closing price yet of EUR 51.69 on 27 February 2006 and achieving a price gain of 3.4% in the first quarter of 2006 based on the closing price of EUR 48.66 on 31 March 2006. Besides the acquisition of about 62% of Banca Comerciala Romana (BCR) at the end of December 2005, the stock was stimulated by the record results for 2005. A capital increase was carried out in January 2006 in connection with the acquisition of the majority stake in Romania's largest bank. The placement of these new shares with institutional and private investors was highly successful. This increase is the largest capital market transaction ever conducted on the Vienna Stock Exchange, consisting of 64.8 million shares worth EUR 2.9 billion. The new shares were issued at a price of EUR 45.00 and have been trading on the exchange since 27 January 2006. The closing price of the new shares at the end of the quarter was EUR 48.01.

INVESTOR RELATIONS

In advance of the capital increase, three information events were held for customers in Austria and a road show was staged by the Management Board for institutional investors in Europe and the United States.

In March and April, Erste Bank participated in numerous international banking and investor conferences staged by CAIB, RCB, Morgan Stanley, Société Générale and ING. In addition to a presentation of the strategy and orientation of the Erste Bank Group before a large number of investors, the management conducted a number of individual meetings. Erste Bank will stage its seventh consecutive Internet chat on 18 April 2006. This event gives retail investors and other interested individuals a chance to communicate directly with Chairman of the Management Board Andreas Treichl.

Business performance

The new acquisition in Serbia Erste Bank Serbia has been included in the consolidated accounts since 9 August 2005 (date of the closing). Starting on 1 January 2005, the standards IAS 32 (Financial Instruments: Presentation) and IAS 39 (Financial Instruments: Recognition and Measurement) revised by IASB must be applied in a binding manner. This affects mainly the presentation of securities transactions and the credit assessment and the reporting of the hybrid capital. According to the transitional regulations, the previous year's figures must be adapted. All values from last year and the rates of change refer to these adapted comparative figures. The details of the conversions were described in releases on 3 May 2005 and 6 December 2005 and can be found on the homepage of Erste Bank.

This excellent performance is attributable to substantial growth of 11.3% in **operating income**, which rose from EUR 1,046.6 million to EUR 1,165.1 million. Outstanding results were achieved in all segments, but especially in the trading business. At the same time, the increase in **general administrative expenses** was kept to a relatively modest 5.3% (from EUR 658.9 million to EUR 693.9 million). The **operating profit** grew by nearly one fourth, to EUR 471.2 million. The **cost/income ratio** improved from 61.8% for 2005 as a whole to 59.6% for the first quarter of 2006.

As expected, Erste Bank's **return on equity** declined in the first quarter owing to the EUR 2.9 billion **capital increase** completed in January 2006. This ratio fell from 19.0% for 2005 as a whole to 15.6% in the first quarter.

The **total assets** of the Erste Bank Group rose in the first quarter of 2006 by 4.0% from EUR 152.7 billion to EUR 158.8 billion. This increase was mainly attributable to strong growth in customer lending. **Loans and advances to customers** rose by 4.8% from EUR 80.4 billion to EUR 84.3 billion.

Outlook

Erste Bank reiterates the targets set on the acquisition of Romania's largest bank, Banca Comerciala Romana. Annual average **growth of more than 20%** is forecast for **net profit after tax and minorities** from **2005 to 2009**. The 2009 target for the **cost/income ratio** is to come in below **55%**. Following a near **70%** increase in equity as a result of the capital

increase at the start of the year **return on equity** will decline in the current business year. However, it should recover in the years thereafter to reach **18% to 20%** in 2009. In **2006**, the management expects net profit to increase by more than 20%, excluding the consolidation-related effects from BCR.

PERFORMANCE IN DETAIL

in EUR million	1.1.31.3.06	1.1.31.3.05	% change
Net interest income	724.0	672.7	7.6
Risk provisions for loans and advances	-109.1	-101.3	7.7
Net commission income	342.2	311.1	10.0
Net trading result	91.2	57.2	59.4
General administrative expenses	-693.9	-658.9	5.3
Insurance business	7.7	5.6	37.5
Other operating result	18.3	-2.0	>100.0
Pre-tax profit	380.4	284.4	33.8
Net profit after minority interests	239.6	160.3	49.5

OPERATING INCOME

Net interest income

The slight upward trend in interest rates in recent months helped to boost profits in the retail business. However, an even more significant driver of record profit for the first quarter of 2006 is the strong expansion in lending to customers..

Net interest income increased by 7.6%, from EUR 672.7 million in the first quarter of 2005 to EUR 724.0 million this year. With the exception of a slight decline at the Haftungsverbund savings banks, growth was recorded at core segments of the group, but especially at Erste Bank AG and Česká spořitelna. The rise in net interest income surpassed expectations at Slovenská sporiteľňa, which saw an increase despite the expiry of its high-yield government bonds.

Net interest margin for the first quarter of 2006 (net interest income as a percentage of the average interest-bearing assets – calculated from total assets less cash reserves, trading assets, tangible fixed assets and intangible fixed assets and other assets) amounted to 2.04% and were virtually unchanged against 2005 as a whole, both domestically (approx. 1.6%) and in Central Europe (average of about 3.6%).

Net commission income

in EUR million	1.1.-31.3.06	1.1.-31.3.05	Change in %
Erste Bank Group			
Lending business	43.6	44.2	-1.4
Payment transfers	123.9	113.7	9.0
Securities transactions	120.2	92.6	29.8
thereof: investment fund transactions	48.6	32.6	49.1
custodial fees	14.4	13.4	7.5
brokerage	57.2	46.6	22.7
Insurance business	21.9	21.4	2.3
Building society brokerage	6.7	8.4	-20.2
Foreign exchange transactions	9.2	9.2	0.0
Other	16.7	21.6	-22.7
Total	342.2	311.1	10.0

Net commission income continued to develop positively, rising by 10% over the same quarter last year, from EUR 311.1 million to EUR 342.2 million. Securities transactions were a major factor in this positive trend. Profits in this segment increased by 29.8% over the same period last year, from EUR 92.6 million to EUR 120.2 million. Payment transactions also posted for satisfactory results (+9.0% to EUR 123.9 million) while Haftungsverbund savings banks achieved above average net commission income.

Of special significance in the first quarter of 2006 was the **net trading result**, which reached an extraordinarily high level of EUR 91.2 million. This figure surged by 59.4% compared to the already high Q1 2005 figures of EUR 57.2 million. Above average profits, particularly from securities and foreign exchange transactions, were achieved in all trading units of the group.

Income from insurance business saw robust growth of 37.5%, rising to EUR 7.7 million. This reflected in part the higher income from financial investments, but also a strong performance by s Versicherung and local insurance companies in their core business.

General administrative expenses

in EUR million	1.1.-31.3.06	1.1.-31.3.05	Change in %
Personnel expenses	407.0	377.4	7.8
Other administrative expenses	201.7	197.4	2.2
Subtotal	608.7	574.8	5.9
Depreciation and amortisation	85.2	84.1	1.3
Total	693.9	658.9	5.3

Austria (incl. Corporate Center and International Business)

in EUR million	1.1.-31.3.06	1.1.-31.3.05	Change in %
Personnel expenses	292.3	275.0	6.3
Other administrative expenses	101.2	103.8	-2.5
Subtotal	393.5	378.8	3.9
Depreciation and amortisation	40.4	43.2	-6.4
Total	433.9	422.0	2.8

Central Europe

in EUR million	1.1.-31.3.06	1.1.-31.3.05	Change in %
Personnel expenses	114.7	102.4	12.0
Other administrative expenses	100.5	93.6	7.4
Subtotal	215.2	196.0	9.8
Depreciation and amortisation	44.8	40.9	9.5
Total	260.0	236.9	9.7

Total **general administrative expenses** increased by 5.3 % in the first three months of the current business year, rising from EUR 658.9 million to EUR 693.9 million. The two major factors behind this trend were the development of exchange rates in Central Europe and the first-time consolidation of Erste Bank Serbia.

Personnel expenses rose by 7.8% in the first three months in 2006, from EUR 377.4 million to EUR 407.0 million. The higher growth in Central Europe (+12.0% to EUR 114.7 million) was attributable to the need to adjust salaries to market levels. In the remainder of the group, personnel expenses increased by 6.3%.

The total number of employees remained virtually unchanged in the first quarter. The slight increase of 0.8% to 36,453 employees is primarily attributable to the expansion of the branch network in Hungary, Croatia and Serbia.

Employed by group

	31.3.2006	31.12.2005	Change in %
Domestic incl. Haftungsverbund savings banks	14,723	14,757	-0.2
International	21,730	21,393	1.6
thereof the Česká spořitelna Group	10,801	10,755	0.4
thereof the Slovenská sporiteľňa Group	4,895	4,836	1.2
thereof the Erste Bank Hungary Group	2,675	2,551	4.9
thereof Erste Bank Croatia	1,661	1,604	3.6
thereof Erste Bank Serbia	954	915	4.3
thereof other subsidiaries in CEE and foreign branches	744	732	1.6
Total	36,453	36,150	0.8

Other administrative expenses increased only moderately from EUR 197.4 million to EUR 201.7 million thanks to consistent cost management. The increase in this area stemmed solely from Central Europe (+7.4 % to EUR 100.5 million). In Austria (including the Corporate Center and International Business) these costs were reduced by 2.5%. Declining office space costs and significantly lower consulting expenses helped bring about this reduction.

Depreciation of tangible fixed assets increased also only by 1.3%, from EUR 84.1 million to EUR 85.2 million. This trend is attributable to the more restrictive approach taken to investments in recent years.

Risk provisions for loans and advances rose by 7.7% from EUR 101.3 million to EUR 109.1 million. This increase can be explained in part by the unusually low allocations at Česká

spořitelna and at Slovenská sporiteľňa in the first quarter of 2005 due to exceptional releases. However, this figure also reflects the significant expansion of lending volumes at the Haftungsverbund savings banks.

The balance of **other operating income** improved markedly, from EUR -2.0 million last year to EUR 18.3 million. One reason for this positive trend was the need for larger write-downs for investments in the same period last year. Income in the order of EUR 6.3 million from Erste banks's private equity business and lower deposit insurance contributions owing to legal changes especially in Slovakia also contributed to this trend.

The 2006 **tax rate** is expected to be lower than in 2005, when this figure was just under 25%, owing not least to a further 2 percentage point decrease in the tax rate in the Czech Republic.

Development of the balance sheet

in EUR million	31.3.2006	31.12.2005	Change in %
Loans and advances to credit institutions	18,604	16,858	10.4
Loans and advances to customers	84,310	80,419	4.8
Risk provisions for loans and advances	-2,809	-2,817	-0.3
Securities portfolio and other financial assets	48,401	47,681	1.5
Other assets	10,309	10,519	-2.0
Total assets	158,815	152,660	4.0
in EUR million	31.3.2006	31.12.2005	Change in %
Amounts owed to credit institutions	36,213	33,911	6.8
Amounts owed to customers	75,151	72,793	3.2
Debts evidenced by certificates and subordinated capital	24,202	25,581	-5.4
Other liabilities	14,041	13,914	0,9
Total equity	9,208	6,461	42.5
thereof shareholders' equity	6,936	4,129	68.0
thereof held by minority interests	2,272	2,332	-2.6
Total liabilities	158,815	152,660	4.0

The **total assets** of the Erste Bank Group increased by 4.0% in the first quarter of 2006 from EUR 152.7 billion at the end of 2005 to EUR 158.8 billion.

Loans and advances to customers during this period rose by 4.8%, from EUR 80.4 billion to EUR 84.3 billion. This increase is attributable mainly to the above average growth in business in Central Europe, where the lending volume expanded by roughly 6.1% to EUR 20.1 billion.

Risk-weighted assets in accordance with Section 22 para. 2 of the Austrian Banking Act (BWG) edged up in the first quarter of 2006 by 2.1% to EUR 76.6 billion.

Risk provisions for loans and advances remained virtually unchanged at EUR 2.8 billion taking into account the allocations to provisions and the release and use of provisions.

Investments in securities and other financial assets as of 31 March 2006 were only marginally higher than at the end of 2005. The total of trading assets, other current assets and financial assets rose by 1.5% from EUR 47.7 billion at the end of 2005 to EUR 48.4 billion. **Other current assets** totaling EUR 18.8 billion (as of 31 March 2006) included EUR 4.6 billion from the "Fair Value Portfolio" whose valuation result and realised values are recorded in the profit and loss account and EUR 14.2 billion from the "Available for Sale Portfolio", whose valuation results are recorded under equity up to realisation.

On the liability side, **customer deposits (amounts owed to customers)** rose by a total of 3.2%, from EUR 72.8 billion to EUR 75.2 billion. Savings deposits grew by +4.6% to EUR 40.6 billion, mainly due to a reclassification of certain deposits products previously recorded under other customer deposits. The expansion of customer deposit business is largely due to growth in Central Europe (+7.1% to EUR 28.4 billion).

Own issues, comprising debts evidenced by certificates and subordinated capital, fell by 5.4% from EUR 25.6 billion to EUR 24.2 billion. The volume of **debts evidenced by certificates** declined by 6.5% to EUR 19.9 billion in the first quarter of 2006. This decrease is due mainly to the repayment of short-term certificates of deposit and commercial papers at Erste Bank AG.

The reported **capital** increased by a substantial 42.5%, from EUR 6.5 billion to EUR 9.2 billion owing to the growth in **shareholders' equity** (+68.0% to EUR 6.9 billion) as a result of the capital increase. Through this transaction Erste Bank issued 64,848,960 new shares in January 2006, including a fully exercised underwriter's over-allotment option (Greenshoe option). This increased shareholders' equity (including premium) by some EUR 2.9 billion. Due to the full consolidation of the Haftungsverbund savings banks the shares acquired by them (about EUR 0.2 billion) must be deducted from shareholders' equity.

The total qualifying **equity capital** of the Erste Bank Banking Group according to the Austrian Banking Act (BWG) amounted to approximately EUR 11.2 billion as of 31 March 2006 (end of 2005: EUR 8.6 billion). Based on the minimum capital requirement of about EUR 6.6 billion on the reporting date, the cover ratio stood at 171% (end of 2005: 135%).

The **core capital (Tier 1)** amounted to about EUR 7.8 billion as of 31 March 2006 (end of 2005: EUR 5.1 billion) with a **Tier 1 ratio** of 10.2% (end of 2005: 6.8%). The **solvency ratio** in accordance with the Austrian Banking Act (BWG) amounted to 14.1% as of 31 March 2006 (end of 2005: 11.0%) far above the minimum legal requirement of 8.0%. These ratios will drop following the completion of the acquisition of BCR, currently expected by the end of Q2 2006.

Financial Statements

I. Consolidated Income Statement of Erste Bank from 1 January to 31 March 2006

in EUR million	(Notes)	1.1.-31.3.06	1.1.-31.3.05	in %
Interest and similar income		1,575.7	1,380.3	14.2
Interest paid and similar expenses		-851.7	-707.6	20.4
Net interest income	(1)	724.0	672.7	7.6
Risk provisions for loans and advances	(2)	-109.1	-101.3	7.7
Fee and commission income		436.3	372.3	17.2
Fee and commission expenses		-94.1	-61.2	53.8
Net commission income	(3)	342.2	311.1	10.0
Net trading result	(4)	91.2	57.2	59.4
General administrative expenses	(5)	-693.9	-658.9	5.3
Income from insurance business	(6)	7.7	5.6	37.5
Other operating result	(7)	18.3	-2.0	>100.0
Pre-tax profit for the period		380.4	284.4	33.8
Taxes on income		-85.6	-68.8	24.4
Profit for the period		294.8	215.6	36.7
Minority interests		-55.2	-55.3	-0.2
Net profit after minority interests		239.6	160.3	49.5

Earnings per share

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

	1.1.-31.3.06	1.1.-31.3.05	in %
Earnings per share	0.83	0.67	24.5
Diluted earnings per share	0.83	0.66	25.7

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

in EUR million	(Notes)	31.3.2006	31.12.2005	in %
ASSETS				
Cash and balances with central banks		2,787	2,728	2.2
Loans and advances to credit institutions	(8)	18,604	16,858	10.4
Loans and advances to customers	(9)	84,310	80,419	4.8
- Risk provisions for loans and advances	(10)	-2,809	-2,817	-0.3
Trading assets	(11)	5,514	5,426	1.6
Fair value through profit and loss and available for sale	(12)	18,827	18,644	1.0
Financial investments	(13)	24,060	23,611	1.9
Intangible assets		1,903	1,911	-0.4
Tangible assets		1,669	1,688	-1.1
Other assets		3,950	4,192	-5.8
Total assets		158,815	152,660	4.0
LIABILITIES AND SHAREHOLDERS' EQUITY				
Amounts owed to credit institutions	(14)	36,213	33,911	6.8
Amounts owed to customers	(15)	75,151	72,793	3.2
Debts evidenced by certificates		19,900	21,291	-6.5
Provisions	(16)	8,845	8,635	2.4
Other liabilities		5,196	5,279	-1.6
Subordinated capital		4,302	4,290	0.3
Total equity		9,208	6,461	42.5
thereof shareholders' equity		6,936	4,129	68.0
thereof minority interests		2,272	2,332	-2.6
Total liabilities and shareholders' equity		158,815	152,660	4.0

III. Consolidated Statement of Changes in Equity

in EUR million	Subscribed capital	Add. paid-in capital	Retained earnings + group profit	Shareholders' equity	Minority Interests	Total equity
Equity as of 01.01.2005	483	1,429	1,512	3,424	2,529	5,953
Currency translation			29	29	5	34
Changes in own shares			13	13	-	13
Dividends				-	-45	-45
Capital increases				-	-	-
Profit for the period			160	160	55	215
Other changes			-	-	-152	-152
thereof cash flow hedge			-21	-21	-1	-22
thereof available for sale reserve			19	19	-4	15
thereof deferred taxes			1	1	1	2
thereof change of interests in subsidiaries			-	-	-148	-148
thereof other			1	1	-	1
Equity as of 31.03.2005	483	1,429	1,714	3,626	2,392	6,018
Cash flow hedge reserve at reporting date				17	15	32
Available for sale reserve at reporting date				199	245	444
Deferred tax reserve reporting date				-52	-64	-116
Equity as of 01.01.2006	486	1,464	2,179	4,129	2,332	6,461
Currency translation			5	5	1	6
Changes in own shares			-252	-252		-252
Dividends				-	-12	-12
Capital increases	130	2,734*		2,864	-	2,864
Profit for the period			240	240	55	295
Other changes			-50	-50	-104	-154
thereof cash flow hedge			-4	-4	-15	-19
thereof available for sale reserve			-62	-62	-111	-173
thereof deferred taxes			16	16	31	47
thereof change of interests in subsidiaries				-	-9	-9
thereof other				-		-
Equity as of 31.03.2006	616	4,198	2,122	6,936	2,272	9,208
Cash flow hedge reserve at reporting date				-4	-7	-11
Available for sale reserve at reporting date				83	150	233
Deferred tax reserve at reporting date				-19	-35	-54

*) Including capital increase expenses totaling EUR -54.6 million after taxes

IV. Cash Flow Statement

in EUR million	1.1.-31.3.06	1.1.-31.3.05	in %
Cash and cash equivalents at beginning of period	2,728	2,723	0.2
Cash flow from operating activities	-2,206	770	>100.0
Cash flow from investing activities	-494	-1,245	-60.3
Cash flow from financing activities	2,752	233	>100.0
Effect of currency translation	7	24	-70.8
Cash and cash equivalents at end of period	2,787	2,505	11.3

V. Notes

Consolidated financial statements of Erste Bank Group are prepared in accordance with the currently valid International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) published by the International Accounting Standards Board (IASB) and with the interpretation of these standards by the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC). The interim financial statements for the first quarter of 2006 are in conformity with IAS 34 (“Interim Reports”).

No changes were made in accounting and valuation methods in the period under review. It should also be noted that the comparative figures for 2005 have been restated in accordance with the rules of IAS 32 and IAS 39. Details of these restatements were presented in the press release of 6 December 2005, which can be found on the Erste Bank website.

SIGNIFICANT TRANSACTIONS IN THE PERIOD UNDER REVIEW

On 9 January 2006 the Management Board of Erste Bank AG decided with the approval of the Supervisory Board to increase the share capital of Erste Bank der oesterreichischen Sparkassen AG to finance the purchase of a 61.88% majority stake in Banca Comerciala Romana (BCR) and to improve its own capital base. This increase was brought about by issuing about 58.95 million new shares plus an underwriters’ over-allotment option of 10% (Greenshoe), bringing the total to some 64.85 million new shares. The subscription and offer period for subscription of the new shares began on 11 January 2006 and ended on 26 January 2006. In the scope of this capital increase, 64,848,960 new shares were placed at an issue price of EUR 45, with the underwriters’ over-allotment option being fully exercised. As a result, the share capital was increased by EUR 129.7 million.

INFORMATION ON THE CONSOLIDATED INCOME STATEMENT OF ERSTE BANK

(1) Net interest income

in EUR million	1.1.-31.3.06	1.1.-31.3.05	in %
Interest income from			
Lending and money market transactions with credit institutions	235.1	167.3	40.5
Lending and money market transactions with customers	916.0	800.4	14.4
Fixed-income securities	337.8	329.0	2.7
Other interest and similar income	17.3	19.1	-9.4
Current income from			
Shares and other variable-yield securities	44.9	45.9	-2.2
Investments	8.5	5.0	70.0
Property used by outside parties	16.1	13.6	18.4
Total interest and similar income	1,575.7	1,380.3	14.2
Interest expenses for			
Amounts owed to credit institutions	-287.2	-165.9	73.1
Amounts owed to customers	-307.9	-307.2	0.2
Debts evidenced by certificates	-187.7	-173.8	8.0
Subordinated capital	-66.2	-59.4	11.4
Other	-2.7	-1.3	>100.0
Total interest and similar expenses	-851.7	-707.6	20.4
Total	724.0	672.7	7.6

(2) Risk provisions for loans and advances

in EUR million	1.1.-31.3.06	1.1.-31.3.05	in %
Net allocation to risk provisions for loans and advances	-99.1	-98.3	0.8
Direct write-offs of loans and advances and amounts received against written-off loans and advances	-10.0	-3.0	>100.0
Total	-109.1	-101.3	7.7

(3) Net commission income

in EUR million	1.1.-31.3.06	1.1.-31.3.05	in %
Lending business	43.6	44.2	-1.4
Payment transfers	123.9	113.7	9.0
Securities transactions	120.2	92.6	29.8
thereof: investment fund transactions	48.6	32.6	49.1
custodial fees	14.4	13.4	7.5
brokerage	57.2	46.6	22.7
Insurance business	21.9	21.4	2.3
Building society brokerage	6.7	8.4	-20.2
Foreign exchange transactions	9.2	9.2	0.0
Other	16.7	21.6	-22.7
Total	342.2	311.1	10.0

(4) Net trading result

in EUR million	1.1.-31.3.06	1.1.-31.3.05	in %
Securities and derivatives trading	45.0	32.9	36.8
Foreign exchange transactions	46.2	24.3	90.1
Total	91.2	57.2	59.4

(5) General administrative expenses

in EUR million	1.1.-31.3.06	1.1.-31.3.05	in %
Personnel expenses	-407.0	-377.4	7.8
Other administrative expenses	-201.7	-197.4	2.2
Depreciation and amortisation	-85.2	-84.1	1.3
Total	-693.9	-658.9	5.3

(6) Income from insurance business

in EUR million	1.1.-31.3.06	1.1.-31.3.05	in %
Premiums earned	299.8	323.9	-7.4
Investment income from technical business	97.1	71.3	36.2
Claims incurred	-89.4	-69.3	29.0
Change in underwriting reserves	-267.4	-294.4	-9.2
Expenses for policyholder bonuses	-14.7	-3.1	>100.0
Operating expenses	-31.8	-31.7	0.3
Sundry underwriting profit/loss	13.9	8.2	69.5
Underwriting profit/loss	7.5	4.9	53.1
Financial profit/loss	97.3	72.0	35.1
Carry forward-underwriting	-97.1	-71.3	-36.2
Total	7.7	5.6	37.5

(7) Other operating result

in EUR million	1.1.-31.3.06	1.1.-31.3.05	in %
Other operating income	14.6	15.1	-3.3
Other operating expenses	-31.4	-41.3	-24.0
Impairment of goodwill	0.0	0.0	n.a.
Other operating expenses	-31.4	-41.3	-24.0
Results from measurement/sale of securities held as fair value through profit or loss and available for sale	26.6	28.5	-6.7
Fair value portfolio	10.4	9.2	13.0
Available for sale portfolio	16.2	19.3	-16.1
Income from investments and related companies	8.5	-4.3	>100.0
Total	18.3	-2.0	>100.0

INFORMATION ON THE CONSOLIDATED BALANCE SHEET OF ERSTE BANK

(8) Loans and advances to credit institutions

in EUR million	31.3.2006	31.12.2005	in %
Loans and advances to domestic credit institutions	2,567	2,271	13.0
Loans and advances to foreign credit institutions	16,037	14,587	9.9
Total	18,604	16,858	10.4

(9) Loans and advances to customers

in EUR million	31.3.2006	31.12.2005	in %
Loans and advances to domestic customers	50,100	49,816	0.6
Public sector	2,738	2,667	2.7
Commercial customers	27,820	27,547	1.0
Private customers	19,420	19,429	0.0
Unlisted debt securities	20	27	-25.9
Other	102	146	-30.1
Loans and advances to foreign customers	34,210	30,603	11.8
Public sector	1,712	1,595	7.3
Commercial customers	20,561	17,579	17.0
Private customers	10,269	9,771	5.1
Unlisted debt securities	1,386	1,442	-3.9
Other	282	216	30.6
Total	84,310	80,419	4.8

(10) Risk provisions

in EUR million	31.3.2006	31.12.2005	in %
Risk provisions for loans and advances			
at 1 January	2,817	2,804	0.5
Use	-105	-47	>100.0
Net allocation of risk provisions	99	98	1.0
Changes in exchange rates	-2	12	>100.0
at 31 March	2,809	2,867	-2.0
Other risk provisions (off-balance-sheet transactions and other lending commitments)	170	152	11.8
Risk provisions at 31 March	2,979	3,019	-1.3

(11) Trading assets

in EUR million	31.3.2006	31.12.2005	in %
Bonds and other fixed-income securities	3,033	3,194	-5.0
Shares and other variable-yield securities	883	777	13.6
Positive fair value of derivate financial instruments	1,598	1,455	9.8
Total	5,514	5,426	1.6

(12) Fair value through profit or loss and available for sale

in EUR million	31.3.2006	31.12.2005	in %
Fair Value through profit and loss (Fair Value Portfolio)			
Bonds and other fixed-income securities	3,522	3,458	1.9
Shares and other variable-yield securities	1,079	912	18.3
Fair Value directly in equity (Afs-Portfolio)			
Bonds and other fixed-income securities	10,956	11,004	-0.4
Shares and other variable-yield securities	3,270	3,270	0.0
Total	18,827	18,644	1.0

(13) Financial investments

in EUR million	31.3.2006	31.12.2005	in %
Bonds and other fixed-income securities	15,050	14,725	2.2
Other variable-yield securities	322	397	-18.9
Investments / equity holdings	523	519	0.8
Investments of insurance companies	7,252	7,066	2.6
Other financial investments (particularly property used by outside parties)	913	904	1.0
Total	24,060	23,611	1.9

(14) Amounts owed to credit institutions

in EUR million	31.3.2006	31.12.2005	in %
Amounts owed to domestic credit institutions	10,181	9,804	3.8
Amounts owed to foreign credit institutions	26,032	24,107	8.0
Total	36,213	33,911	6.8

(15) Amounts owed to customers

in EUR million	31.3.2006	31.12.2005	in %
Savings deposits	40,602	38,823	4.6
Other	34,549	33,970	1.7
Total	75,151	72,793	3.2

(16) Provisions

in EUR million	31.3.2006	31.12.2005	in %
Long-term employee provisions	1,074	1,071	0.3
Underwriting provisions	7,273	7,056	3.1
Other provisions	498	508	-2.0
Total	8,845	8,635	2.4

ADDITIONAL INFORMATION

(17) Contingent liabilities and other obligations

in EUR million	31.3.2006	31.12.2005	in %
Contingent liabilities	10,843	10,417	4.1
Guarantee liabilities	10,663	10,130	5.3
Other	180	287	-37.3
Other obligations	18,538	17,893	3.6
Undrawn credit and loan commitments	16,701	16,576	0.8
Other	1,837	1,317	39.5

(18) Number of employees at 31.3.2006

(weighted by extent of employment)

	31.3.2006	31.12.2005	in %
Employed by Group	36,453	36,150	0.8
Domestic	14,723	14,757	-0.2
Abroad	21,730	21,393	1.6
thereof Česká spořitelna Group	10,801	10,755	0.4
thereof Slovenská sporiteľňa Group	4,895	4,836	1.2
thereof Erste Bank Hungary Group	2,675	2,551	4.9
thereof Erste Bank Croatia	1,661	1,604	3.6
thereof Erste Bank Serbia	954	915	4.3
thereof other subsidiaries and foreign branch offices	744	732	1.6

In addition to the above number of employees, 63 persons were employed in non-bank enterprises of the Group (hotel and leisure sector) at 31 March 2006.

VI. Segment reporting

AUSTRIA

Exceptionally strong first-quarter results in Austria continued last year's favourable trend. Net profit after taxes and minority interests increased by 62.2% from EUR 63.2 million to EUR 102.5 million. These record earnings in Austria were due to exceptionally strong net commission income, which rose by 13.1% (EUR 26.6 million), and an almost twofold increase in the net trading result (Trading & Investment Banking segment), up 70.3% from EUR 30.4 million to EUR 51.8 million. Operating income rose by nearly 7% overall, while the increase in general administrative expenses was a relatively moderate 2.1% (EUR 8.3 million). The first-quarter operating profit rose by 15.5% (EUR 33.4 million) to EUR 249.5 million, with all segments recording gains. This favourable performance was also reflected in the cost/income ratio, which improved from 65.2% to 62.4%. Other operating income increased by EUR 6.7 million to EUR 24.4 million as a result of higher income from securities other than trading securities and proceeds from the sale of participations. The return on equity increased from 13.1% to 19.5%, well above the 15% target.

Savings Banks

Net profit after taxes and minority interests rose by EUR 0.3 million to EUR 3.7 million. The increase in risk provisions of close to 9% from EUR 40.5 million to EUR 44.1 million was due exclusively to higher provisioning requirements at those savings banks that had no impact on net profit after taxes and minority interests, given the absence of an equity interest. Net commission income rose sharply by 13.2% (EUR 11.3 million), especially in the securities business. This increase coupled

with the modest 1.3% (EUR 2.6 million) increase in general administrative expenses resulted in a 7.5% rise in operating profit from EUR 90.1 million to EUR 96.9 million. The other operating result increased from a loss of EUR 1.4 million to a gain of EUR 6.3 million, mainly as a result of higher income from securities other than trading securities. The cost/income ratio contracted from 69.4% to 68.1%, and the return on equity increased to 4.6%.

Retail and Mortgage

The retail business again performed very well in the first quarter of 2006. Net profit after taxes and minority interests rose by 49.7% (or EUR 9.6 million) from EUR 19.2 million to EUR 28.8 million. This increase was largely driven by net commission income, which advanced by 14.3% (or EUR 11.1 million) on solid equity issue sales commissions in the branches and the generally strong securities business. Moreover, net interest income rose slightly from EUR 128.4 million to EUR 129.6 million through increased lending volume, although on the deposit side competitive pressures weighed on margins. Income from the insurance business gained a substantial 40.2% from EUR 3.7 million to EUR 5.2 million, on the back of a higher net financial result at s Versicherung. The decline in the other operating result was due to a change in the scope of consolidation for equity interests allocated to this segment. The slight 1.4% increase in general administrative expenses from EUR 156.9 million to EUR 159.1 million also reflects the growing business expansion of the investment fund subsidiary in Erste Bank Group's extended home market. Operating profit also rose considerably in this segment, with a 21.9% increase from EUR 55.1 million to EUR 67.1 million. The cost/income ratio improved from 74.0% to 70.3%, while the return on equity stood at 11.9%.

Austria

	SAVINGS BANKS		RETAIL AND MORTGAGE		LARGE CORPORATES	
	Q1 2006	Q1 2005	Q1 2006	Q1 2005	Q1 2006	Q1 2005
in EUR million						
Net interest income	199.4	204.1	129.6	128.4	34.6	35.5
Risk provisions for loans and advances	-44.1	-40.5	-24.5	-26.5	-11.8	-13.1
Net commission income	96.3	85.1	88.9	77.8	21.8	18.9
Net trading result	7.9	5.1	2.6	2.1	0.2	-1.9
General administrative expenses	-206.8	-204.2	-159.1	-156.9	-21.9	-21.3
Income from insurance business	-	-	5.2	3.7	-	-
Other operating result	6.3	-1.4	-0,1	3.4	12.0	4.4
Pre-tax profit for the period	59.0	48.1	42.5	32.0	34.9	22.4
Taxes on income	-12.2	-12.2	-9.3	-8.0	-7,6	-5.6
Minority interests	-43.1	-35.6	-4.5	-4.8	-1,8	-2.0
Net profit after minority interests	3.7	0.3	28.8	19.2	25.5	14.7
Average risk-weighted assets	25,444.1	23,240.0	12,942.9	11,988.8	7,348.4	6,517.2
Average attributed equity	320.7	248.3	972.1	909.5	551.9	494.4
Cost/income ratio	68.1%	69.4%	70.3%	74.0%	38.8%	40.6%
ROE based on net profit	4.6%	0.6%	11.9%	8.5%	18.5%	11.9%
Thereof funding costs	-3.3	-3.7	-7.1	-8.3	-3.5	-3.9

TRADING & INVESTMENT BANKING		AUSTRIA	
Q1 2006	Q1 2005	Q1 2006	Q1 2005
13.0	16.2	376.5	384.2
-	-	-80.4	-80.1
22.4	21.0	229,4	202.8
41.1	25.2	51.8	30.4
-25.6	-22.6	-413.4	-405.1
-	-	5.2	3.7
6.3	0.4	24.4	6.7
57.1	40.1	193.5	142.7
-12.7	-11.3	-47.7	-37.1
-	-	-49.3	-42.4
44.4	28.9	102.5	63.2
3,459.5	3,675.5	49,194.9	45,421.5
259.8	278.8	2,104.5	1,931.0
33.5 %	36.3 %	62.4 %	65.2 %
68.4 %	41.4 %	19.5 %	13.1 %
-0.2	-0.4	-14,1	-16,3

Large Corporates

The operating profit of the Large Corporates segment increased by 11.2% from EUR 31.1 million to EUR 34.6 million. This increase was driven mainly by gains in net commission income, which rose by 15.2% (EUR +2.9 million) from EUR 18.9 million to EUR 21.8 million and the net trading result, which advanced by EUR 2.1 million from a loss of EUR 1.9 million to a profit of EUR 0.2 million. The increase in net commission income resulted from gains in the securities and investment banking business and a strong result by the leasing subsidiary Immorent. The significant 73.4% (EUR 10.8 million) increase in net profit after taxes and minority interests from EUR 14.7 million to EUR 25.5 million was largely driven by other operating income, which increased from EUR 4.4 million to EUR 12.0 million through project financing and private equity related earnings. The cost/income ratio was 38.8%, while the return on equity increased sharply from 11.9% to 18.5%.

Trading and Investment Banking

Net profit after taxes and minority interests increased by 53.9% from EUR 28.9 million to EUR 44.4 million. The only setback in this otherwise strong performance was the decline in net interest income from EUR 16.2 million to EUR 13.0 million, which resulted from the general interest rate trend and a flat yield curve. Net commission income posted further gains, rising from EUR 21.0 million to EUR 22.4 million. These gains were largely generated by the securities business, in particular the sale of structured products. The ample increase in the net trading result from EUR 25.2 million to EUR 41.1 million was mainly recorded in the equity trading segment. Given higher transaction costs, general administrative expenses increased by 13%, a larger increase than experienced in the other Austrian segments. Overall, the cost/income ratio improved from 36.3% to 33.5%, while the return on equity climbed from 41.4% to 68.4%.

CENTRAL EUROPE

Czech Republic

Net profit after taxes and minority interests at Česká spořitelna increased by 22.7% (or EUR 15.1 million) from EUR 66.5 million to EUR 81.5 million. Even though market interest rates remained below Euro rates, net interest income rose by 23% from EUR 139.7 million to EUR 172.1 million in the first quarter of 2006 supported by continued strong loan growth. Net commission income grew by 7.7% from EUR 72.6 million to EUR 78.2 million, driven by gains in the payments and bank cards businesses. The substantial 37.5% gain in the net trading result from EUR 12.9 million to EUR 17.8 million was due to higher income mainly in currency trading business. General administrative expenses increased by 6.4% (1.0% after adjusting

for the currency impact) from EUR 136.3 million to EUR 145.0 million, with the rise entirely attributable to depreciation. Both personnel and other administrative expenses were maintained at existing levels, thanks mainly to cost reduction measures implemented in the third quarter of last year, it should be noted that a direct comparison with the previous year is partially distorted by the increase in accrued expenses this year. The other operating result fell from a gain of EUR 8.7 million to a loss of EUR 5.2 million, mainly as a result of reduced income from other current assets. Given a very favourable operating income trend, operating profit increased by 38.4%, an increase that benefited from the favourable CZK/EUR exchange rate trend (+5.0%) and the above-average net trading result. The cost/income ratio fell from 60.0% to 53.6%, while the return on equity remained essentially unchanged at 41.1%.

CENTRAL EUROPE

	CZECH REPUBLIC		SLOVAKIA		HUNGARY		CROATIA	
	Q1 2006	Q1 2005	Q1 2006	Q1 2005	Q1 2006	Q1 2005	Q1 2006	Q1 2005
in EUR million								
Net interest income	172.1	139.7	50.7	45.6	52.5	47.1	27.4	27.4
Risk provisions for loans and advances	-10.8	-7.0	-2.8	-0.1	-6.4	-4.7	-2.6	-2.1
Net commission income	78.2	72.6	19.2	19.2	12.7	16.3	6.1	4.6
Net trading result	17.8	12.9	5.8	3.5	11.0	8.9	2.9	0.1
General administrative expenses	-145.0	-136.3	-45.3	-41.7	-43.1	-42.4	-20.5	-16.3
Income from insurance business	2.5	1.8	-	-	-	-	-	-
Other operating result	-5.2	8.7	1.1	-3.1	-4.9	-4.7	-0.2	-0.7
Pre-tax profit for the period	109.5	92.5	28.6	23.4	21.8	20.4	13.2	13.0
Taxes on income	-25.3	-24.1	-5.9	-3.0	-4.8	-3.8	-2.6	-2.5
Minority interests	-2.7	-1.9	0.1	-	-0.1	0.0	-4.0	-4.3
Net profit after minority interests	81.5	66.5	22.9	20.5	16.9	16.6	6.6	6.2
Average risk-weighted assets	10,575.6	8,479.1	3,027.4	2,133.1	3,520.9	2,188.7	2,815.8	2,044.8
Average attributed equity	794.3	643.2	227.4	161.8	264.4	166.0	211.5	155.1
Cost/income ratio	53.6%	60.0%	59.9%	61.1%	56.5%	58.7%	56.2%	50.8%
ROE based on net profit	41.1%	41.3%	40.2%	50.7%	25.6%	39.9%	12.5%	15.9%
Thereof funding costs	-4.4	-5.7	-3.1	-4.2	-4.7	-5.1	-1.0	-1.2

Slovakia

Net profit after taxes and minority interests of Slovenská sporiteľňa increased by 11.5% from EUR 20.5 million to EUR 22.9 million. In net interest income, the absence of income from high-interest bonds was more than offset by better-than-expected performance of the retail lending business, stronger gains from at equity holdings and from lower refinancing costs. Reported net commission income remained unchanged from the previous year, although year-on-year comparisons are skewed due to the first-time accrual of one-off commission income as per year-end 2005 (pursuant to IAS 39). For the full year, however, net commission income is expected to increase substantially.

SERBIA		CENTRAL EUROPE	
Q1 2006	Q1 2005	Q1 2006	Q1 2005
0.5	-	303.2	259.8
-1.4	-	-24.1	-13.9
1.1	-	117.3	112.7
0.4	-	37.9	25.4
-6.2	-	-260.0	-236.8
-	-	2.5	1.8
-0.4	-	-9.7	0.2
-6.0	-	167.1	149.3
0.2	-	-38.4	-33.3
0.2	-	-6.5	-6.3
-5.7	-	122.2	109.7
125.4	-	20,065.1	14,845.8
9.4	-	1,507.0	1,126.2
311.6%	-	56.4%	59.2%
-241.4%	-	32.4%	39.0%
-0.8	0.0	-14.1	-16.2

The net trading result increased by 67.6% from EUR 3.5 million to EUR 5.8 million, driven mainly by foreign exchange trading gains. General administrative expenses increased by EUR 3.6 million from EUR 41.7 million to EUR 45.3 million. This increase was mainly due to higher personnel expenses, as well as accrued expenses, which were not recorded in the first quarter of the previous year. The improvement in the other operating result was largely due to reduced deposit insurance contributions in accordance with regulatory changes. Both operating profit and net profit after taxes and minority interests posted strong gains, rising by 14.3% and 11.5%, respectively. Because of an increased equity allocation, however, the return on equity contracted from 50.7% to 40.2%, while the cost/income ratio improved from 61.1% to 59.9%.

Hungary

The operating result at Erste Bank Hungary rose by 10.9%, or EUR 3.3 million, from EUR 29.9 million to EUR 33.1 million. In this context the negative currency development – the Hungarian Forint depreciated by 4.5% compared to the same period last year – has to be noted. Net interest income increased by EUR 5.4 million, or 11.5%, from EUR 47.1 million to EUR 52.5 million, underpinned mainly by continued strong growth in loan volumes. Net commission income showed a substantial decline of EUR 3.6 million, or 22%, compared to the first quarter of 2005 due to a number of extraordinary items in the first quarter of 2006, amongst others a change in accruals of interest and similar expenses which are now classified and booked under commission expenses. In addition commission expenses in relation to the loan brokerage business as well as costs associated with the introduction of a new bank card product also weighed on net commission income. Even including these extraordinary effects, Erste Bank Hungary expects significant net commission income growth of more than 15% compared to 2005 – for the full year of 2006. Despite the deterioration in net commission income, a solid trading result (up 23.4%), combined with a moderate increase in general administrative expenses, which rose by 1.6% from EUR 42.4 million to EUR 43.1 million, contributed to a rise of 10.9% in the operating result and an improvement in the cost/income ratio from 58.7% to 56.5%. Net profit after taxes and minorities of EUR 16.9 million slightly edged last year's level. Similarly to net commission income, net profit is also expected to increase substantially on last year.

Croatia

Operating profit increased by 1.1% from EUR 15.8 million to EUR 16.0 million. Net interest income remained unchanged at EUR 27.4 million, but is not directly comparable with the previous year's result as valuation gains from derivatives were reclassified under the net trading result. Otherwise, net interest income would have increased by 11%, or EUR 3 million. Moreover, the current strict regulatory controls aimed at preventing foreign exchange lending in Croatia significantly weighed on net interest income. Net commission income increased by 31.7% from EUR 4.6 million to EUR 6.1 million. The increase in the net trading result was marked by the above-mentioned reclassification of derivative positions.

General administrative expenses increased by 25.6% (EUR 4.2 million) from EUR 16.3 million to EUR 20.5 million. Return on equity fell from 15.8% to 12.5%, while the cost/income ratio deteriorated from 50.8% to 56.2%.

Serbia

Erste Bank Serbia has been consolidated since August 2005. In September a comprehensive transformation programme was launched, which is designed to optimise operating processes and improve the bank's competitive position in the Serbian market. The reported loss of EUR 5.7 million reflects the costs associated with the restructuring and expansion strategy in Serbia.

INTERNATIONAL BUSINESS

The International Business continued its strong performance in the first quarter of 2006. Net profit after taxes and minority interests increased by 32.4% (or EUR 6.4 million) from EUR 19.7 million to EUR 26.1 million. The decrease in net interest income – mainly as a result of the current trend of narrowing credit spreads in the syndication business – was largely offset by the reduced need for risk provisions. This increase was driven by the improvement in the other operating result through partial provision releases of loans previously written off in full along with valuation gains in the securities portfolio and ongoing cost management. The cost/income ratio fell slightly from 20.7% to 20.1%, while return on equity increased from 16.7% to 18.9%.

CORPORATE CENTER

The Corporate Center 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. General administrative expenses were affected to a large extent by other administrative costs of Group projects started in 2004 and expenses related to strategic Group-wide activities. The improvement in net interest income was almost entirely due to the income allocated to the segment from the capital increase in end-January 2006 to finance the acquisition of Banca Comerciala Romana. The gains in other operating income were generated by non-recurring valuation measures of other equity interest in the first quarter of the previous year.

	INTERNATIONAL BUSINESS		CORPORATE CENTER		ERSTE BANK-GROUP TOTAL	
	Q1 2006	Q1 2005	Q1 2006	Q1 2005	Q1 2006	Q1 2005
in EUR million						
Net interest income	34.4	36.1	9.9	-7.4	724.0	672.7
Risk provisions for loans and advances	-4.5	-7.6	-0.1	0.4	-109.1	-101.3
Net commission income	7.3	7.2	-11.7	-11.6	342.2	311.1
Net trading result	0.1	0.0	1.4	1.3	91.2	57.2
General administrative expenses	-8.4	-9.0	-12.1	-8.1	-693.9	-658.9
Income from insurance business	0.0	0.0	0.0	0.0	7.7	5.6
Other operating result	7.1	0.6	-3.5	-9.5	18.3	-2.0
Pre-tax profit for the period	36.0	27.4	-16.2	-35.0	380.4	284.4
Taxes on income	-9.9	-7.7	4.5	9.3	-85.6	-68.8
Minority interests	0.0	0.0	0.6	-6.6	-55.2	-55.3
Net profit after minority interests	26.1	19.7	-11.2	-32.3	239.6	160.3
Average risk-weighted assets	7,330.2	6,197.8	333.1	347.4	76,923.3	66,812.4
Average attributed equity	550.5	470.2	1,991.2	26.4	6,153.3	3,553.7
Cost/income ratio	20.1%	20.7%	-	-	59.6%	63.0%
ROE based on net profit	18.9%	16.7%	-	-	15.6%	18.0%
Thereof funding costs	0.0	0.0	-4.1	-5.6	-32.2	-38.1

VII. Changes in total qualifying capital

in EUR million	31.3.2006	31.12.2005	31.3.2005
Subscribed capital (less own shares in portfolio)	614	486	482
Reserves and minority interests	7,616	5,087	4,462
Intangible assets	-441	-461	-457
Core capital (Tier 1)	7,789	5,112	4,487
Eligible subordinated liabilities	2,986	3,029	2,472
Revaluation reserve	304	352	203
Qualifying supplementary capital (Tier 2)	3,290	3,381	2,675
Short-term subordinated capital (Tier 3)	366	331	347
Deductions according to Section 23 (13) and Section 29 (1-2) Austrian Banking Act	-213	-213	-427
Total eligible qualifying capital	11,232	8,611	7,082
Capital requirement	6,553	6,390	5,647
Surplus capital	4,679	2,221	1,435
Cover ratio (in %)	171.4	134.8	125.4
Tier 1 ratio (in %)	10.2	6.8	6.8
Solvency ratio (in %)	14.1	11.0	10.2
Risk-weighted basis acc. to Section 22 Austrian Banking Act	76,639	75,078	66,233
of which 8% minimum capital requirement	6,131	6,006	5,299
Capital requirement for open foreign-exchange position acc. to Section 26 Austrian Banking Act	5	12	6
Capital requirement for the Trading book acc. to Section 22b para. 1 Austrian Banking Act	417	372	342
Total capital requirement	6,553	6,390	5,647

Quarterly results

CONSOLIDATED INCOME STATEMENT OF ERSTE BANK

	Q1 2005	Q2 2005	Q3 2005	Q4 2005	Q1 2006
in EUR million					
Net interest income	672.7	696.8	694.0	730.7	724.0
Risk provisions for loans and advances	-101.3	-108.6	-119.2	-92.5	-109.1
Net commission income	311.1	305.9	304.9	334.9	342.2
Net trading result	57.2	48.0	66.4	70.1	91.2
General administrative expenses	-658.9	-664.2	-666.9	-686.9	-693.9
Income from insurance business	5.6	21.3	10.0	-0.2	7.7
Other operating result	-2.0	-7.4	-1.0	-5.7	18.3
Pre-tax profit for the period	284.4	291.8	288.2	350.4	380.4
Taxes on income	-68.8	-70.7	-69.6	-90.9	-85.6
Profit for the period	215.6	221.1	218.6	259.5	294.8
Profit for the period	-55.3	-45.7	-45.5	-56.6	-55.2
Net profit after minority interests	160.3	175.4	173.1	202.9	239.6

CONSOLIDATED BALANCE SHEET OF ERSTE BANK

	Q1 2005	Q2 2005	Q3 2005	Q4 2005	Q1 2006
in EUR million					
Total assets	148.202	152.660	156.931	152.660	158.815
Loans and advances to credit institutions	19.545	19.840	20.058	16.858	18.604
Loans and advances to customers	74.585	77.227	79.946	80.419	84.310
Risk provisions for loans and advances	-2.867	-2.859	-2.902	-2.817	-2.809
Securities and other financial investments	45.407	46.917	47.678	47.681	48.401
Other assets	11.532	11.535	12.151	10.519	10.309
Total liabilities and shareholders' equity	148.202	152.660	156.931	152.660	158.815
Amounts owed to credit institutions	33.095	35.582	37.365	33.911	36.213
Amounts owed to customers	69.670	71.125	71.421	72.793	75.151
Debts evidenced by certificates, including subordinated capital	24.645	24.009	25.512	25.581	24.202
Other liabilities	17.166	18.241	18.762	16.246	16.313
Shareholders' equity	3.626	3.703	3.871	4.129	6.936

SHAREHOLDER EVENTS

19 May 2006	Annual General Meeting
24 May 2006	Ex-Dividend Day
26 May 2006	Dividend Payment Day
31 July 2006	Results for the first half of 2006
30 October 2006	Results for the first three quarters of 2006

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