

Erste Bank posts record net profit of EUR 240 million in the first quarter of 2006

Highlights in figures:

- **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 percent 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% 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% 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).

Summary of first quarter developments

Erste Bank Group has started the year with a strong performance. In the first quarter of 2006 it posted **net profit after tax and minority interests** of **EUR 239.6 million**, well ahead of its latest record set in the final quarter of 2005. For Andreas Treichl, the Chief Executive Officer, these quarterly results are “a very promising start to the new year and demonstrate the value of a well balanced country and business mix. In Central Europe we expect to outperform our current results in the coming quarters. In Austria, which continues to deliver excellent results, we expect to maintain our strong performance,” Treichl added. CFO Reinhard Ortner noted that the excellent results, especially in Treasury business “might be maintained but such a development will strongly depend on the market environment.”

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.

I. Performance in detail

| in EUR million | 1.1.-31.3.2006 | 1.1-31.3.2005 | % 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 |
| Consolidated net profit | 239.6 | 160.3 | 49.5 |

1. Earnings performance

1.1 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%).

1.2. General administrative expenses of Erste Bank Group

| in EUR million | 1.1. –31.3.2006 | 1.1. –31.3.2005 | Change in % |
|-------------------------------|-----------------|-----------------|-------------|
| Personnel expenses | 407.0 | 377.4 | 7.8 |
| Other administrative expenses | 201.7 | 197.4 | 2.2 |
| <i>Subtotal</i> | 608.7 | 574.8 | 5.9 |
| Depreciation and amortisation | 85.2 | 84.1 | 1.3 |
| Total | 693.9 | 658.9 | 5.3 |

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 for 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.

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.

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.

II. 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 |
| <i>thereof shareholders' equity</i> | 6,936 | 4,129 | 68.0 |
| <i>thereof held by minority interests</i> | 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.

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).

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%).

III. Segment reporting

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.

For more information, please contact:

Erste Bank. Press and Public Relations Office

1010 Vienna. Graben 21. Fax: 0043 (0) 50100 DW 19849

Hana Cygonková; ext 11675, e-mail: hana.cygonkova@erstebank.at

Michael Mauritz. ext 19603, e-mail: michael.mauritz@erstebank.at

I. Income Statement (IFRS)

| in EUR m | 1/1.- 31/3/06 | 1.1.- 31/03/05 | +/-% |
|--|------------------|-------------------|-------------|
| 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 |
| Result from insurance business | 7.7 | 5.6 | 37.5 |
| Other operating result | 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 |

II. Balance Sheet (IFRS)

in EUR m

| Assets | 31/03/06 | 31/12/05 | +/-% |
|---|----------------|----------------|------------|
| Cash and balances with central banks | 2,787 | 2,728 | 2.2 |
| 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) |
| Trading assets | 5,514 | 5,426 | 1.6 |
| AfS & assets through profit and loss | 18,827 | 18,644 | 1.0 |
| Financial investments | 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 | 31/03/06 | 31/12/05 | +/-% |
|---|----------------|----------------|------------|
| 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 | 19,900 | 21,291 | (6.5) |
| Provisions | 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 |

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

| TOTAL | | |
|--|-------------------------|----------------|
| | Erste Bank Group | |
| in EUR m | Q1 2006 | Q1 2005 |
| Net interest income | 724.0 | 672.7 |
| Risk provisions for loan 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) |
| Income from insurance business | 7.7 | 5.6 |
| Other operating result | 18.3 | (2.0) |
| Pre-tax profit for the period | 380.4 | 284.4 |
| Taxes on income | (85.6) | (68.8) |
| Minority interests | (55.2) | (55.3) |
| Net profit after minority interests | 239.6 | 160.3 |
| | | |
| Average risk-weighted assets | 76,923.3 | 66,812.4 |
| Average attributed equity | 6,153.3 | 3,553.7 |
| Cost/Income ratio | 59.6% | 63.0% |
| ROE based on net profit | 15.6% | 18.0% |
| | | |
| Thereof funding costs | (32.2) | (38.1) |

| CENTRAL EUROPE | | | | | | | | | | |
|--|-----------------------|----------------|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Czech Republic | | Slovakia | | Hungary | | Croatia | | Serbia | |
| in EUR m | Q1 2006 | Q1 2005 | Q1 2006 | Q1 2005 | Q1 2006 | Q1 2005 | Q1 2006 | Q1 2005 | Q1 2006 | Q1 2005 |
| Net interest income | 172.1 | 139.7 | 50.7 | 45.6 | 52.5 | 47.1 | 27.4 | 27.4 | 0.5 | - |
| Risk provisions for loan and adv. | (10.8) | (7.0) | (2.8) | (0.1) | (6.4) | (4.7) | (2.6) | (2.1) | (1.4) | - |
| Net commission income | 78.2 | 72.6 | 19.2 | 19.2 | 12.7 | 16.3 | 6.1 | 4.6 | 1.1 | - |
| Net trading result | 17.8 | 12.9 | 5.8 | 3.5 | 11.0 | 8.9 | 2.9 | 0.1 | 0.4 | - |
| General administrative expenses | (145.0) | (136.3) | (45.3) | (41.7) | (43.1) | (42.4) | (20.5) | (16.3) | (6.2) | - |
| Income from insurance business | 2.5 | 1.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | - |
| Other operating result | (5.2) | 8.7 | 1.1 | (3.1) | (4.9) | (4.7) | (0.2) | (0.7) | (0.4) | - |
| Pre-tax profit for the period | 109.5 | 92.5 | 28.6 | 23.4 | 21.8 | 20.4 | 13.2 | 13.0 | (6.0) | - |
| Taxes on income | (25.3) | (24.1) | (5.9) | (3.0) | (4.8) | (3.8) | (2.6) | (2.5) | 0.2 | - |
| Minority interests | (2.7) | (1.9) | 0.1 | 0.0 | (0.1) | (0.0) | (4.0) | (4.3) | 0.2 | - |
| Net profit after minority interests | 81.5 | 66.5 | 22.9 | 20.5 | 16.9 | 16.6 | 6.6 | 6.2 | (5.7) | - |
| | | | | | | | | | | |
| 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 | 125.4 | - |
| Average attributed equity | 794.3 | 643.2 | 227.4 | 161.8 | 264.4 | 166.0 | 211.5 | 155.1 | 9.4 | - |
| Cost/Income ratio | 53.6% | 60.0% | 59.9% | 61.1% | 56.5% | 58.7% | 56.2% | 50.8% | n.a. | - |
| ROE based on net profit | 41.1% | 41.3% | 40.2% | 50.7% | 25.6% | 39.9% | 12.5% | 15.9% | n.a. | - |
| | | | | | | | | | | |
| Thereof funding costs | (4.4) | (5.7) | (3.1) | (4.2) | (4.7) | (5.1) | (1.0) | (1.2) | (0.8) | - |