

Exploiting the core business potentials and implementing the earnings enhancement programme

strategic
objectives

97

Annual Report

**Building a leading supra-regional
retail bank in Central Europe**

Building on our role as
the central institution of
the savings bank sector

Establishing a new core
market in Central Europe

Highlights of 1997

1: Appointment of the new Managing Board: Andreas Treichl (Chairman), Elisabeth Bleyleben-Koren, Reinhard Ortner, Rudolf Penz (from October 4, 1997) and Georg Tucek.

7-29: Public offer to convert shares and participation certificates of GiroCredit and preference shares of Die Erste into ordinary shares of the new Erste Bank.

21: Appointment of the division heads following a management appraisal of more than 100 executives by an international consultant.

January – March

Jan. 29 – Mar. 19: Negotiations with Bank Austria/AVZ on the acquisition of a further 56% shareholding in GiroCredit; March 19: signing of the share purchase agreement; Supervisory Board approves the merger on June 4.

July

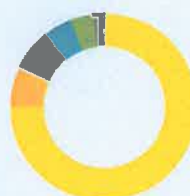


August

21: Extraordinary general meetings of GiroCredit and Erste Bank to approve the merger and the new name - Erste Bank der österreichischen Sparkassen AG.

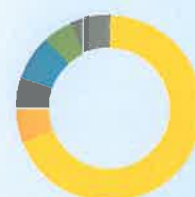
Overview of the Erste Bank Group

Share of main Group companies in total Group assets (in %)



Erste Bank	75%
S-Bausparkasse	7%
Salzburger Sparkasse	7%
Immorent + EBV Leasing	5%
Non-Austrian subsidiaries	4%
Others	2%

Share of main Group companies in Group operating result (in %)



Erste Bank	68%
S-Bausparkasse	6%
Salzburger Sparkasse	5%
Immorent + EBV Leasing	8%
Non-Austrian subsidiaries	5%
Others	7%

Erste Bank

		Share in %	Total Assets in 1000 ¹
Hauptsparkasse der österreichischen Sparkassen AG	Page 14	100.0	59,480,277
Salzburger Sparkasse Bank AG	Page 15	68.5 ²	41,839,495
IMMORENT AG	Page 16	100.0	2,810,733
EBV-Leasing Ges.m.b.H. & Co. KG	Page 15	100.0	3,465,095
Erste Bank Sparkassen (CR) a.s., Prag/CSK³	Page 18	66.7 ²	24,615,773
Mezőbank RT/HUF³	Page 18	83.7 ²	111,047,031
Erste Bank Investment Hungary/HUF³		100.0	3,926,042
Sparkassen Versicherung AG (vorläufig)	Page 14	38.8 ²	19,040,792
S-Wohnbaubank AG	Page 17	76.5 ²	3,526,658
DIE ERSTE Leasing Ges.m.b.H.	Page 16	100.0	3,507,471
DIE ERSTE Immobilien AG		24.2 ²	1,921,949
Intermarket Factoring Bank AG	Page 16	54.0 ²	1,677,588
S-Tourismusfonds Management AG		100.0	1,016,506
DIE ERSTE Bauträger		100.0	570,797
Sparinvest Austria Kapitalanlageges.m.b.H.⁴	Page 16	37.5 ²	390,493
DIE ERSTE-Kapitalanlageges.m.b.H.⁴	Page 16	100.0	115,151
VMG - Versicherungsmaklerges.m.b.H.	Page 14	100.0	97,608
Erste Bank S Finanzdienstleistungen Ges.m.b.H.		100.0	76,984

¹ If not specifically marked, figures are in ATS

² Includes all the directly and indirectly held participations of Erste Bank Group

³ Figures are in the respective local currencies

⁴ These two companies will merge in the first half of 1998

Financial highlights

in ATS million	1996 (= 1.1.1997)	1997	change in %
Total assets	661,232	687,583	4.0
Loans and advances to credit institutions	179,030	177,382	-0.9
Loans and advances to customers	359,668	359,774	0.0
Amounts owed to credit institutions	270,705	275,051	1.6
Amounts owed to customers	249,114	266,044	6.8
Debts evidenced by certificates including subordinated liabilities and supplementary capital	92,803	95,114	2.5
Qualifying consolidated capital pursuant to §24 Banking Act	38,269	39,342	2.8
of which Core Capital (Tier 1)	21,856	21,625	-1.1
Solvency ratio in accordance with §22 Banking Act in %	11.2%	11.1%	
of which Core Capital ratio (Tier 1 ratio) in %	6.4%	6.1%	
Operating income	16,077	15,834	-1.5
Operating expenses	11,488	11,631	1.2
Operating result	4,589	4,203	-8.4
Results of ordinary activities	2,017	517	-74.7
adjusted for extraordinary 1997 risk provisions		1,917	-5.0
Number of employees (weighted)	9,606	9,357	-2.6
of which in Austria	7,905	7,723	-2.3
of which outside Austria	1,701	1,634	-3.9
Number of branches	458	461	0.7
Interest margin (net interest income and income from securities and participating interests as % of average Total Assets)	1.62%	1.52%	
Operating result as % of average Total Assets	0.71%	0.62%	
Cost/income ratio in %	71.5%	73.5%	
Level of risk provisions as % of total lending (incl. contingent commitments)	4.1%	4.2%	
Return on equity (RoE) in %	8.5%	1.3%	
adjusted for the extraordinary 1997 risk provisions and merger costs		9.7%	
Profit per share 1997 acc. to ÖVFA ¹	ATS 40	ATS 12	-71.4
Profit per share 1997 ²		ATS 40	
Dividend per share 1997 ³		ATS 16	
Share price on 30.12.1997		ATS 629.50	
High 1997		ATS 645	
Low 1997		ATS 610	
Price/earnings ratio 30.12.1997 ²		15.7	
Stock exchange turnover (Dec. 1997 only)		ATS 1.38 bn	
Market capitalisation on 30.12.1997		ATS 27.93 bn	
Moody's Investor Service Rating ⁴			
- long term		A1	
- short term		P1	
- Bank Financial Strength Rating		C+	

¹ Calculated applying ÖVFA (= Austrian association of financial analysts) method based on results shown

² Adjusted for extraordinary risk provisions of ATS 1.4 billion

³ Recommendation to the annual general meeting of shareholders

⁴ Standard & Poors and IBCA will probably publish their ratings of Erste Bank in the first half of 1998

Erste Bank der oesterreichischen Sparkassen AG is Austria's oldest savings bank, the central institution of the Austrian savings bank sector, and the second largest banking group in the country. It offers a comprehensive range of banking services, is the bank of choice for Austria's small and medium-sized enterprises and is represented in the major financial centres of the world, but focuses primarily on Central Europe.

Erste Bank aims to become the leading supra-regional retail bank in Central Europe through a three-pronged strategy of fully exploiting its core business potentials, optimising co-operation with the savings banks, and pursuing a focused policy of expansion.



30: The new organisational structure of Erste Bank and all management appointees are announced.

September



October

4: Entry of the merger in the Companies Register.

23: Launch of the share-offer advertising campaign featuring "Hubert and Niki" to national and international acclaim. The campaign receives particularly favourable mention in the Financial Times and the Wall Street Journal Europe.

31: Signing of contracts with the new strategic bank partners - Bacob Bank of Belgium, Commerzbank of Germany and Swedbank of Sweden.

13-28: Initial public offer of Erste Bank ordinary shares; with a value of more than ATS 7 billion, the IPO is the largest share offer in Austrian history: during the two week roadshow, two Erste Bank teams hold more than 100 meetings with investors in more than 35 cities in Europe and the USA.

November



December

4: First listing of Erste Bank shares and from December 22 incorporation in the ATX Index of leading Austrian equities.

19: The capital increase is filed with the Companies Register.

flap Financial highlights

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ibc Shareholder information

Name to be changed to
Artesia Banking Corporation

Erste Bank 01

Erste Bank's core business areas

Erste Bank					
	Retail Banking	Corporate Banking	Treasury/Trade & Sales, Investment Banking	Real Estate Finance	Asset Management
Customers	Private customers with above-average income, self-employed, members of the liberal professions and skilled tradesmen	Small, medium-sized and large companies, public sector	Main focus on institutional customers	Private individuals, housing associations, builders, housing administrations	Private and institutional customers, large corporations
Locations and distribution channels	377 branches in Austria ¹	14 commercial centres (8 in Vienna) Central division for large corporate clients	Erste Bank head office	Erste Bank head office and 5 housing finance centres across Austria	377 branches in Austria ¹ 14 commercial banking centres in Austria Private banking unit
Market share	30% in retail funds 27% in mortgage finance 35% in bank assurance 30% in motor vehicle leasing products	Main bank for a quarter of Austria's top 500 companies	34% in fixed-income products 29% in shares 35% in derivatives	27% in private housing finance 30% in publicly subsidised housing finance	21% market share in Austria, comprising: - 30% share in retail funds, - 9% share in institutional funds
Main subsidiaries	EKA/Sparinvest (Investment Funds) EBV Leasing Mezőbank (Hungarian retail) S-Bausparkasse (Building society) S-Versicherung (Insurance) Salzburger Sparkasse (Salzburg retail) VMG Versicherungsmaklerges.m.b.H. (Insurance broker)	Immorent (Real estate finance) Intermarket Factoring VMG Versicherungsmaklerges. (Insurance broker) BVP Pensionskassen AG (Pension fund) Vereinigte Pensionskasse AG (Pension fund)	Erste Bank Investment Hungary Erste Securities Polska Erste Securities Zagreb Erste Bank Sparkassen Prag (Central European corporate & investment banking)	Immorent (Commercial real estate) S-Bausparkasse (Building society) S-Wohnbaubank (Real estate finance)	EKA/Sparinvest (Investment funds) BVP Pensionskassen AG (Pension fund) Vereinigte Pensionskasse AG (Pension fund)

Erste Bank in Central Europe

- Extended Homemarket
- ▨ Focus of Current Retail Strategy

- Branches
- Representative offices

Poland

Erste Investment
Erste Securities Polska
Bank Rozwoju Eksportu*

Czech Republic

Erste Bank Sparkassen

Slovakia

Istrobanka

Austria

Erste Bank Group

Italy

Representative Offices: Milan,
Vicenza

Hungary

Mezőbank
Erste Bank Investment Hungary

Croatia

Bjelovarska Banka*
Erste Securities Zagreb
Representative Office Zagreb

* Minority stakes

Erste Bank Worldwide



In 1997 GiroCredit and Die Erste completed their complementary merger to form **Erste Bank** der österreichischen Sparkassen AG, the second largest banking group in Austria and the new central institution for the country's savings bank sector.

Founded as "Erste österreichische Spar-Cassa" in 1819, **Die Erste** was the oldest commercial and savings bank in the country. Unlike community savings banks, Die Erste - a foundation savings bank -

was independent. There is no guarantee for liabilities from a regional authority. Starting in the 1980's, but especially from 1991, Die Erste expanded beyond the confines of its original market, Vienna, and acquired or merged with twenty regional savings banks. In June 1993, its bank operations were spun off into a joint stock company, and its shareholder base was widened by adding preference shareholders. These included two strategic insurance partners, Austria Collegialität (now BARC)

and EA Generali. The ordinary shares were held by a holding company, AVS ("Die Erste Anteilsverwaltungssparkasse").

GiroCredit was founded in 1937 by the Austrian savings banks as their central institution, under the name "Girovereinigung der österreichischen Sparkassen". GiroCredit was a private sector institution, and its primary purpose was to manage the liquidity reserves of the savings banks, to improve the non-cash payment

system, to promote mortgage savings ("Bausparen") and to co-operate with the savings banks in their syndication and securities business. It was one of the pioneers in investment banking in Eastern Europe and built up a presence in the major financial centres of the world. In 1992 GiroCredit, then called Girozentrale, merged with Österreichisches Credit Institut (OCI) to form GiroCredit, and for the first time in its history had a domestic network with some fifty branches.

Consistent branding



across the Austrian savings bank sector



strategic objectives

Exploiting the core business potentials and implementing the earnings enhancement programme

Building on our role as the central institution of the savings bank sector

Establishing a new core market in Central Europe

Dear Shareholder,

"Orchestrating change" was the slogan used for the roadshows organised to market our initial public offering in 1997. One is either passively exposed to change or one takes an active part in shaping it. Erste Bank decided to take the latter course. We want to become the **leading supra-regional retail bank in Central Europe** and to join the ranks of the best of our European peers. If we are to achieve this goal, we must become Austria's most profitable bank. We will **concentrate on our core business areas** and offer our customers the best products available in retail banking, notably in real estate and housing construction financing, asset management and corporate banking. We will not just sell these services in Austria, but will offer them through our network across Central Europe.

Our role as the **central institution of the savings bank sector** means we are well placed to achieve our goals. The savings bank sector encompasses more than 880 branches, in addition to the 377 branches of Erste Bank. We regard this central role not just as an enormous responsibility, but also as a challenging opportunity to benefit mutually from the synergies which are available to us. Savings banks have the potential to become the most profitable sector of Austria's banking industry.

Together with the managers of Erste Bank, we have drawn up a comprehensive **earnings enhancement and cost reduction programme**. This programme provides for an improvement in gross profits by the year 2000 of ATS 3.7 billion. Cost reductions will account for ATS 1 billion of this and include savings from the reshaping of our branch network, the consolidation of various divisions and of centralised functions. These savings and increases in gross profits will be offset by such effects as merger-related



MSOP

First

in an Austrian company. Linked to **2 performance indicators:**
share price and **RoE in the year 2000**

Return on equity of at least

12%

in the year 2000

costs, a drop in earnings due to the introduction of the Euro, higher tax payments and general cost increases. As a result, we expect an ATS 1.4 billion net improvement in profits after tax by the year 2000. Every division must make a specified contribution by optimising its work flow and procedures. A separate programme management unit has been set up, under the supervision of a so-called Change Board, to monitor performance against earnings enhancement targets, both at a divisional level and for individual projects.

Erste Bank is the first Austrian company to set up a **management stock option plan (MSOP)** in addition to its already very advanced employee participation programme. The purpose of this tool is to motivate our 770 senior and middle managers to focus even more keenly on earnings. The financial payoff from this plan is linked to two factors: the Erste Bank share price and achieving a **return on equity (RoE) of at least 12% in the year 2000**.

After an intense discussion and selection process, we have succeeded in joining forces with Bacob Bank of Belgium, Commerzbank of Germany and Sweden's Swedbank as our new **strategic partners**. In the medium term, we see in this partnership a basis from which to jointly tackle the challenges of a financial market that is becoming increasingly pan-European, and increasingly global. However, we have not only acquired new strategic bank partners, but also placed our existing relations with our **insurance partners**, the BARC Group and the EA Generali Group, on a firmer footing.



Over 12,600 customers have already deposited close to ATS 14 billion into Erste Capital Management (ECM), a computer driven fund management product introduced in January 1996

2 strategic Austrian insurance partners

BARC

EA-Generali

3 strategic bank partners:

Bacob Bank of Belgium

Commerzbank of Germany

Swedbank of Sweden

Opportunities offered by the

EURO

Erste Bank has prepared extensively for the introduction of the Euro and is equipped for monetary union. In addition, the introduction of the Euro has been taken into account in the earnings enhancement programme; a sum of ATS 500 million per annum has been calculated for lost earnings or increased costs as a result of the Euro. However, the Euro will also bring opportunities. For example, we expect further earnings potential in the area of asset management in Central Europe since the need for diversification out of the Euro-zone will increase significantly.

We would like to thank all our customers who have remained loyal to us during the merger, a time that has not always been easy for them. We would also like to express particular thanks to our staff for their hard work, personal dedication and the flexibility and tolerance they have demonstrated.



The rapid merger and the integration now taking place could not have been and cannot be accomplished without their support and co-operation.

We have achieved a great deal but much still remains to be done. Erste Bank is now a blue chip share on the Vienna Stock Exchange. We want to and must also become a top European investment.

Andreas Treichl
Chairman of the Managing Board
and Chief Executive

Elisabeth Bleyleben-Koren
Member of the Managing Board

Reinhard Ortner
Member of the Managing Board

Rudolf Penz
Member of the Managing Board

Georg Tucek
Member of the Managing Board

Members of the Managing Board



Rudolf Penz, born in Linz in 1946, studied economics at Vienna University from 1964-68. He joined Girozentrale in 1976 and was appointed a board member of GiroCredit in 1994. In October 1997 he was appointed to the Managing Board of Erste Bank. He is responsible for international business, accounting, controlling and risk management and credit and company analysis.

Elisabeth Bleyleben-Koren, born in Vienna in 1948, studied jurisprudence at Vienna University from 1966-72. In 1973 she started her banking career with Creditanstalt Bankverein, moving to Die Erste in 1977. In July 1997 she was appointed to the Managing Board, where she is responsible for real estate finance, commercial and corporate clients and public authorities. She also heads the departments for human resources and legal affairs and manages the earnings enhancement programme.

Andreas Treichl, born in Vienna in 1952, studied economics at Vienna University from 1971-75. After completing a training programme in New York, he started his career in 1977 with Chase Manhattan Bank, with postings to Brussels (1979-81) and Athens (1981-83). In 1983 he joined Die Erste for the first time. In 1986 he moved to take up the post of Chief Executive Officer (CEO) at Chase Manhattan Bank, Vienna, which was bought by Credit Lyonnais in 1993. In 1994 he was appointed to the Managing Board of Die Erste. In July 1997 he was appointed CEO. In addition to serving as CEO, his specific responsibilities include private and trade clients, the branch network, savings bank policy and group communications.

Reinhard Ortner, born in Vienna in 1949, studied economics at Vienna University from 1967-71. In 1971 he joined Die Erste, and in 1984 was appointed a board member. His responsibilities at Erste Bank include the departments for investment banking, capital markets, asset management, treasury, trading and sales and participations.

Georg Tucek, born in Baden (near Vienna) in 1940, completed business and technical training courses from 1958-59. In 1959 he joined Österreichische Alpine Montangesellschaft, which he left in 1964 to join Die Erste. He was appointed a board member in July 1997; his responsibilities include organisation, property and facilities management and IT, as well as central administration.

Three-Pronged Strategy

Exploiting the core business potentials and implementing the earnings enhancement programme

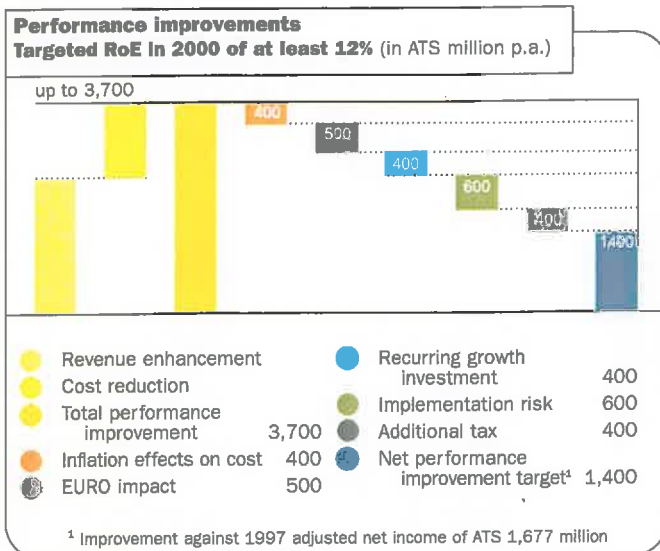
Initiate a **corporate culture** that promotes and demands **performance** and **initiative**

Amongst the core activities of Erste Bank, each with its own strategic goals, the retail banking business is the most important. To exploit its core business potential, Erste Bank intends to concentrate on activities where it already possesses significant strengths. This applies especially to asset management and residential real estate financing. Each business division has been assigned clearly-defined targets and is fully responsible for its own performance. Management at all levels is motivated to focus on earnings enhancement; the Management Stock Option Plan (MSOP) is a first step in this direction.

Because the merger was between two highly complementary organisations, it provides not only significant opportunities for cost savings, but more importantly, considerable potential for earnings enhancement. Not only are the restructuring and reorganisation of the business units expected to produce earnings and value enhancements, but so too are participations and central functions. Erste Bank subsidiaries will work closely with the appropriate parent divisions to achieve the agreed profit targets, and thus play a central role in the earnings enhancement programme.

By the year 2000, Erste Bank's earnings enhancement programme aims to achieve an increase in gross profit before taxes of ATS 3.7 billion, of which ATS 1 billion will come from cost reductions. After deducting various merger-related costs, general cost increases and higher

taxes, the cumulative contribution to post-tax profits is anticipated to reach ATS 1.4 billion by the year 2000. With this programme, the Erste Bank Group expects to achieve a return on equity (RoE) of at least 12% by the year 2000 and to improve its cost/income ratio to between 67% and 65%.



The merger of Erste and GiroCredit to form Erste Bank happened very quickly. Surely the speed of the merger, restructuring and the development of the earnings enhancement programme created difficulties?

Treichl: There are always problems with any merger. However, in our case they were limited. This was mainly due to the fact that our two organisations had similar cultures and had dealt extensively with each other for many years. In addition, to a very large extent it was a complementary merger. The two banks had different core business areas - the retail banking business of the former Die Erste, the corporate banking and investment banking businesses of the former GiroCredit - and this also facilitated the merger. As a result, the merger was exceptionally friendly, which permitted very swift progress.

Tucek: And it is precisely this speed that is important to the process of integration, if uncertainty and disorientation are to be avoided. Organisational and especially IT problems often cannot be solved in the short term in any case. The different databases and still separate computer systems increased the complexity of our work on the earnings enhancement programme significantly. However, through excellent teamwork with the responsible managers, we were able to create a good basis for specific earnings growth targets for each business area and division.

One of the declared goals of the merger is to take advantage of synergies and thereby reduce costs. Very little is usually said about the fact that costs will be incurred before they are cut. How does Erste Bank intend to recoup the costs of the merger?

Treichl: Only those who invest can reap profits. It is the merger that provides us with sufficient mass to allow us to realise our retail strategy in Central Europe, our extended core market. In addition, our earnings enhancement programme naturally takes account of the costs of the merger, the

necessary additional investments and events like the forthcoming introduction of the Euro.

Tucek: The fact that board and top management appointments were made promptly last summer made it possible for the three-pronged strategy and the earnings enhancement programme to be developed as an interactive process with the executives involved. This was a good way of getting everyone to focus on common goals, and has supported the mobilisation of staff and managers and therefore the quick amortisation of merger costs.

Treichl: Apart from transferring full responsibility for results to the individual divisions, one of the basic prerequisites for achieving the earnings enhancement goals is the creation of appropriate incentives. To this end we have introduced Austria's first management stock option plan (or MSOP), in addition to the already exemplary staff participation programme. The aim of these incentives is to align the interests of our executives with those of our shareholders.

Tucek: And we aren't giving ourselves very much time! By the year 2000 we plan on achieving a return on equity of at least 12% for the Erste Bank Group, although we know that this goal - especially by international standards - is not spectacular and we shall have to do much better in future. However, our goals are attainable and progress can be verified by our investors. Our shareholders appreciate that fact, which helped make our flotation on the stock exchange a success.



Andreas Treichl
Chairman of the Managing Board
and CEO of Erste Bank
Georg Tucek
Member of the Managing Board

Three-Pronged Strategy

Building on our role as the central institution
of the savings bank sector

**Substantial potential for
rationalisation and synergies**

RoE driven division of labour

Centralised product development
& back office operations

Active partnership

Decentralised distribution

Erste Bank is building strongly on its role as the central institution of the Austrian savings bank sector. With 880 branches the savings banks cover the whole of Austria. Until now though, this potential could not be fully utilised to the mutual benefit of both the savings banks and their central institution.

This can be achieved, however, through a close partnership based on trust, and an efficient division of labour between Erste Bank and the savings banks. Erste Bank wants to become the core of a highly profitable and professional savings bank sector. In an active relationship based on the principle of subsidiarity, significant economies of scale can be reaped by pooling resources for such activities as product development and back office operations at the level of the Erste Bank Group, while keeping distribution decentralised. A key reason for this approach is the fact that the savings banks are deeply rooted in their local and regional communities and maintain excellent relationships with their customers. It is Erste Bank's aim to ensure the independence and integrity of the savings banks sector and to concentrate on increasing the market share and profitability of the sector as a whole.



Savings banks are quite justifiably proud of their independence. Their close ties to the region and their understanding of the needs of their local customers is what has made them so successful. Doesn't that mean that an embrace by Erste Bank is something that savings banks should fend off at all costs?

Treichl: The savings banks have precisely the advantages pointed out by the question: regional ties and the resulting expertise, which is why they not only need us, but we need them too. We belong together, because we are united by the same objectives and principles. Our independence is a guarantee for the independence of the savings banks in an increasingly competitive environment. As European integration progresses, competition will become much fiercer, making it essential for the savings bank sector to work together to optimise its efficiency and capitalise on its potential.

Bleyleben-Koren: We do not intend to embrace the savings banks, but to lend each other a hand, so that together we can offer better services to our customers, and therefore stand firm in the face of increased competition. The introduction of the Euro will bring about enormous changes in European banking and result in a wave of mergers. This drive for more efficient units is also something the Austrian savings bank sector must address. As the central institution for Austrian savings banks, we have the obligation to set the example and help the savings banks to adapt as necessary.

So you want to be an attractive partner, providing a foothold and at the same time leading the way for the savings banks. However, in any partnership there must be clear advantages for both sides. What, specifically, are the benefits for the savings banks and Erste Bank?

Bleyleben-Koren: As was the case for GiroCredit in the past, the relationship with the savings banks has obvious advantages for Erste Bank: for example, a network of 880 savings bank branches that can be used

for joint marketing, product distribution and other activities. The decision by the sector in May 1997 in favour of a unified marketing approach under a common brand was the first step in the right direction. Co-operation at the product development and distribution level is only one side of the coin. Of at least equal importance to the efficiency of the sector is the integration of central functions and of back office operations. As our Swedish partners have shown us, there is enormous potential for rationalisation and cost savings here.

Treichl: At present about 15% of the business volume of the Erste Bank Group is transacted with the savings bank sector. This is a solid basis for building and expanding joint business. One of the advantages of this relationship for the savings banks is that they have access to the products and services offered by the Erste Bank Group and can therefore offer a full range of banking and financial services, including an extended range of corporate and retail banking products. For example, they have the option of offering larger loans and can exercise better control over credit and market risks. In the medium term we aim to ensure that all savings bank customers perceive the sector to be homogeneous and find a standardised, comprehensive range of products in every savings bank branch. This will be made possible through a unified marketing approach, a common IT platform and a true association between the savings banks and their central institution. This is a value-added partnership, from which the savings banks will also benefit indirectly as shareholders, through their combined stake of more than 9% in Erste Bank.



Andreas Treichl
Chairman of the Managing Board
and CEO of Erste Bank
Blumentritt Bleyleben-Koren
Member of the Managing Board

Establishing a new core market in Central Europe

Through Mezőbank

fifth

largest branch network in Hungary

Establishing a **leading position** in retail banking **in our extended** **home market**

The third important component of Erste Bank's strategy is the development of its business activities in Central Europe. The main areas of focus are the markets of **Hungary and the Czech Republic**, where living standards and per capita income are expected to reach Western European levels in the medium term. To exploit this potential, Erste Bank is transferring its private client and retail banking strategies into these markets as appropriate.

The Erste Bank Group already has a good starting position in Central Europe through the acquisition of strategic shareholdings such as the 83.7% stake in Mezőbank, which has the fifth largest branch network in Hungary. To achieve a leading position in its **extended core markets of Central Europe**, Erste Bank will provide largely the same products and services which have enabled it to achieve high market shares and overall market leadership in Austria (For example, in servicing private clients and small and medium-sized enterprises, in asset management and real estate finance). The aim is to transform all the institutions which Erste Bank has acquired into a genuine and consistent "Erste Bank" within a few years. Over and above this, Erste Bank will **intensify its co-operation with its strategic partners** in these markets.

Erste Bank's activities in Central Europe are all operating profitably. However, in the short term they will have little effect on the results of the Erste Bank Group. The reasons are two-fold: first, building a branch network requires significant capital expenditure and management resources; second, even if one includes the recent acquisition of Mezőbank, the largest so far for Erste Bank in Central Europe, only 4% of its equity is currently invested in participations in the region.



Erste Bank research, trading and sales units in Poland, the Czech Republic, Hungary, Croatia and soon also in Romania offer its investment banking clients direct access to promising markets

As the year preceding monetary union, 1998 will be a year that places great demands on banks in particular. Wouldn't a strategy targeted at the member states of the monetary union be more in keeping with the times than a strategy that focuses on expansion in non-EU neighbouring countries?

Penz: It is precisely the forthcoming monetary union that reinforces our strategy of expanding our business in Central Europe, especially in Hungary and the Czech Republic. We see our neighbouring countries as our extended home market and expect that the extension of our tried and tested retail model into these markets will create many opportunities in the medium to long term.

Ortner: In the field of asset management, for example, there are significant opportunities in Central Europe. The introduction of the single currency will require fund managers and investors to change their investment strategies and diversify beyond the borders of "Euroland". The fact that EU candidate countries will benefit from this trend is self-evident. Erste Bank has accordingly recently expanded its investment bank capacities in these countries by acquiring the subsidiaries of Investmentbank Austria in Hungary and Poland - in fact, both are former GiroCredit units. These investment banking subsidiaries are also part of our retail strategy, since they will generate and structure products for sale through local branch offices.

The crisis in Asia has shown that the so-called emerging markets can involve a considerable risk. Doesn't this fact also call into question a strong commitment in Central Europe?

Penz: Any investment entails risks. However, we believe that we know our neighbours well enough to be able to assess the risk realistically. We assume that Hungary and the Czech Republic, as OECD members, are in a position to maintain the successful course they have embarked upon. Besides, we have only invested slightly under 4% of our equity in participations in Central Europe. The risk attached to our commitment is thus limited.

Ortner: We will also figure out a division of labour with our strategic partners in these countries. An interesting vision for the medium term is to between us cover all Central and Eastern European markets, from the Baltic, where Swedbank is well positioned, to Poland, where Commerzbank is strongly represented, and the Czech Republic, Hungary and Croatia, where Erste Bank has shareholdings in promising local banks.

Isn't Erste Bank too late in implementing its Central European strategy? Haven't others beaten Erste Bank to it by having the edge both in terms of expertise and market presence?

Ortner: No. We are not too late in arriving, because we are advancing into these countries with a different strategy, one that incidentally matches the way we see ourselves. We have no intention of installing ourselves as 55th in line for the financing of joint ventures for multinationals in the centre of Prague or Budapest. Rather, we will use our leading expertise in retail banking and begin applying it in Hungary and the Czech Republic.

Penz: Besides, these markets are only now ready for entry with a retail strategy. They have overcome the upheavals of the post-communist days, have made the transition from central planning to free market economies with massive steps away from government control and ownership, and in doing so have created fertile ground for a prospering middle class. Poland and Slovenia are interesting markets for the medium term. However, we will initially focus our management resources on implementing our strategy in Hungary and the Czech Republic.



Rudolf Penz
Member of the Managing Board
Reinhard Ortner
Member of the Managing Board

Development of Erste Bank's business divisions

Retail Banking

Erste Bank maintains 377 branches throughout Austria, with a strong presence in the economically important regions of Vienna, Upper Austria and Salzburg. Its customer base is characterised by above-average household income groups. Customers are for the most part either employed in the service sector, self-employed or members of the liberal professions. As a result, Erste Bank has significant market shares of up to 30% or more in some of the fastest growing banking segments in Austria, including retail fund management, mortgage lending and bancassurance. Earnings will be improved by further developing the commission-based business and through cost reductions achieved by re-shaping our branch network.

The following are the principal subsidiaries involved in retail banking:

Building Society: Bausparkasse der österreichischen Sparkassen AG (Erste Bank stake: 100%)

1997 was a positive year for Bausparkasse der österreichischen Sparkassen AG (S-Bausparkasse -

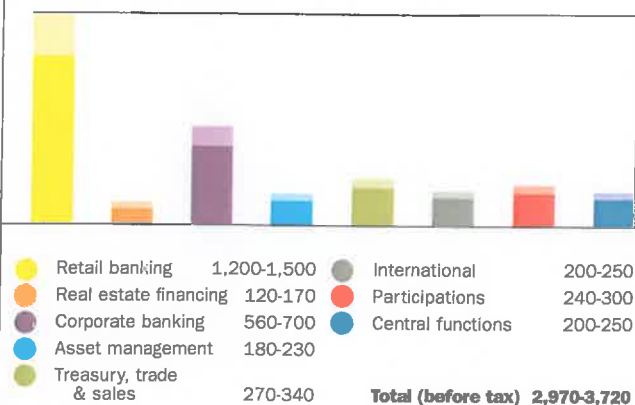


the building society of Erste Bank), both on the lending and funding side. S-Bausparkasse maintained its leading position in the domestic Bauspar (= retail mortgage financing) market by signing approximately 257,000 new deposit contracts and increasing its loan volume by ATS 12 billion in 1997. With a market share of 58% in immediate bridge financing of Bauspar loans, the institution continues its unchallenged market leadership in this segment.

Insurance: Sparkassen Versicherung AG (38.6%)

In its capacity as a service agent for the whole savings bank sector, Erste Bank has restructured its insurance activities. Private customers are offered products from the Sparkassen Versicherung (S-Versicherung), whilst commercial customers can call upon the services of VMG, a market leader amongst independent insurance brokers. S-Versicherung had a very good year and was able to maintain its position among the top ten in its industry. Measured by insurance volume, available industry figures indicate that S-Versicherung managed to defend its position as the industry leader in the issuance of new life insurance policies, with a market share of 14%. In total, S-Versicherung booked some ATS 3.7 billion in premiums.

Performance improvements
Earnings enhancement target per business unit (in ATS million)



Retail banking in the Salzburg region: Salzburger Sparkasse Bank AG (68.5%)

Erste Bank holds, directly and indirectly, approximately 68.5% of Salzburger Sparkasse, which at end 1997 had total assets of around ATS 42 billion. Following the restructuring of its credit operations, the credit portfolio was reviewed on the basis of stringent Erste Bank criteria. This resulted in an increased one-off provisioning need which led to negative results of ordinary activities. As at Erste Bank, Salzburger Sparkasse is in the midst of a thorough earnings enhancement and cost reduction programme.

Leasing: EBV-Leasing Ges.m.b.H. & Co. KG (100%)

During 1997, the leasing business was split broadly into equipment and property leasing (Erste Leasing/Immorent AG) and automobile leasing (EBV). For standard car leasing products, EBV is the leader in distribution through bank and insurance branch networks. New business reached ATS 1.6 billion in 1997, 3.7% up on the previous year; new contracts numbered approximately 6,900. EBV has a market share of around 8% and is the third largest domestic car lessor.

Corporate Banking

Erste Bank is the main banking for about a quarter of Austria's 500 largest companies. In addition, Erste Bank has a strong position in the middle market ("Mittelstand"), with small and medium-sized enterprises as well as with the self-employed. Comprehensive services are delivered through a decentralised structure by account managers in 14 regional commercial banking centres and through a central department for large companies and public institutions.

During 1998, Erste Bank will carry out a thorough portfolio review to ensure that overall RoA targets are achieved. Because the post-merger organisational structure and all necessary client hand-overs have already been completed, Erste Bank's second strategic objective in 1998 will be a marked intensification of its marketing efforts and client acquisition activities. The internal work flow is currently being streamlined in order to liberate the necessary additional resources to meet that objective.



The rapid intensification of competition requires closer cooperation between Erste Bank and its clients. The newly decentralised structure of Erste Bank's corporate banking division is aimed at developing such partnerships



The following are the principal subsidiaries in corporate banking:

Factoring: Intermarket Factoring Bank AG (54%)

Intermarket Factoring Bank is Austria's largest receivables factoring company. Total turnover in 1997 for the Intermarket Group was ATS 17.2 billion, an increase of 18% on 1996. The face value of receivables purchased rose by 22% to ATS 12.7 billion, which led to an increase of the company's market share in Austria to 52%.

Real estate finance: Immorent AG (100%)

In the face of intense competitive pressure, Immorent AG booked new property leasing business of ATS 2.2 billion and remains the clear market leader in Austria. If the results from the property leasing activities of DIE ERSTE Leasing Ges.m.b.H are added to those of Immorent, the Erste Bank Group has a total market share of 23% and is by a substantial margin the most important player in this sector (Immorent AG and DIE ERSTE Leasing Ges.m.b.H. will be merged retroactively with effect from January 1, 1998).

Asset Management

Asset Management - which comprises Erste Bank's fund management, private banking and discretionary portfolio management businesses - can look back on a very successful business year in 1997. Falling interest rates coaxed many clients into securities investments. Erste Bank will be increasing its cross-selling activities and will greatly intensify its co-operation with the savings banks in order to take advantage of this rapidly expanding market, which has grown by over 20% per annum in the last few years.

The following are the principal subsidiaries in asset management:

**Fund management: DIE ERSTE-Kapitalanlageges.m.b.H. (100%)
and SparInvest Austria Kapitalanlageges.m.b.H. (37.5%)**

The fund management subsidiary of Erste Bank, DIE ERSTE-Kapitalanlageges. m.b.H (EKA), had ATS 57.5 billion under management at end 1997 compared with ATS 45 billion at end 1996 and a market share of around 10%. SparInvest Austria outpaced the market by growing funds under management from ATS 100.4 billion to ATS 137.1 billion.



In implementing the agreed separation of Bank Austria's and Erste Bank's joint investment fund business which operated under the "SparInvest Austria" brand, the original "Sparinvest" will be spun-off and merged with EKA to become "Erste SparInvest Kapitalanlageges.m.b.H." in the first half of 1998. At the end of March 1998, on a pro forma basis, this new company had some ATS 128 billion under management in 77 funds. It will be approximately 80% owned by Erste Bank with the balance being held by the savings banks.

Real Estate Finance

Erste Bank has traditionally held a strong position in real estate and mortgage finance. Together with S-Bausparkasse, it has a market share of 27% in private residential housing lending and 30% in the financing of publicly subsidised housing projects. **Total housing finance** (together with S-Bausparkasse) already exceeded ATS 100 billion in 1997. Despite weaker prices for real estate and in the new construction sector, it was possible to expand lending. Overall, ATS 18.8 billion in new loans were granted by Erste Bank, S-Bausparkasse, and S-Wohnbaubank to private individuals, property developers, and housing associations. After years of strong demand for new construction lending, this market is currently stagnating. Erste Bank has therefore switched its focus to lending for the **refurbishment of residential apartments and houses**. Furthermore, it plans to expand residential housing lending, especially outside Vienna.

Treasury, Trade & Sales, Investment Banking

All the trading and sales activities of Erste Bank are incorporated in the Treasury, Trade and Sales division. With **significant market shares** in the most important business segments (e.g. 34% in fixed-income products, 29% in equities, and 35% in derivatives), Erste Bank's size provides clear cost advantages. The bank is expanding its investment banking activities in Central Europe, partly to counter the effects of the inevitable disappearance of entire markets such as that for Schilling denominated bonds following the introduction of the Euro.

Erste Bank has three areas of focus in **Investment Banking** following the merger-related restructuring: **investment banking in Central and Eastern Europe, capital market activities and research**. Since the merger, two units of Investmentbank Austria have been acquired (now Erste Bank Investment Hungary and Erste Securities Polska, both former GiroCredit subsidiaries).

International Operations

The former GiroCredit allowed Erste Bank to increase its international business substantially. The bank is now active in Europe, America, Asia and Australia and has successful branches in London and New York and soon the Hong Kong office will be upgraded to a full branch.



International business

Extended home market

The strategic focus of Erste Bank is to expand its activities in Central Europe, its extended home market. By utilising the regional differences in growth dynamics and in demand for financing as well as the often - in comparison to the Austrian market - better risk return relationships, Erste Bank will be able to achieve a steady income stream.



The following are the principal banking subsidiaries outside Austria:

Mezöbank Rt. (83.7%)

The most important strategic acquisition following the merger was the purchase of a significant majority in Mezöbank of Hungary. With total assets of approximately HUF 111 billion and around 1,200 employees, Mezöbank ranks tenth amongst the 40 Hungarian commercial banks. However, with 60 branches, the bank has the **fifth largest retail network** in Hungary.

Erste Bank Sparkassen (CR) a.s., Prag (66.7%)

Despite a difficult environment due to the devaluation of the Czech Crown and slower economic activity,

Erste Bank Sparkassen Prag managed to achieve its targets. At the end of its fourth year of business in the Czech Republic, total assets reached ATS 8.9 billion. The local branch network - currently consisting of four branches - will be expanded. Within a few years, Erste Bank will be represented in all the most important provincial towns in the Czech Republic.

Participations, Central Functions and Internal Services

In the context of the earnings enhancement targets, non-core participations will be spun off from the portfolio of shareholdings held by Erste Bank. Again with earnings targets in mind, Erste Bank is integrating and rationalising its Central Functions and Internal Services such as back-office operations and IT systems and is also outsourcing selected activities. Erste Bank's initial goal is to achieve parity with the average European banking cost bases.

1997 heralded a new era in the history of Die Erste (founded 178 years ago) and GiroCredit (which was established in 1937). As part of the merger of the two institutions, the role of GiroCredit as the central institution of the savings bank sector was transferred to Erste Bank der oesterreichischen Sparkassen AG. This new name highlights the importance Erste Bank attaches to this function and documents the special responsibility for building mutually beneficial relationships with its savings bank partners.

With the new strategic partners, the new bank participations in Central Europe and an earnings enhancement programme which has broad staff support in place, the Managing Board together with the Supervisory Board have laid the groundwork for a profitable future.

During 1997, the Supervisory Board was regularly informed by the Managing Board about the course of business and of the status of Erste Bank der oesterreichischen Sparkassen AG and the Supervisory Board performed all the duties required by law and set out in Erste Bank's Articles of Association.

The annual accounts and the consolidated accounts, including the status report and the consolidated status report, were audited by Sparkassen-Prüfungsverband, by Auditor Treuhand GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft and by Europa Treuhand Ernst & Young Wirtschaftsprüfungs- und Steuerberatungsgesellschaft. The final result of the audit gave no cause for complaint and an unqualified audit certificate was issued.

The Supervisory Board has accepted the result of the audit and has approved the status report submitted by the Managing Board as well as its proposals concerning the distribution of profits. The Supervisory Board has accordingly sanctioned the 1997 annual accounts, which are therefore approved in accordance with §125 clause 2 of the Stock Corporation Act and has taken note of the consolidated annual accounts.

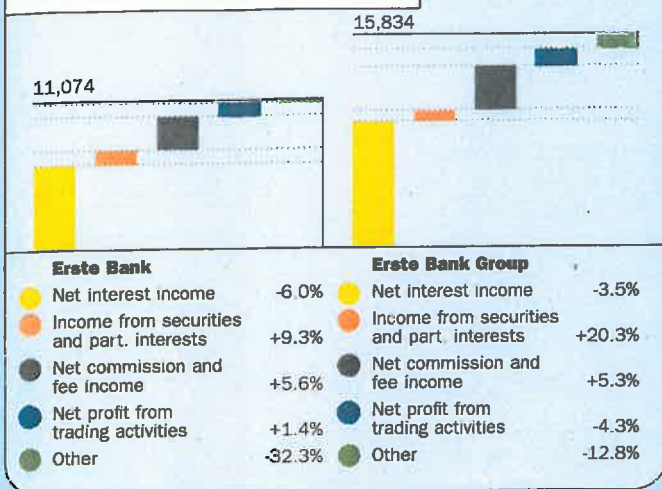


Herbert Schimetschek
Chairman of the Supervisory Board
Vienna, April 1998

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Operating Income 1997 (in ATS million) and changes compared to 1996 (in %)



Restructuring determines development of profits

Note: As mentioned elsewhere, the previous year's figures are the 1996 consolidated figures for Die Erste and GiroCredit (or for the two groups). Any interpretation of changes in 1997 compared to 1996 should make due allowance for the effects of the first time consolidation of Mezőbank, Budapest and Erste Bank Investment Hungary, Budapest as of January 1, 1997.

The development of the profits of Erste Bank and the Erste Bank Group in 1997 was strongly affected by the restructuring carried out during the course of the year.

A marked decline in net interest income in the core business area was the result of intense margin competition, a weak demand for loans, and a massive shift to short-term financing and financing linked to short-term interest indicators.

There was an above-average rise in income from securities and participating interests due to an increase in the portfolio of investment certificates.

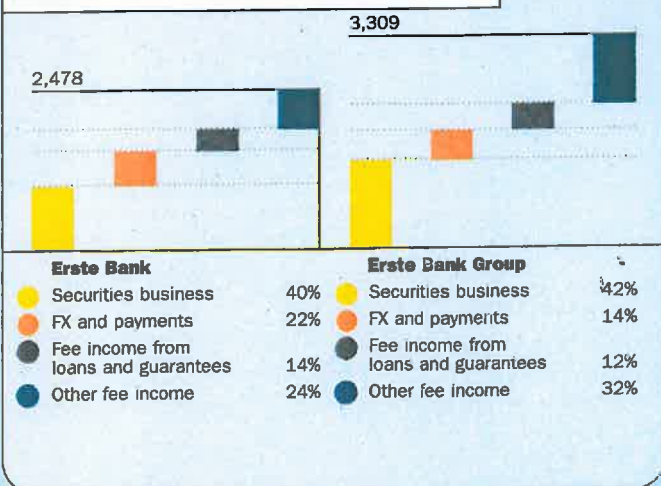
Growth was again recorded in the commission based business in 1997, chiefly as a result of booming securities business. The increased growth of the Group was mainly attributable to the first time consolidation of Mezőbank.

Net profits from trading activities remained at the previous year's high level thanks to favourable conditions on the financial markets. Growth was recorded particularly in the derivatives sector. The volatility of Erste Bank's trading income is relatively low due to the high proportion of customer trading.

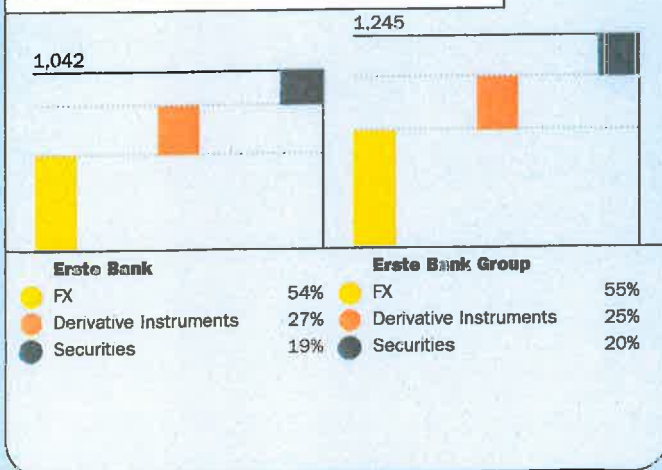
The decline in other operating income was due to the special factors encountered in the previous year (exceptional tax refunds and insurance payments).

On balance Erste Bank reported a slight drop in operating income due to a fall in its net interest income. In the Group this was more than compensated for by the first time consolidation of Mezőbank and Erste Bank Investment Hungary.

Structure of net commission and fee income (in ATS million)



Structure of net profit from trading activities (in ATS million)



The increase in operating expenses could be kept very low, both for Erste Bank and - with reference to the effects of the first time consolidation of the new Hungarian subsidiaries - for the Group. Apart from the positive effects of a low inflation rate, this was mainly attributable to efficient cost management. One-off merger-related costs of ATS 174 million are shown under extraordinary expenses.

There was a slight decrease in the number of employees of Erste Bank and Erste Bank Group, (weighted figures as of December 31).

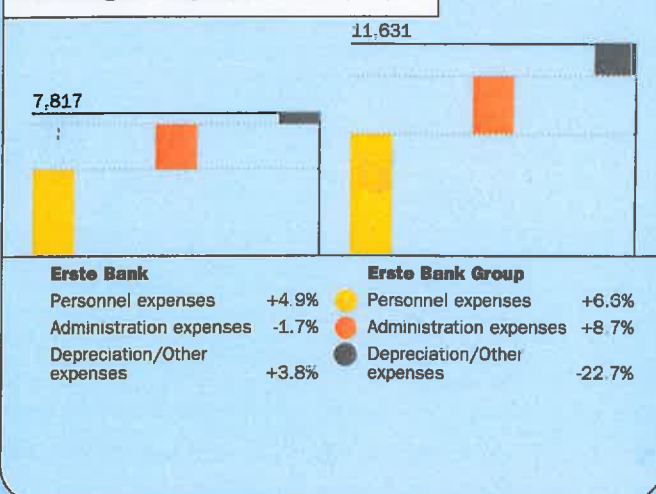
	Erste Bank		Erste Bank Group	
	1996	1997	1996	1997
Domestic	5,475	5,405	7,905	7,723
Foreign	84	84	1,701	1,634
Total personnel	5,559	5,489	9,606	9,357
Of whom on maternity leave	301	310	516	519

The comparable figure for the Group for 1996 includes employees of the new subsidiaries Mezöbank and Erste Bank Investment Hungary, which were consolidated for the first time in 1997.

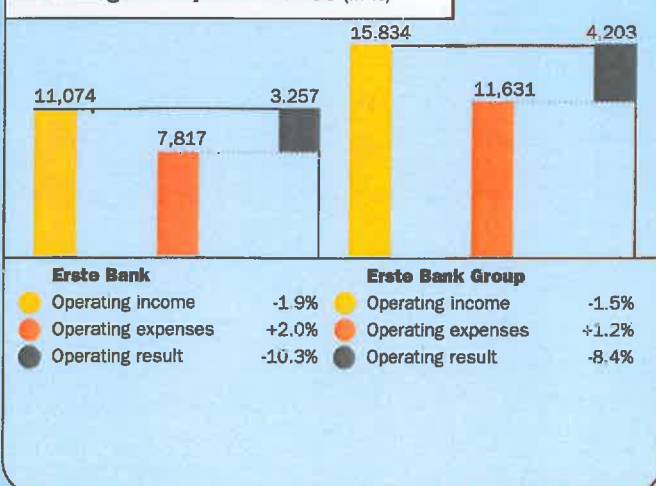
As a result of the developments described above, the operating result for 1997 declined slightly compared to 1996.

Provisions for risks and direct write-offs were higher than the previous year. This was due to the allocation of a discretionary provision in accordance with §57/1 of the Banking Act of ATS 1 billion for Erste Bank, and an additional extraordinary provision in Salzburger Sparkasse of some ATS 0.4 billion. Taking into account the use of provisions for bad debts in 1997, provisions in 1997 amounted to around ATS 15.1 billion, or 4.6% of gross lending volume (incl. contingent commitments) in the case of Erste Bank, and in the case of Erste Bank Group ATS 17.7 billion or 4.2%.

Operating expenses 1997 (in ATS million) and changes compared to 1996 (in %)



Operating income, operating expenses and operating results 1997 (in ATS million) and changes compared to 1996 (in %)

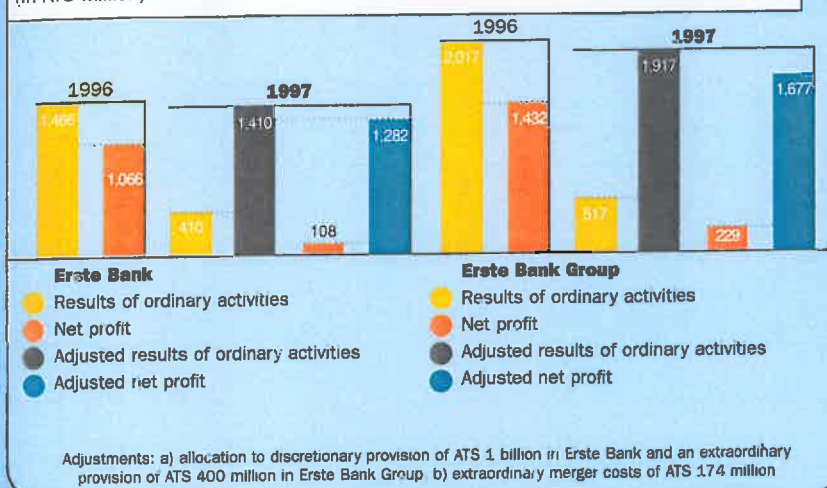


in ATS millions	Erste Bank		Erste Bank Group	
	1996	1997	1996	1997
Net allocation to risk provisions	2,214	2,410	2,561	3,160
Receivables written off (offset against income from receivables written off)	262	599	312	665
Total	2,476	3,009	2,873	3,825

These provisions will cushion the effects of Erste Bank's new, even more stringent risk provisioning system, and should therefore correspondingly relieve the profit and loss account in subsequent years.

These special measures - which were already announced when the Group went public in the autumn of 1997 - led to a sharp drop in the results of ordinary activities. However, after adjusting for these effects, the results are at approximately the same level as the previous year.

Results of ordinary activities and net profit 1996-1997 (after minorities)
(In ATS million)



Taking into account the extraordinary result - reduced, as mentioned above, by one-time merger costs of around ATS 174 million - and taxes, the recorded net income and consolidated net income (after minority interests) were also significantly down on the previous year's figure. However, when adjusted for the effects of the extraordinary risk provisions and the one-off merger costs, these figures are well above the previous year's.

In view of the fact that Erste Bank's operations exhibited a positive development in the merger year, a 16% dividend will be paid out by releasing voluntary reserves and utilising existing profits brought forward.

Positive development of balance sheet structure

Note: As explained elsewhere, the previous year's figures are the 1996 consolidated figures from the 1996 balance sheets of Die Erste and GiroCredit (or of the two groups), with due allowance for the effects of the first time consolidation of Mezöbank, Budapest and Erste Bank Investment Hungary - both acquired in 1997 - as of January 1, 1997.

The balance sheet total of Erste Bank increased by 3.3% to ATS 576.7 billion, that of the Erste Bank Group by 4.0% in 1997 to ATS 687.6 billion. The most significant changes in individual items are shown in the following statement of sources and application of funds of the Erste Bank Group.

Management Report of Erste Bank and Erste Bank Group continued

Statement of sources and application of funds of the Erste Bank Group	Source of funds		Applications of funds	
	ATS m	%	ATS m	%
Total assets				
Increase in assets:				
Cash in hand, balances with central banks			6,082	20.5
Treasury bills and other bills eligible for refinancing with central banks			3,775	12.8
Debt securities and other fixed-income securities			7,766	26.2
Shares and other variable-yield securities			4,870	16.4
Other assets			6,003	20.3
Reduction in assets:				
Loans and advances to credit institutions	1,648	5.5		
Loans and advances to customers	106	0.4		
Participating interests and shares in affiliated undertakings	391	1.3		
Liabilities and shareholders' equity				
Increase in liabilities:				
Amounts owed to credit institutions	4,345	14.6		
Amounts owed to customers	16,930	57.1		
Subordinated liabilities	3,365	11.4		
Supplementary capital	82	0.3		
Equity capital (including minority interests)	1,768	6.0		
Other liabilities	996	3.4		
Reduction in liabilities:				
Debts evidenced by certificates			1,135	3.8
Total	29,631	100.0	29,631	100.0

The development of assets was affected by an above-average increase in the securities portfolio at the expense of inter-bank investments.

There was no significant change in loans and advances to customers due to both the risk and profitability induced caution exercised in the granting of loans and the effects of the additional risk provisions made in 1997.

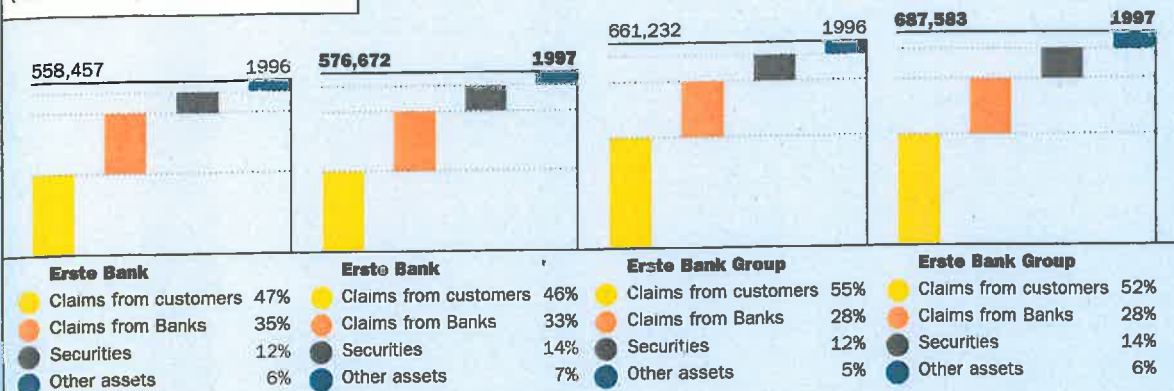
In the area of refinancing, there was an above-average increase in customer deposits. In the case of Erste Bank, this was attributable principally to major institutional depositors, while at the Group level the strong growth in the "Bauspar" (building society) business also had a positive effect.

The significant increase in debts evidenced by certificates, including subordinated liabilities and supplementary capital, reflected the growing trend in 1997 for customers to invest in higher-yielding securities.

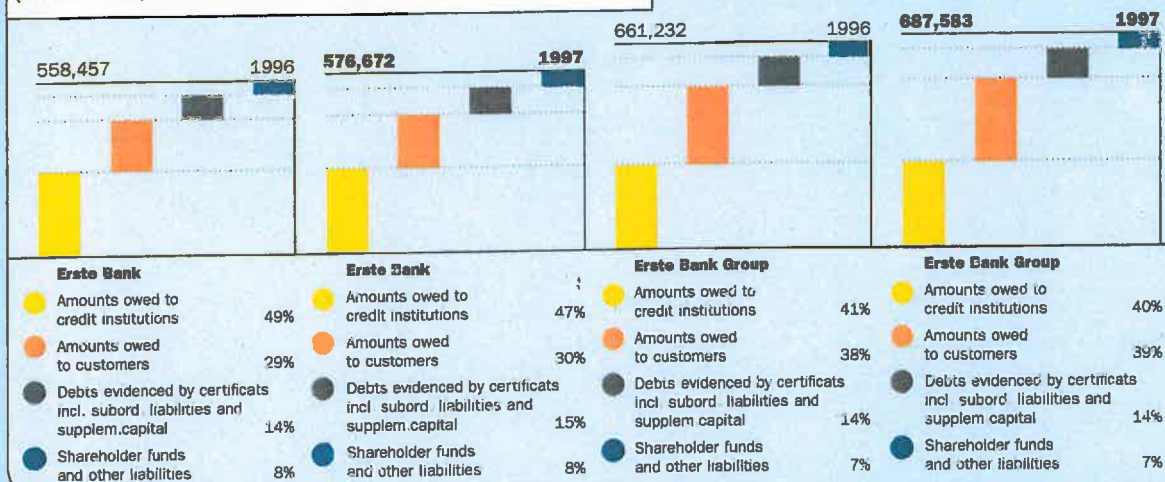
The sharp rise in subordinated liabilities made a significant contribution to the improvement in capital resources. The solvency ratio of Erste Bank as defined by §22 of the Banking Act was 14.1% as of December 31, 1997, that of the Erste Bank Group 11.1%. Both figures were therefore significantly above the legal minimum requirement of 8%.

Core capital was significantly strengthened by the capital increase effected in December 1997. This increased the subscribed capital by ATS 295.7 million, and total shareholders' equity by around ATS 1.8 billion.

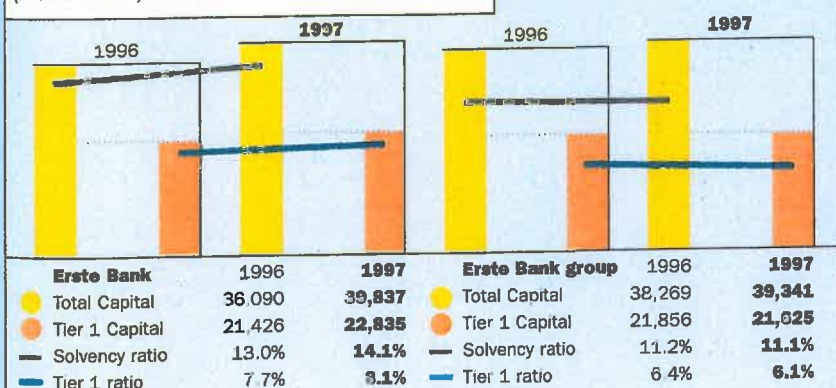
Asset structure (1996 = 1.1.97)
(in ATS million)



Liabilities structure and shareholders' funds (1996 = 1.1.97)
(in ATS million)



Development of Total Capital (1996 = 1.1.97)
(in ATS million)



Outlook for 1998 and recent developments

The Erste Bank Group has developed clearly-defined strategies and an ambitious earnings enhancement and cost reduction programme designed to increase return on equity (RoE) to at least 12% by the year 2000. Already in autumn of 1997 a programme management was installed, and a number of subprojects initiated with a view to elaborating, implementing and controlling measures to increase profit and reduce costs in the Group's different areas of business.

For 1998 a moderate growth of three to four percent in the Group's balance sheet total is anticipated. As far as the consolidated profit and loss account is concerned, only a slight rise in net interest income, a sharp rise in net commission income, and a trading result at a similar level to 1997 is expected. Planned is also a slight increase in the Group's expenses due to significant one-off merger-related operating expenses, despite a significant reduction in personnel. On balance, however, a marked improvement in profits is expected.

Spardat (69%)/SARZ (25.3%)

In conjunction with the acquisition of the GiroCredit shares by the former Die Erste, an agreement was reached with Bank Austria to co-operate on the operation of a computer hardware centre and data network while carrying out the development and maintenance of user software separately. According to the current status of the detailed discussions and the agreements this means that Erste Bank and the Bank Austria/CA Group (BA/CA) will unite their hardware centres into Informationstechnologie Austria GesmbH (IT Austria) creating the largest Austrian and one of the largest European IT-enterprises. The BA/CA group will hold 61.31%, Erste Bank 25.33%, the savings banks 12.52% and others 0.84% of IT Austria.

In parallel to this the shareholdings in the software company Spardat KG will be restructured. Bank Austria will sell 45% of Spardat to Erste Bank so that the shareholder structure of Spardat will become approximately 69% Erste Bank, 25% savings banks and 6% Bank Austria.

The legal realisation of the transaction - involved are Spardat Austria Rechenzentrum (SARZ), CA Informationstechnologie (CA-IT) and the hardware centre of Bank Austria - will be effected in the first half of 1998 while operations of the new hardware centre will commence in the middle of the year.

Erste Bank Group
Balance Sheet as of 31st December, 1997

Assets		31/12/97	1/1/1997*
	ATS '000	ATS '000	ATS '000
1 Cash in hand, balances with central banks and post office banks		15,296,996	9,215,081
2 Treasury bills and other bills eligible for refinancing with central banks		48,655,786	44,880,382
a) Treasury bills and similar securities	48,034,188		44,171,744
b) Other bills eligible for refinancing with central banks	621,598		708,638
3 Loans and advances to credit institutions		177,381,741	179,030,074
a) Repayable on demand	19,970,588		19,693,848
b) Other loans and advances	157,411,153		159,336,226
4 Loans and advances to customers		359,668,158	359,774,226
5 Debt securities and other fixed-income securities		36,628,646	28,863,190
a) Issued by public bodies	8,467,513		13,613,206
b) Issued by other borrowers of which are own issues	28,161,133		15,249,984
1/1/97	1,700,495 729,261		
6 Shares and other variable-yield securities		13,362,138	8,492,064
7 Participating interests		4,516,825	4,115,412
of which are:			
a) in credit institutions stated at equity	727,307		465,874
b) in other credit institutions	605,143		425,849
c) in other companies stated at equity	1,470,628		1,276,761
8 Shares in affiliated undertakings		2,094,708	2,886,958
of which are in companies stated at equity	2,082,257		
1/1/97	2,780,771		
9 Intangible fixed assets		1,165,886	1,106,678
10 Tangible fixed assets		8,755,154	8,025,023
of which are land and buildings occupied for its own use	3,686,481		
1/1/97	3,739,336		
11 Own stocks or shares		1,936	132,802
par value	461		
1/1/97	39,454		
12 Other assets		18,948,610	13,747,414
14 Prepayments and accrued income		1,106,619	962,750
Total assets		687,583,203	661,232,054
Off Balance Sheet Items			
1 Foreign assets		215,704,903	199,272,036

Liabilities and shareholders' equity		ATS '000	ATS '000	31/12/97 ATS '000	1/1/1997* ATS '000
1	Amounts owed to credit institutions			275,050,490	270,705,203
	a) repayable on demand		16,618,846		16,471,900
	b) with agreed maturity dates or periods of notice		258,431,644		254,233,303
2	Amounts owed to customers			266,044,138	249,113,873
	a) Savings deposits of which are:		187,494,472		184,014,296
	aa) Repayable on demand	14,410,898			
	1/1/97	13,380,628			
	bb) With agreed maturity dates or periods of notice	173,083,574			
	1/1/97	170,633,668			
	b) Other debts of which are:		78,549,666		65,099,577
	aa) Repayable on demand	38,597,394			
	1/1/97	37,905,791			
	bb) With agreed maturity dates or periods of notice	39,952,272			
	1/1/97	27,193,786			
3	Debts evidenced by certificates			73,393,074	74,527,684
	a) Debt securities issued		46,744,978		49,809,045
	b) Others		26,648,096		24,718,639
4	Other liabilities			18,351,845	16,994,891
5	Accruals and deferred income			1,234,010	1,698,859
6	Provisions for liabilities and charges			11,745,264	11,641,888
	a) Provisions for severance payments		1,396,350		1,294,603
	b) Provisions for pensions		6,101,742		5,869,347
	c) Tax provisions		441,339		451,382
	d) Other provisions		3,805,833		4,026,556
7	Subordinated liabilities			12,461,391	9,096,236
8	Supplementary capital			9,260,304	9,178,664
9	Paid-in capital			13,198,307	11,394,302
	a) Subscribed capital		4,441,080		4,145,341
	b) Capital reserves		8,757,227		7,248,961
	of which are: Restricted	8,757,227			
	1/1/97	7,248,961			
10	Earned capital			5,483,113	5,888,548
	a) Profit reserves		5,253,761		4,456,405
	b) Net income		229,352		1,432,143
11	Minority interests (including share in net income)			1,361,267	991,906
	Equity (total of positions 9-11)			20,042,687	18,274,756
	Total liabilities and shareholders' equity			687,583,203	661,232,054

Erste Bank Group
Balance Sheet as of 31st December, 1997

	ATS '000	ATS '000	31/12/97 ATS '000	1/1/1997* ATS '000
Off Balance Sheet Items				
1 Contingent liabilities			36,342,497	37,281,202
of which are:				
a) Acceptances and endorsements arising from rediscounted bills of exchange	5,210,087			
1/1/97	8,348,246			
b) Guarantees and assets pledged as collateral security	30,066,511			
1/1/97	25,006,670			
2 Commitments			93,925,838	83,717,410
of which are:				
commitments arising from sale and repurchase transactions	18,529,808			
1/1/97	8,741,568			
3 Liabilities arising from fiduciary transactions			9,015,351	5,025,319
4 Qualifying consolidated capital pursuant to section 24 of the Banking Act			39,341,232	38,269,253
5 Consolidated risk-weighted assets and off balance sheet items pursuant to section 22 of the Banking Act			354,745,191	342,310,264
6 Foreign liabilities			210,060,606	178,190,226
Unrecognised pension liability pursuant to the transitional regulations contained in Article X(3) of the Financial Reporting Act			1,342,354	1,450,887

* Result of consolidation of Die Erste Group and GiroCredit Group (after adjustments in conjunction with the merger; effects in conjunction with the first time consolidation of Mezőbank, Budapest, and Erste Bank Investment Hungary, Budapest, as of 1st January 1997).

Erste Bank Group
Profit and Loss Account for the year ended 31st December, 1997

		ATS '000	ATS '000	1997 ATS '000	1996* ATS '000
1	Interest income and similar income			38,771,691	36,545,316
	of which are from fixed-income securities	6,993,934			
	1996	4,662,199			
2 -	Interest expense and similar expenses			29,331,208	26,766,213
I	Net interest income			9,440,483	9,779,103
3 +	Income from securities and participating interests			799,631	664,545
a)	Income from shares, other equity instruments and variable-yield securities		355,955		231,714
b)	Income from participating interests		354,617		356,195
c)	Income from shares in affiliated undertakings*		89,059		76,636
4 +	Commission and fee income			3,970,244	3,759,741
5 -	Commission and fee expenses			661,640	618,859
6 +/-	Net profit from trading activities			1,244,703	1,300,186
7 +	Other operating income			1,040,246	1,192,542
II	Operating income			15,833,667	16,077,258
8 -	General administrative expenses			9,851,942	9,186,035
a)	Personnel expenses		6,699,252		6,286,959
	of which are:				
aa)	Wages and salaries	4,680,503			
	1996	4,440,839			
bb)	Social security contributions as well as levies and compulsory contributions dependent upon wages and salaries	1,178,788			
	1996	1,085,861			
cc)	Other employee benefits	107,511			
	1996	142,157			
dd)	Expenses for retirement benefits	524,729			
	1996	453,929			
ee)	Allocation to the pension provision	115,743			
	1996	109,095			
ff)	Allocation to the provision for severance compensation	91,978			
	1996	55,078			
b)	Other administrative expenses		3,152,690		2,399,076
9 -	Depreciation and amortisation in respect of assets, balance sheet items 9 and 10			1,037,253	1,104,402
10 -	Other operating expenses			741,958	1,197,988
III	Operating expenses *			11,631,153	11,488,425
IV	Operating result			4,202,514	4,588,833

Erste Bank Group
Profit and Loss Account for the year ended 31st December, 1997

	1997 ATS '000	1996* ATS '000
IV Operating result continued	4,202,514	4,588,833
11 - Value adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments	-5,313,397	-3,935,679
12 + Reversal of value adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments	1,647,892	1,288,897
13 - Value adjustments in respect of securities held as financial fixed assets, participating interests and shares in affiliated undertakings	-235,611	-187,606
14 + Reversal of value adjustments in respect of securities held as financial fixed assets, participating interests and shares in affiliated undertakings	215,545	262,224
V Result of ordinary activities	516,943	2,016,669
15 + Extraordinary income	7,278	28,103
16 - Extraordinary expenses	-289,288	-265,147
17 Extraordinary result (subtotal of items 15 and 16)	-282,010	-237,044
18 - Taxes on income	-21,646	-202,742
19 - Other taxes, not shown under Item 18	-1,871	-47,346
VI Net income	211,416	1,529,537
20 +/- Minority interests	17,936	-97,394
VII Net profit after minority interests	229,352	1,432,143

* Result of consolidation of Die Erste Group and GiroCredit Group (including adjustments in conjunction with the merger, effect in conjunction with the first time consolidation of Mezőbank, Budapest, and Erste Bank Investment Hungary, Budapest, up from 1st January, 1997)

Erste Bank der oesterreichischen Sparkassen AG
Balance Sheet as of 31st December, 1997

Assets		31/12/97 ATS	1/1/1997* ATS '000
1	Cash in hand, balances with central banks and post office banks	13,312,330,328.47	7,674,994
2	Treasury bills and other bills eligible for refinancing with central banks	44,334,397,295.41	38,888,658
a)	Treasury bills and similar securities	43,779,034,138.50	38,273,781
b)	Other bills eligible for refinancing with central banks	555,363,156.91	614,877
3	Loans and advances to credit institutions	179,172,952,215.03	186,069,515
a)	Repayable on demand	17,316,361,280.66	15,859,554
b)	Other loans and advances	161,856,590,934.37	170,209,961
4	Loans and advances to customers	261,740,754,625.19	263,316,888
5	Debt securities and other fixed-income securities	28,157,590,342.35	23,211,262
a)	Issued by public bodies	3,712,498,364.18	9,326,000
b)	Issued by other borrowers	24,445,091,978.17	13,885,262
	of which are own issues	1,470,627,770.19	
	1/1/97	596,312,881.52	
6	Shares and other variable-yield securities	8,813,962,214.09	5,247,724
7	Participating interests	3,776,830,202.79	3,548,826
	of which are in credit institutions	909,151,837.31	
	1/1/97	554,468,548.31	
8	Shares in affiliated undertakings	16,203,456,623.06	12,784,390
	of which are in credit institutions	8,448,663,069.65	
	1/1/97	6,131,121,349.19	
9	Intangible fixed assets	588,615,879.49	2,793,727
10	Tangible fixed assets	2,695,935,548.96	2,796,101
	of which are land and buildings occupied for its own use	1,373,260,223.79	
	1/1/97	1,331,947,303.24	
11	Own stocks or shares	1,936,200.00	104,246
	par value	461,000.00	
	1/1/97	24,453,900.00	
12	Other assets	17,436,266,286.95	11,791,537
14	Prepayments and accrued income	437,395,791.93	229,280
Total assets		576,672,423,553.72	558,457,148
Off Balance Sheet items			
1	Foreign assets	200,115,333,486.37	188,770,580

Liabilities and shareholder's equity		31/12/97 ATS	1/1/1997* ATS '000
	ATS	ATS	
1 Amounts owed to credit institutions		272,239,588,709.80	271,900,033
a) repayable on demand	19,583,653,691.76		19,892,648
b) with agreed maturity dates or periods of notice	252,655,935,018.04		252,007,385
2 Amounts owed to customers		170,369,621,645.86	163,025,167
a) Savings deposits	106,527,378,343.56		109,009,367
of which are:			
aa) Repayable on demand	10,082,763,177.27		
1/1/97	10,466,991,244.99		
bb) With agreed maturity dates or periods of notice	96,444,615,166.29		
1/1/97	98,942,376,201.02		
b) Other debts	63,842,243,302.30		54,015,800
of which are:			
aa) Repayable on demand	32,785,507,082.12		
1/1/97*	32,849,724,240.78		
bb) With agreed maturity dates or periods of notice	31,056,736,220.18		
1/1/97	21,166,075,913.02		
3 Debts evidenced by certificates		65,404,807,680.27	63,580,032
a) Debt securities issued	43,440,541,916.41		43,450,936
b) Others	21,964,265,763.86		20,129,096
4 Other liabilities		15,642,952,003.39	11,725,636
5 Accruals and deferred income		1,099,398,154.95	1,279,215
6 Provisions for liabilities and charges		8,330,838,648.80	8,116,283
a) Provisions for severance payments	1,064,757,740.00		993,386
b) Provisions for pensions	4,633,469,328.00		4,488,626
c) Tax provisions	222,691,342.41		217,554
d) Other provisions	2,409,920,238.39		2,416,717
7 Subordinated liabilities		11,819,641,154.65	8,585,291
8 Supplementary capital		7,701,404,000.00	7,575,564
9 Subscribed capital		4,441,079,900.00	4,145,341
10 Capital reserves		8,757,227,000.00	7,248,961
a) Restricted	8,757,227,000.00		7,248,961
11 Profit reserves		1,384,363,000.00	982,329
a) Legal reserve	470,000,000.00		470,000
b) Other reserves	912,426,000.00		512,329
c) Reserve for own stocks or shares	1,937,000.00		0
12 Reserve pursuant to section 23(6) of the Banking Act		7,110,204,070.00	7,110,204
13 Accumulated profits		711,013,586.00	587,987
14 Untaxed reserves		1,660,284,000.00	2,595,105
a) Valuation reserve resulting from special depreciation	1,409,128,000.00		2,187,412
b) Other untaxed reserves	251,156,000.00		407,693
of which are:			
investment allowance pursuant			
to section 10, 1988 Income Tax Act	228,705,000.00		
1/1/97	381,189,415.85		
Rent reserve pursuant to section 11, 1988			
Income Tax Act	22,451,000.00		
1/1/97	26,503,090.00		
Total liabilities and shareholders' equity		576,672,423,553.72	558,457,148

Erste Bank der oesterreichischen Sparkassen AG
Balance Sheet as of 31st December, 1997

	ATS	ATS	31/12/97 ATS	1/1/1997* ATS 000
Off Balance Sheet Items				
1 Contingent liabilities			33,424,301,951.38	33,581,898
of which are:				
a) Acceptances and endorsements arising from rediscounted bills of exchange	4,931,927,437.25			
1/1/97	7,844,900,186.62			
b) Guarantees and assets pledged as collateral security	28,492,374,514.13			
1/1/97	25,736,998,093.36			
2 Commitments			82,672,503,031.76	83,554,681
of which are:				
commitments arising from sale and repurchase transactions	18,409,807,909.59			
1/1/97	8,741,567,841.58			
3 Liabilities arising from fiduciary transactions			5,875,950,162.97	5,524,241
4 Qualifying capital pursuant to section 23 in combination with section 29 of the Banking Act			39,836,560,101.48	36,090,040
5 Risk-weighted assets and off balance sheet items pursuant to section 22 of the Banking Act			281,885,418,342.36	278,100,585
6 Foreign liabilities			191,092,287,066.87	165,696,702
unrecognised pension liability pursuant to the transitional regulations contained in article X (3) of the Financial Reporting Act			1,307,569,725.00	1,411,488

* Consolidated amounts of Die Erste and GiroCredit including adjustments in conjunction with the merger.

Erste Bank der österreichischen Sparkassen AG
Profit and Loss Account for the year ended 31st December, 1997

		ATS	ATS	1997 ATS	1996* ATS '000
1	Interest income and similar income			29,996,641,986.68	29,228,127
	of which are				
	from fixed-income securities	5,984,685,538.52			
	1996	4,216,349,546.41			
2 -	Interest expense and similar expenses			23,628,216,191.90	22,453,190
I	Net interest income			6,368,425,788.78	6,774,937
3 +	Income from securities and participating interests			1,086,825,592.75	994,446
a)	Income from shares, other equity instruments				
	and variable-yield securities		249,064,640.04		139,612
b)	Income from participating interests		137,520,997.68		125,945
c)	Income from shares in affiliated undertakings		700,239,955.03		728,889
4 +	Commission and fee income			3,116,836,068.40	2,899,467
5 -	Commission and fee expenses			638,924,050.18	553,027
6 +/-	Net profit from trading activities			1,042,383,177.11	1,028,439
7 +	Other operating income			98,579,483.13	145,570
II	Operating income			11,074,126,057.99	11,289,832
8 -	General administrative expenses			7,222,416,903.84	7,041,717
a)	Personnel expenses		4,759,577,023.97		4,536,562
	of which are:				
aa)	Wages and salaries	3,275,488,838.03			
	1996	3,145,381,421.39			
bb)	Social security contributions as well				
	as levies and compulsory contributions				
	dependent upon wages and salaries	799,000,055.81			
	1996	762,929,954.07			
cc)	Other employee benefits	104,287,798.23			
	1996	102,798,899.54			
dd)	Expenses for retirement benefits	465,999,193.90			
	1996	419,674,025.06			
ee)	Allocation to the pension provision	42,604,350.00			
	1996	65,955,851.00			
ff)	Allocation to the provision for				
	severance compensation	72,196,788.00			
	1996	39,821,930.07			
b)	Other administrative expenses		2,462,839,879.87		2,505,155
9 -	Depreciation and amortisation in respect of assets,			558,805,057.48	591,847
	balance sheet items 9 and 10				
10 -	Other operating expenses			36,182,492.07	26,934
III	Operating expenses			7,817,404,453.39	7,660,498
IV	Operating result			3,256,721,604.60	3,629,334

Erste Bank der oesterreichischen Sparkassen AG
Profit and Loss Account for the year ended 31st December, 1997

	ATS	ATS	1997 ATS	1996* ATS '000
IV Operating result continued			3,256,721,604.60	3,629,334
11 - Value adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments			-4,224,536,919.54	-3,412,584
12 + Reversal of value adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments			1,366,728,467.69	1,176,900
13 - Value adjustments in respect of securities held as financial fixed assets, participating interests and shares in affiliated undertakings			-166,563,129.31	-226,195
14 + Reversal of value adjustments in respect of securities held as financial fixed assets, participating interests and shares in affiliated undertakings			177,303,334.24	298,196
V Results of ordinary activities			409,653,357.68	1,465,651
15 + Extraordinary income			4,508,132.28	9,561
16 - Extraordinary expenses			-282,861,126.96	-238,101
17 Extraordinary result (subtotal of items 15 and 16)			-278,352,994.68	-228,540
18 - Taxes on income			-56,273,355.85	-150,598
19 - Other taxes, not shown under item 18			32,939,055.70	-20,174
VI Net income			107,966,062.85	1,066,339
20 +/- Changes in reserves			532,786,594.22	-543,258
VII Profit for the year			640,752,657.07	523,081
21 + Profit brought forward			70,260,928.93	64,906
VIII Accumulated profits			711,013,586.00	587,987

* Consolidated amounts of Die Erste and GiroCredit including adjustments in conjunction with the merger.

I General

The 1997 Financial Statements of Erste Bank der oesterreichischen Sparkassen AG (Erste Bank) and of the 1997 Consolidated Financial Statements (Erste Bank Group) were prepared in accordance with the provisions of the Austrian Commercial Code and in consideration of the relevant provisions of the Austrian Banking Act. For the first time, the notes were combined for the separate and consolidated Financial Statements using the option of section 251 (3) of the Austrian Commercial Code.

The merger of GiroCredit Bank Aktiengesellschaft der Sparkassen (GiroCredit) with and into DIE ERSTE österreichische Spar-Casse – Bank Aktiengesellschaft (DIE ERSTE), now Erste Bank, was legally implemented with the registration of the merger in the Companies Register kept at the Vienna Commercial Court on 4th October, 1997. The merger took place retroactively as of 1st January, 1997.

In addition, as of that date, two wholly-owned subsidiaries of DIE ERSTE were merged with and into DIE ERSTE: Banken-Service Rechenzentrum GmbH, Vienna, (BSR) on the one hand and DIE ERSTE Unternehmensbeteiligungs AG, Vienna, (EUBAG) on the other hand. The business purpose of BSR was mainly the performance of electronic data processing, EUBAG as a holding company held a share of 13.5% of the paid-in capital of GiroCredit.

In order to provide a better basis of comparison all **figures of the previous financial year** (balance sheet figures as of 1st January, 1997, respectively figures of the 1996 profit and loss account) referred to in the Financial Statements and in the retroactive notes thereto, include the 1996 combined consolidated figures of DIE ERSTE as well as GiroCredit (or of both these groups) taking into account merger and preparatory acquisition steps.

In the balance sheet figures as of 1st January, 1997 of Erste Bank, goodwill in GiroCredit resulting from previous mergers was set off against unrestricted profit reserves in an amount totalling ATS 710.9 million. Furthermore, in the process of the above mentioned merger with BSR of that same date, the loss brought forward in the amount of ATS 196.6 million existing in that company as of 31st December 1996 was set off against unrestricted profit reserves of Erste Bank, and untaxed reserves of BSR in the amount of ATS 84.1 million were transferred to the untaxed reserves of Erste Bank.

The balance sheet figures as of 1st January, 1997 shown in the consolidated balance sheet also include the effects of first time consolidation effected as of that date of the 1997 newly acquired subsidiaries Mezőbank Rt., Budapest (total assets as of 31st December 1996: ATS 7,041.0 million) and Erste Bank Investment Hungary Rt., Budapest (total asset as of 31st December 1996: ATS 132.1 million); the figures of the profit and loss account of these companies were thus included in the Consolidated Financial Statements for the full year of 1997, not however for the year 1996.

Starting with 1997, appropriation of net income after minority interests is no longer included in the profit and loss account. Earned capital consisting of profit reserves and net income after minority interests is stated in the consolidated balance sheet.

II. Accounting Principles and Valuation Methods

- 1 The Financial Statements and the Consolidated Financial Statements were prepared in accordance with **accounting principles generally** accepted in Austria, which require a true and fair presentation of assets, liabilities, financial position and earnings of the company (the Group). The principle of individual valuation of assets and liabilities and the going concern principle were observed. In the Consolidated Financial Statements the valuation principles of the parent company were applied. The principle of prudence was observed in that the special characteristics of the banking business were taken into account.
- 2 **Foreign currency assets and liabilities** were valued at the customary mean rate of exchange at the balance sheet date. Officially listed currencies were valued at the mean currency rate, other currencies were valued at the buying rate at the balance sheet date.
- 3 **Participating interests and shares in affiliated undertakings** were recorded at cost unless they were recorded in the Consolidated Financial Statements at equity. To the extent permanent impairments because of sustained losses were incurred, adjustments to fair value were made. Where necessary, adequate provisions were made to cover losses incurred by subsidiaries.
- 4 In the case of **debt securities and other fixed-income securities held as fixed assets, premiums and discounts** were amortised on a pro rata basis, in accordance with Section 56 (2) and (3) of the Banking Act. Securities within the trading portfolio were marked to market, other securities within current assets were valued according to Section 207 of the Commercial Code in connection with Section 56 (5) Banking Act.
- 5 **Loans and advances to credit institutions and customers, bills of exchange and other assets** were valued in accordance with Section 207 of the Austrian Commercial Code. Valuation adjustments were recorded for identifiable risks. Reversals of value adjustments were recognised as income. Beyond the individual valuation of claims, in 1997 a discretionary reserve pursuant to Section 57 (1) Austrian Banking Act in the amount of ATS 1,000.0 million was created.

Loans to individuals were valued on the basis of statistical risk features. Receivables due from debtors in risk countries were valued prudently in accordance with an opinion of the Special Council for Commercial Law and Auditing of the Austrian Chamber of Chartered Accountants.

- 6 In the Consolidated Financial Statements, leased assets were allocated to the individual receivables categories at the net present value of the discounted leasing receivables according to Section 59 (6) of the Austrian Banking Act. The difference between the net present value compared to book value of the assets was included in the retained earnings.
- 7 **Intangible and tangible fixed assets** were valued at cost, net of accumulated depreciation and amortization, which are calculated on a straight line basis. The depreciation periods range from 25 to 50 years for buildings, from 5 to 20 years for business and office equipment and from 4 to 15 years for intangible fixed assets. Low value supplies were fully depreciated in the year of acquisition. The depreciation period for goodwill from the mergers with several savings banks is 15 years.
- 8 **Debts evidenced by certificates and subordinated liabilities** were accounted for at their redemption values or at present values (zero coupon bonds), as applicable.
- 9 **Issue costs and discounts for issues** were capitalised and amortised on a straight line basis until maturity, considering changes in the outstanding capital.
- 10 **Provisions** were formed to the extent commercially reasonably necessary. **Provisions for pensions** were determined actuarially, utilising the entry age method, an interest rate of 6 %, and the mortality tables of Ettl-Pagler. The retirement age was assumed to be in general 60 for men and 55 for women. The calculations were performed in accordance with the expert opinion FG KFS/RL3 of the Special Council for Commercial Law and Auditing of the Austrian Chamber of Chartered Accountants. The transitional provisions of Article X (3) of the Financial Reporting Act were used.
- Provisions for **severance payments** were determined actuarially, utilising the entry age method, the mortality tables of Ettl-Pagler, and an interest rate of 6%. This meets the requirement of Section 211 (2) Austrian Commercial Code.
- The **provision for anniversary payments** was calculated similarly to the provision for severance payments.
- 11 **Assets held in trust** which can be excluded from the estate in case of a court-ordered liquidation of the credit institution were shown off the balance sheet pursuant to Section 48 (1) Austrian Banking Act.
- 12 **Derivatives** were valued according to the following valuation principles: Hedging products were valued the same way as the corresponding underlying (i.e. marked to market or accounted for by the deferral method without a valuation taking place). The trading portfolio was marked to market. Other products of the trading book (in particular strategic swaps) were accounted for by the deferral method.

III Principles of Consolidation

- 1 The **scope of consolidation** includes the Group of credit institutions as defined in Section 59 in combination with Section 30 Austrian Banking Act. Accordingly, Austrian and foreign credit institutions controlled by the parent bank, financial institutions and undertakings whose activities are a direct extension of banking or related services ancillary to banking have been included. Undertakings in which the Group holds a participating interest, but which do not form a part of the Group of credit institutions since they operate outside the banking sector and/or are subject to a considerable but not a controlling interest of Erste Bank, were accounted for at equity.
- The date applied to the consolidation of capital pursuant to section 254 (2) of the Austrian Commercial Code was the date of first-time inclusion of the subsidiary in the consolidated financial statements. For undertakings valued according to the equity method, the date applied to the consolidation was the date at which the undertaking became an associated undertaking. In 1997, 13 companies were added to and 7 companies were eliminated from the scope of full consolidation and 10 subsidiaries were merged.
- 2 The **options** defined in Section 249 (2) of the Austrian Commercial Code (waiver of inclusion in the scope of full consolidation) and in Section 263 (2) of the Austrian Commercial Code (waiver because of minor importance) have been used, since certain undertakings - separately and aggregated - were of minor importance for the entire Group.
- 3 **Capital consolidation** was in principle performed according to the book value method, except for Salzburger Sparkasse where fair values were used. Liability reserves and untaxed reserves were allocated to the profit reserves in the Consolidated Financial Statements, after deduction of deferred taxation.
- 4 Goodwill arising from **full and proportionate consolidation**, net of negative goodwill, was, at first time consolidation, set off against profit reserves pursuant to Section 261 (1), second sentence of the Austrian Commercial Code.

- 5 Claims and liabilities of subsidiary undertakings included in the scope of full and proportionate consolidation vis-à-vis Erste Bank as parent, and vice versa, and claims and liabilities between such undertakings were eliminated out in the process of **debt consolidation**. The **profit and loss account** was adjusted for intra-group revenues. Within the scope of consolidation no material intercompany profits existed.
- 6 **Deferred taxation** necessary pursuant to Section 258 of the Austrian Commercial Code was taken into account.
- 7 Valuation according to the **equity method** was performed pursuant to Section 264 (6) of the Austrian Commercial Code on the basis of the most recent audited Financial Statements available according to the book value method. Adjustments due to different valuation methods pursuant to Section 264 (5) of the Austrian Commercial Code were not made, since no significant differences between the valuation methods applied were found.
- 8 A change of the consolidation method occurred with respect to certain included undertakings because of the change in scope of consolidation.

IV Balance Sheet and Consolidated Balance Sheet Details

1 Breakdown of remaining maturities of receivables and credit balances not repayable on demand and of amounts owed to credit institutions and customers not repayable on demand:

a) Receivables and credit balances not repayable on demand (in ATS million)	Erste Bank		Erste Bank Group	
	1st January, 1997	31st December, 1997	1st January, 1997	31st December, 1997
Loans and advances to credit institutions				
up to 3 months	96,940	88,935	87,725	86,204
from 3 months to 1 year	44,556	48,382	46,548	47,278
from 1 to 5 years	17,636	19,287	19,693	18,444
over 5 years	11,078	5,253	5,371	5,488
Loans and advances to customers				
up to 3 months	57,705	35,255	60,707	38,455
from 3 months to 1 year	45,153	50,032	47,736	55,423
from 1 to 5 years	48,222	60,876	64,267	82,958
over 5 years	97,000	97,176	171,338	160,671

b) Amounts owed not repayable on demand (in ATS million):	Erste Bank		Erste Bank Group	
	1st January, 1997	31st December, 1997	1st January, 1997	31st December, 1997
Amounts owed to credit institutions				
up to 3 months	186,290	175,242	184,093	179,104
from 3 months to 1 year	43,965	58,626	41,566	55,626
from 1 to 5 years	12,404	11,925	13,896	11,845
over 5 years	9,348	8,863	14,678	11,857
Amounts owed to customers savings deposits				
up to 3 months	1,705	1,465	3,413	2,401
from 3 months to 1 year	9,736	9,934	17,063	14,878
from 1 to 5 years	16,496	15,499	29,008	22,984
over 5 years	70,605	69,547	121,149	132,821
Other debts				
up to 3 months	15,096	26,071	19,466	29,929
from 3 months to 1 year	4,327	3,365	5,013	5,912
from 1 to 5 years	622	798	770	1,754
over 5 years	1,121	823	1,945	2,358
Debts evidenced by certificates				
up to 3 months	2,701	4,839	3,881	5,615
from 3 months to 1 year	4,568	6,082	6,780	7,138
from 1 to 5 years	31,360	28,565	35,685	31,749
over 5 years	24,951	25,919	28,182	28,891

As regards savings deposits, remaining maturity was estimated on the basis of their average terms.

2 Debt securities issued maturing within one year

The amount of debt securities and other fixed-income securities maturing within one year after the balance sheet date was for the Erste Bank as of 31st December, 1997 to ATS 4,615.8 million (previous year: ATS 2,029.7 million), for the Erste Bank Group as of 31st December, 1997 to 5,112.6 million (previous year: ATS 2,134.0 million).

In the case of debts evidenced by certificates, the respective maturities for the Erste Bank as at 31st December, 1997 amounted to ATS 8,523.4 million (previous year: ATS 4,953.0 million) and for the Erste Bank Group to ATS 8,691.0 million (previous year: ATS 5,077.0 million).

3 Assets and liabilities in foreign currencies
(in ATS million):

	Assets		Liabilities	
	1st January, 1997	31st December, 1997	1st January, 1997	31st December, 1997
Erste Bank	204,649	218,306	202,012	216,238
Erste Bank Group	228,484	242,776	225,847	237,710

4 Loans and advances to and amounts owed to affiliated companies and companies in which the bank holds a participating interest

The following items include loans and advances to and amounts owed to affiliated companies and companies in which Erste Bank holds a participating interest (in ATS million):

	Loans and advances to affiliated companies		Loans and advances to companies in which the Bank holds a participating interest	
	1st January, 1997	31st December, 1997	1st January, 1997	31st December, 1997
Loans and advances to credit institutions	11,497	8,541	5,298	9,418
Loans and advances to Customers	23,043	17,072	7,138	13,271
Debt securities and other fixed-income securities	7	0	262	628

	Amounts owed to affiliated companies		Amounts owed to companies in which the Bank holds a participating interest	
	1st January, 1997	31st December, 1997	1st January, 1997	31st December, 1997
Amounts owed to credit institutions	19,153	12,389	18,118	24,195
Amounts owed to customers	2,034	2,056	1,836	3,038

The most important companies involved are:

Loans and advances to affiliated companies:

First Austrian International Limited, London;
EBV-Leasing GesmbH & Co. KG, Vienna;
Salzburger Sparkasse Bank AG, Salzburg;
Bausparkasse der österreichischen Sparkassen AG, Vienna;

Loans and advances to companies in which the bank holds a participating interest:

Oesterreichische Kontrollbank AG, Vienna;
Österreichische Investitionskredit AG, Vienna;
DIE ERSTE österreichische Spar-Casse Antellsverwaltungssparkasse, Vienna;

Amounts owed to affiliated companies:

S-Wohnbaubank AG, Vienna;
EBV-Leasing GesmbH & Co. KG, Vienna;
Bausparkasse der österreichischen Sparkassen AG, Vienna;
Immorent AG, Vienna;

Amounts owed to companies in which the bank holds a participating interest:

S-Versicherung AG, Vienna;
Österreichische Investitionskredit AG, Vienna;
Sparinvest Austria Kapitalanlage AG, Vienna.

The following items include loans and advances to and amounts owed to affiliated companies and companies in which **Erste Bank Group** holds a participating interest (in ATS million):

	Loans and advances to affiliated companies		Loans and advances to companies in which Erste Bank Group holds a participating interest	
	1st January, 1997	31st December, 1997	1st January, 1997	31st December, 1997
Loans and advances to credit institutions	0	0	7,512	9,490
Loans and advances to Customers	9,878	6,642	8,113	13,382
Debt securities and other fixed-income securities	198	0	262	628

	Amounts owed to affiliated companies		Amounts owed to companies in which the Group holds a participating interest	
	1st January, 1997	31st December, 1997	1st January, 1997	31st December, 1997
Amounts owed to credit institutions	0	0	18,673	24,650
Amounts owed to customers	1,239	938	2,061	3,174

5 Subordinated assets (in ATS million)	Erste Bank		Erste Bank Group	
	1st January, 1997	31st December, 1997	1st January, 1997	31st December, 1997
a) Loans and advances to credit institutions	320	110	321	16
of which:				
affiliated companies	0	105	0	0
companies in which the bank holds a participating interest	320	5	321	5
b) Loans and advances to customers	2,258	2,226	657	305
of which:				
affiliated companies	1,770	1,603	448	120
companies in which the bank holds a participating interest	195	179	196	185
c) Debt securities and other fixed-income securities	141	89	144	189
of which:				
affiliated companies	0	0	0	0
companies in which the bank holds a participating interest	0	0	144	189
d) Shares and other variable-yield securities	2,350	5,513	2,874	6,070
of which:				
affiliated companies	477	829	447	829
companies in which the bank holds a participating interest	436	388	960	945

6 Participating interests

A schedule detailing the important participating interests is shown separately in an appendix to the notes to the accounts.

7) Securities

Breakdown of debt securities and other fixed-income securities carried as assets, shares and other variable-yield securities, as well as participating interests and shares in affiliated undertakings qualifying for listing, by listed and unlisted securities pursuant to Section 64 (1) lit. 10 of the Austrian Banking Act (in ATS million)

Erste Bank	Listed		Unlisted	
	1st January, 1997	31st December, 1997	1st January, 1997	31st December, 1997
a) Debt securities and other fixed-income securities	23,073	27,163	137	995
b) Shares and other variable-yield securities	3,720	3,607	4	161
c) Participating interests	1,310	1,085	0	0
d) Shares in affiliated companies	0	0	0	0
Total	28,103	31,855	141	1,156

Erste Bank Group (in ATS million):	Listed		Unlisted	
	1st January, 1997	31st December, 1997	1st January, 1997	31st December, 1997
a) Debt securities and other fixed-income securities	28,235	31,611	628	5,018
b) Shares and other variable-yield securities	6,858	4,682	1,634	384
c) Participating interests	1,722	1,085	2,392	1,095
d) Shares in affiliated companies	0	0	0	0
Total	36,815	37,378	4,654	6,497

Breakdown of debt securities and other fixed-income securities carried as assets, shares and other variable-yield securities, qualifying for listing, depending upon whether they have been accounted for as fixed or current assets pursuant to Section 64 (1) lit. 11 of the Austrian Banking Act (in ATS million)

Erste Bank	Fixed assets		Current assets	
	1st January, 1997	31st December, 1997	1st January, 1997	31st December, 1997
a) Debt securities and other fixed-income securities	6,980	13,987	16,230	14,171
b) Shares and other variable-yield securities	0	130	3,724	3,638
Total	6,980	14,117	19,954	17,809

Erste Bank Group	Fixed assets		Current assets	
	1st January, 1997	31st December, 1997	1st January, 1997	31st December, 1997
a) Debt securities and other fixed-income securities	8,124	17,482	20,739	19,146
b) Shares and other variable-yield securities	2,135	3,050	6,357	2,016
Total	10,259	20,532	27,096	21,162

The classification into these categories of securities is based on organisational guidelines issued by the Managing Board, where fixed assets include positions held under strategic aspects of long-term return on investment.

The non-amortized portion of discounts and premiums pursuant to Section 56 (2) and 56 (3) of the Austrian Banking Act amounts to ATS 1,020.4 million in Erste Bank and ATS 1,037.3 million in Erste Bank Group and ATS 90.9 million, respectively (Erste Bank Group ATS 163.4 million). Non effected revaluations in the financial year amount to ATS 15.6 million in Erste Bank and ATS 37.4 million in Erste Bank Group.

Breakdown of certain value differences of listed securities, which are not accounted for as financial fixed assets:

(in ATS million)	Erste Bank		Erste Bank Group	
	1st January, 1997	31st December, 1997	1st January, 1997	31st December, 1997
a) Difference between fair values in excess of cost pursuant to Section 56 (4) Austrian Banking Act	98	200	182	284
b) Difference between fair values as recorded in excess of cost pursuant to Section 56 (5) Austrian Banking Act	42	85	127	170

8 Fixed assets

Details relating to the changes in fixed assets (fixed assets schedule), pursuant to Section 226 (1) of the Austrian Commercial Code, are reported separately as appendix to the notes to the accounts.

The carrying value of built-on land amounted to ATS 254.0 million on 31st December, 1997 (previous year: ATS 238.2 million) in Erste Bank and ATS 2,034.3 million on 31st December, 1997 in the Erste Bank Group (previous year: ATS 1,732.9 million).

The carrying value of assets leased to customers amounted to ATS 0.4 million on 31st December, 1997 (previous year: ATS 2.6 million) in Erste Bank and ATS 18,942.4 million on 31st December, 1997 (previous year: ATS 18,322.0 million) in the Erste Bank Group.

Erste Bank has commitments from the use of tangible fixed assets not reported in the balance sheet (rent and lease agreements) for the following financial year amounting to ATS 700.0 million (previous year: ATS 513.1 million) and for the following five financial years amounting to ATS 3,714.2 million (previous year: ATS 2,761.5 million).

The Erste Bank Group has such commitments for the following financial year amounting to ATS 771.9 million (previous year: ATS 473.0 million) and for the following five financial years amounting to ATS 4,071.5 million (previous year: ATS 2,544.1 million).

9 Other assets in ATS million	Erste Bank		Erste Bank Group	
	1st January, 1997	31st December, 1997	1st January, 1997	31st December, 1997
Total:	11,792	17,436	13,747	18,949
hereof from repo transactions	48	2,539	60	2,612
hereof from derivative products	1,465	2,743	2,520	3,875
hereof from accrued interest and commission income	6,884	7,854	7,539	8,509
hereof from dividend claims and proceeds from the sale of participating interests	931	1,235	80	96

10 Other Liabilities in ATS million	Erste Bank		Erste Bank Group	
	1st January, 1997	31st December, 1997	1st January, 1997	31st December, 1997
Total:	11,725	15,643	16,995	18,352
hereof from the securities business	1,691	4,465	3,235	5,355
hereof from accrued interest and commission expenses	5,578	6,272	7,277	8,632
hereof from ongoing payment transactions	285	1,822	412	2,463

11 Provisions for liabilities and charges

Breakdown (in ATS million)	Erste Bank		Erste Bank Group	
	1st January, 1997	31st December, 1997	1st January, 1997	31st December, 1997
Provisions for severance payments	993	1,065	1,295	1,396
Provisions for pensions	4,489	4,633	5,869	6,102
Tax provisions	217	223	451	441
Provisions for country risks and other risks	1,634	1,674	2,090	2,137
Other	783	736	1,937	1,669
Total	8,116	8,331	11,642	11,745

The **unrecognised pension liability of the Erste Bank** pursuant to Article X (3) of the Financial Reporting Act amounts to ATS 1,307.6 million as of 31st December, 1997 (previous year: ATS 1,411.5 million), in the Erste Bank Group this liability amounts to ATS 1,342.4 million at the end of 1997 (previous year: ATS 1,451.9 million) and is disclosed as off-balance sheet item. In accordance with the transitional provisions of the Financial Reporting Act, it will be amortised over a remaining period of 14 years at a maximum.

In the financial statements of the Erste Bank as of 31st December, 1997, the pension provision has been increased by ATS 144.8 million since 1st January, 1997 (in Group ATS 232.4 million). The increase in the Erste Bank results on the one hand from the ongoing allocation in the amount of ATS 42.6 million and the annual amortisation of the unrecognised pension liability pursuant to Article X (3) of the Financial Reporting Act amounting to ATS 103.9 million, on the other hand from a reduction in the amount of ATS 1.7 million from a transfer of parts of provisions following the transfer of employees to subsidiaries having no impact on the profit and loss account. In the Erste Bank Group, the increase is due to substantially the same reasons, taking into account the corresponding values of the included subsidiaries.

12 Subordinated Liabilities

The book values of the individual subordinated debts issued by the Erste Bank (including supplementary capital) during 1997 do not exceed 10% of the total amount of outstanding subordinated liabilities. The total book value of subordinated debt issued during the current year amounts to ATS 2,729.2 million. The increase of the book value beyond that amount is mainly due to fluctuations of the exchange rate used for valuation purposes. Of the subordinated debt issued during the current year, ATS 150 million are in Austrian Schilling with a maturity until 2007 and bearing interest at 6.125%, and ATS 2,579.2 million are in foreign currency. Of the foreign currency issuings, ATS 1,407.2 million are in DEM with a maturity until 2007 and bearing interest at 6.0%, and ATS 1,172.0 million are in JPY. Of the liabilities in JPY, ATS 976.7 million have a maturity until 2027 and bear interest at 5.3%, and ATS 195.3 million, a subordinated deposit, have a maturity until 2006 and bear interest at 3.54%.

In the Erste Bank Group, the book values of the individual subordinated debt issued also do not exceed 10% of the total amount of outstanding subordinated liabilities.

Interest expenses incurred for subordinated liabilities and supplementary capital totalled ATS 1,245.3 million in 1997 (previous year: ATS 1,037.0 million) in the Erste Bank, and ATS 1,360.7 million in 1997 (previous year: ATS 1,061.2 million) in the Erste Bank Group.

Subordination is defined in accordance with Section 45 (4) and Section 51 (9) of the Austrian Banking Act.

13 Subscribed Capital

Changes of the **Subscribed Capital** in the financial year 1997 (in ATS million)

Subscribed capital of DIE ERSTE as of 31st December, 1996	4,432,0
Increase through merger with GiroCredit	1,708,4
Amount of Erste Bank shown as of 1st January, 1997	4,140,4
Capital increase pursuant to shareholders' meeting of 29th October, 1997	295,7
Amount as of 31st December, 1997	4,436,1

The preferred shares of DIE ERSTE as well as the shares and the participation capital of GiroCredit were transformed into ordinary shares. The transformation of preferred shares of DIE ERSTE into ordinary shares of Erste Bank was effected on a 1:1 exchange basis, the transformation of GiroCredit shares (preferred and ordinary shares) and of GiroCredit participating receipts into ordinary shares of Erste Bank was effected on a 2.4:1 exchange basis.

The **Subscribed Capital** (including participation capital) as of 31st December, 1997 consists of (in ATS million):

44,360,799	bearer shares with voting rights (nominal value ATS 100.—)	4,436,1
5,000	participation certificates (nominal value ATS 1,000.—)	5,0
Total amount of Subscribed Capital		4,441,1

The extraordinary shareholders' meeting on 21st August 1997 approved an authorised share capital of ATS 1,200.0 million for a period of 5 years from the date of registration of the company in the Companies Register.

In accordance with this approval, the extraordinary shareholders' meeting on 29th October, 1997 resolved to increase the share capital by ATS 295.7 million through the issue of bearer shares with voting rights attached, so that the unused authorised capital amounts to ATS 904.3 million as of 31st December 1997.

Due to this capital increase in December 1997, the Subscribed Capital, including participation capital, was increased from ATS 4,145.4 million at 01.01.1997 to ATS 4,441.1 million at 31st December 1997.

The extraordinary shareholders' meeting on 21st August 1997 furthermore approved a conditional increase of the share capital in the amount of ATS 600.0 million for the case that convertible bond holders would make use of their conversion right. Furthermore, authorisation to issue participation capital up to a nominal amount of ATS 1,000.0 million for a period of 5 years from the date of registration of the company in the Companies Register.

14 Reserves

Erste Bank

a) Changes of Capital Reserves

In 1997 the capital reserves of the Erste Bank were increased by ATS 1,508.2 million from premium payments in conjunction with the share capital increase that took place in December 1997. All items are restricted capital reserves.

b) Changes of the Profit Reserves

In the financial year 1997 the profit reserves of Erste Bank were increased on the one hand by a transfer without impact on the profit and loss account of that part of the valuation reserve from other untaxed reserves which so far had been held by the Erste-Holding, which subsequently was attributed pro rata to EUBAG when this participation was split off and which, because of the merger with EUBAG, had to be dissolved as valuation reserve. An amount of ATS 775.8 million was involved. On the other hand, the profit reserves were increased in 1997 by a transfer of the investment allowance 1993 of former GiroCredit in the amount of ATS 86.2 million having no impact on the profit and loss account.

To cover own shares in the amount of ATS 1.9 million recorded under Assets item 11, in conformity with applicable laws, and in the context of profit reserves, a separate reserve in the same amount was formed by way of a transfer from the unrestricted profit reserve having no impact on the profit and loss account.

Finally, in order to ensure the planned dividend payment for 1997 a partial release of the unrestricted profit reserve in the amount of ATS 460 million was made.

c) Changes of the Liability Reserve of Erste Bank:

The risk weighted assets and off-balance sheet items pursuant to Section 22 Austrian Banking Act as basis for the determination of the liability reserve amounts on the balance sheet date to ATS 281,885.4 million. The liability reserve as of 1st January, 1997 amounted to ATS 7,110.2 million, that is 2.52% of the basis. Thus, the legal requirement to hold 2.5% has been exceeded, consequently no allocation was necessary 1997.

d) Changes of the untaxed reserves of Erste Bank (in ATS million):

Valuation reserve resulting from special depreciation

	1st January, 1997	Allocation	Release	Transfer	31st December, 1997
Reserve pursuant to Section 12 Income Tax Act (already transferred)	2,187	0	-2	-776	1,409
Investment allowance pursuant to Section 10, 1988 Income Tax Act					
1993	192	0	-106	-86	0
1994	92	0	0	0	92
1995	52	0	0	0	52
1996	45	0	0	0	45
1997	0	39	0	0	39
	381	39	-106	-86	228
Rent reserve pursuant to Section 11, 1988 Income Tax Act	27	0	-4	0	23
Total	2,595	39	-112	-862	1,660

As already indicated, the transfer of ATS 862.0 million occurred to the unrestricted profit reserve, the release of ATS 112.0 million and the allocation of ATS 39.0 million occurred to the respective items in the profit and loss account.

Combined notes to the 1997 Financial Statements of Erste Bank continued

Erste Bank Group

The profit reserves and untaxed reserves predominantly arise from contributions and mergers against the issue of new shares. The net difference in the amount of ATS 261.3 million arising from consolidation of subsidiaries fully included for the first time was set-off against profit reserves. In the process of first time inclusion of associated undertakings, the net difference between book values and shareholders' equity in the amount of ATS 1.6 million was classified as profit reserves.

15 Own supplementary capital

At the 1997 balance sheet date, the Erste Bank held own supplementary capital at a carrying value of ATS 128.0 million (previous year: ATS 48.9 million). At that date, the Erste Bank Group held (including the capital held by Erste Bank) ATS 147.5 million (previous year: ATS 55.5 million).

16 Own shares

Own participation capital:

Held by the Erste Bank and the Erste Bank Group

Erste Bank and Erste Bank Group
Units Par value in ATS

1st January, 1997	0	0
Total additions	1,021	1,021,000
Total disposals	560	560,000
31st December, 1997 (9.2% of Total)	461	461,000
Maximum of own participation capital held	760	760,000

Own shares:

Held by the Erste Bank and the Erste Bank Group

Erste Bank and Erste Bank Group
Units Par value in ATS

1st January, 1997	129,378	12,937,800
Total additions	1,132,176	113,217,600
Total disposals	1,261,554	126,155,400
31st December, 1997	0	0
Maximum of own participation capital held	455,257	45,525,700

All acquisitions and sales were effected in the ordinary course of business with the general approval of the general shareholders' meetings.

17 Own Funds

Erste Bank pursuant to Section 23 Austrian Banking Act (in ATS million):

a) Risk weighted assets pursuant to the Austrian Banking Act:

Risk category (capital underlying)	1st January, 1997 nominal Gross Assets	1st January, 1997 risk weighted assets according to Banking Act	31st December, 1997 nominal Gross Assets	31 December, 1997 risk weighted assets according to Banking Act
0 %	179,163	0	169,437	0
10 %	1,212	121	2,121	212
20 %	136,844	27,369	162,142	32,428
50 %	44,046	22,023	44,668	22,334
100 %	195,196	195,196	195,004	195,004
Investment certificates	1,996	419	3,300	534
Total Assets	558,457	245,128	576,672	250,512
Off-balance sheet transactions				
(in particular securities, guarantees)		28,080		27,187
Special off-balance sheet transactions				
(in particular interest rate swaps)		4,893		4,186
Total	558,457	278,101	576,672	281,885

b) **Own funds pursuant to Austrian Banking Act:**

Core Capital (Tier 1)

1st January, 1997

31st December, 1997

Paid-up capital	4,108	4,436
Disclosed reserves	17,840	18,910
Less intangible assets	-522	-511
Total core capital	21,426	22,835
Qualifying supplementary capital (Tier 2)		
Participation capital	5	5
Supplementary capital	5,664	5,315
Revaluation reserve	1,558	1,379
Subordinated capital	8,161	11,417
Total supplementary capital	15,388	18,116
Total core capital and supplementary capital	36,814	40,951
Deductions pursuant to Section 23 (13) and Section 29 (1) and (2) Austrian Banking Act	-724	-1,114
Qualifying capital (Tier 1 + 2)	36,090	39,837
Required Own funds	22,248	22,551
Own funds surplus	13,842	17,286
Own funds ratio in %	12.98	14.13
Hereof Tier 1 ratio in %	7.70	8.10

Erste Bank group of credit institutions pursuant to Section 24 Austrian Banking Act (in ATS million)

a) **Risk weighted assets pursuant to Austrian Banking Act:**

1st January, 1997

31 December, 1997

Risk category (capital underlying)	1st January, 1997	1st January, 1997	31st December, 1997	31 December, 1997
	nomin. Gross Assets	risk weighted assets according to Banking Act	nomin. Gross Assets	risk weighted assets according to Banking Act
0 %	187,452	0	177,011	0
10 %	1,794	179	3,198	320
20 %	139,179	27,836	161,927	32,385
50 %	111,153	55,576	114,215	57,108
100 %	219,808	219,808	225,542	225,542
Investment certificates	1,846	155	5,690	847
On-balance sheet total	661,232	303,554	687,583	316,202
Off-balance sheet transactions				
(in particular guarantees and assets pledged)		32,917	0	32,561
Special off balance sheet transactions				
(in particular interest rate swaps)		5,839		5,982
Total	661,232	342,310	687,583	354,745

Combined notes to the 1997 Financial Statements of Erste Bank continued

b) Capital pursuant to Austrian Banking Act:

Core Capital (Tier 1)

1st January, 1997

31st December, 1997

Paid up capital	4,106	4,436
Disclosed reserves	18,913	18,481
Less intangible assets	-1,163	-1,292
Total core capital	21,856	21,625
Qualifying supplementary capital (Tier 2)		
Participation capital	5	5
Supplementary capital	7,102	6,635
Revaluation reserve	1,558	1,379
Subordinated capital	8,499	10,812
Total supplementary capital	17,164	18,831
Total core capital and supplementary capital	39,020	40,458
Deductions pursuant to Section 23 (13) and Section 29 (1) and (2)	-751	-1,115
Qualifying capital (Tier 1 + 2)	38,269	39,341
 Own funds required	 27,385	 26,380
Own funds surplus	10,884	10,961
Own funds ratio in %	11.2	11.1
Hereof Tier 1 ratio in %	6.4	6.1

18 Schedule of assets pledged as collateral for debts, in accordance with Section 64 (1) lit. 8 of the Austrian Banking Act, concerning Erste Bank:

Assets	Million ATS	Assets pledged as collateral for debts arising from the following transactions
Fixed-income securities	620	Arrangement deposit in favour of Österreichische Kontrollbank AG
	660	Foreign exchange deposit in favour of Österreichische Nationalbank
	591	Margin requirement
Loans and advances to customers	9,190	Guarantee fund for funded Erste Bank bond issues
	642	Guarantee fund for savings deposits held in trust for a ward
	21,419	Guarantee fund for mortgage and municipal bonds

Further assets pledged as collateral for debts in the Erste Bank Group are of minor importance.

19 Total volume of unsettled derivative transactions

a) Erste Bank (in ATS million):	Nominal amounts by remaining maturities			Total
	<1 year	1-5 years	>5 years	
Interest rate agreements	509,301	230,283	59,774	799,358
OTC products:				
Interest rate options - purchase	21,143	24,119	334	45,596
Interest rate options - sell	12,330	18,497	1,249	32,076
Interest rate swaps	353,572	164,273	51,612	569,457
FRA's	118,522	21,616	0	140,138
Listed products:				
Future contracts	2,207	1,778	6,579	10,564
Interest rate options	1,527	0	0	1,527
Exchange rate agreements	156,604	1,079	1,582	159,265
OTC products:				
Currency options - purchase	8,722	12	0	8,734
Currency options - sell	12,035	0	0	12,035
Currency swaps	135,470	1,067	1,582	138,119
Listed products:				
Future contracts	168	0	0	168
Currency Options	209	0	0	209
Precious metal agreements	357	0	0	357
OTC products:				
Precious metal options - purchase	143	0	0	143
Precious metal options - sell	139	0	0	139
Listed products:				
Future contracts	13	0	0	13
Precious metal options	62	0	0	62
Securities-related agreements	21,472	224	606	22,302
OTC products:				
Share options - purchase	2,234	219	294	2,747
Share options - sell	15,906	5	312	16,223
Listed products:				
Future contracts	875	0	0	875
Share options	2,457	0	0	2,457
Total	687,734	231,586	61,962	981,282
Hereof OTC-products	680,216	229,808	55,383	965,407
Hereof listed	7,518	1,778	6,579	15,875

Note: Interest and currency swaps are shown unilaterally (call only), all other products bilaterally.

The risk-weighted volume of all unsettled derivative transactions to be included in the basis for the qualifying capital required by Section 22 of the Austrian Banking Act, amounts to ATS 4,186.7 million (previous year: ATS 4,892.7 million). The qualifying capital required for this purpose amounts to ATS 334,9 million (previous year: ATS 391,4 million).

Combined notes to the 1997 Financial Statements of Erste Bank continued

b) Erste Bank Group (in ATS million):	Nominal amounts by remaining maturities			Total
	<1 year	1-5 years	>5 years	
Interest rate agreements	557,786	287,540	71,519	916,845
OTC products:				
Interest rate options - purchase	38,153	27,068	6,399	71,620
Interest rate options - sell	12,435	24,587	1,603	38,625
Interest rate swaps	383,958	212,491	56,938	653,387
FRA's	119,506	21,616	0	141,122
Listed products:				
Future contracts	2,207	1,778	6,579	10,564
Interest rate options	1,527	0	0	1,527
Exchange rate agreements	172,966	18,627	5,556	197,149
OTC products:				
Currency options - purchase	8,722	12	0	8,734
Currency options - sell	12,035	0	0	12,035
Currency swaps	151,832	18,615	5,556	176,003
Listed products:				
Future contracts	168	0	0	168
Currency Options	209	0	0	209
Precious metal agreements	357	0	0	357
OTC products:				
Precious metal options - purchase	143	0	0	143
Precious metal options - sell	139	0	0	139
Listed products:				
Future contracts	13	0	0	13
Precious metal options	62	0	0	62
Securities-related agreements	21,472	224	606	22,302
OTC products:				
Share options - purchase	2,234	219	294	2,747
Share options - sell	15,906	5	312	16,223
Listed products:				
Future contracts	875	0	0	875
Share options	2,457	0	0	2,457
Total	752,581	306,391	77,681	1,136,653
Hereof OTC-products	745,063	304,613	71,102	1,120,778
Hereof listed	7,519	1,778	6,579	15,875

Note: Interest and currency swaps are shown unilaterally (call only), all other products bilaterally.

The risk-weighted volume of all unsettled derivative transactions to be included in the basis for the qualifying capital required by Section 22 of the Austrian Banking Act, amounts to ATS 5,982.0 million (previous year: ATS 5,839.2 million). The qualifying capital required for this purpose amounts to ATS 478.6 million (previous year: ATS 467.1 million).

20 Details on Risk Provisions (in ATS million)

Change of Risk Provisions of Erste Bank (claims on customers as well as contingent liabilities)

	Erste Bank Risk provision	Erste Bank Group Risk provision
1st January, 1997	15,150	17,419
less used	-3,069	-3,526
less release	-1,068	-1,391
plus allocation	3,478	4,551
exchange rate effects and changes of allocation to suspended interest effecting interest income	643	647
31st December, 1997	15,134	17,700

V. Profit and loss account details

- For the fiscal year profits/losses from the entire mortgage banking business of Erste Bank included in **interest and similar income/expenses** pursuant to Section 6 Mortgage Banking Act, requiring a corresponding collateral to be allocated for mortgage bonds outstanding, resulted in interest income (including public-sector loans and substitute collateral) of ATS 1,488.4 million (previous year: ATS 1,659.1 million) and interest expenditure for municipal bond and mortgage bond issues totalling ATS 1,351.7 million (previous year: ATS 1,515.0 million).

The net of commission income and expenses arising from mortgage banking operations shows an income of ATS 19.1 million (previous year: ATS 13.4 million).

- Profit transfers** from affiliated companies reported as income from shares in affiliated companies (those which are in a single entity relationship for tax purposes) amounted in 1997 to ATS 452.1 million (previous year: ATS 424.7 million). In contrast, there were in the reporting year in value adjustments and other expenses for affiliated companies in the amount of ATS 4.9 million (previous year: ATS 4.0 million).

- Income from non-consolidated participating interests and shares in affiliated undertakings** in the financial year 1997 in the Erste Bank Group is shown below. Dividends received from other non-consolidated undertakings break down as follows (in ATS million):

	Companies stated at equity	Other companies
Income from participating interests	169	187
Income from shares in affiliated companies	72	16
Total	241	203

- The **gross revenue** of Erste Bank and the Erste Bank Group can be split according to the following regional schedule based on the corporate seat of the places of business and subsidiaries (in ATS million):

	Domestic	Abroad	Erste Bank	Domestic	Abroad	Erste Bank Group
Interest income	26,746	3,251	29,997	33,213	5,559	38,772
Income from securities and participations	1,081	6	1,087	767	33	800
Net commission and fee income	3,091	26	3,117	3,793	177	3,970
Net profit from trading activities	1,009	33	1,042	1,118	127	1,245
Other operating income	90	9	99	1,013	27	1,040
Total	32,017	3,325	35,342	39,904	5,923	45,827

- The **gross commission and fee income** includes revenue from **management and agency services** of ATS 647.8 million (previous year: ATS 646.7 million). At group level, the value amounts to ATS 654.4 (previous year: ATS 650.7 million).

- Other operating income**, shown in the Erste Bank with an amount of ATS 98.6 million (previous year: ATS 145.6 million), includes, among others, proceeds from rentals and sale of assets. The reduction vis-à-vis the previous year results above all from atypical high insurance recoveries and tax bonifications recorded in the financial year 1996.

The amount of ATS 1,040.2 million (previous year: ATS 1,192.5 million) shown in the Erste Bank Group includes, among others, proceeds from construction services, commission for cash transfers and sales to third parties by undertakings ancillary to the bank, rental income and income from operating expenses charged to the lessee under real-estate leasing agreements as well as release of provisions.

- 7 **Other operating expenses** of the Erste Bank Group in the amount of ATS 742.0 million (previous year: ATS 1,198.0 million) included, among others, commissions paid for building society contracts, operating expenses in connection with real-estate leasing agreements and costs of goods sold by undertakings ancillary to the bank.
- 8 The **extraordinary expenses** shown in the Erste Bank in the amount of ATS 282.9 million (previous year: ATS 238.1 million) include one time merger expenses in the amount of ATS 173.9 million, the amortisation of the unrecognised pension liability amounts to ATS 103.9 million and other extraordinary expenses amounting to ATS 5.1 million.
At group level, additional extraordinary expenses were incurred, in particular from the amortisation of the unrecognised pension liability in subsidiaries, so that the total amount increased to ATS 289.3 million (previous year: ATS 265.1 million).
- 9 **Taxes on income and earnings** include in the Erste Bank essentially withholding taxes. The change of untaxed reserves was not tax effective in 1997, since on balance Erste Bank had no corporate tax expense. The extraordinary result of Erste Bank reduced taxes on income and earnings by ATS 94.6 million.
- 10 **Deferred tax** not recorded in the accounts (had to be reported for the first time as of this balance sheet date) amounted to ATS 507.8 million for Erste Bank. Deferred taxes on non-effected revaluation of Erste Bank amount to ATS 5.3 million. Provisions for deferred taxes in the amount of ATS 90.5 million are reported in the Consolidated Financial Statements.
- 11 **Other taxes** of Erste Bank result in a net income of ATS 32.9 million (previous year: net expense of ATS 20.2 million) because of tax refunds for previous years (property tax refunded in the amount of ATS 76.2 million).

VI Details about Boards and Employees

1 Employees

The average number of employees of Erste Bank (excluding employees absent for maternity and other authorised leave and taking part-time employees into account on a pro rata basis) during 1997, totalled 5,214 employees (previous year: 5,264). In the entire Erste Bank Group (fully consolidated companies) the average number of employees in 1997, calculated according to the calculation method set forth above, was 9,128 (previous year: 9,256). The number of staff in proportionately consolidated companies in 1997 was 78 employees.

2 Boards

At the balance sheet date, loans and advances to members of the Managing Board amounted to ATS 3.5 million (previous year: ATS 5.1 million). Loans to members of the Supervisory Board amounted to ATS 6.9 million (previous year: ATS 7.9 million). Interest and other terms (maturity dates and collaterals) are at market levels. In the case of loans to members of the Managing Board ATS 4.4 million (previous year: ATS 0.9 million) were repaid during the financial year; ATS 2.1 million (previous year: ATS 1.4 million) were repaid from the loans to members of the Supervisory Board.

Total remuneration for the members of the Managing Board active during the financial year 1997 amounted to ATS 29.9 million (previous year: ATS 24.3 million) including a profit-related bonus for 1997, equal to 0.6% of Erste Bank's total personnel costs for 1997.

ATS 2.1 million (previous year: ATS 2.4 million) was paid during the financial year to former members of the Managing Board and their surviving dependants.

Total remuneration for the members of the Supervisory Board active during the financial year amounted to ATS 2.9 million (previous year: ATS 2.7 million).

The expenses for severance payments and pensions for members of the Managing Board and senior management, in accordance with Section 80 (1) of the Stock Corporation Act, totalled ATS 142.9 million (previous year: ATS 121.3 million). The expenses for severance payments and pensions for other employees amounted to ATS 634.0 million (previous year: ATS 530.7 million).

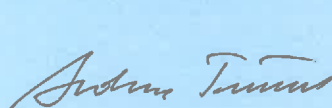
Expenses for severance payments and pensions for employees of companies included in the consolidated accounts are included in the equivalent items of the consolidated profit and loss account. Expenses for severance payments and pensions for members of the Managing Board and senior management as well as managing directors in the group amounted to ATS 188.7 million. The expenses for severance payments and pensions for other employees amounted to ATS 799.6 million.

The amounts reported include expenses for surviving dependants.

Details concerning members of the Managing Board and the Supervisory Board in accordance with Section 239 (2) of the Commercial Code are reported separately as a part of the notes of the company report.

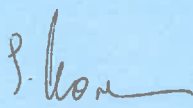
Vienna, 31st March 1998

The Managing Board



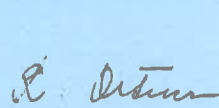
Chairman

Andreas Treichl



Member

Elisabeth Ebleyben-Koren



Member

Reinhard Ortner



Member

Rudolf Penz



Member

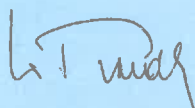
Georg Tucek

Audit Opinion

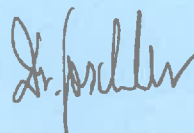
According to our due audit, the book keeping and Financial Statements of Erste Bank and Erste Bank Group comply with legal regulations. The Financial Statements of Erste Bank and Erste Bank Group give a true and fair view of the Bank's and the Group's assets, financial and earning positions in conformity with generally accepted accounting principles. The combined status report of the Bank and the Group conforms with the Financial Statements.

Vienna, 24th April, 1998

Sparkassen-Prüfungsverband
Prüfungsstelle



Wolfgang Riedl
Public Accountant



Klaus Goschler
Audit Director

Europa Treuhand Ernst & Young
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft m.b.H.




G.E. Tichy




Richard Bock

Public Accountants

Auditor Treuhand GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft



Michael Schreder



Michael Vertnig

Public Accountants

Profit distribution proposal

Subject to the approval of the proposed dividend distribution by the shareholders' meeting the owners of the Erste Bank participation capital will receive a 16% dividend on the nominal participation capital of ATS 5,000,000.00 with analogous consideration of Section 65(5) of the Stock Corporation Act.

The Managing Board proposes to distribute a dividend of 16% on the subscribed capital, nominal ATS 4,436,079,900.00, out of the accumulated profits with due consideration of section 65(5) of the Stock Corporation Act and to carry forward the remaining profits to the next year.

Annex to the notes Executive bodies of Erste Bank

Supervisory Board

Herbert Schimetschek

President

Walter Stauffer

Vice President

Karl Korinek

Vice President

Dietrich Blahut

Klaus Braunegg

Werner Hutschinski

Jörg Schneider

Georg Winckler

Delegated by the Employee Council

Rudolf Tschögl

Chairman of the Central Employee Council

Ernst Lukesch

1st Deputy Chairman of the Central Employee Council

Erika Hegmala

2nd Deputy Chairman of the Central Employee Council

Günter Benischek

Representatives of the Supervisory Authority

Robert Spacek

Senate Councillor, State Commissioner

Peter Pilmöier

Chief Senate Councillor, Deputy State Commissioner

Christian Trattner

Councillor, Commissioner for Guarantee Stock

Managing Board

Andreas Treichl

Member

until June 30, 1997

Chairman

from July 1, 1997

Konrad Fuchs

Chairman

until June 30, 1997

Wolfgang Ulrich

Deputy Chairman

until August 31, 1997

Elisabeth Bieyleben-Koren

Member

from July 1, 1997

Reinhard Ortner

Member

Rudolf Penz

Member

from October 4, 1997

Walter Schwimbersky

Member

until September 30, 1997

Georg Tucek

Member

from July 1, 1997

Annex to the notes

Consolidated Fixed Assets Schedule

	Cost			Exchange rate revaluation write-ups acc. to Section 56 (3) Banking Act	Accumulated depreciation and amortisation 31st Dec. 1997	Book value as of 31st Dec. 1997	Book value as of 1st January 1997	Depreciation and amortisation expenses for 1997
	as of 1st January 1997	Additions	Disposals					
(in ATS million)								
1 Participating interests	5,425.1	625.7	682.0	0.0	852.0	4,516.8	4,115.4	70.7
2 Shares in other affiliated undertakings	3,660.5	23.9	535.1	0.0	1,054.6	2,094.7	2,887.0	0.0
3 Intangible fixed assets								
Goodwill	1,471.7	0.3	323.5	0.0	857.4	291.1	347.2	55.9
Others	1,926.1	482.2	201.2	0.0	1,332.3	874.8	759.5	224.0
	3,397.8	482.5	524.7	0.0	2,189.7	1,165.9	1,106.7	279.9
4 Tangible fixed assets	12,958.9	1,963.8	737.0	0.0	5,430.5	8,755.2	8,025.0	757.4
5 Securities								
Treasury bills and similar securities	26,889.3	21,600.3	14,192.1	24.9	258.5	34,063.9	25,744.3	157.3
Loans & advances to credit institutions	1,271.4	1,861.7	751.4	4.9	2.6	2,384.0	1,689.2	2.6
Loans & advances to customers	1,740.7	1,296.9	197.6	4.6	4.1	2,840.5	1,715.7	3.7
Debt securities and other fixed-income securities	8,401.1	11,237.0	2,109.6	150.4	197.0	17,481.9	8,123.6	65.8
Shares and other variable yield securities	3,167.3	4,618.3	586.1	21.0	77.7	7,142.8	3,164.6	48.5
	41,469.8	40,614.2	17,836.8	205.8	539.9	63,913.1	40,437.4	277.9
Total Fixed Assets	66,912.1	43,710.1	20,315.6	205.8	10,066.7	80,445.7	56,571.5	1,385.9

Fixed Assets Schedule

	Cost			Exchange rate revaluation write-ups acc. to Section 56 (3) Banking Act	Accumulated depreciation and amortisation 31st Dec. 1997	Book value as of 31st Dec. 1997	Book value as of 1st January 1997	Depreciation and amortisation expenses for 1997
	as of 1st January 1997	Additions	Disposals					
(in ATS million)								
1 Participating interests	3,832.5	659.9¹	335.9	0.1	379.8	3,776.8	3,548.8	48.2
2 Shares in affiliated undertakings	15,425.3	3,606.8¹	591.8	35.8	2,272.7	16,203.4	12,784.4	82.3
3 Intangible fixed assets								
Goodwill	889.2	0.0	0.0	0.0	735.3	153.9	171.7	17.8
Profit interests	2,171.2	0.0	2,171.2 ¹	0.0	0.0	0.0	2,171.2	0.0
Others	1,287.4	252.1	155.5	0.0	949.3	434.7	450.8	137.7
	4,347.8	252.1	2,326.7	0.0	1,684.6	588.6	2,793.7	155.5
4 Tangible fixed assets	6,193.5	500.6	439.5	0.0	3,560.7	2,695.9	2,796.1	403.3
5 Securities								
Treasury bills and similar securities	23,886.4	16,474.6	9,939.0	24.9	202.5	30,244.4	23,786.5	149.5
Loans & advances to credit institutions	1,356.6	1,662.3	659.3	4.9	2.6	2,361.9	1,355.7	2.6
Loans & advances to customers	1,675.0	1,281.0	196.6	4.6	3.1	2,760.9	1,674.6	2.7
Debt securities and other fixed-income securities	7,038.3	8,404.9	1,438.1	150.4	168.6	13,986.9	6,996.8	56.9
Shares and other variable yield securities	687.5	3,248.0	41.2	21.0	33.8	3,881.5	692.2	31.2
	34,643.8	31,070.8	12,274.2	205.8	410.6	53,235.6	34,505.8	242.9
Total fixed assets	64,444.9	36,090.2	15,968.1	241.7	8,308.4	76,500.3	56,428.8	930.2

¹ Including reclassifications from profit interests (ATS 2,034 million) to shares in affiliated undertakings (ATS 1,862 million), as well as to participating interests (ATS 172 million)

Annex to the notes

Details of the companies within the Group for 1997*

Following Sections 238 (2) and 265 of the Commercial Code this list of participations is part of the combined notes of Erste Bank Group. A complete list of all subsidiaries has been filed with the register court in accordance with § 265 (4) Commercial code.

Company, residence	Percentage of interest	Participation direct	Participation indirect	Shareholders' equity ¹ in ATS million	Net income ² in ATS million	Profit transfer ³	Date of the balance sheet
1 Credit Institutions							
a) Fully consolidated companies							
DIE ERSTE & Constantia Beteiligungsfonds AG, Vienna	100.00	x		197.8	17.5	x	31/12/97
DIE ERSTE Invest-Consult GmbH, Vienna	100.00	x		5.8	0.7	x	31/12/97
DIE ERSTE Kapitalanlage GmbH, Vienna	100.00	x		13.7	58.0	x	31/12/97
First Austrian International Ltd., London	100.00	x		352.9	57.8		31/12/97
Bausparkasse der österreichischen Sparkassen AG, Vienna	100.00	x		1,710.1	240.4	x	31/12/97
Sparkasse Mistelbach AG, Mistelbach	100.00	x		146.1	17.8		31/12/97
Mezőbank Rt., Budapest (including 3 subsidiaries)	83.66	x		265.4	4.2		31/12/97
S-Wohnbaubank AG, Vienna (including 2 subsidiaries)	76.54	x	x	346.6	14.0		31/12/97
Salzburger Sparkasse Bank AG, Salzburg (including 12 subsidiaries)	68.46	x	x	2,107.2	-349.0		31/12/97
Erste Bank Sparkassen (CR) a.s., Prague	66.67	x		305.5	34.3		31/12/97
Intermarket Factoring Bank AG, Vienna	54.00	x		170.2	11.4		31/12/97
First Austrian Bank Malta Ltd, La Valetta	100.00		x	545.2	13.6	x	31/12/97
GiroCredit Bank Malta Limited, La Valetta	100.00		x	266.8	8.9	x	31/12/97
b) Proportionally consolidated							
BANKINVEST AUSTRIA Bank Austria-GiroCredit Vermögensverwaltungsbank GmbH, Vienna	50.00	x		115.2	13.7		31/12/97
Spaininvest Austria Kapitalanlage AG, Vienna	40.14		x	77.3	165.7	x	31/12/97
c) Companies stated at equity							
"SPAR-FINANZ" Investitions- und Vermittlungs-AG, Vienna	50.00	x		51.4	2.2		31/12/96
MAZDA Bank Austria AG, Klagenfurt	50.00	x	x	18.3	0.3		31/12/96
Finanzierungs-AG österreichischer Sparkassen, Vienna	49.62	x	x	22.2	0.1		31/12/96
Sparkasse Mühlviertel West Bank AG, Rohrbach	40.00	x		446.0	0.3		31/12/97
Sparkasse Bregenz Bank AG, Bregenz	33.40	x	x	155.0	0.0		31/12/96
Bjelovarska Banka D.D., Bjelovar, Croatia	25.00	x		272.7	37.7		31/12/97
Niederösterreichische Sparkasse Hainburg Bank AG, Hainburg	26.04	x		299.9	22.4		31/12/96
Niederösterreichische Kreditbürgschaftsges.m.b.H., Vienna	25.00	x		90.7	0.5		31/12/96
Sparkasse Kremstal-Phyrn AG, Kirchdorf	24.05	x		307.7	37.1		31/12/96
Beteiligungsfinanzierungs-AG, Vienna	20.78	x		365.9	47.8		31/3/97
Niederösterreichische Kapitalbeteiligungsges.m.b.H., Vienna	40.00		x	36.9	1.6		30/09/97
Österreichische Hotel- und Fremdenverkehrs-Treuhandges.m.b.H., Vienna	18.75		x	359.1	6.6		31/12/96

Annex to the notes

Details of the companies within the Group for 1997* continued

Company, residence	Percentage of interest	Participation direct	Participation indirect	Shareholders' equity ¹ in ATS million	Net income ² in ATS million	Profit transfer ³	Date of the balance sheet
d) Companies stated at cost							
Europay Austria Zahlungsverkehrssysteme, Vienna	14.67	x	x	357.7	101.3		31/12/96
Österreichische Investkredit AG, Vienna	12.91	x	x	2,502.4	64.8		31/12/96
Istrobanka a.s., Bratislava	10.00	x		508.6	36.6		31/12/96
Die Burgenländische Anlage und Kredit Bank AG, Mattersburg	10.00	x		267.6	-17.1		31/12/97
Sparkasse der Stadt Knittelfeld AG, Knittelfeld	9.00	x		321.1	26.3		31/12/96
Bank Rozwoju Eksportu S.A., Warsaw	3.17		x	1,829.6	411.8		31/12/96
Österreichische Kontrollbank AG, Vienna	9.88		x	2,738.8	251.9		31/12/96
Allgemeine Sparkasse Linz AG, Linz	3.46		x	2,977.3	181.0		31/12/96
2 Financial institutions							
a) Fully consolidated companies							
EBV Leasing GmbH & Co. KG, Vienna	100.00	x		-367.7	11.6		31/12/97
EFB-DIE ERSTE Finanzberatungsges.mmbH, Vienna	100.00	x		0.3	-0.3	x	31/12/97
Immorent AG, Vienna (sub - group including 133 subsidiaries)	100.00	x		2,233.4	286.0	x	31/12/97
Erste Bank Investment Hungary Rt., Budapest	100.00	x		97.0	17.2		31/12/97
Erste Vienna Securities Zagreb d.o.o., Zagreb	80.00	x		6.5	-1.5		31/12/97
Trau Grundstücksverwaltungsges.mmbH, Vienna	51.00	x		1.5	1.2		31/12/97
DIE ERSTE Leasing GmbH, Vienna (including 33 subsidiaries)	100.00		x	2,239.3	65.3		31/12/97
b) Companies stated at equity							
Österreichisches Volkswohnungswerk gemeinnützige GmbH, Vienna	100.00	x	x	207.8	15.3		31/12/96
Neue Eisenstädter - gemeinnützige Bau-, Wohn- u. Siedlungsges.mmbH, Eisenstadt	49.80	x		17.1	-2.5		31/12/96
IB Austria Securities (Warsaw) S.A., Warsaw	40.00	x		57.0	-9.6		31/12/97
Leasfinanz AG, Vienna (group)	25.00	x		121.4	31.0		31/12/97
c) Companies stated at cost							
Wohnungseigentümer gemeinnützige Wohnbauges.mmbH, St.Pölten	26.00	x	x	53.0	3.9		31/12/96
STUWO Gemeinnützige Studentenwohnbau AG, Vienna	50.00		x	9.5	-0.5		31/12/96
Wohnbauhilfe gemeinnützige GmbH, Graz	26.00		x	16.7	-1.3		31/12/96
Gesellschaft für den Wohnungsbau gemeinnützige GmbH, Linz	20.00		x	92.6	4.3		31/12/96
3 Others							
a) Fully consolidated companies							
DIE ERSTE Holding GmbH, Vienna	100.00	x		2,871.3	125.1		31/12/97
BSB - Bau-, System- und Betriebstechnik GmbH, Vienna	100.00	x		1.1	0.0	x	31/12/97
EB-Malta-Beteiligungen GmbH, Vienna	100.00	x		298.8	29.5		31/12/97
S-Tourismusfonds Management AG, Vienna	100.00	x	x	1,016.0	16.0		31/10/97
Erste Bank Beteiligungen Gesellschaft m.b.H., Vienna	100.00	x		202.6	34.3		31/12/97
S-WB Beteiligungsges.m.b.H., Vienna	100.00	x	x	90.5	0.0		30/09/97
Erste Bank-Immobilienverwaltung GmbH, Vienna	100.00	x		907.7	-0.4	x	31/12/97
EB-Logistik, Betriebs- und Hausservice GmbH, Vienna	100.00	x		-6.9	-5.0		31/12/97
Erste Bank S-Finanzdienstleistungen GmbH, Vienna	100.00	x		70.7	0.4	x	31/12/97
GZV-Gesellschaft für Zahlungsverkehr GmbH, Vienna	100.00	x		-10.7	-8.1		31/12/97
EB-Restaurantbetriebe GmbH, Vienna	100.00	x		0.3	-0.2		31/12/97
EB-IT-Erste Bank Informations-Technologie GesmbH, Vienna	100.00	x		-1.7	-1.6		31/12/97
Hoher Markt 4 Besitzges.mmbH, Vienna	100.00	x		141.1	-0.1		31/12/97
SH-Immobilien GmbH, Haag	100.00	x		3.9	0.5		31/12/97

Company, residence	Percentage of interest	Participation direct	Participation indirect	Shareholders' equity ¹ in ATS million	Net income ² in ATS million	Profit transfer ³	Date of the balance sheet
VMG-DIE ERSTE österreichische Spar-Casse-Bank Versicherungsmakler GmbH, Vienna	100.00	x		2.3	2.1	x	31/12/97
ÖHFT-Vermögensverwaltungs-ges.m.b.H., Vienna	75.00	x		32.9	1.1		30/09/97
NÖBG-Vermögensverwaltungs-ges.m.b.H., Vienna	66.67	x		11.5	0.3		31/12/97
DIE ERSTE Beteiligungsverwaltungs-ges.m.b.H., Vienna	100.00		x	307.2	23.8		31/12/97
DIE ERSTE EDV-DienstleistungsGmbH, Vienna	100.00		x	3.0	2.2		31/12/97
VEÖ - Vermögensverwaltungs-ges.m.b.H., Vienna	100.00		x	0.5	0.0		31/12/97
Erste Bank Liegenschaftsverwaltungs-ges.m.b.H., Vienna	100.00		x	899.9	1.3		31/12/97
Sparkassenbeteiligungs und Service AG für Oberösterreich und Salzburg, Linz	69.25	x		243.7	-3.5		31/12/97
b) Companies stated at equity							
Allround Sport-/Freizeitanlagen GmbH & Co. Tenniszentren II KG, Vienna	100.00	x	x	-13.2	-3.6		31/12/96
S-Dachstein-Tauern-Region-Service Gesellschaft mbH, Schladming	100.00	x		1.9	0.1		31/12/97
ECO UnternehmensbeteiligungsAG, Vienna	100.00	x		70.8	0.3		31/12/97
DIE ERSTE Vermögensverwaltungs Gesellschaft mbH, Vienna	100.00	x		0.4	0.0		31/12/96
EB-Touristik Unternehmensbeteiligung AG, Vienna	100.00	x		37.2	5.1		31/08/97
Realia Immobilien-Verwertungs-AG, Vienna	100.00	x		4.0	-6.6		31/12/96
Harkin Limited, Dublin	100.00	x		-0.5	-0.1		31/12/96
Real-Service-Realitätenvermittlungsges.m.b.H., Vienna	100.00	x	x	9.5	2.5		31/12/96
DIE ERSTE Grundaufschließungs- u. Immobilienverwertungs-ges.m.b.H. in NÖ, Vienna	100.00	x		-4.0	-0.1		31/12/97
Nova Reisebüro GmbH, Vienna	100.00	x		3.7	1.1		31/12/96
Wohnungseigentum- und Beteiligungs-ges.m.b.H., Vienna	100.00	x		0.5	0.0		31/12/97
Allround Sport-/Freizeitanlagen GmbH & Co. Tenniszentren KG, Vienna	99.40	x	x	-11.0	-1.8		31/12/96
Gartenbau-Grundstücksverwertung AG, Vienna	100.00	x	x	47.9	4.1		31/12/96
Allround Sport-/Freizeitanlagen GmbH & Co. Tenniszentren III KG, Vienna	97.47	x	x	0.2	0.3		31/12/96
Eybl International AG, Krems (group)	97.00	x	x	219.8	70.2		31/12/97
IndustriegrundstücksVerwaltungs-ges.m.b.H., Laxenburg	76.00	x		95.0	58.8		31/12/96
Sparkassen-Immobilienanlagen AG, Vienna	63.90	x	x	174.0	53.7		30/06/97
GESCO Gesellschaft für Unternehmenscommunication GmbH, Vienna	52.00	x		10.9	1.8		31/12/96
EFH Beteiligungsges mbH, Vienna	50.00	x		0.1	0.0		31/12/97
E-C-A Holding GmbH, Vienna	50.00	x	x	54.6	29.3		30/04/97
MAZDA Austria GmbH, Klagenfurt	50.00	x		195.3	44.2		31/12/96
ECO Trust Holding AG, Vienna	48.00	x		66.2	-3.4		31/12/96
Österreichische Wertpapierdaten Service GmbH, Vienna	40.00	x		0.7	0.2		31/12/96
S-Informatik GmbH, Vienna	40.00	x		1.1	0.2		31/12/96
IB Austria Financial Advisors Sp.z.o.o., Warsaw	39.98	x		5.8	-0.6		31/12/97
Sparkassen-Versicherung AG, Vienna	38.76	x	x	596.5	56.0		31/12/96
Georg Fischer Automobilguß GmbH, Herzogenburg	37.50	x		465.4	55.2		31/12/97
Dunapart Bürohaus-Zentrum, Budapest	37.50	x		42.6	-18.0		31/12/96
Die Funfte Malta Ltd., La Valetta	37.50	x		0.1	0.0		31/12/96
Erste Wiener Hotel-AG, Vienna	35.15	x		370.5	24.7		31/12/96
RSV Beteiligungs-Gesellschaft m.b.H., Vienna (Lotto-Toto)	33.33	x		49.0	33.9		31/10/97
Sparkassen Haftungs AG, Vienna	25.29	x	x	1.0	0.0		31/12/96
Vereinigte Pensionskassen AG, Vienna	25.13	x		120.2	-4.1		31/12/96
DIE ERSTE Immobilien AG, Vienna (group)	24.17	x		1,750.3	11.9		31/12/97

Annex to the notes

Details of the companies within the Group for 1997* continued

Company residence	Percentage of interest	Participation direct	Participation indirect	Shareholders' equity ¹ in ATS million	Net income ² in ATS million	Profit transfer ³	Date of the balance sheet
Hemingway Holding AG, Vienna	22.99	x		65.3	-14.5		31/12/97
Sparkassen Datendienst AG & Co KG, Vienna	21.68	x	x	15.5	21.8		31/12/96
Sparkassenverlag GmbH, Vienna	20.00	x	x	94.7	7.9		31/12/96
DIE ERSTE Leasing Holding GmbH, Vienna	100.00		x	529.6	1.3		31/12/96
DIE ERSTE Bauträger AG, Vienna (group)	100.00		x	240.4	0.9		31/12/97
Oskar Lackner Grundstücksverwaltung GmbH, Graz	100.00		x	-1.3	0.2		31/12/96
Allround Tenniscenter Wagrain Errichtungs- und Betriebsges. mbH, Vienna	100.00		x	-13.1	-11.4		31/12/96
UBG-Unternehmensbeteiligungsges. mbH, Vienna Murau-West Freizeit- u.	100.00		x	3.5	0.0		31/12/97
Fremdenverkehrsanlagen mbH, Murau	51.00		x	17.4	0.1		31/12/97
DIE ERSTE Büro- und Gewerbezentren Errichtungs- und Betriebsges. mbH, Linz	50.50		x	36.0	3.7		31/12/96
Garage Eisenstadt Betriebsgesellschaft mbH, Vienna	50.00		x	12.9	-0.4		31/12/96
Vermreal Liegenschaftserwerbs- u. betriebsges. mbH, Vienna	25.60		x	66.7	0.1		31/12/96
LTB Beteiligungs-Gesellschaft mbH, Vienna (Lotto-Toto)	25.00		x	42.7	34.8		30/11/96
c) Companies stated at cost							
Erste Finance Vienna (Warsaw) Ltd., Warsaw	100.00	x		-0.1	-0.2		31/12/96
S-Kreditmanagement GmbH, Vienna	100.00	x		2.4	-0.1		31/12/96
S-Consult Wirtschafts- und Managementberatung Gesellschaft mbH, Vienna	100.00	x		3.8	0.2		31/12/96
Logistik Zone Tirol GmbH, Hall	48.67	x		55.3	6.8		31/12/96
ÖVKB Holding GmbH, Vienna	25.00	x		18.4	2.3		31/12/97
SPV-Druck GmbH, Vienna	25.00	x		3.9	-0.4		31/12/96
ZV-Zahlungsverkehrs Gesellschaft m.b.H., Klagenfurt	25.00	x		0.5	0.0		31/12/97
BIOTECH-Beteiligungsges. m.b.H., Vienna	24.50	x		25.8	-1.8		31/12/96
Donau Allgemeine Versicherung AG, Vienna	20.00	x		1,144.1	78.6		31/12/96
Hotel ANANAS-Hotelbetriebsges. m.b.H. & Co KG, Vienna	19.99	x		27.4	-20.3		31/12/96
Wiener Börse AG, Vienna	19.84	x	x	89.9	5.5		31/12/96
IGM-Robotersysteme AG, Wr. Neudorf	19.26	x		231.8	13.1		31/08/97
WED Holding GmbH, Vienna	19.24	x		155.9	-0.9		31/12/96
Arwag Holding AG, Vienna	19.17	x		7.4	112.6		31/12/96
Radex-Heraklith Industriebeteiligungs AG, Radenthein	5.03	x		4,146.1	231.5		31/12/96
ÖKB-Holding GmbH, Vienna	14.89	x	x	111.2	0.1		30/09/97

¹ Shareholder's equity pursuant to para 229 Austrian Commercial Code including untaxed reserves

² Net income before changes of reserves

³ Single entity relationship

* Amounts in foreign currency were valued at the customary mean rate of year end 1997

Shareholder information

Structure of Shareholders of Erste Bank per 31.12.1997



AVS	43.4%
Savings Banks	9.4%
Strategic partner (Banks)	5.7%
Strategic partner (Insurance companies)	10.6%
Free float	30.9%

Erste Bank Share vs. ATX up to March 31, 1998



Yellow line	Austrian Traded Index (ATX)
Orange line	Erste Bank shares

Share conversion

During the merger in the summer of 1997, the capital structure of Erste Bank was simplified. The preference shares of the former Die Erste and the shares and participation certificates of the former GiroCredit were converted into ordinary shares of the Erste Bank. This gave Erste Bank the most transparent capital structure of any major Austrian bank.

Paid-up capital

The nominal share capital of ATS 4,436,079,900 is made up of 44,360,799 bearer shares with a nominal value of ATS 100 each. The Group also has participation capital with a nominal value of ATS 5,000,000.

Share performance indicators as at March 31, 1998

Earnings/share 1998e ¹	ATS 45.-
Dividend/share 1997 ²	ATS 16.-
Price at March 31, 1998	ATS 777.-
High 1998	ATS 815.-
Low 1998	ATS 617.-
P/E ratio ¹	17.3
Stock exchange turnover (1st quarter 1998)	ATS 4.95 billion
Market capitalisation	ATS 34.47 billion

¹ Average of estimates by leading analysts

² Recommendation to the annual general meeting of shareholders

Important dates for shareholders

April 29, 1998	Announcement of 1997 Full Year Results
April 29, 1998	Press conference & announcement of Results for 1st Quarter 1998
	Presentation to Austrian analysts & fund managers
April 30, 1998	Presentation to analysts and fund managers in London
May 26, 1998	Annual General Meeting
May 29, 1998	Ex-dividend day
May 29, 1998	Dividend payment day
August 11, 1998	Press conference & announcement of Half Year 1998 Results
Beginning of November 1998	Announcement of Results for 3rd Quarter 1998

Share performance up to March 31, 1998

The price of Erste Bank shares rose 23.3% in the 1st Quarter of 1998, versus an increase of just 12.0% for the ATX. The shares were one of the most heavily traded securities on the Vienna Stock Exchange, partly due to the strong interest from British and US investors. Derivatives of Erste Bank shares are expected to be begin trading on the Austrian Futures and Options Exchange in the 2nd Quarter 1998, which should lead to a further increase in liquidity.

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