

Embargo till 09.00 a.m.

8 May 2000

Erste Bank starts the year with record results

Following strong 1999 full year results, the Erste Bank der oesterreichischen Sparkassen AG Group ("Erste Bank") today announced that in the first quarter of 2000 it further strengthened its market position, in particular in its core business (among others asset management and private real estate finance) and achieved record results.

- Net interest income increased (+3.5%) to EUR 180.9 million
- Net commission income grew (+13%) to EUR 89.5 million
- General administrative expenses reduced (-1%) to EUR 204.7 million
- "Operating result" up (+25.6%) to EUR 99.7 million
- Group net profit up (30.9%) to EUR 46.6 million
- Cost-Income Ratio down to 67.2% after 70.1% in 1999
- Return on Equity (RoE) reached 12.8% after 12.1% in 1999
- Total assets up (+2.8%) to EUR 54.9 billion
- Tier 1 capital ratio reaches 6.4%

Balance sheet

Erste Bank's **total assets increased by 2.8%** to EUR 54.9 billion in Q1 2000 compared with Q1 1999.

On the asset side **loans and advances to customers** increased by 6.4% to EUR 27.4 billion, mainly due to growth in business abroad as well as the strengthening of selected currencies, in particular the US dollar. Among the securities portfolio, **investments available for sale** increased by 11.2%, while **financial investments** grew by 36.3%. **Trading assets** declined sharply (-40.5%) due to repo transactions.

On the liability side **debts evidenced by certificates** and subordinated liabilities continued to grow. The increase in **amounts owed to customers** (1.5%) to EUR 18.7 billion compared to Q1 1999 was mainly due to changes in short term deposits in the international branches (esp. in the New York branch) which were below average in Q1 1999.

Own funds reached EUR 3.5 billion at 31.3.2000, well above the statutory minimum of EUR 2.6 billion, implying coverage of 136%. **Core capital** was EUR 1.75 billion at 31.3.2000, implying a **Tier 1 ratio** of 6.4%, while the **solvency ratio** was 11.3%.

Profit and loss account

Operating income (net interest income, net commission income and net trading result) grew by 6.4% to EUR 304 million compared with the same period last year, with growth in investment fund business making a particularly strong

contribution. This was reflected in the growth of **net commission income** (+13%) to EUR 89.5 million.

The bank's proactive involvement in capital market transactions continued to produce successes in the first quarter. Erste Bank attained a position as the leading underwriter of private sector capital market offerings in Austria particularly in new economy transactions.

Erste Bank achieved an increase of 3.5% to EUR 180.9 million in **net interest income**. One of the key drivers of this improvement was growth in business volumes on the asset side, in particular in international business. The **net trading result** grew by 5.6% to EUR 30.4 million compared with Q1 1999, benefiting in particular from foreign exchange business.

General administrative expenses (personnel expenses, other administrative expenses and depreciation of fixed assets) declined (-1%) to EUR 204.7 million, in particular due to **reduced personnel expenses**, which was mainly the result of reduced staff numbers. (This was unaffected by the sale of branches conducted in 1999, which had a retroactive impact, effective 1.1.1999.)

The **operating result**, calculated as operating income less general administrative expenses, **increased strongly (+25.6%)** compared with the same period last year. Growth in income was the key driver, while reduced expenses also had a significant impact. This increase provides renewed evidence for the fact that the clear operational focus on the bank's core strategies has been successfully pursued since the IPO in 1997 and for the fact that this focus has been effective in the marketplace.

The **cost / income ratio** reflected these positive developments and was significantly reduced (**67.2%** compared with 70.1% for the full year 1999). This represents **strong progress towards the year 2002 target** of a cost / income ratio of 66%.

Erste Bank achieved a 30.7% increase in **group pre tax profit** to EUR 69.9 million in Q1 2000, mainly due to outstanding performance at the parent company Erste Bank AG and the lower level of risk provisions for credit business (EUR 27.6 million against EUR 33.1 million in same period last year).

Group net profit, after taxes and minority interests, grew 30.9% to EUR 46.6 million, compared with EUR 35.6 million in Q1 1999.

Return on equity (RoE) increased to 12.8% in Q1 2000 after reaching 12.1% in the full year 1999.

Results by business segment

In Q1 2000 Erste Bank succeeded in improving its earnings in all areas compared with Q1 1999, except at the corporate centre. The main drivers of this progress were as follows.

Growth in income in the 'retail and real estate' and asset gathering segments was reflected in the 13% growth in net commission income at a group level.

The systematic implementation of the cost reduction programme, which remains on schedule, and the lower level of provisioning also contributed to improvements in the retail and real estate segment.

The sharp improvement in net interest income at foreign branches, as well as higher net commission income from institutional investors and in international business, were key reasons for improved performance in business with large corporate customers and therefore pre-tax profit in that segment grew to EUR 28.0 million.

In trading and investment banking, the improvement in RoE from 3.3% to 25.7% and the rise in pre-tax profit to EUR 13.3 million were due to factors including increased trading income in classical treasury business and higher commission and fee income from equities business, while lower administrative costs also had an impact.

In asset gathering, improvements at the investment fund business Erste Sparinvest contributed to the significant growth in pre-tax profit, which reached EUR 18.2 million.

Quarterly results by segment (EUR million)	Retail & real estate		Large corporate customers		Trading & investment banking	
	1Q1999	1Q2000	1Q1999	1Q2000	1Q1999	1Q2000
Net interest income	133.0	125.7	40.9	47.9	6.2	7.8
Risk provisions for loans	-23.2	-18.0	-7.3	-9.3	-0.6	0.1
Net commission income	34.0	45.2	8.1	10.6	2.8	4.3
Net trading result	9.2	8.1	3.9	3.1	19.3	23.0
Administrative & general expenses	-151.1	-144.8	-23.0	-25.4	-22.9	-20.1
Other operating income	10.8	0.4	-1.2	1.1	-2.5	-1.9
Pre-tax profit	12.7	16.6	21.3	28.0	2.2	13.3

Contribution of business with savings banks to pre-tax profit

Savings banks	2.7	0.7	1.3	1.2	2.3	5.1
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Average risk weighted assets	12,342.5	12,615.9	9,881.5	11,054.2	5,647.9	3,983.3
Average shareholders' equity	574.9	654.3	459.9	573.2	263.5	206.6
Cost -Income Ratio	85.8%	80.9%	43.5%	41.3%	81.1%	57.1%
RoE on pre-tax profit basis	8.8%	10.2%	18.5%	19.5%	3.3%	25.7%

Additional segment information is attached on the following page.

Quarterly results by segment (EUR million)	Asset Gathering		Corporate Centre		Group Total	
	1Q1999	1Q2000	1Q1999	1Q2000	1Q1999	1Q2000
Net interest income	0.0	0.0	-5.3	-0.4	174.8	180.9
Risk provisions for loans	0.0	0.0	-2.0	-0.5	-33.1	-27.6
Net commission income	26.2	29.2	8.1	0.2	79.2	89.5
Net trading result	0.0	0.0	-0.1	-0.3	32.2	34.0
Administrative & general expenses	-9.7	-11.0	-0.1	-3.3	-206.8	-204.7
Other operating income	0.1	0.0	0.1	-1.8	7.2	-2.2
Pre-tax profit	16.6	18.2	0.8	-6.2	53.5	69.9
Less taxes					-10.9	-14.7
Less minority interests					-7.0	-8.6
Group net profit					35.6	46.6

Contribution of business with savings banks to pre-tax profit

Savings banks	3.3	3.4	0.0	0.0	9.6	10.5
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Average risk weighted assets	54.0	12.3	516.3	390.8	28.442.2	28.056.6
Average shareholders' equity	2.5	0.6	24.1	20.3	1.325.0	1.455.0
Cost-Income Ratio	36.9%	37.8%	5.3%	-657.1%	72.3%	67.2%
RoE on pre-tax profit basis	>100%	>100%	13.3%	->100%	16.2%	19.2%
RoE on group net profit basis					10,8%	12,8%

Additional detailed financial statements are attached.

For further information please contact:

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Erste Bank Group first quarter results
In accordance with IAS - period ending 31.03.2000

1. Group Balance Sheet

EUR million	31.03. 2000	31.03. 1999	Change (%)	31. 12. 1999
Assets				
1. Cash and balances with central banks	895	403	122.1	940
2. Loans and advances to credit institutions	12,010	14,160	-15.2	10,295
3. Loans and advances to customers	27,377	25,736	6.4	26,405
4. Risk provisions for loans and advances	-983	-1,088	-9.7	-965
5. Trading assets	912	1,533	-40.5	1,397
6. Investments available for sale	4,775	4,294	11.2	4,399
7. Financial investments	7,601	5,577	36.3	7,396
8. Intangible fixed assets	327	315	3.8	328
9. Fixed assets	583	590	-1.2	582
10. Other assets	1,438	1,894	-24.1	1,666
Total assets	54,935	53,414	2.8	52,443
Liabilities and Equity				
1. Amounts owed to credit institutions	23,456	24,056	-2.5	20,571
2. Amounts owed to customers	18,706	18,430	1.5	19,533
3. Debts evidenced by certificates	6,630	5,159	28.5	6,360
4. Provisions	705	755	-6.6	710
5. Other liabilities	1,376	1,340	+2.7	1,437
6. Subordinated capital	2,160	1,908	13.2	1,968
7. Minority interests	420	417	0.7	428
8. Equity	1,482	1,349	9.9	1,436
Total liabilities and equity	54,935	53,414	2.8	52,443

2. Group Income Statement

EUR million		1.1.-31.3. 2000	1.1.-31.3. 1999	Change (%)
1.	Interest and similar income	771.3	632.6	21.9
2.	Interest and similar expenses	-590.4	-457.8	29.0
I.	Net interest income	180.9	174.8	3.5
3.	Risk provisions for loans and advances	-27.6	-33.1	-16.6
4.	Fee and commission income	127.6	116.2	9.8
5.	Fee and commission expenses	-38.1	-37.0	3.0
	<i>Net commission income</i>	89.5	79.2	13.0
6.	Net trading result	34.0	32.2	5.6
7.	General administrative expenses	-204.7	-206.8	-1.0
8.	Other operating results	-2.2	7.2	-130.6
9.	Extraordinary result	-	-	
II.	Pre-tax profit for the year	69.9	53.5	30.7
10.	Taxes on income	-14.7	-10.9	34.9
III.	Profit for the year	55.2	42.6	29.6
11.	Minority interests	-8.6	-7.0	22.9
IV.	Net profit after minority interests	46.6	35.6	30.9

3. Statement of Changes in Equity

in EUR million	1.1.-31.3. 2000	1.1.-31.3. 1999	Change (%)
Equity as of 1 January	1,436	1,314	9.3
Translation differences	-1	-1	0.0
Net profit after minority interests	47	36	30.6
Equity as of 31 March	1,482	1,349	9.9

4. Detailed Information on the Group Income Statement

4 (a) Net interest income

EUR million	1.1.-31.03. 2000	1.1.-31.03. 1999	Change (%)
Interest income from			
Lending and money market transactions with credit institutions	162.6	160.7	1.2
Lending and money market transactions with customers	365.2	315.1	15.9
Fixed-income securities	159.0	114.5	38.9
Other interest and similar income	56.8	16.6	242.2
Current income from			
Shares and other variable-yield securities	10.9	7.9	38.0
Investments	10.2	11.2	-8.9
Property used by outside parties	6.6	6.6	0.0
Total interest and similar income	771.3	632.6	21.9

	1.1.-31.03. 2000	1.1.-31.03. 1999	Change (%)
Interest expenses for			
Amounts owed to credit institutions	294.5	207.1	42.2
Amounts owed to customers	156.6	147.9	5.9
Debts evidenced by certificates	100.2	71.4	40.3
Subordinated capital	27.1	24.2	+12.0
Other	12.0	7.2	66.7
Total interest and similar expenses	590.4	457.8	29.0
Net interest income	180.9	174.8	3.5

4 (b) Risk provisions for loans and advances

EUR million	1.1.-31.03. 2000	1.1.-31.03. 1999	Change (%)
Net-Allocation to risk provisions in lending business	-23.6	-23.9	-1.3
Direct write-off of loans and advances and amounts received against written off loans and advances	-4	-9.2	-56.5
Total	-27.6	-33.1	-16.6

4 (c) Net commission income

in EUR million	1.1.-31.03. 2000	1.1.-31.03. 1999	Change in %
Lending business	9.3	7.9	17.7
Payment transfers	13.3	11.9	11.8
Securities transactions	45.8	36.1	26.9
Thereof: Investment fund transactions	27.2	23.5	15.7
Custody fees	3.0	1.6	87.5
Brokerage	15.6	11.0	41.8
Insurance business	5.4	5.6	-3.6
Other	15.7	17.7	-11.3
Total	89.5	79.2	13.0

4 (d) Net trading result

in EUR million	1.1.-31.03. 2000	1.1.-31.03. 1999	Change in %
Securities trading	13.9	15.9	-12.6
Derivatives	8.4	7.3	15.1
Foreign exchange	11.7	9.0	30.0
Total	34.0	32.2	5.6

4 (e) General administrative expenses

in EUR million	1.1.-31.03. 2000	1.1.-31.03. 1999	Change in %
Personnel expenses	-119.4	-123.7	-3.5
Other administrative expenses	-63.4	-63.3	0.2
Depreciation and amortisation of fixed assets	-21.9	-19.8	10.6
Total	-204.7	-206.8	-1.0

5. Development of Erste Bank Group's qualifying capital

EUR million	31.12. 2000	31.12. 1999
Core capital (Tier 1)	1,746	1,753
Qualifying supplementary capital (Tier2)	1,541	1,432
Short-term subordinated capital (Tier 3)	357	295
Total qualifying capital	3,644	3,480
Total eligible qualifying capital	3,460	3,296
Tier 1 ratio in %	6.4	6.3
Solvency ratio in %	11.3	10.8
Risk-weighted basis acc. to Section 22 Austrian Banking Act	27,442	27,750
Total capital requirement	2,544	2,440

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