

For Immediate Release

10 August 2000

H1 2000: Erste Bank delivers further successes

The first half 2000 fell neatly into a sequence of strong financial performance at Erste Bank der oesterreichischen Sparkassen AG ("Erste Bank"). All key financials showed an improvement compared with the strong performance in first half 1999.

"We have converted a clear strategic focus, both geographically and functionally, into a financially successful business model", said Andreas Treichl, CEO, commenting on the first half results.

Treichl added: "Since the IPO in 1997 we have succeeded in creating a solid economic foundation for our business and prepared the Group for tackling future challenges. We have selected a strategy which matches our size."

The bank has passed further milestones in the implementation of its four core strategies. These range from the deepening of cooperation in the savings bank sector, the launch of the integration process at Česká spořitelna and the merger of three banks in Croatia to further progress in preparations for our regional e-Finance platform over the Internet.

Financial highlights:**H1 2000 compared with H1 1999:**

- **Net interest income up 5.8% to EUR 376.8**
- **Net commission income up 13.9% to EUR 179.3 million**
- **Net operating result up 21.8% to EUR 198.8 million**
- **Group net profit up 24.8% to EUR 93.5 million**

H1 2000 compared with Full Year 1999:

- **Cost/income ratio at 67.7% after 70.1%**
- **Return on equity 13.0% after 12.1%**
- **Tier 1 ratio at 7.1% after 6.3%**

Profit and loss account

Operating income (net interest income, net commission income and net trading result) increased by 7.4% to EUR 616.1 million, with commission income continuing to gain in importance. With growth of 13.9% to EUR 179.3 million, net commission income was particularly strong, mainly due to the securities business, which was driven by continuing strong demand in investment fund business.

Higher risk funds are currently finding particular favour among Austrian investors, with three themed funds issued by Erste bank for biotech, pharmaceuticals and technology stocks generating demand of over EUR 100 million in less than three months.

In contrast to the demand for investment funds, savings deposits declined by 2,2%. Erste Bank does not see this as a customer reaction to the termination of bank account anonymity, but rather as a confirmation of the trend towards replacing the savings book partly with investment funds.

Higher stock market turnover, in particular in Q1 2000, as well as increased income from IPO business, also contributed to the growth in operating income.

The 5.8% increase in net interest income to EUR 376.8 million was due to volume increases alongside stable net interest margins, which remain low by international standards. While the net trading result, at EUR 60.0 million, was around the same level as last year, foreign exchange business performed particularly well.

General administrative expenses (personnel expenses, other administrative expenses and depreciation of fixed assets) increased by a mere 1.7%, despite investments in the further development of Erste Bank's eBusiness activities.

The operating result (operating income less administrative expenses) grew strongly (+21.8% to EUR 198.8 million) compared with the same period last year, underlining the success of Erste Bank's strategic positioning.

The decline in the cost/income ratio from 70.1% for the full year 1999 to 67.7% in H1 2000 was another positive development.

Net allocations to risk provisions for loans and advances (including direct write offs) were EUR 60.3 million, a significant reduction compared with the same period last year (EUR 66.2 million).

Pre-tax profit increased 22.8% to EUR 137 million, with the parent company Erste Bank AG making a decisive contribution to this progression.

Net profit (after deduction of taxes on income and minority interests) was up 24.8% to EUR 93.5 million (H1 1999: EUR 74.9 million).

The return on equity therefore increased to 13.0% in H1 2000, against 12.1% in the full year 1999.

Balance sheet

Growth in interbank business was the main reason for 5.3% growth in total assets of the Erste Bank Group to EUR 55.7 billion, compared with end H1 1999. This figure does not take account of Česká spořitelna.

On the asset side, loans and advances to customers increased 5.4% to EUR 27.3 billion, mainly due to foreign business, in part driven by strengthening exchange rates (notably for the US dollar).

On the liability side the 1.1% reduction in amounts owed to customers was mainly due to the 2.2% decrease in savings deposits.

Refinancing increased substantially through the bank's own issuance (debts evidenced by certificates grew 51.5%, subordinated capital was up 10.2%).

Own funds of the Erste Bank Group were EUR 3.7 billion at 30.6.2000, against a legally required minimum of EUR 2.6 billion. This implies coverage of 144%. Tier 1 capital was EUR 1.9 billion resulting in a Tier 1 ratio of 7.1%, while the solvency ratio was 12.2%.

One sector – one roadmap

Co-operation within the savings bank sector was further deepened in H1 2000. Most savings banks implemented Erste Bank's retail strategy - all services from one unified source and support through the entire financial life cycle of the individual customer.

In a further important development, from autumn 2000 savings bank sector customers will be able to withdraw funds and obtain account information from any savings bank ATM inside a branch (these ATMs have the added advantage of a higher cash withdrawal limit than the ATM system shared by all Austrian banks). This puts around 1,200 branches from the entire Austrian savings bank network at the disposal of customers.

Ongoing preparations for regional Internet platform

Erste Bank Internet Services AG, Erste Bank's Internet platform, is progressing its preparations. It is currently developing an financial website targeted at Central European capital markets. This website will be equipped with advanced community functions designed to make it more interactive and communicative than the usual transactional websites in the region. As the first e-finance application on that platform, Erste Bank will launch a regional online brokerage service later in the year.

Restructuring on track at Česká spořitelna (CS)

In order to adhere to the intended timetable, Erste Bank decided to pick up the full 52.07% in CS at the time of closing, without involving the private equity fund Capital Z. However, this in no way changes plans for Erste Bank to

continue to collaborate closely with Capital Z regarding expansion in Central Europe and in eBusiness.

The transfer of the 52.07% stake in CS to Erste Bank was concluded on 3 August 2000, against a payment of EUR 280 million (less the deposit of EUR 50 million paid at the time of signing the acquisition contract). The remaining amount of EUR 263 million is due at end 2001, but can be called up – accordingly discounted – from November 2000, at the National Property Fund's discretion.

The new team at the CS Board of Management, completed in June 2000, has already prepared or implemented important steps in integrating the two banks. These steps ensure rapid progress in repositioning CS in its role as the leading retail bank in the Czech Republic.

In H1 2000 CS reported very positive results, including growth of CZK 14 billion in customer deposits (ATS 5.5 billion). This is a first sign of the benefits of the new positioning.

Until end of September 2000 a series of targets will be announced for CS concerning cost cutting, including headcount reductions, as well as revenue enhancement.

Strengthening Erste Bank's capital base

Erste Bank is considering various options to strengthen its capital base and will provide further details in due course.

Erste & Steiermärkische Bank: creation of one the largest Croatian banks

Croatia is becoming increasingly attractive for international investors: at the start of the year the country initiated an active policy for building closer ties with the EU and was recently admitted to the WTO.

Erste Bank and regional Austrian savings bank Steiermärkische Bank & Sparkassen AG jointly own three very successful Croatian banks: Bjelovarska banka d.d., Cakovecka banka d.d. and Trgovacka banka d.d.. Bejelovarska banka was the country's third best performer in 1999 measured by income. The other two banks also ranked among the top ten banks by income.

The three Croatian subsidiary banks will be merged effective 1 September 2000. The resulting entity will be called Erste & Steiermärkische bank d.d., with Erste Bank and Steiermärkische Bank und Sparkassen AG each holding 40%. The new bank will have total assets of EUR 370 million, own funds of EUR 56 million, around 400 staff, 30 branches and around 100,000 customers.

Segment reporting

(See attached table of segment figures.)

In H1 2000, compared with H1 1999, Erste Bank achieved significant earnings growth in all segments except for the Corporate Centre, where administrative expenses increased due to implementation of the eBusiness strategy. The main reasons for this positive progression were as follows.

In the retail and real estate segment pre-tax profit increased 7% to EUR 24.9 million, mainly due to continued strong growth in commission income, despite difficult market conditions in Q2 2000, as well as reductions in general administrative expenses thanks to the cost reduction program.

In the large corporate clients segment, as in Q1 2000, Q2 2000 saw a strong improvement in net interest income from foreign branches as well as higher commission income from institutional customers and international business. However, compared to Q2 1999, there were somewhat higher risk provisions as well as exchange rate induced higher general administrative expenses. Nonetheless, Erste Bank achieved an increase of around one third in pre-tax profit to EUR 70.7 million.

Higher commission income from successful IPO business and equity trading were the main reasons for growth in pre-tax profit to EUR 15.7 million in the trading and investment banking segment.

In the asset gathering segment continued successes in selling investment funds, both through the Erste Bank and savings bank branch networks, were the key driver of growth in pre-tax profit to EUR 35.7 million.

RoE based on pre-tax profit for all segments combined increased from 17.0% to 19.1%. This reflected improvements in all segments except retail and real estate, where a higher allocation of capital resulted in an RoE (7.6%) marginally below H1 1999, and for the corporate centre.

Detailed financial statements are attached.

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Erste Bank Group - Segment reporting

In EUR million	H1 2000 Retail and Real Estate	H1 1999 Retail and Real Estate	H1 2000 Large Corp. Clients	H1 1999 Large Corp. Clients	H1 2000 Trading and Investment banking	H1 1999 Trading and Investment banking
Net interest income	258.1	259.4	108.9	85.0	9.6	14.6
Risk provisions for loans and advances	-42.7	-47.4	-17.6	-15.4	0.0	-0.3
Net commission income	83.9	69.5	25.7	21.4	10.0	1.8
Net trading result	15.7	16.2	5.8	6.0	37.2	38.7
General administrative expenses	-291.1	-295.8	-53.1	-47.5	-41.4	-44.9
Other operating results	1.0	21.3	1.0	3.5	0.2	-7.5
Pre-tax profit	24.9	23.3	70.7	52.9	15.7	2.4
Taxes on income						
Minority interests						
Net profit after minority interests						

Average risk-weighted assets	12,512.6	12,406.6	11,911.2	10,709.8	2,679.4	5,334.0
Average attributed equity	654.3	561.0	623.0	483.9	140.2	241.7
Cost/Income Ratio (in%)	81.4%	85.7%	37.8%	42.3%	72.7%	81.5%
ROE based on net profit before tax (in %)	7.6%	8.3%	22.7%	21.9%	22.4%	2.0%
ROE based on net profit after minority interests						

Thereof business with savings banks (based on net profit before tax)	1.0	5.4	2.0	3.4	10.9	3.1
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In EUR million	H1 2000 Asset Gathering	H1 1999 Asset Gathering	H1 2000 Corporate Centre	H1 1999 Corporate Centre	H1 2000 Total	H1 1999 Total
Net interest income	-0.1	0.4	0.3	-3.3	376.8	356.1
Risk provisions for loans and advances	0.0	0.0	0.0	-3.1	-60.3	-66.2
Net commission income	57.6	52.8	2.1	11.9	179.3	157.4
Net trading result	0.0	0.0	1.3	-0.7	60.0	60.2
General administrative expenses	-21.8	-19.8	-10.0	-2.5	-417.3	-410.5
Other operating results	0.0	0.1	-3.7	-2.8	-1.5	14.6
Pre-tax profit	35.7	33.5	-10.0	-0.5	137.0	111.6
Taxes on income					-28.8	-22.7
Minority interests					-14.7	-14.0
Net profit after minority interests					93.5	74.9

Average risk-weighted assets	12.3	54.0	391.7	452.7	27,507.2	28,957.1
Average attributed equity	0.6	2.5	20.4	20.6	1,438.5	1,309.7
Cost/Income Ratio (in %)	37.9%	37.2%	266.0%	32.0%	67.7%	71.6%
ROE based on net profit before tax (in %)	12,285.3%	2,714.6%	-97.6%	-4.4%	19.1%	17.0%
ROE based on net profit after minority interests					13.0%	11.4%

Thereof business with savings banks (based on net profit before tax)	6.8	6.5	0.0	0.0	20.7	18.4
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Erste Bank Group Balance Sheet
as of 30 June 2000

in EUR million	Notes	30 June 2000	30 June 1999	Change in %	31 Dec 1999
Assets					
Cash and balances with central banks		747	949	-21.3	940
Loans and advances to credit institutions		12,759	12,254	4.1	10,295
Loans and advances to customers		27,266	25,874	5.4	26,405
Risk provisions for loans and advances		-983	-1,048	-6.2	-965
Trading assets		796	1,746	-54.4	1,397
Investments available for sale		4,516	5,007	-9.8	4,399
Financial investments		7,975	5,806	37.4	7,396
Intangible fixed assets		334	319	4.7	328
Fixed assets		584	587	-0.5	582
Other assets		1,746	1,421	22.9	1,666
Total assets		55,740	52,915	5.3	52,443
Liabilities and Equity					
Amounts owed to credit institutions		22,362	22,872	-2.2	20,571
Amounts owed to customers		18,665	18,879	-1.1	19,533
Debts evidenced by certificates		8,127	5,366	51.5	6,360
Provisions		713	740	-3.6	710
Other liabilities		1,723	1,366	26.1	1,437
Subordinated capital		2,124	1,927	10.2	1,968
Minority interests		553	421	31.4	428
Equity		1,473	1,344	9.6	1,436
Total liabilities and equity		55,740	52,915	5.3	52,443

**Erste Bank Group Income Statement
as of 30 June 2000**
**Group Income Statement
in EUR million**

	Notes	Jan. - June 2000	Jan. - June 1999	Change in %	Q 2 2000
Interest and similar income		1,665.6	1,255.6	32.7	894.3
Interest and similar expenses		-1,288.8	-899.5	43.3	-698.4
Net interest income	(1)	376.8	356.1	5.8	195.9
Risk provisions for loans and advances	(2)	-60.3	-66.2	-8.9	-32.7
Fee and commission income		253.1	229.3	10.4	125.5
Fee and commission expenses		-73.8	-71.9	2.6	-35.7
Net commission income	(3)	179.3	157.4	13.9	89.8
Net trading result	(4)	60.0	60.2	-0.3	26.0
General administrative expenses	(5)	-417.3	-410.5	1.7	-212.6
Other operating results	(6)	-1.5	14.6	-110.3	0.7
Extraordinary result		-	-	-	-
Pre-tax profit		137.0	111.6	22.8	67.1
Taxes on income		-28.8	-22.7	26.9	-14.1
Profit		108.2	88.9	21.7	53.0
Minority interests		-14.7	-14.0	5.0	-6.1
Net profit after minority interests		93.5	74.9	24.8	46.9

Statement of changes in equity

in EUR million	Jan. - June 2000	Jan. - June 1999	Change in %
Equity as of 1 January	1,436	1,314	9.3
Translation differences	-2	3	-166.7
Net profit after minority interests	94	75	24,8
Dividends	-55	-51	7.8
Other changes	0	3	-100.0
Equity as of 30 June	1,473	1,344	9.6

Cash flow statement

in EUR million	Jan. - June 2000	Jan. - June 1999	Change in %
Cash and cash equivalents at beginning of period	940	740	27.0
Cash flows from operating activities	230	266	-13.5
Cash flows from investing activities	-522	-176	196.6
Cash flows from financing activities	99	118	-16.1
Effect of changes in exchange rates	0	1	-100.0
Cash and cash equivalents at end of period	747	949	-21.3

Notes to the Consolidated Financial Statements of Erste Bank Group
Information on the Group Income Statement
(1) Net interest income
in EUR million

in EUR million	Jan. - June 2000	Jan. - June 1999	Change in %
Interest income from lending and money market transactions with credit institutions	476.4	313.9	51.8
Lending and money market transactions with customers	786.3	624.6	25.9
Fixed-income securities	330.4	231.3	42.8
Other interest and similar income	16.3	33.2	-50.9
Current income from shares and other variable-yield securities	22.5	17.1	31.6
Investments	21.2	22.3	-4.9
Property used by outside parties	12.5	13.2	-5.3
Total interest and similar income	1,665.6	1,255.6	32.7

(1) Net interest income contd.

	Jan. - June 2000	Jan. - June 1999	Change in %
Interest expenses for			
Amounts owed to credit institutions	-685.6	-407.5	68.2
Amounts owed to customers	-326.7	-290.7	12.4
Debts evidenced by certificates	-214.8	-139.7	53.8
Subordinated capital	-56.0	-47.5	17.9
Other	-5.7	-14.1	-59.6
Total interest an similar expenses	-1,288.8	-899.5	43.3
Net interest income	376.8	356.1	5.8

**(2) Risk provisions for loans and advances
in EUR million**

	Jan. - June 2000	Jan. - June 1999	Change in %
Net-Allocation to risk provisions in lending business	-55.6	-47.8	16.3
Direct write-off for loans and advances and amounts received against written off loans and advances	-4.7	-18.4	-74.5
Total	-60.3	-66.2	-8.9

**(3) Net commission income
in EUR million**

	Jan. - June 2000	Jan. - June 1999	Change in %
Lending business	19.0	19.3	-1.6
Payment transfers	25.8	23.3	10.7
Securities transactions	91.1	70.3	29.6
Thereof: Investment fund transactions	55.6	46.9	18.6
Custody fees	6.2	3.1	100.0
Brokerage	29.3	20.3	44.3
Insurance business	10.6	10.9	-2.8
Other	32.8	33.6	-2.4
Total	179.3	157.4	13.9

**(4) Net trading result
in EUR million**

	Jan. - June 2000	Jan. - June 1999	Change in %
Securities trading and Derivatives	37.4	51.7	-27.7
Foreign exchange	22.6	8.5	165.9
Total	60.0	60.2	-0.3

(5) General administrative expenses
in EUR million

	Jan. - June 2000	Jan. - June 1999	Change in %
Personnel expenses	-244.6	-243.9	0.3
Other administrative expenses	-128.8	-127.2	1.3
Depreciation and amortisation of fixed assets	-43.9	-39.4	11.4
Total	-417.3	-410.5	1.7

(6) Other operating result
in EUR million

	Jan. - June 2000	Jan. - June 1999	Change in %
Other operating income	48.1	82	-41.3
Other operating expenses	-49.6	-67.4	-26.4
Total	-1.5	14.6	-110.3

Earnings per share

	Jan. - June 2000	Jan. - June 1999	Change in %	Q2 2000
Earnings per share	2.12	1.70	24.7	1.06
Earnings per participation certificate	21.22	17.04	24.7	10.61

Average number of employees on payroll during reporting period
(weighted according to extent of employment)

	Jan. - June 2000	Jan. - June 1999	Change in %
Employed by Group	8,385	8,847	-5.2
Domestic	6,899	7,294	-5.4
Foreign countries	1,486	1,553	-4.3

Development of Erste Bank Group's qualifying capital according to Austrian Banking Act

in EUR million	30 Jun 2000	31 Dec. 1999	30 June 1999
Subscribed capital (less shares held in own portfolio)	322	322	320
Reserves and minority interests	1,736	1,580	1,547
Intangible fixed assets	-146	-149	-145
Core capital (Tier 1)	1,912	1,753	1,722
Participation capital	0	0	0
Eligible subordinated liabilities	1,536	1,341	1,365
Revaluation reserve	93	91	101
Qualifying supplementary capital (Tier 2)	1,629	1,432	1,466
Short-term subordinated capital (Tier 3)	326	295	299
Total qualifying capital	3,867	3,480	3,487
Deductions according to Section 23 (13) and Section 29 (1-2) Austrian Banking Act	-184	-184	-98
Total eligible qualifying capital	3,683	3,296	3,389
Capital requirement	2,555	2,440	2,444
Surplus capital	1,128	856	945
Cover ratio in %	144.2	135.1	138.7
Tier 1 ratio in %	7.1	6.3	6.1
Solvency ratio in %	12.2	10.8	10.9
Risk-weighted basis according to Section 22 Austrian Banking Act	26,858	27,750	28,306
Thereof 8% minimum capital requirement	2,149	2,220	2,265
Capital requirement for the open foreign exchange position acc. to Section 26 Austrian Banking Act	24	28	2
Capital requirement for the trading book acc. to Section 22b (1) Austrian Banking Act	382	192	177
Total capital requirement	2,555	2,440	2,444

Note: Changes in % of the financial figures between two financial periods might include slight differences as compared to not-rounded changes in %.