

For Immediate Release

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Erste Bank and Česká spořitelna present pro forma combined financials

In the context of preparations for its planned secondary share offering, the Erste Bank Group today announced combined pro forma financials including Česká spořitelna (ČS). Erste Bank's acquisition of the Czech bank closed in August 2000. Today's announcement focuses on the consolidation of historical numbers which pre-date actions by Erste Bank to initiate a strategic re-positioning and earnings enhancing measures at the Czech bank. As such, the numbers do not provide a benchmark for the future performance and potential of the combined group.

The financials announced today are a pro forma consolidation of the Erste Bank Group together with the ČS Group at 31.12.1999 and 30.6.2000. The first time consolidation of ČS's financials was calculated according to IAS and at fair values as at the closing date.

The key implications of this pro forma consolidation at 30.6.2000 were as follows.

- Savings deposits increase by over 50% to EUR 28.5 billion
- Credit volume up 12% to EUR 30.7 billion
- Total assets up 20.5% to EUR 67.1 billion
- Number of customers increases to over 6 million
- Cost / income ratio increases from to 67.7% to 68.4%

Total assets of the Erste Bank Group increased by 20.5%, from EUR 55.7 billion to EUR 67.1 billion. Loans and advances to customers increased by 12.4% to EUR 30.7 billion. These figures reflect a reduction in the loan book as a result of a bail-out in 1999.

In contrast, refinancing in the form of customer deposits, a traditional component of Erste Bank's business as a savings bank, increased by 52.9% (from EUR 18.5 billion to EUR 28.5 billion), resulting in a positive impact on the refinancing position of the new enlarged Erste Bank Group. Customer deposits increased by almost 7% (EUR 600 million) since the announcement of Erste Bank's acquisition of ČS in February of this year. As a proportion of total liabilities, customer deposits increased from around 33% to almost 43% after the inclusion of ČS, according to pro forma numbers at 30.6.2000.

Although the earnings contribution of the ČS Group was relatively modest in H1 2000 (EUR 9.7 million), this marks a clear turnaround compared with the full year 1999 (when ČS reported a loss), in particular given the fact that the ČS Group took a restructuring charge of EUR 49 million in H1 2000.

Before the exceptional restructuring charge, the new Erste Bank Group reported net income of EUR 124 million in H1 2000, representing 75% of the net income of the former Erste Bank Group in 1999.

In the full year 1999, the Erste Bank Group had attained or was on track to achieve the year 2000 targets it had set for itself at the time of its IPO in 1997. With the acquisition of ČS, Erste Bank had announced a revision of its Group expectations for the year 2000. As a result of investments in the promising new market served by ČS as well as restructuring charges at ČS, Erste Bank set new targets for 2002: a cost / income ratio of 66% and an RoE of at least 14%.

The Erste Bank Group has predictably seen a slight setback for its cost / income ratio. Planned cost reduction and revenue enhancement measures at ČS will take some time to have an impact. The cost / income ratio of the Erste Bank Group net of ČS had been 73.5% in 1997, falling to 67.7% in H1 2000. The pro forma combined cost / income ratio is 68.4% (H1 2000).

The pro forma Tier 1 ratio was 6.2% at 30.6.2000, well above the legally required minimum of 4% and also above the internally stipulated minimum of 6%.

The customer base of the Erste Bank Group has expanded substantially. Back in 1997 there were 600,000 customers, today, together with ČS and the Austrian savings banks, this number stands at over 6 million customers. The size of Erste Bank's customer base is expected to be an important factor as Erste Bank seeks to exploit opportunities for cross-selling and distribution of third party products, supported by its position as one of the leading retail distribution networks within its extended home market in Central Europe.

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL STATEMENTS

(Detailed financial statements are attached.)

The unaudited combined pro forma financial statements of the Erste Bank Group have been presented solely for information purposes. They are not intended as a strict guide to the financial position of the Erste Bank Group (EB), but rather present an indication of EB's starting point following the consolidation of its majority shareholding in Česká spořitelna (ČS).

The unaudited combined pro forma financial statements of the Erste Bank Group give effect to the consolidation of Erste Bank's shareholding in Česká spořitelna Group and were prepared by combining the financial information of Česká spořitelna Group with the financial information on Erste Bank Group (based on information provided by the Erste Bank Group as to) considering the structure of the acquisition.

When preparing the pro forma combination between Erste Bank Group and Česká spořitelna Group, a variety of adjustments had to be made.

A) Reclassifications of ČS financials:**Balance sheet items:**

- ◆ Existing **risk provisions for loans and advances** to banks and customers have been **reclassified in a separate line**. As a result, **loans and advances** to banks and customers have **increased** by approximately EUR 556 million at 31st December 1999 and EUR 594 million at 30th June 2000.
- ◆ Due to EB-Group accounting policies and Austrian Banking practice in accordance with relevant IAS regulations, an existing General Reserve in the amount of EUR 58 millions, which was accounted for as a **provision for loans and advances** to customers in the financial statements of ČS Group, was **reclassified to equity** after deducting the deferred tax liability (which was netted with the deferred tax asset) in the amount of EUR 11 millions. The net effect increased reported equity by approximately EUR 47 million.
- ◆ Separate line items for **share capital, retained earnings, and reserves have been added up and reclassified to equity** (31st Dec. 1999 EUR 633 millions; 30th June 2000 EUR 653 millions). Taking into account the above mentioned reclassification of the General Reserve in the net amount of EUR 47 million, final equity is EUR 680 million at 31.12.1999 and EUR 700 million at 30.6.2000.
- ◆ A range of other reclassifications were made (e.g. treasury bills, intangible assets, deferred tax assets, provisions), to bring the accounts in line with Erste Bank accounting policies. These have no material effect on the financial results of the combined Erste Bank and ČS Group.

P&L items:

The reclassifications had no impact on the pre-tax profit for 1999 or H1 2000 and were made to bring the published results of the ČS Group in line with the accounting policy of Erste Bank –Group, thereby providing better comparability between Erste Bank and ČS numbers.

B) Adjustments to ČS Financials:

In accordance with IAS, Česká spořitelna there has been a revaluation of assets and liabilities at fair values at the date of EB's acquisition of ČS (August 3, 2000). In addition there were allocations to provisions for future expenses and investments, which were agreed to in the purchase contract. These revaluations led to the following adjustments, which have a material impact on the reported equity:

- i. Increase in **provisions** by EUR 21 million due to agreed sponsorships and due to the agreed founding of a "Venture Fund". Adjustment of the **carrying value of securities** to (higher) market values at the date of acquisition by EUR 10 million
- ii. Revaluation of properties used by the bank to market values in the amount of EUR 28 million

- iii. Increase in **risk provisions** by EUR 83 million for additional risks stemming from loans to retail and commercial customers, in respect of revaluation of existing collateral and other operational risks.
- iv. Decrease in ČS **equity** attributable to Erste Bank by EUR 123 million, as a consequence of the revaluation (described above), of which 47.93% were allocated to minority interests (see column showing capital consolidation)

C) Acquisition

Erste Bank's acquisition of its majority shareholding in Česká spořitelna Group, as defined in the "Sale and Purchase Agreement" is reflected on the following basis:

- i. The **book value** of Erste Bank's shareholding in Česká spořitelna Group **reflects the discounted purchase price** (as a second tranche of the purchase price in the amount of EUR 263 million can be called prior to the initially agreed due date (December 2001). with a discount of 4.75% p.a.. The conversion into EUR was at an agreed exchange rate of EUR 1 = CZK 35.69.
- ii. The **discount** (EUR 17 million) is shown in the position 'other assets' as a deferred interest expense.
- iii. The goodwill shown as intangible fixed asset (EUR 223 million) is the result of a first time capital consolidation at the date of acquisition (3 August 2000), taking into account all adjustments and revaluation items, and will be amortised over a period of 15 years.
- iv. Related **effects on the pro forma combined** financial statements (mainly funding costs and amortisation of goodwill) have not been applied to the financial statement at 31 December 1999 and 30 June 2000.

In addition, it should be noted that inter-company transactions between the Erste Bank Group and the Česká spořitelna Group were immaterial and have not been reversed.

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Pro Forma Balance Sheet of EB-Group and CS-Group as of 31st Dec. 1999 (IAS)

NOTE 1: CS financials were originally stated in CZK. The conversion into EUR may result in rounding differences.

NOTE 2: EB = Erste Bank Group, CS = Ceska Sporitelna Group

	EB 31.12.1999 in EUR Mln	CS 31.1299 in EUR Mln	CS- reclassification EUR Mln	First time consolidation adjustments	EB-Share purchase and capital consolidation EUR Mln	Total Pro Forma Consolidation EB and CS
Assets						
Cash and balances with central banks	940	547	0	0		1.488
Treasury bills	0	1.066	-1.066	0		0
Loans and advances to credit institutions	10.295	3.679	9	0		13.983
Loans and advances to customers	26.405	2.894	547	0		29.846
Risk Provision	-965	0	-498	-83		-1.546
Trading assets	1.398	869	1.070	0		3.336
Investments available for sale	4.399	0	0	0		4.399
Financial investments	7.396	417	2	10	526	7.824
			0	0	-526	0
Intangible fixed assets	328	0	34		223	585
Tangible fixed assets	583	498	-2	-28		1.051
Deferred tax assets	0	119	-119	0		0
Other assets	1.666	377	71	0	29	2.142
Total assets	52.443	10.467	47	-101	252	63.108
Liabilities and Equity						
Amounts owed to credit institutions	20.571	301	0	0	0	20.873
Amounts owed to customers	19.533	8.791	-1	0	543	28.866
Debts evidenced by certificates	6.360	143	1	0		6.504
Provisions	710	147	-52	21		827
Deferred tax liabilities	0	1	-1	0		0
Other liabilities	1.437	283	53	0		1.773
Subordinated capital	1.968	152	0	0		2.120
Minority interests	428	15	0	0	267	710
Share capital	0	421	-421	0		0
Retained earnings and reserves	0	212	-212	0		0
Equity	1.436	0	680	-122	-558	1.436
Total liabilities and equity	52.443	10.467	47	-101	252	63.108
Exchange rate as of 31st Dec.99	36,1					
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Pro Forma Balance Sheet of EB-Group and CS-Group as of 30th June 2000 (IAS)

	EB 30.6.2000 in EUR Mln	CS 30.6.2000 in EUR Mln	CS- reclassificati on EUR Mln	First time adjustement EUR Mln	EB-Share purchase and capital consolidation EUR Mln	Total Pro Forma Consolidatio n EB and CS
Assets						
Cash and balances with central banks	747	332	0	0	0	1.079
Treasury bills	0	0	0	0	0	0
Loans and advances to credit institutions	12.759	4.218	9	0	0	16.986
Loans and advances to customers	27.266	2.802	585	0	0	30.653
Risk Provision	-983	0	-535	-84	0	-1.602
Trading assets	796	1.852	0	0	0	2.648
Investments available for sale	4.516	0	0	0	0	4.516
Financial investments	7.975	1.059	2	10	526	9.045
	0	0	0	0	-526	0
Intangible fixed assets	334	0	30	0	223	587
Tangible fixed assets	584	474	-2	-28	0	1.029
Deferred tax assets	0	0	0	0	0	0
Other assets	1.746	529	-42	0	-30	2.204
Total assets	55.740	11.267	47	-102	193	67.145
Liabilities and Equity						
			0			
Amounts owed to credit institutions	22.362	191	0	0	0	22.553
Amounts owed to customers	18.665	9.376	0	0	493	28.534
Debts evidenced by certificates	8.127	146	0	0	0	8.273
Provisions	713	105	0	21	0	839
Deferred tax liabilities	0	0	0	0	0	0
Other liabilities	1.723	625	0	0	0	2.348
Subordinated capital	2.124	154	0	0	0	2.278
Minority interests	553	17	0	0	277	847
Share capital	0	427	-427	0	0	0
Retained earnings and reserves	0	226	-226	0	0	0
Equity	1.473	0	700	-123	-577	1.473
Total liabilities and equity	55.740	11.267	47	-102	193	67.145
Exchange rate as of 30th June 2000	35,62					

Pro Forma P&L 1999 of EB-Group and CS-Group (IAS)

	Erste Bank 1999 in EUR Mln	CS 1999 in EUR Mln	CS- reclassifications and first time consolid.adjust m EUR Mln	Total Pro Forma Consolidation EB and CS
Interest income	2.732,0	840,4	-4,1	3.568,4
Net profit/loss from associates	,0	18,3	-18,3	,0
Dividend income	,0	,1	-,1	,0
Interest expenses	-1.995,7	-447,4	,0	-2.443,1
<i>Net interest income</i>	736,3	411,5	-22,5	1.125,3
Risk provisions for loans and advances	-132,5	-275,3	-47,4	-455,2
	,0	,0	,0	,0
Fee and commission income	453,7	133,3	,0	587,0
Fee and commission expenses	-131,4	-15,9	-,3	-147,6
<i>Net commission income</i>	322,4	117,3	-,3	439,4
Net trading result	113,7	34,8	11,4	159,9
	,0	,0	,0	,0
Personnel expenses	-487,8	-151,7	-,5	-640,0
Other administrative expenses	-255,2	-138,2	6,1	-387,3
Depreciation and amortisation of fixed assets	-78,7	-86,1	-1,9	-166,7
<i>General administrative expenses</i>	-821,7	-376,0	3,7	-1.193,9
	,0	,0	,0	,0
<i>Other operating results</i>	23,4	-21,1	55,0	57,3
Extraordinary results	,0	,0	,0	,0
Pre-tax profit for the year	241,6	-108,8	,0	132,7
Taxes on income	-49,0	-58,5	,0	-107,5
Profit for the year	192,5	-167,3	,0	25,2
Minority interests	-27,9	-5,0	82,6	49,7
Net profit after minority interests	164,6	-172,4	82,6	74,9
Exchange rate CSK/ EUR 31.12.1999	36,1			

Pro Forma P&L H1 2000 of EB-Group and CS-Group (IAS)

	Erste Bank H1 2000 in EUR Mln	CS H1 2000 in EUR Mln	CS- reclassifications and first time consolid.adjustm. EUR Mln	Total Pro Forma Consolidation EB and CS
Interest income	1.665,6	344,4	-3,0	2.007,1
Net profit/loss from associates	,0	14,0	-14,0	,0
Dividend income	,0	,0	,0	,0
Interest expenses	-1.288,8	-186,4	-10,7	-1.485,9
<i>Net interest income</i>	376,8	172,1	-27,8	521,1
Risk provisions for loans and advances	-60,4	-24,1	-,6	-85,0
	,0	,0	,0	,0
Fee and commission income	253,1	67,9	,0	320,9
Fee and commission expenses	-73,7	-10,2	2,9	-81,1
<i>Net commission income</i>	179,3	57,6	2,9	239,8
Net trading result	60,0	31,8	22,6	114,3
	,0	,0	,0	,0
Personnel expenses	-244,6	-73,8	,0	-318,4
Other administrative expenses	-128,8	-64,3	,0	-193,0
Depreciation and amortisation of fixed assets	-43,9	-44,7	1,0	-87,6
<i>General administrative expenses</i>	-417,3	-182,8	1,0	-599,1
	,0	,0	,0	,0
<i>Other operating results</i>	-1,5	-47,4	1,8	-47,0
Extraordinary results	,0	,0	,0	,0
Pre-tax profit for the year	137,0	7,2	,0	144,2
Taxes on income	-28,8	4,2	,0	-24,6
Profit for the year	108,2	11,4	,0	119,6
Minority interests	-14,7	-1,7	-4,7	-21,0
Net profit after minority interests	93,5	9,7	-4,7	98,6

Exchange rate CSK/ EURO 30.6.2000 35,62

Qualifying Capital as determined pursuant to Austrian Banking Act:

	Erste Bank 30.6.2000 in EUR Mln	CS 30.6.2000 in EUR Mln	CS- reclassifica tions and first time consolid. adjustm. EUR Mln	Total Pro Forma Consolidation EB and CS
Core Capital (Tier 1)	1.912	519	-526	1.905
Qualifying supplementary Capital (Tier 2)	1.629	154	-158	1.625
Short-term subordinated Capital (Tier 3)	326	0	158	484
<u>Deductions according to Section 23(13) and 29 Austrian Banking Act</u>	<u>-184</u>	<u>-2</u>		<u>-186</u>
Total eligible qualifying capital	3.683	671	-526	3.828
 Total capital requirement	 2.555	 331		 2.886
Surplus capital	1.128	340		942
Cover Ratio in %	144,2	202,7		132,6
 Risk weighted basis acc. To Section 22 Austrian Banking Act:	 26.858	 3.796		 30.654
Tier 1 ratio in %	7,1	13,7		6,2
Solvency ratio in %	12,2	17,7		10,7