

For Immediate Release

9 November 2000

Erste Bank achieves solid performance in first nine months Net income increases 22% benefiting from strong first half

During the first 9 months of 2000 Erste Bank¹ continued to achieve strong progress in the implementation of its strategies and in its financial performance. However, after benefiting from particularly favourable market conditions in the first half, the third quarter saw a less favourable environment on securities and foreign exchange markets.

Key strategic developments in the third quarter included the transfer of Erste Bank's 24 branches in Styria to the Styrian savings bank (Steiermärkische Bank und Sparkassen AG)², an important step in the context of wider cooperation with the savings bank sector, while the acquisition of 52.07% in Česká spořitelna, a.s. ("CS") was the largest purchase to date in Central Europe.

The return on equity and quality of commission income both improved. The bottom line reflected this performance, with net income increasing 21.9% to EUR 137.1 million in the first 9 months, compared with the same period last year.

Highlights for the first nine months:

- Total assets increased 32% to EUR 69 billion, mainly due to the acquisition of CS (net of CS the increase was 8.9%)³
- Net interest income grew by 15.5% to EUR 629.3 million, or 3.7% net of CS
- Commission income increased by 19.1% to EUR 278.5 million, or 11.8% net of CS
- Pre tax profit grew by 36.5% to EUR 228.5 million, or 30.3% net of CS
- Return on equity at 12.5% including CS, after 12.1% (net of CS) for the full year 1999
- Tier 1 ratio reached 6.2% following the acquisition of CS, before the impact of the capital increase⁴ in October 2000

¹ Erste Bank der oesterreichischen Sparkassen AG Group

² The **transfer of 24 branches to Steiermärkische Bank und Sparkassen AG** had no exceptional impact on the profit and loss account for the first 9 months of 2000. The earnings from these branches were contributed to the Erste Bank accounts in the normal way. Applying IAS rules, only earnings after 30.9.2000 will accrue to the new owner. Erste Bank booked one-off profits of EUR 54 million in Q3 as a result of the branch transfer. On the balance sheet the transaction led especially to a reduction in the line items loans and advances to customers and amounts owed to customers in the amount of approx. EUR 600 million and approx. EUR 400 million respectively.

³ The first time **consolidation of Česká spořitelna (ČS)**, effective 3 August 2000 (the date of closing the acquisition of CS), had a significant impact on both the balance sheet and the P&L of the Erste Bank Group. It is important to note that IAS rules dictate that the impact of the acquisition on the P&L is only effective from the date of closing the transaction, meaning that Erste Bank has booked just under 2 months of CS results. Effective 30.9.2000 the business of **Erste Bank Prague** (EBCR a.s.) was merged into CS, in order to combine Erste Bank's Czech operations into one operating unit as early as possible. However, as an intra-company transaction within the Erste Bank Group, this business combination has no exceptional impact on Group results.

⁴ The **capital increase** that was successfully completed in October 2000, raising EUR 272 million net of associated expenses, is not included in the accounts dated 30.9.2000. After the 30 day stabilisation period a greenshoe in connection with the Global Offering was exercised in the amount of 125,000 shares, bringing the number of shares placed in the Secondary Public Offering to 6,125,000. The shares in the over-allotment option were sold by AVS.

Balance sheet

Erste Bank's total assets increased by 31.6% in the first 9 months of 2000, compared with YE 1999, reaching EUR 69 billion at 30.9.2000. Net of exceptionals (amounting to EUR 11.4 billion, mainly due to the consolidation of CS and the transfer of the Styrian branches), the increase was 9.9%.

On the asset side **loans and advances to customers grew 15.9% to EUR 30.6 billion**. If one excludes the impact of the transfer of branches in Styria and the consolidation of CS, the growth rate was around 5.8%. This was mainly due to international business, where key influences included the rise in the value of the US dollar.

Investments in securities and other financial investments (including trading assets, investments available for sale and financial investments) saw growth of 27.6% to EUR 16.8 billion in the first nine months. About two thirds of this increase was attributable to the consolidation of CS, in particular its stock of trading assets and financial investments.

On the liability side **amounts owed to customers increased by EUR 8.4 billion or 43.1%**, compared with a decrease of 3.9% net of the impact of CS and the transfer of Styrian branches. This decrease was mainly due to the continuing shift of customer assets into higher yield investments such as investment funds and insurance products. This process was accelerated by the abolition of anonymous savings accounts, which took effect on 1 November 2000.

Through the acquisition of CS, Erste Bank succeeded in significantly improving the structure of its **sources of funding**. In particular, savings deposits and other amounts owed to customers increased as a result the CS acquisition to around EUR 28 billion and now account for around 41% of total liabilities.

The following table is an overview of the structure of refinancing arrangements of the Erste Bank Group (including CS and taking into account of the transfer of the Styrian branches):

	31.12.1999	31.12.1999	30.9.2000	30.9.2000
	EUR mln	% share of funding base	EUR mln	% share of funding base
Amounts owed to credit institutions	20,571	42.5	24,380	38.4
Amounts owed to customers	19,533	40.3	27,956	44.1
Debts evidenced by certificates and subordinated capital	8,328	17.2	11,089	17.5
Total refinancing	48,432	100.0	63,425	100.0

The combined **own funds** of the Erste Bank Group according to Austrian law were EUR 3.8 billion at 30.9.2000, compared with a legally stipulated minimum of EUR 2.9 billion. This results in a coverage ratio of around 130%. Tier 1 capital was EUR 1.9 billion at 30.9.2000, representing a tier 1 ratio of 6.2%. The solvency ratio was 10.5%. These figures **do not include the capital increase** that was successfully concluded in October 2000.

Profit and loss account

As predicted in results announcements earlier this year, the third quarter showed moderate performance after the particularly strong first half. Net interest income came under pressure due to a strong increase in short term interest rates.

The impact of the consolidation of CS was limited. The fact that, due to IAS rules, only figures from August and September could be consolidated, also reduced the impact of the CS purchase at a Group level. However, there were significant changes in certain line items, as described below.

The transfer of the Styrian branches had no impact on items contributing to the operating result in Q3 2000, but it did impact net income with a one-off gain of EUR 54 m.

Following the strong earnings performance in 1999, this trend continued in the first nine months of 2000. Operating income, consisting of net interest income, net fee and commission income and the net trading result, increased by 14.4% to EUR 986.1 million, or 4.9% net of CS. Growth in net commission and fee income was particularly strong (+19.1%, or 11.8% net of CS, compared with the same period last year). This was mainly due to the strong performance in securities business, which was driven by strong demand for investment funds (especially in H1 2000), high stock market turnover (especially in Q1 2000) and increased returns from investment banking (accruing in Q3). However, the more uncertain stock market conditions in Q3 2000 resulted in an easing of this positive development.

In the first nine months Erste Bank succeeded in improving the quality of operating income. The share in operating income of net commission and fee income together with net interest income increased from 90% in 1999 to over 92% in this period, whereas the share of the net trading result declined to below 8%.

Net interest income increased by 15.5% to EUR 629.3 million. If one excludes the full impact of CS (including refinancing costs associated with the acquisition), net interest income increased by 3.7%, a strong growth rate compared with the flat performance experienced in the difficult market conditions of recent years. However, the development of the yield curve put downward pressure on this result in recent weeks, due to a strong increase in short term interest rates.

The **net trading result** was shaped by international developments on stock and foreign exchange markets. The cumulative figure for the first 9 months was EUR 78.3 million, a decline of 5.5% compared with last year (or -7.0% net of CS).

General administrative expenses, consisting of personnel expenses, depreciation of fixed assets and other administrative expenses, grew by 14.3% to EUR 703.5 million, of which EUR 70.5 million or 11.4 percentage points was accounted for by CS. Therefore, net of CS, the increase was 2.9%, despite large investments in IT and further expansion of eBusiness activities and the associated increases in depreciation.

The **operating result**, comprising operating income less administrative expenses, increased significantly (+14.8% to EUR 282.6 million, or +10.0% net of CS). This reflects the success of Erste Bank's strategic positioning.

Despite the acquisition of CS and heavy investments in IT and new eBusiness activities the **cost/income ratio** was at a similar level to last year. The ratio stood at 71.3% for the first 9 months, while net of CS it was 70.0%. As anticipated, there was an increase compared with H1 2000, when exceptionally positive market conditions lowered the cost/income ratio to around 68%.

The cost reduction program, that has been rigorously implemented since the beginning of 1999, continued to have a positive impact on expense items. Expenses growth was curtailed, in particular personnel expenses, which increased by 1.1% net of CS, and also other administrative expenses (+3.5% net of CS).

Net allocations to **risk provisions for loans and advances** (including direct write-offs for loans and advances) progressed in line with expectations, reaching EUR 111.9 million in the first 9 months, somewhat ahead of last year's figure (EUR 99.4 million). CS accounted for an additional EUR 14.2 million.

The significant growth in **other operating results** was mainly due to the transfer of Styrian branches to Steiermärkische Bank und Sparkassen AG, which resulted in a net gain of EUR 54 million. This gain was largely used up in September, through allocations to risk provisions, tax provisions and other items.

In the first nine months of 2000 the **pre-tax profit** reached EUR 228.5 million, an increase of 36.5% compared with the same period last year. The decisive influence on this result came primarily from the strong earnings performance at the parent company Erste Bank AG.

After deducting taxes and minority interests, **net income reached EUR 137.1 million, compared with EUR 112.5 million in the first 9 months last year, despite difficult market conditions in the third quarter. This represents growth of 21.9%, or 21.2% net of CS.**

The **return on equity** improved, reaching 12.5% for the first 9 months for the Erste Bank Group including CS, compared with 12.1% (for Erste Bank without CS) in the full year 1999.

Divisional results

The **retail and real estate** segment – which includes all Central European activities - achieved growth in pre-tax profit of 140%. This was mainly due to a significant improvement in fee and commission-based business (+26% or +11% net of CS), growth in interest-based business, the first time consolidation of CS and the transfer of Styrian branches. The Styrian branch transfer was a significant factor in propelling the RoE up from 8.6% to 15.4%. Risk provisions developed favourably, and were down net of CS.

In the **large corporate clients** segment pre-tax profit increased by 53% in the first nine months, compared with the same period last year. This resulted in an increase in the RoE from 20% to 26% and was mainly due to the three following factors: an increase in net interest income (especially at foreign branches), improved net commission and fee income (from institutional customers) and significant growth in earnings at the leasing subsidiary Immorent. The strengthening of the US Dollar and the pound sterling also supported the improvement. General administrative expenses and risk provisions increased marginally. The cost / income ratio was reduced further, from 43.5% to 36.6% for the first nine months of the current year.

Trading and investment banking business faced contrasting trends. Investment banking continued to benefit from a large number of stock market transactions and delivered significantly stronger earnings. However, the deterioration in market conditions meant that trading activities saw reduced net interest income and trading results. Pre-tax profit was EUR 4.1 million compared with EUR 12.7 million in the first nine months of 1999.

Growth in sales of investment fund products contributed to an increase in pre-tax profit in **asset gathering** from EUR 44.7 million to EUR 51.8 million. The cost / income ratio declined from 41.7% to 38.3%.

Declining earnings at the **corporate centre** were strongly influenced by Erste Bank's investments in internet business (EB Internet Services AG).

Tables with segmental results are attached on the following page.

Erste Bank Group - Segment reporting

In EUR million	Q1-Q3 2000 Retail and Real Estate ⁵	Q1-Q3 1999 Retail and Real Estate	Q1-Q3 2000 Retail and Real Estate without CS	Q1-Q3 2000 Large Corp. Clients	Q1-Q3 1999 Large Corp. Clients
Net interest income	454.4	380.8	390.3	167.9	131.5
Risk provisions for loans and advances	-81.2	-71.6	-67.0	-30.7	-23.6
Net commission income	135.9	107.6	119.0	41.0	29.1
Net trading result	25.8	28.6	24.6	9.6	7.8
General administrative expenses	-514.0	-440.6	-443.5	-80.0	-73.3
Other operating results	68.7	32.1	55.9	3.5	1.3
Pre-tax profit	89.5	36.9	79.2	111.3	72.7

Average risk-weighted assets	16,664.2	12,400.1		11,970.5	10,576.3
Average attributed equity	774.6	569.5		556.5	485.2
Cost/Income Ratio (in %)	83.4%	85.2%		36.6%	43.5%
ROE based on net profit before tax (in %)	15.4%	8.6%		26.7%	20.0%
ROE based on net profit after minority interests					
Thereof business with savings banks (based on net profit before tax)	2.2	4.7		4.1	5.2

In EUR million	Q1-Q3 2000 Trading & Inv. Banking	Q1-Q3 1999 Trading & Inv. Banking	Q1-Q3 2000 Asset Gathering	Q1-Q3 1999 Asset Gathering	Q1-Q3 2000 Corporate Centre	Q1-Q3 1999 Corporate Centre
Net interest income	7.5	28.6	-0.1	0.7	-0.4	3.1
Risk provisions for loans and advances	0.0	0.0	0.0	0.0	0.0	-4.2
Net commission income	19.2	4.9	83.9	75.9	-1.5	16.4
Net trading result	40.1	49.1	0.0	0.0	2.8	-2.5
General administrative expenses	-63.3	-62.4	-32.1	-32.0	-14.0	-7.2
Other operating results	0.5	-7.7	0.0	0.0	-15.0	-5.1
Pre-tax profit	4.1	12.7	51.8	44.7	-28.2	0.4

Average risk-weighted assets	2,466.4	5,417.5	12.3	54.0	408.3	480.9
Average attributed equity	114.7	249.3	0.6	2.5	19.0	22.0
Cost/Income Ratio (in %)	94.8%	75.5%	38.3%	41.7%	1716.6%	42.7%
ROE based on net profit before tax (in %)	4.7%	6.8%	11869.0%	2411.8%	-198.1%	2.4%
ROE based on net profit after minority interests						
Thereof business with savings banks (based on net profit before tax)	16.6	4.5	10.1	9.7	0.1	0.0

Additional financial statements and background information on Erste Bank are attached.

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⁵ CS is included in the retail and real estate segment. To facilitate a comparison with prior results, we also show this segment net of CS on a pro forma basis without financing and goodwill.

Background information on Erste Bank

Erste Bank is Austria's oldest savings bank and the largest purely privately owned company listed on the Vienna Stock Exchange. Erste Bank is a leading retail bank in its home market which covers Austria and adjacent Central Europe: the Czech Republic, Hungary, Croatia, Slovakia and Slovenia (its "extended home market"). Erste Bank Group's customer focus is on the retail market as well as small to medium-sized enterprises.

Erste Bank Group is the second largest banking group in Austria with assets of EUR 69 billion at 30 September 2000. Comprising some 1.100 branches, Erste Bank Group employed approximately 24.400 people worldwide as of 30 September 2000.

Strategy of Erste Bank

Erste Bank has four basic strategic objectives:

- (i) to exploit its core business potential in Austria and focus on its key competencies,
- (ii) to build on its role as the lead bank of the Austrian savings banks sector and to seek increasingly closer cooperation and coordination within the sector, with the sharing of resources and responsibilities, creating synergies for the parties in terms of cost reduction and revenue growth,
- (iii) to establish an extended home market in Central Europe with a potential customer base of some 40 million people and to be the leading retail financial institution in that market, and
- (iv) to offer the premier on-line access to innovative products across its extended home market.

In pursuit of its Central European strategy, Erste Bank on 3 August 2000 acquired a 52.07% shareholding in Česká spořitelna, a.s. ("CS"). CS is one of the major players in Czech retail banking. For example, at 30.9.2000 CS had a market share of approximately 33% of the consumer deposits and consumer lending markets, while it has installed approximately two-thirds of the ATMs in the Czech Republic and has issued approximately two-thirds of all debit cards currently in issue in the Czech Republic.

Erste Bank Group Balance Sheet as of 30 September 2000

in EUR million	30 Sept 2000	31 Dec 1999	% chg	EB ex CS Pro forma 30 Sept 2000	% chg
Assets					
Cash and balances with central banks	965	940	2.7	577	-38.6
Loans and advances to credit institutions	18,687	10,295	81.5	14,208	38.0
Loans and advances to customers	30,613	26,405	15.9	27,332	3.5
Risk provisions for loans and advances	-1,559	-965	61.6	-927	-3.9
Trading assets	2,362	1,397	69.1	814	-41.7
Investments available for sale	4,669	4,399	6.1	4,483	1.9
Financial investments	9,803	7,396	32.5	8,417	13.8
Intangible fixed assets	589	328	79.6	337	2.7
Fixed assets	1,014	582	74.2	576	-1.0
Other assets	1,865	1,666	11.9	1,302	-21.8
Total assets	69,008	52,443	31.6	57,119	8.9
Liabilities and Equity					
Amounts owed to credit institutions	24,380	20,571	18.5	23,968	16.5
Amounts owed to customers	27,956	19,533	43.1	18,361	-6.0
Debts evidenced by certificates	8,779	6,360	38.0	8,640	35.8
Provisions	878	710	23.7	745	4.9
Other liabilities	2,334	1,437	62.4	1,168	-18.7
Subordinated capital	2,310	1,968	17.4	2,158	9.7
Minority interests	855	428	99.8	564	31.8
Equity	1,516	1,436	5.6	1,515	5.5
Total liabilities and equity	69,008	52,443	31.6	57,119	8.9

Erste Bank Group Income Statement as of 30 September 2000

Group Income Statement in EUR million	Notes	EB ex CS Pro forma				
		01-09. 2000	01-09. 1999	% chg	01-09. 2000	% chg
Interest and similar income		2,688.5	1,968.7	36.6	2,564.6	30.3
Interest and similar expenses		-2,059.2	-1,423.9	44.6	-1,999.4	40.4
Net interest income	(1)	629.3	544.8	15.5	565.2	3.7
Risk provisions for loans and advances	(2)	-111.9	-99.4	12.6	-97.7	-1.7
Fee and commission income		388.5	334.5	16.1	367.9	10.0
Fee and commission expenses		-110.0	-100.6	9.3	-106.4	5.8
Net commission income	(3)	278.5	233.9	19.1	261.5	11.8
Net trading result	(4)	78.3	82.9	-5.5	77.1	-7.0
General administrative expenses	(5)	-703.5	-615.4	14.3	-633.0	2.9
Other operating results	(6)	57.8	20.6	180.6	45.1	118.9
Extraordinary result		0.0	0.0	-	0.0	-
Pre-tax profit for the year		228.5	167.4	36.5	218.2	30.3
Taxes on income		-59.8	-34.0	75.9	-59.2	74.1
Profit for the year		168.7	133.4	26.5	159.0	19.2
Minority interests		-31.6	-20.9	51.2	-22.6	8.1
Net profit after minority interests		137.1	112.5	21.9	136.4	21.2

Earnings per share

	Jan-Sept. 2000	Jan-Sept. 1999	% chg
Earnings per share	3.11	2.56	21.5
Earnings per participation certificate	31.08	25.57	21.5

Statement of changes in equity

in EUR million	01-09. 2000	01-09. 1999	% chg
Equity as of 1 January	1,436	1,314	9.3
Translation differences	-2	1	-300.0
Net profit after minority interests	137	113	21.9
Dividends	-55	-51	7.8
Other changes	0	4	-100.0
Equity as of 30 September	1,516	1,381	9.8

Cash flow statement

in EUR million	Jan-Sept. 2000	Jan-Sept. 1999	% chg
Cash and cash equivalents at beginning of period	1130	740	52.7
Cash flows from operating activities	1427	447	219.2
Cash flows from investing activities	-1723	-879	96.0
Cash flows from financing activities	129	124	4.0
Effect of changes in exchange rates	2	1	100.0
Cash and cash equivalents at end of period	965	433	122.9

Notes to the Consolidated Financial Statements of Erste Bank Group

Information on the Group Income Statement

(1) Net interest income

in EUR million	Jan-Sept. 2000	Jan-Sept. 1999	% chg
Interest income from lending and money market transactions with credit institutions	810.4	508.9	59.2
Lending and money market transactions with customers	1253.4	964.8	29.9
Fixed-income securities	521.6	361.3	44.4
Other interest and similar income	16.8	51.3	-67.3
Current income from Shares and other variable-yield securities	35.7	29.2	22.3
Investments	29.8	33.4	-10.8
Property used by outside parties	20.8	19.8	5.1
Total interest and similar income	2,688.5	1,968.7	36.6
Interest expenses for amounts owed to credit institutions	-1082.0	-665.9	62.5
Amounts owed to customers	-535.9	-437.9	22.4
Debts evidenced by certificates	-341.7	-223.7	52.7
Subordinated capital	-85.1	-75.3	13.0
Other	-14.5	-21.1	-31.3
Total interest an similar expenses	-2,059.2	-1423.9	44.6
Net interest income	629.3	544.8	15.5

(2) Risk provisions for loans and advances

in EUR million	Jan-Sept. 2000	Jan-Sept. 1999	% chg
Net-Allocation to risk provisions in lending business	-103.6	-71.9	44.1
Direct write-off for loans and advances and amounts received against written off loans and advances	-8.3	-27.5	-69.8
Total	-111.9	-99.4	12.6

(3) Net commission income

in EUR million	Jan-Sept. 2000	Jan-Sept. 1999	% chg
Lending business	30.8	27.5	12.0
Payment transfers	54.5	35.4	54.0
Securities transactions	134.9	102.8	31.2
Thereof: Investment fund transactions	85.4	68.1	25.4
Custody fees	9.9	5.1	94.1
Brokerage	39.6	29.6	33.8
Insurance business	11.9	16.5	-27.9
Other	46.4	51.7	-10.3
Total	278.5	233.9	19.1

(4) Net trading result

in EUR million	Jan-Sept. 2000	Jan-Sept. 1999	% chg
Securities trading and Derivatives	49.4	63.6	-22.3
Foreign exchange	28.9	19.3	49.7
Total	78.3	82.9	-5.5

(5) General administrative expenses

in EUR million	Jan-Sept. 2000	Jan-Sept. 1999	% chg
Personnel expenses	-394.8	-366.6	7.7
Other administrative expenses	-230.9	-189.5	21.8
Depreciation and amortisation of fixed assets	-77.8	-59.3	31.2
Total	-703.5	-615.4	14.3

(6) Other operating result

in EUR million	Jan-Sept. 2000	Jan-Sept. 1999	% chg
Other operating income	172.7	119.4	44.6
Thereof:			
Income from valuation or sale of securities held outside the trading portfolio	22.3	6.4	248.4
Other operating income	150.4	113	33.1
Other operating expenses	-114.9	-98.8	16.3
Thereof:			
Expenses from valuation or sale of securities held outside the trading portfolio	-25.8	-15.7	64.3
Other operating expenses	-89.1	-83.1	7.2
Total other operating results	57.8	20.6	180.6

Employees at reporting date

	30 Sept 2000	31 Dec 1999	% chg	EB ex CS Pro forma 30 Sept 2000	% chg
Employed by Group	24,496	8,416	191.1	8,340	-0.9
Domestic	6,845	6,944	-1.4	6,845	-1.4
Foreign countries	17,651	1,472	1,099.1	1,495	1.6

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

in EUR million	30 Sept. 2000	31 Dec. 1999	30 Sept 1999
Subscribed capital (less shares held in own portfolio)	322	322	320
Reserves	1,737	1,580	1,554
Intangible fixed assets	-164	-149	-147
Core capital (Tier 1)	1,895	1,753	1,727
Participation capital	0	0	0
Eligible subordinated liabilities	1,533	1,341	1,329
Revaluation reserve	92	91	104
Qualifying supplementary capital (Tier 2)	1,625	1,432	1,433
Short-term subordinated capital (Tier 3)	517	295	296
Total qualifying capital	4,037	3,480	3,456
Deductions according to Section 23 (13) and Section 29 (1-2) Austrian Banking Act	-271	-184	-98
Total eligible qualifying capital	3,766	3,296	3,358
Capital requirement	2,904	2,440	2,469
Surplus capital	862	856	889
Cover ratio in %	129.7	135.1	136.0
Tier 1 ratio in %	6.15	6.32	6.1
Solvency ratio in %	10.54	10.81	10.8
Risk-weighted basis according to Section 22 Austrian Banking Act	30,858	27,750	28,296
Thereof 8% minimum capital requirement	2,467	2,220	2,264
Capital requirement for the open foreign exchange position acc. to Section 26 Austrian Banking Act	23	28	13
Capital requirement for the trading book acc. to Section 22b (1) Austrian Banking Act	414	192	192
Total capital requirement	2,904	2,440	2,469

Note: Changes in % of the financial figures between two financial periods might include slight differences compared to non-rounded changes in %.