

The leading
financial services
provider in
Central Europe

2000 Annual Report

Key figures (IAS)

	2000** in EUR million	1999 in EUR million	Change in %	1998* in EUR million
Balance sheet figures				
Total assets	71,196	52,443	35.8	51,990
Loans and advances to credit institutions	19,472	10,295	89.1	13,109
Loans and advances to customers	31,238	26,405	18.3	26,467
Risk provisions	(1,544)	(965)	60.0	(1,198)
Trading assets, other current assets, financial instruments	16,684	13,192	26.5	10,437
Other assets	5,346	3,516	52.0	3,175
Total liabilities and equity				
Amounts owed to credit institutions	25,638	20,571	24.6	21,791
Amounts owed to customers	28,841	19,533	47.7	19,483
Debts evidenced by certificates, including subordinated capital	10,736	8,328	28.9	6,862
Other liabilities, provisions, minority interests	4,125	2,575	60.2	2,540
Equity	1,856	1,436	29.2	1,314
Changes in equity				
Risk-weighted assets pursuant to Section 22 Banking Act	31,879	27,750	14.9	26,488
Qualifying consolidated capital pursuant to Sections 23 & 24 Banking Act	3,956	3,296	20.0	3,176
of which core capital (Tier 1)	2,125	1,753	21.2	1,611
Solvency ratio pursuant to Section 22 Banking Act	11.2%	10.8%		11.0%
of which core capital ratio	6.7%	6.3%		6.1%
Income statement				
Net interest income	924.0	736.3	25.5	732.8
Risk provisions for loans	161.9	132.5	22.2	104.5
Fee and commission income	423.4	322.4	31.3	306.5
Net trading result	127.4	113.7	12.0	132.9
General administrative expenses	1,001.0	821.7	21.8	841.6
“Operating result”	473.7	350.7	35.1	330.6
Profit before tax	276.7	241.6	14.6	206.4
Net profit after minority interests	191.8	164.6	16.5	133.4
Profitability				
Interest margin in % of average total assets	1.50%	1.34%		1.38%
Net profit after minority interests in % of average total assets	0.31%	0.30%		0.25%
Net profit after minority interests in % of risk-weighted assets (RWA)	0.65%	0.59%		0.50%
Cost-income ratio	67.9%	70.1%		71.8%
Return on equity (ROE)	12.3%	12.1%		10.5%
Earnings per share	4.21	3.74		3.02
Additional information				
Number of employees	23,810	8,416		9,326
of which in Austria	6,913	6,944		7,737
of which abroad: Česká spořitelna-Group	15,742	0		0
of which abroad: others	1,155	1,472		1,589
Number of bank branches				
Austria	279	304		357
Czech Republic	707	7		5
Hungary	55	56		59
Croatia	30	27		22

* 1998 restated IAS

** incl. Česká spořitelna, a.s. for five months

Key figures of Erste Bank share

	2000 in EUR	1999 in EUR	1998* in EUR	1997* in EUR
Share price				
High	51.30	57.25	62.50	46.87
Low	40.85	36.77	36.92	44.33 ¹⁾
Closing price	48.00	44.00	45.60	45.75

Share ratios				
Earnings per share	4.21	3.74	3.02	2.91 ²⁾
Price-earnings ratio	11.4	11.8	15.1	15.7
Dividend per share	1.24 ^{**}	1.24	1.16	1.16
Pay-out ratio	32.6%	33.5%	38.8%	42.3%
Dividend yield	2.6%	2.8%	2.5%	2.5%
Book value per share	36.82	32.34	29.62	30.60
"Operating result" per share	9.40	7.91	7.45	n.a.
Price-book value ratio	1.3	1.4	1.5	1.5

Total shareholder return (TSR)				
TSR	+ 11.7%	(0.7%)	+ 2.2%	+ 5.7%
Average TSR	+ 4.7%	+ 2.4%	+ 3.9%	0

Number of shares				
Number of shares outstanding	50,360,799	44,360,799	44,360,799	44,360,799
Average number of shares outstanding	45,543,554	43,994,534	44,172,171	44,360,799
Market capitalisation (EUR billion)	2.42	1.95	2.02	2.03
Trading volume (EUR billion)	0.95	1.34	1.55	0.04 ³⁾

1) IPO subscription price, first quotation on 4 December 1997: EUR 44.69

2) Earnings per share for 1997 adjusted for extraordinary risk provisions

3) Since beginning of quotation on 4 December 1997

* 1997: Accounting standards according to Austrian Commercial Code; from 1998: IAS

** Recommendation to annual general meeting

Ratings

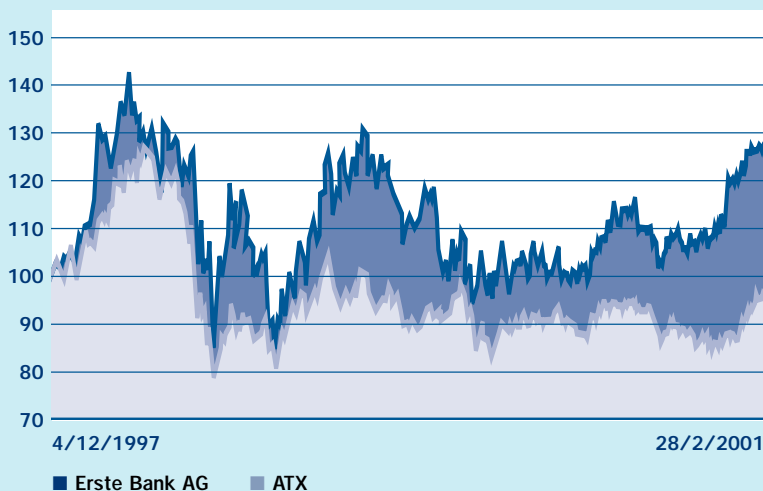
Moody's Investors Service	
Long-term	A2
Short-term	P-1
Bank Financial Strength Rating	C

FITCH	
Long-term	A
Short-term	F1
Individual	C/D

Standard & Poor's	
Short-term	A-2

Performance of Erste Bank share

and ATX since the initial public offering in 1997 (indexed)



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2000 Annual Report

We are Erste Bank Group.

Based in Austria, we are Central Europe's foremost financial services group. We provide banking, investment, loans and insurance services, and focus on consumers and small to medium-sized companies.

We operate successfully in the fastest growing economies in the region, aiming to provide over 8 million customers with a high standard of personal service and a comprehensive range of financial products.

We are exploiting the opportunities across existing and new distribution channels—we are online and face to face with our customers. But our success comes from keeping our promises to our customers and our investors.

Highlights 2000

January

■ After extensive preparation, the transition to the year 2000 goes smoothly for the Erste Bank Group and the savings bank sector.

February

■ Erste Bank's bid for a 52.07% interest in Česká spořitelna, a.s. is accepted. Erste Bank not only reaches a major landmark in the implementation of its Central Europe strategy, but also grows to become the region's leading retail bank.

March

■ To the three core strategies already successfully being implemented—focusing on core business potentials, co-operation with the savings bank sector and extension of the home market to Central Europe—a fourth strategy is added: emphasis on e-business.

■ The marketing budgets of the savings banks and Erste Bank are combined. A joint advertising campaign is launched under a uniform logo and a shared web site is set up at www.sparkasse.at.

May

■ Erste Bank is awarded first prize by the European Customer Satisfaction Association EUCUSA, an independent body, in the category "Austrian Customer Satisfaction Barometer—Financial Services".

June

■ To strengthen its equity base, Erste Bank carries out an issue of EUR 125 million of sub-tier 1 capital via a subsidiary, placed exclusively with institutional investors. The issue proceeds are added to the core capital.

■ After the completion of legal preparations for the purchase of Česká spořitelna, a.s. Erste Bank and the National Property Fund of the Czech Republic agree on the final gross purchase price of EUR 543 million (EUR 530 million after discounting for early payment) for the 52.07% stake in the largest Czech retail banking institution.

■ The three Croatian banks—Bjelovarska banka d.d., Čakovečka banka d.d. and Trgovačka banka d.d.—approve the merger of their respective institutions effective 1 September into the

new "Erste & Steiermärkische Bank d.d.". Erste Bank and Steiermärkische Bank und Sparkassen AG each own about 40% of the newly created financial institution, the eighth largest in Croatia.

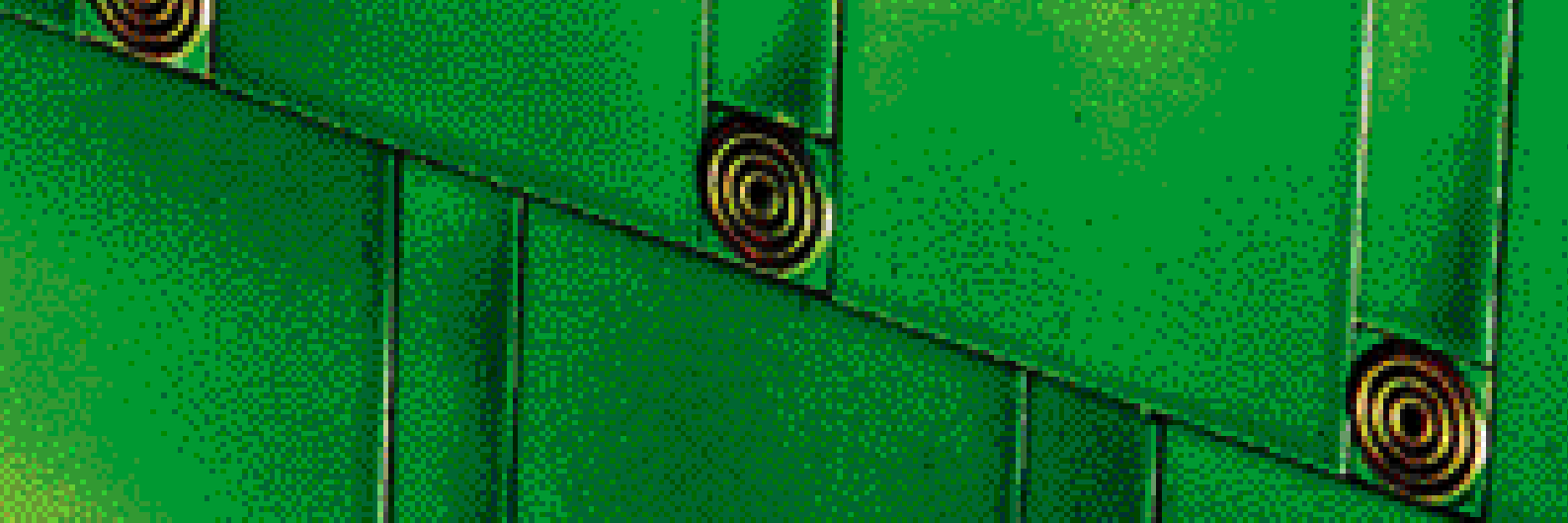
July

■ Working with ONE, an Austrian wireless network operator, Erste Bank launches its "mobilebanking", marketed as mobile "Geldleben" ("Moneylife"), providing Erste Bank customers with considerably more flexibility in banking.

August

■ The transaction of purchasing Česká spořitelna, a.s. is consummated by the transfer of equity and payment of the first instalment of EUR 280 million on the purchase price.

Counting more than 6 million customers, Erste Bank as the lead bank of the Austrian and Czech savings bank sector occupies an indisputable position of leadership in Central Europe.



September

■ The 24 Styrian branches of Erste Bank are transferred to Steiermärkische Bank und Sparkassen AG with effect from 30 September, in return for a 14% stake in the regional bank. The transaction creates yet another bond in the savings bank sector's increasingly close co-operation.

■ Effective 30 September 2000 Erste Bank Prague (EBCR a.s.) is integrated into Česká spořitelna, a.s. as planned.

■ Erste Bank presents an offer to the Slovak government to buy a majority stake in Slovenská sporiteľňa, a.s., the largest bank in the Slovak Republic.

■ As a result of the collaboration within the sector, savings bank customers have access to all ATM lobbies in the savings bank sector. Customers can use this entire Austria-wide network of 1,200 branches with one card.

October

■ Erste Bank calls on investors to participate in its growth through a capital increase. The subscription period for 6 million new shares runs from 19 September to 4 October. For the first time in Austria, the roadshow for a capital market transaction is also presented on the Internet.

■ The subscription price per new share is EUR 47. The issue raises EUR 272 million of new capital (after expenses and tax).

■ The renowned "Award for Premium Banking Quality" for the savings bank sector is awarded to Erste Bank by the daily "Die Presse" and the Institute for Banking of Vienna University of Economics and Business Administration.

November

■ The financial statements published by Erste Bank for the third quarter of 2000 mark the first inclusion of Česká spořitelna, a.s. The first-time consolidation takes effect on 3 August 2000 (the date when majority ownership passes to Erste Bank), resulting in material changes both to the balance sheet and the structure of the income statement of the expanded Erste Bank Group.

■ The city of Salzburg decides to sell its remaining 25.6% interest in Salzburger Sparkasse Bank AG to Erste Bank. This increases Erste Bank's direct and indirect stake in Salzburger Sparkasse to 98.7%.

December

■ The payment of the second instalment of EUR 250 million for the 52.07% stake in Česká spořitelna, a.s. concludes the purchase successfully.

■ The government of the Slovak Republic decides to sell its 87.18% interest in Slovenská sporiteľňa, a.s. to Erste Bank. By taking over the country's largest bank, Erste Bank increases its customer base to more than 8 million and becomes one of the top ten retail banks in Europe.

■ Erste Bank's new Internet platform for securities makes its debut. "Erstetnettrading", an e-finance platform using the latest technology, offers more than 3,000 financial instruments on 18 stock exchanges as well as information on current market developments.



**The Management Board
of Erste Bank**

from left to right

Franz Hochstrasser Member of the Managing Board

Responsible for Investment Banking, Treasury, Asset Management and Securities Settlement

Degree in business administration at Graz University. From 1991 to 1997 he worked for GiroCredit Vienna in the Risk Management and Investment Banking segments. Following the 1997 merger of Erste Österreichische Spar-Casse-Bank and GiroCredit, Head of Erste Bank's Controlling and Risk Management until 1998. Appointment to the Managing Board of Erste Bank AG in January 1999.

Andreas Treichl Chairman of the Managing Board

Responsible for Savings Banks and Communications, Marketing, Secretary General, Auditing, Legal Services, Capital Market Strategy and Investors, Controlling & Risk Management, Integration of Česká spořitelna, a.s.

Degree in economics from Vienna University. From 1975 to 1977 traineeships at Citibank, Morgan Stanley and Brown Brothers Harriman. In 1977 Mr. Treichl joined Chase Manhattan Bank, working in New York, Brussels and Athens. From 1983 to 1986 management of the Key Accounts Division at Erste Österreichische Spar-Casse-Bank. From 1986 to 1993 Mr. Treichl was CEO of Chase Manhattan Bank (Austria), respectively Crédit Lyonnais after acquisition. Appointed Chairman of the Board of Erste Bank AG in July 1997.

Elisabeth Bleyleben-Koren Deputy Chairman of the Managing Board

Responsible for Human Resources, Retail Sales, Strategic Marketing Control, Corporate Banking, Credit Risk Management Austria and Central Europe, Housing Finance, Key Accounts & Project Finance, and e-business.

Law degree at Vienna University. Creditanstalt from 1972 to 1977. Loans department of Erste Österreichische Spar-Casse-Bank from 1977, management positions in the Corporate Banking and Key Accounts division of Erste Österreichische Spar-Casse-Bank from 1978 to 1997. In July 1997 Elisabeth Bleyleben-Koren was appointed to the Managing Board of Erste Bank AG, becoming Deputy Chairman in May 1999.

Reinhard Ortner Member of the Managing Board

Responsible for Central and Eastern Europe, Integration of Slovenská sporiteľňa, a.s., Accounting, Equity Investment, International Business and International Credit Risk Management.

Degree in economic sciences at Vienna University. Joined Erste Österreichische Spar-Casse-Bank in 1971. From 1977 Head of Accounting, Settlements and Finance. Appointed to the Managing Board of Erste Österreichische Spar-Casse-Bank in 1984.

Erwin Erasim Member of the Managing Board (from 1 January 2001)

Responsible for Payments, Organisation & IT

Erwin Erasim began his career in 1970 at Brauerei Schwechat. Director of IT Development at BAWAG from 1978, then at Österreichische Länderbank from 1990 to 1991. From 1992 to 2000 various positions at Bank Austria including Head of IT Production and Banking Operations, Head of Payments of CA/BA Group and Sales Director. Appointed to the Managing Board of Erste Bank AG in January 2001.

Letter to our shareholders

Dear shareholder,



for investors who, like you, are shareholders of a business such as Erste Bank, four criteria are probably paramount in your choice of the share. First, a sound capital base is a must. Second, the enterprise should present good business results in the most recent period, as evidence of sustained performance. A third requirement, and for many investors the most important, is a set of convincing strategies and ideas developed by the management to assure and build on the business success in light of future market needs. Finally, the corporate strategies must work when put into practice.

That the Erste Bank share is attractive as seen through the lens of the first two factors—capital strength and profitability—is documented by our financial data. Erste Bank's balance sheet and income statement for the year 2000 show that the important measures of cost-income ratio and return on equity are at their best levels ever. In the letter to our shareholders in 1997 we named the profitability targets that the new Erste Bank Group had set itself: In 2000 we intended to achieve a return on equity of at least 12% and a cost-income ratio of 65 to 67%. When we adopted these objectives we did not yet know that in 2000, we would complete the acquisition of the Czech savings bank. Many subsequently expected this purchase to detract, at least temporarily, from Erste Bank's earnings figures. We therefore take particular pleasure in having further improved the key financial figures of Erste Bank since last year in spite of the acquisition (Česká spořitelna, a.s. is consolidated in our financial statements from 3 August).

The third factor, the effectiveness of the management's strategies, cannot be measured in advance by a company's ratios. As a result, when an enterprise offers its equity to the investing public, it relies on winning investors' confidence *ex ante*. Private investors as well as analysts and professional fund managers need to form an opinion ahead of time on how likely it is that the strategies presented will produce the desired results. Convincing investors that its blueprint for success was viable is precisely what Erste Bank set out to do in 1997.

The strategies that Erste Bank unveiled for the capital market at the time persuaded 40,000 investors to become shareholders. Today, we are the largest Austrian bank and our share carries the highest weight (about 19%) of any company in the Austrian Traded Index, the benchmark index of the Vienna stock exchange. Yet, ultimately, we clearly owe our success to the fact that we chose the right strategies at the right time and carried them out single-mindedly. Having introduced these strategies when going public, we have already made them reality and adapted and expanded them to reflect the future requirements of the market.

The task for Erste Bank today can be summed up as that of combining time-tested traditions with the opportunities of the Internet age and multiplying the strength rooted in local personal relationships by the potential inherent in an international corporation.

Savings bank sector united behind a single bank card

Since long before the word "trademark" made its way into the Austrian dictionary, the term "Savings Bank" has been a priceless synonym for trustworthiness in matters of finance. The idea of exploiting this immense brand value jointly with the savings banks formed the basis for our first core strategy of 1997: to work more closely with the nation's savings banks. Today, the traditional "s" trademark holds a new and enlarged meaning, in step with the demands of our times. The years of groundwork were rewarded by the breakthrough in 2000: The entire Austrian savings bank sector and Erste Bank as its lead bank now present a single visual identity and unified product range to customers. The whole sector thus markets itself as one entity. This way, every schilling invested in advertising and marketing is spent far more efficiently and profitably. Throughout Austria, the same bank card gives the combined 2.4 million customers of the savings banks and of Erste Bank access to all self-service facilities.

What is more, this co-operation works just as seamlessly behind the scenes. Invisible to customers, but a source of especially high cost savings, is the sector-wide collaboration in settlement and payment processing.

Growth markets along the Danube

The savings bank sector has rediscovered not only the value of its brand, but also regions where its tradition of service goes back centuries and which now beckon as new growth markets. As early as the time of its flotation on the stock exchange, Erste Bank targeted the Danube economic region, that is, the countries of Central Europe, as its extended home market. The key to selecting these countries was the opportunity to win a market share of at least 20%—a threshold as meaningful in financial services as in other branches of commerce and industry.

From this perspective, Hungary, the Czech Republic and the Slovak Republic emerged as core markets. With the exception of Hungary, Erste Bank is now the market leader in these countries. The first step in this direction was the purchase and restructuring of Mezőbank in Hungary. Three years later, Erste Bank was able to acquire the Czech Česká spořitelna, a.s., which represents a perfect fit with the structure of Erste Bank and the Austrian savings bank sector. This was followed, just a few months ago, by the successful bid for the Slovak savings bank, Slovenská sporiteľňa, a.s. We have thus attained a stature in the fast-growing region of Central Europe that allows us to take a prominent position of leadership among financial institutions: No other bank in this region has a more attractive distribution network than Erste Bank or rivals its number of customers.

Regarding the credit and market risk incurred by the local banks in the past, the Erste Bank Group has established optimal safeguards. What the Bank cannot influence, however, are political developments in the individual countries and in respect of agendas already adopted for expansion of the European Union. Certain events, like long delays in accession, could temporarily interfere with the Bank's plans. However, while we may see delays in the achievement of our aspirations, we will by no means abandon our plans.

Financial intermediary to eight million customers

When Erste Bank identified as its principal strategic aim the concentration on its core businesses, what we had in mind was to earn predictable returns at relatively low risk in areas where the Bank has acquired expertise. Erste Bank therefore defines itself mainly as a services provider and advisor that matches its customers to the best products for any given need. Nowadays, the success of such a financial advisor is considered to be driven less by its total assets than by the number of its customers: The more customers a bank has, the better the terms at which it can procure products from insurance firms, fund companies and other producers, and the greater the price advantage it can pass on to customers. In a drive to expand its clientele from currently 8 million to an eight-digit figure, Erste Bank is seizing the opportunities offered by the new distri-

bution channels. The complete classic distribution network which we created with the savings bank sector is now reinforced by electronic distribution channels in the form of call centres and Internet platforms that make us accessible from anywhere, at any time, to our core target groups of retail customers and small and medium-sized enterprises.

WWW at Erste Bank: the freedom of Where, When, and hoW

Erste Bank has infused the three Ws of the WWW with a deeper meaning: Thanks to the technology of the World Wide Web, our customers are now free to access our services Where, When and hoW they would like. The very fact that the initial Internet euphoria has already given way to a more level-headed approach has enabled Erste Bank to create benefits for a wide circle of clients. About 128,000 customers of the savings bank sector now do their banking by Internet, independently of branch locations and hours; our ecetra.com is one of the most modern and service-oriented trading platforms on the Net, neatly covering off the extended home market and poised to become the market leader in just a few years.

Like perhaps no other company, Erste Bank is given life by the strength and motivation of its staff. No matter how successful our strategies, it is our employees in sales, at the branches, subsidiaries and service units whose hard work, tremendous dedication and focus on customers make it possible for us to implement our growth strategy successfully. To all our employees, customers and shareholders, we extend our sincere thanks for their loyalty to Erste Bank—they are the most important foundation for future success.

Vision for the immediate future

By working together with the Austrian savings banks and buying the partner institutions in the neighbouring countries, Erste Bank has set the stage for making its vision reality: to develop a savings bank "world" in Central Europe that presents no borders to customers. Erste Bank and the savings bank sector will continue to coalesce and to grow together. Related to this is our plan to remain an independent institution. We want to forge alliances only on the product side, for the benefit of customers, and do not intend to look for financial partners. A strong Erste Bank is also a prerequisite for strengthening the savings banks as autonomous economic entities. The translation of this idea into practice is already far advanced. If we also succeed in the next several years in making the enterprise value of Erste Bank on the Vienna stock exchange match with the impressive size of our customer base, we will have achieved what our employees, customers and shareholders have a right to expect from the management: the creation of a modern, forward-looking, but also thoroughly sound company that vouches for sustained performance.

Andreas Treichl



Group Management Report

Management Report

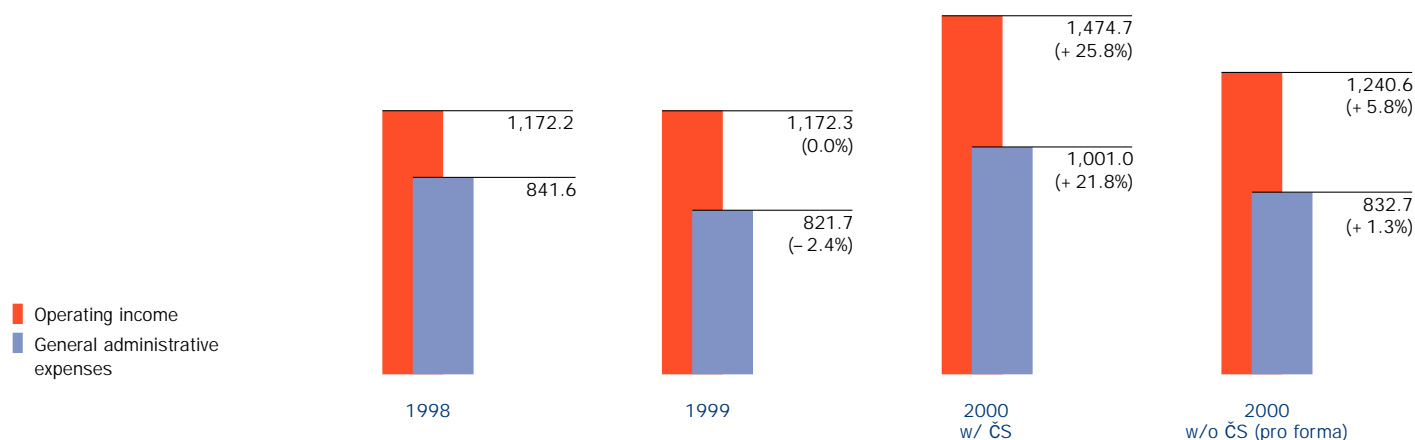
and Financial Review of the Erste Bank Group

Consolidated results in brief

In 2000 the Erste Bank Group (including Česká spořitelna, a.s., which was consolidated in the accounts effective 3 August 2000) posted **operating income**, consisting of net interest income, net commission income and the net trading result, of EUR 1,474.7 million, a robust increase of 25.8% year-on-year. Eliminating the effects of first-time consolidation of Česká spořitelna, a.s. (Česká spořitelna's operating income from August to December plus Erste Bank's costs for funding the acquisition) puts the growth rate at 5.8%.

Net interest income and net commission income were particularly strong components of this marked increase.

Operating income and general administrative expenses (in EUR million)



General administrative expenses, encompassing personnel expenses, other administrative expenses and depreciation and amortisation of fixed assets, climbed 21.8% in the reporting period to EUR 1,001.0 million; stripped of the effects of Česká spořitelna, a.s. there was only a minor increase of 1.3%. Although these figures obviously do not yet reflect the staff cuts already initiated at Česká spořitelna, a.s., they do reveal the enormous potential these measures hold.

This puts the **operating result** (operating income less general administrative expenses) at EUR 473.7 million, a jump of 35.1% over the previous year (adjusted increase: 16.3%). This is solid proof that the Česká spořitelna, a.s. acquisition has already had a positive impact on Erste Bank's income statement.

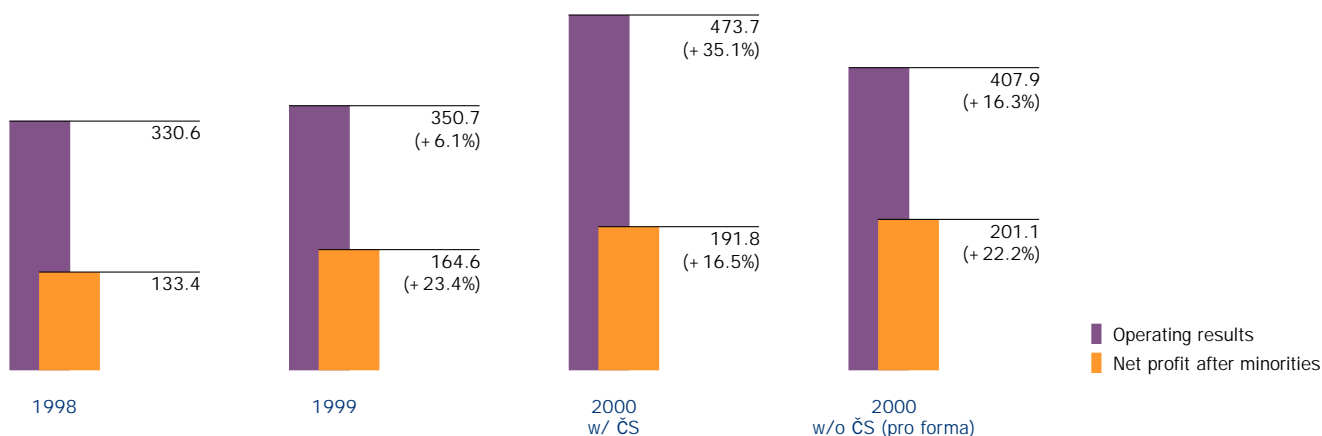
The **cost-income ratio**, i.e. general administrative expenses as a percentage of operating income), showed a striking improvement year-on-year from 70.1% to 67.9% despite first-time consolidation of the new acquisition in the Czech Republic.

Due to the first-time consolidation of Česká spořitelna, a.s., **risk provisions for loans and advances** were higher than in 1999, but the adjusted figure shows a decline of just under 10% due mainly to lower write-offs for loans and advances.

Other operating results include a valuation gain from the transfer of former Erste Bank branches in Styria to Steiermärkische Bank und Sparkassen AG in the amount of EUR 55.6 million (in 1999 the valuation gain from transferring branches came to EUR 44.0 million). This notwithstanding, the figure for 2000 is negative at EUR –35.1 million, because it includes not only amortisation of goodwill from the acquisition of Česká spořitelna, a.s., but also a number of expenditures that will be explained in detail later on.

After subtracting taxes on income, which resulted mainly from deferred tax liabilities and minority interests, the Group's net profit for 2000 came to EUR 191.8 million, an increase of 16.5% year-on-year.

Operating results and net profit after minorities (in EUR million)



The return on equity (ROE)—calculated as net profit after minorities as a percentage of average equity less the Bank's own shares in the portfolio—reached 12.3% in 2000, which constitutes another improvement over the excellent figure posted the previous year despite the goodwill amortisation and funding costs incurred by acquiring Česká spořitelna, a.s., which isn't generating enough income yet to compensate.

General information on the 2000 Consolidated Financial Statements

Since 1999 Erste Bank has been preparing its accounts in accordance with International Accounting Standards (IAS).

In the course of implementing the savings bank strategy, Erste Bank's branches in Styria were spun off and transferred to Steiermärkische Bank und Sparkassen AG following the example set in the provinces of Upper Austria, Salzburg and Carinthia. In return, Erste Bank received a 14%

stake in the savings bank. This transfer involved a balance sheet volume of EUR 0.6 billion (mostly loans and advances to customers and amounts owed to customers). This had no material impact on the individual items in the 2000 Consolidated Income Statement, since pursuant to IAS the results of this business segment are included until the fourth quarter of 2000.

The 52% stake in Česká spořitelna, a.s. was included in the Consolidated Financial Statements of Erste Bank effective 3 August 2000, the day the purchase agreement was concluded (closing day). Hence, the Consolidated Balance Sheet contains the balance sheet figures for Česká spořitelna, a.s. as of this date and the individual items in the income statement reflect the results for the period from August to December 2000.

First-time consolidation of Česká spořitelna, a.s. seriously restricts the ability to compare individual items in Erste Bank's Consolidated Balance Sheet and Income Statement with the previous year's figures.

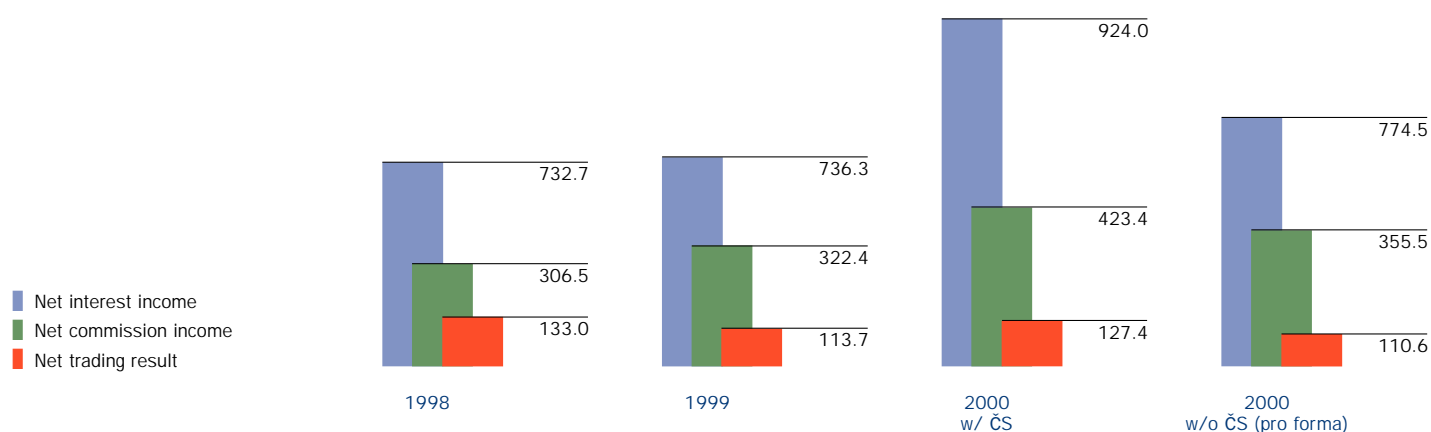
In the following review, wherever appropriate the rates of change are also indicated excluding the effects of the acquisition of Česká spořitelna, a.s.

Earnings performance

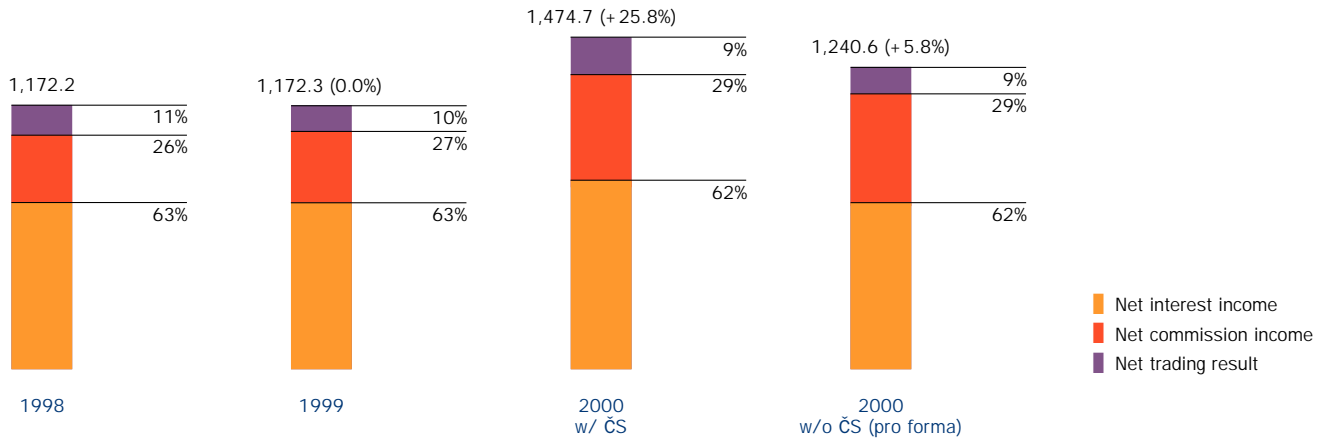
Operating income

Total operating income (the sum of net interest income, net commission income and net trading result) was up 25.8% year-on-year to EUR 1,474.7 million. After adjusting for the effects of acquiring Česká spořitelna, a.s., the increase came to 5.8%, primarily owing to the change in net interest income (adjusted increase of 5.2%) and net commission income (adjusted increase of 10.3%).

Structure of operating income (in EUR million)



Structure/growth of operating income (in EUR million)



Net interest income

Net interest income (comprising interest in the strict sense of the term, similar income and expenses and income from equity holdings including the prorated share in the earnings of associates) grew by 25.5% and even the adjusted figure showed a rise of 5.2%. Positive developments at Erste Bank AG played a crucial role in this growth with international business making a particularly strong contribution.

Due to strong expansion of interbank business and the acquisition of Česká spořitelna, a.s. as per August 2000, average total assets totalled EUR 61.6 billion, which is a significant increase from the previous year's EUR 54.8 billion.

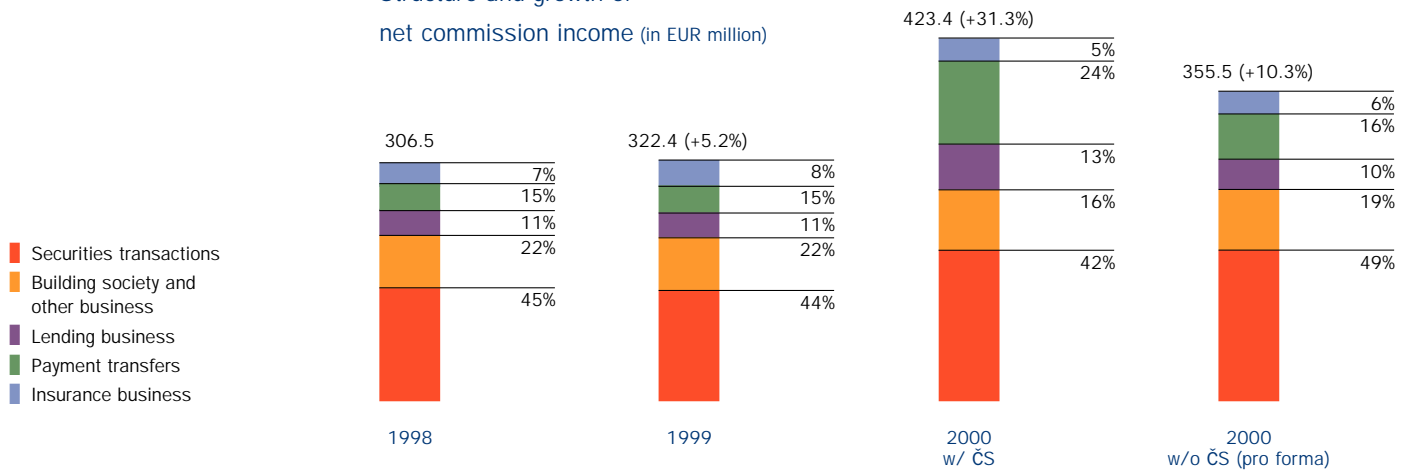
Although the interest margin for the Group as a whole did improve from 1.34% to 1.5% year-on-year, when adjusted for Česká spořitelna, a.s., which has a much higher interest margin than the rest of the Group, the figure for 2000 remains virtually unchanged at 1.36%. The reduction in the relative margin caused by the expansion of low-margin interbank business was, however, offset by the improvement in net interest income in absolute terms.

Net commission income

For a number of years now the Group has been posting double-digit increases in net commission income (adjusted for the branch transfers in 1999 and 2000) and last year was no exception. The consolidation of Česká spořitelna, a.s. paved the way for an especially big jump of 31.3% to EUR 423.4 million and the adjusted figure was still in the double-digit range at 10.3%.

Fee and commission income from securities and payment transactions reported a particularly sharp adjusted increase, while income from insurance business was on the decline.

Structure and growth of net commission income (in EUR million)



Net trading result

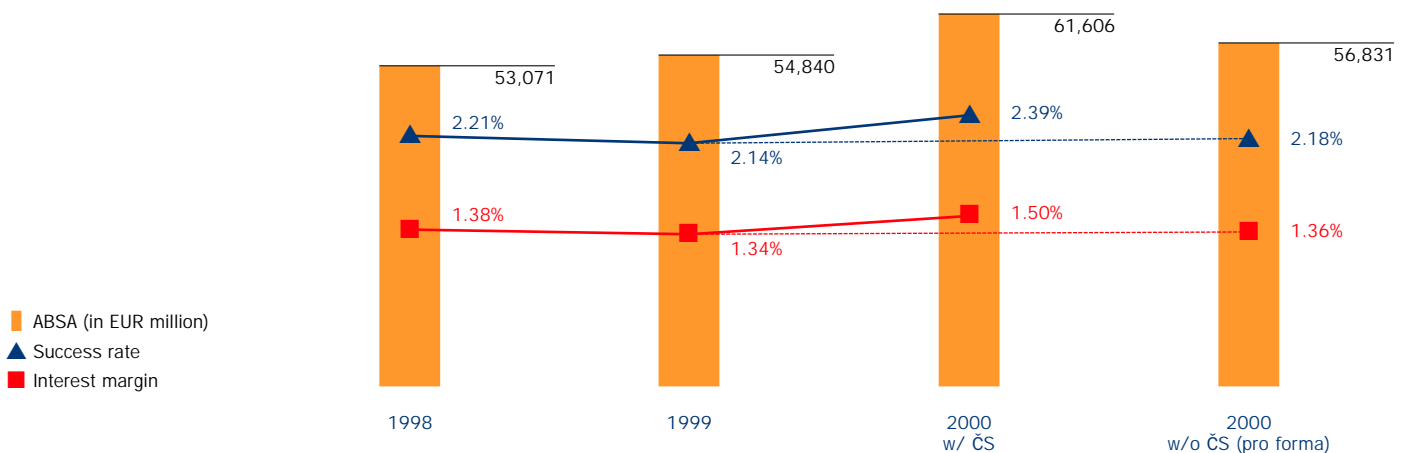
The net trading result consists of gains and losses from securities transactions, interest rate and equity derivatives and foreign exchange instruments.

This item also includes interest and dividend income on trading positions and interest expenses from funding these positions.

In 2000 the net trading result rose 12%, although when adjusted for the effects of the acquisition of Česká spořitelna, a.s. the result remained around the previous year's level.

The following chart shows the trend in average balance sheet assets and interest margin (net interest income as a percentage of average balance sheet assets) and the rate of market result (operating income as a percentage of average balance sheet assets):

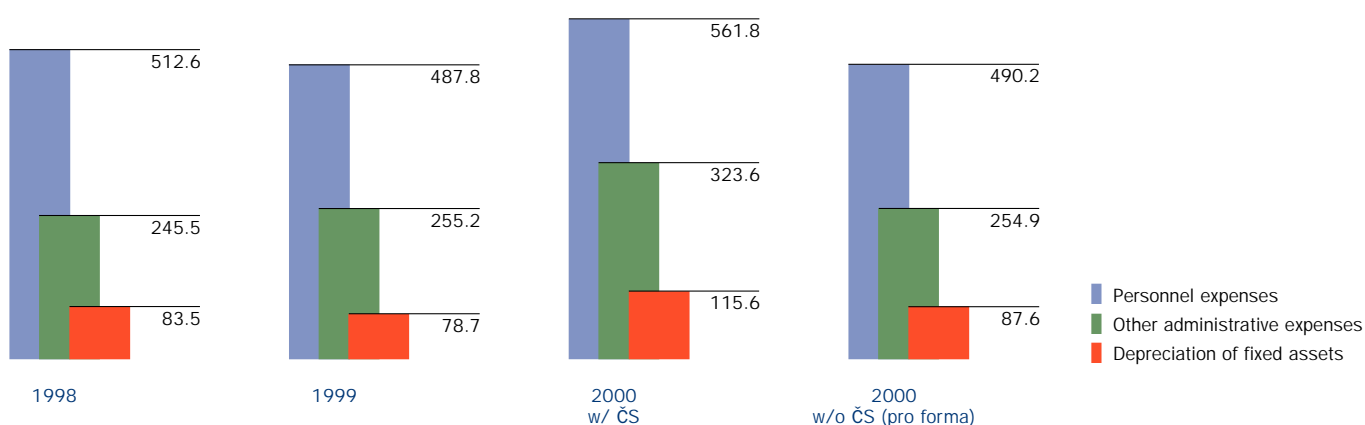
Interest margin and rate of market result in % of average balance sheet assets



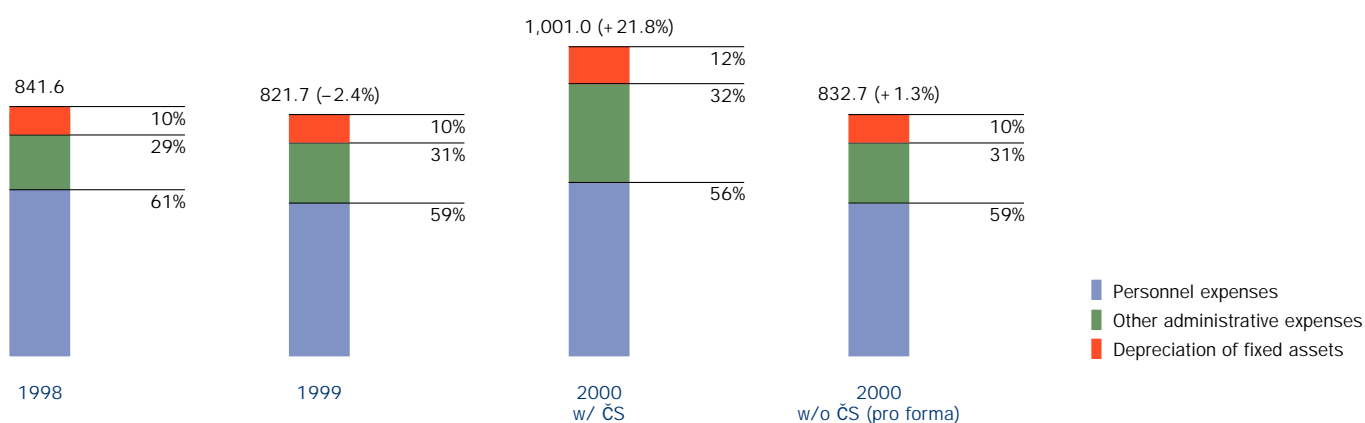
General administrative expenses

General administrative expenses, which comprise personnel expenses, other administrative expenses and depreciation and amortisation of fixed assets, reported the following trends:

Structure of general administrative expenses (in EUR million)



Structure and growth of general administrative expenses (in EUR million)



Consequently, the overall increase for 2000 was 21.8%, although the adjusted figure is only 1.3%, which shows just how successful the cost-cutting project launched in 1999 was, the main impact of which was felt in the results for financial 2000.

Personnel expenses were up 15.2%, but the adjusted figure only showed a very moderate increase of 0.5%, thanks in part to reducing staff size. The reduction in the average number of employees whose expenses are reported in this item—excluding Česká spořitelna, a.s.—is even

greater, since some of the staff cuts in 1999 were not made until the second half of the year and thus were not fully reflected in the accounts until financial 2000.

Weighted according to the degree of employment (excluding employees on parental leave), the [headcount](#) of the Erste Bank Group exhibited the following trend:

Number of employees

	31 Dec 1999	31 Dec 2000
Austria	6,944	6,913
Česká spořitelna-Group*	–	15,742
Abroad elsewhere	1,472	1,155
Total	8,416	23,810

* first-time consolidation in 2000

As per the end of 2000, an additional 261 employees (1999: 288 employees) were on staff at non-bank subsidiaries, primarily in the hotel and leisure industry. The expenses for these employees are included not under general administrative expenses, but rather under other operating results, as is the income of these non-banks.

The staff reduction (excluding Česká spořitelna, a.s.) naturally includes the 160 employees that were transferred to Steiermärkische Bank und Sparkassen AG as part of the [branch transfers](#) effected in 2000.

Other administrative expenses show a growth rate of 26.8%, but remained unchanged year-on-year in the adjusted figure. Office space and operating expenses were both down, whereas IT costs moved higher.

[Depreciation and amortisation of fixed assets](#) climbed 46.9%, and even the adjusted figure showed a rise of 11.2%, primarily due to IT investments.

Owing to this trend, the [cost-income ratio](#) fell from 70.1% in 1999 to 67.9%. Stripped of the effects of consolidating Česká spořitelna, a.s., the figure was 67.1%. This is attributed to the cost-cutting programme underway for the last two years and is in line with the target of 67% that was set when Erste Bank went public in 1997.

[Risk provisions for loans and advances](#) amounted to EUR 161.9 million in 2000 (balance of allocations and releases). This figure includes direct write-offs of loan losses and although it constitutes an increase of 22.2% year-on-year, adapting the figure for Česká spořitelna, a.s. turns it into a decline of almost 10%. Domestic business accounted for the major part of net additions to risk provisions—even including Česká spořitelna, a.s.

Not included are the changes (netted in net interest income) in value adjustments of interest receivables.

The additions to and releases of other risk provisions not pertaining to loans and advances are reported under other operating results.

Detailed information on risk management and the risk situation can be found in the Notes to the Financial Statements.

Aside from the above-mentioned changes in risk provisions for non-lending purposes and the valuation gain on the spin-offs of provincial branches, **other operating results** include expenses and gains on valuation and sale of investments, securities held as investments available for sale and securities held as financial investments as well as real estate not being used by the Group and real estate projects.

The marked drop in the net amount, which went from a positive figure in 1999 to a negative one in the reporting period, was caused mainly by one-off expenditures incurred in 2000 and the initial amortisation of goodwill in 2000 for the acquisition of Česká spořitelna, a.s. A detailed breakdown of other operating results is supplied in the Notes.

Consequently, **pre-tax profit** rose 14.6% to EUR 276.7 million. The effects of including Česká spořitelna, a.s. were immaterial.

The tax situation

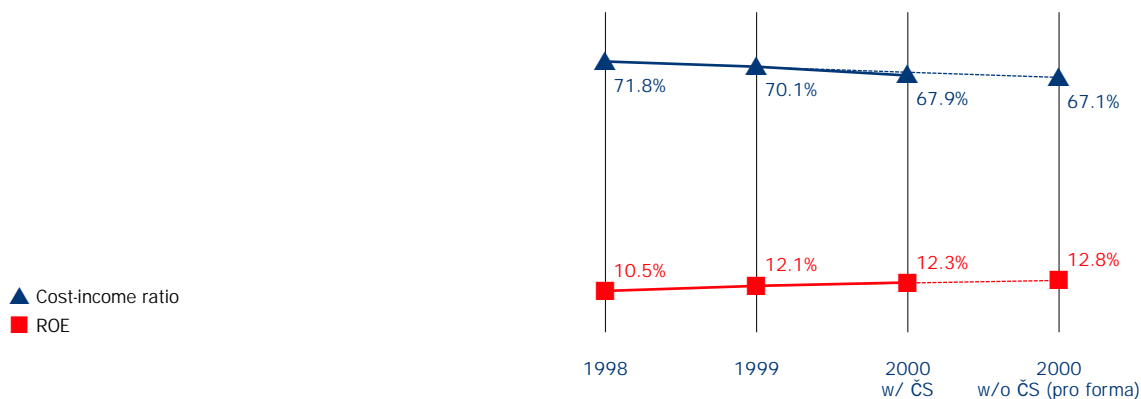
Erste Bank and a number of its main subsidiaries (foremost among them s Bausparkasse AG, IMMORENT AG, ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H. and—since 2000—Salzburger Sparkasse Bank AG) form a single entity for tax purposes, which itself was exempt from Austrian corporation tax for 2000 by virtue of tax losses carried forward.

Among the amounts reported under **taxes on income** are taxes payable by smaller Austrian subsidiaries, foreign income-related taxes and the deferred tax assets and tax liabilities that have to be formed pursuant to IAS. This put the tax rate for the Group as a whole at approximately 18%. A change in legislation relating to the tax allowance of writing off depreciation of goodwill had a positive impact on the tax situation in the fourth quarter of 2000 totalling some EUR 21 million.

Net profit after minority interests totalled EUR 191.8 million, which is an increase of 16.5% year-on-year.

The **return on equity** (ROE) is calculated at 12.3%, even surpassing 1999's excellent return of 12.1%, and the fact that this figure already takes into account the acquisition of Česká spořitelna, a.s. makes this all the more impressive.

Cost-income ratio and return on equity



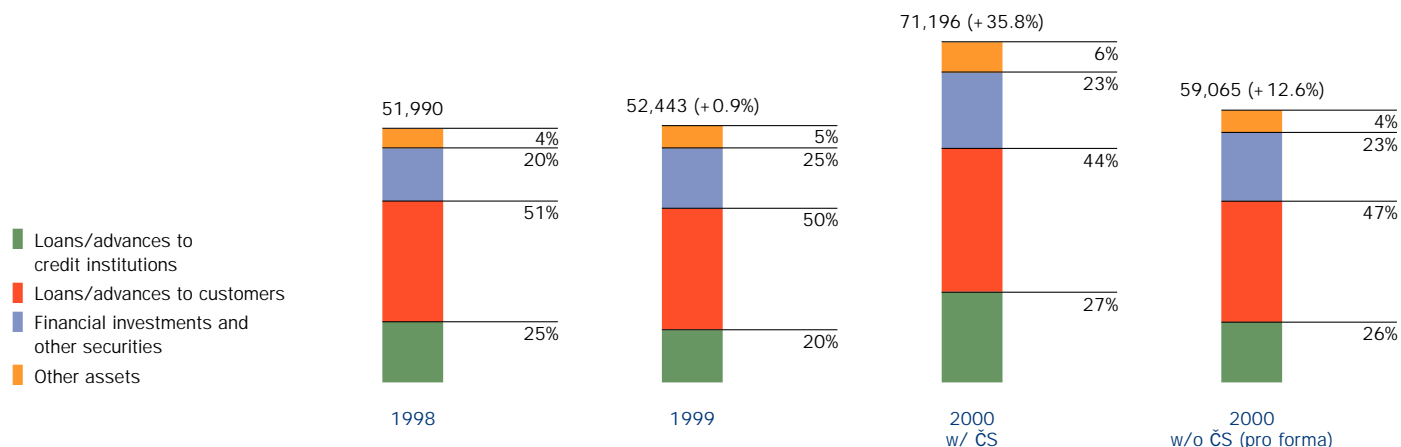
Balance sheet review

Owing to the first-time consolidation of Česká spořitelna, a.s., **total assets** showed a sharp increase of 35.8% to EUR 71.2 billion, although even without Česká spořitelna, a.s. the rise was above average at 12.6%.

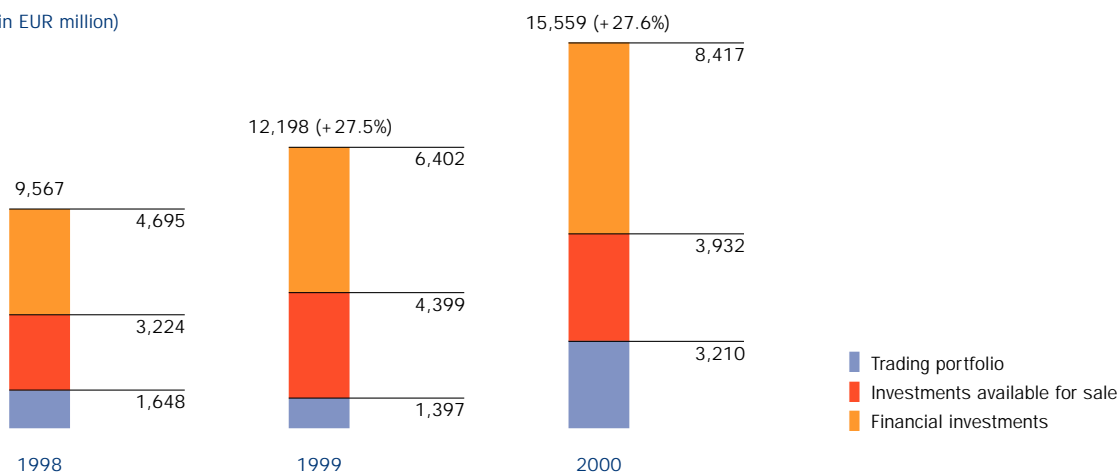
The inclusion of Česká spořitelna, a.s. in the balance sheet greatly restricts comparison of 2000 figures with most of the items from the previous year.

Eliminating one-off influences reveals that the strongest asset growth was registered by **loans and advances to credit institutions** (expansion of interbank business). **Loans and advances to customers** (adjusted for Česká spořitelna, a.s.) were also up, reporting a rise of 5.3% despite the branch spin-offs in Styria. The **securities portfolio** (also adjusted for Česká spořitelna, a.s.) remained virtually unchanged.

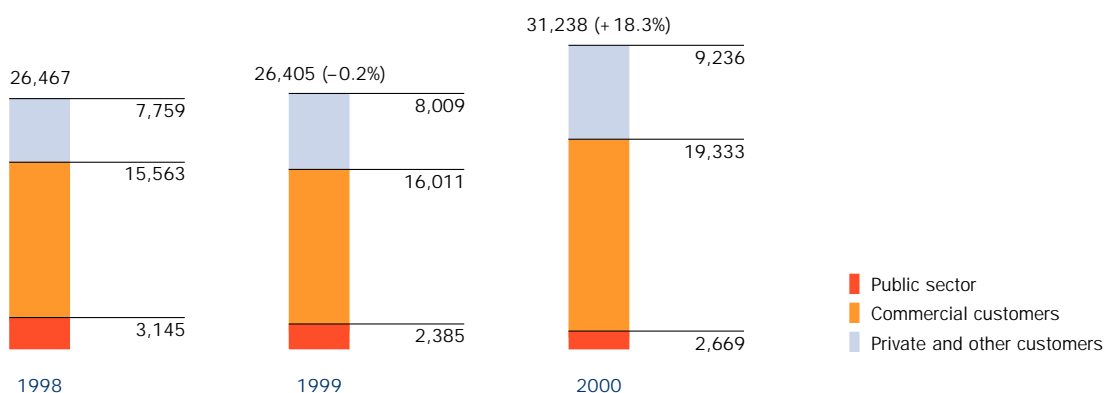
Balance sheet structure of assets (in EUR million)



Securities portfolio (in EUR million)



Structure of loans and advances to customers (in EUR million)



On the liabilities side—also adjusted for Česká spořitelna, a.s.—debts evidenced by certificates (including subordinated liabilities) increased by around 29%, thus making a substantial improvement in long-term funding.

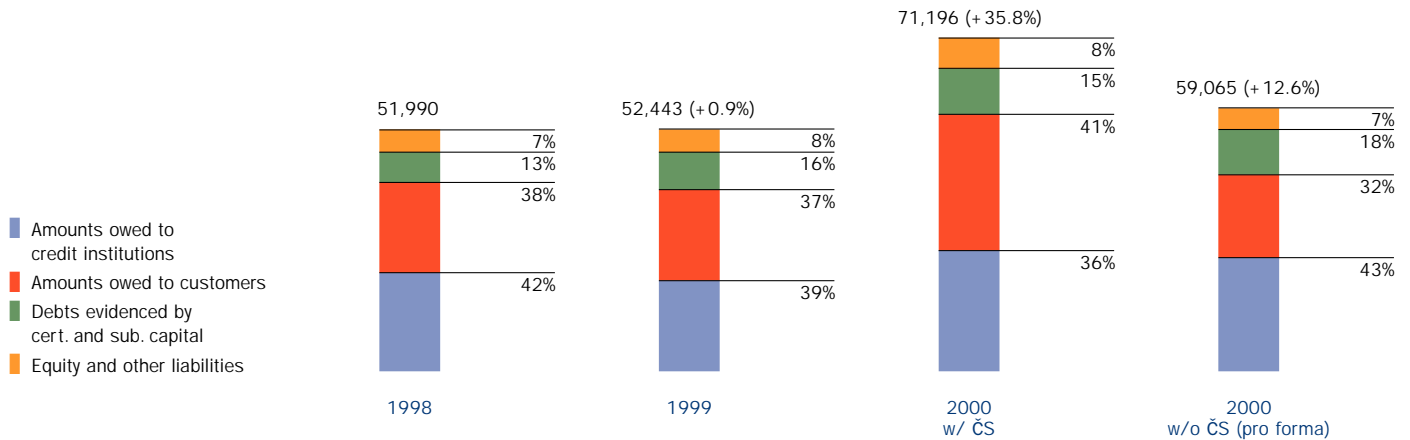
Amounts owed to customers were up 47.7%, an increase that is due solely to the inclusion of the Czech savings bank. The adjusted figure shows a decline of around 3%, which relates primarily to the branch transfer in Styria.

First-time consolidation of Česká spořitelna, a.s. also had a major impact on the balance sheet in terms of the ratio of loans and advances to customers to amounts owed to customers: While some 74% of loans and advances to customers were covered by customer deposits as at the end of 1999, this ratio had risen to around 92% by the end of 2000.

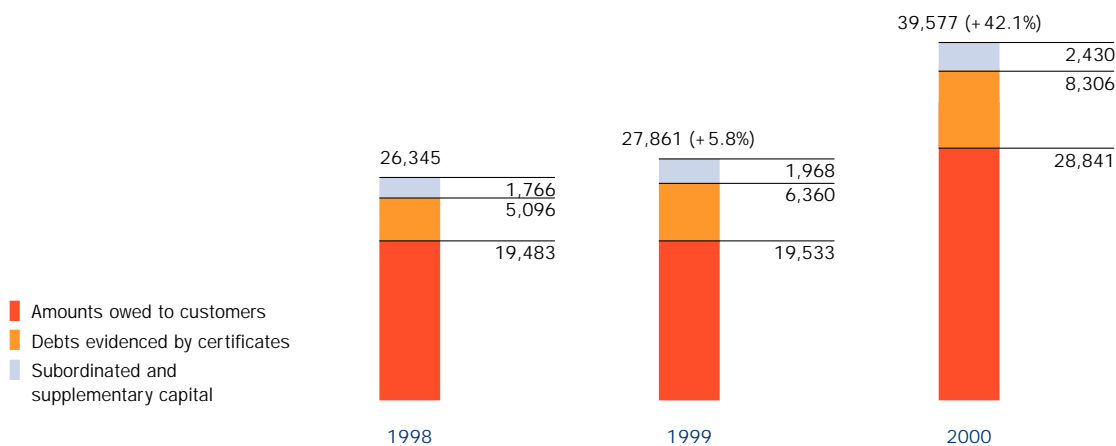
In keeping with the trend on the asset side, under liabilities as well **interbank business** registered an above-average increase.

Shareholders' equity (including net profit after minority interests) reported an increase of EUR 420.0 million or 29.2% to EUR 1,856.0 million, of which some EUR 272 million (net after deducting the issuing costs and related taxes) ensued from the capital increase conducted in autumn 2000.

Balance sheet structure of liabilities and equity (in EUR million)



Structure and growth of extended primary funds (in EUR million)

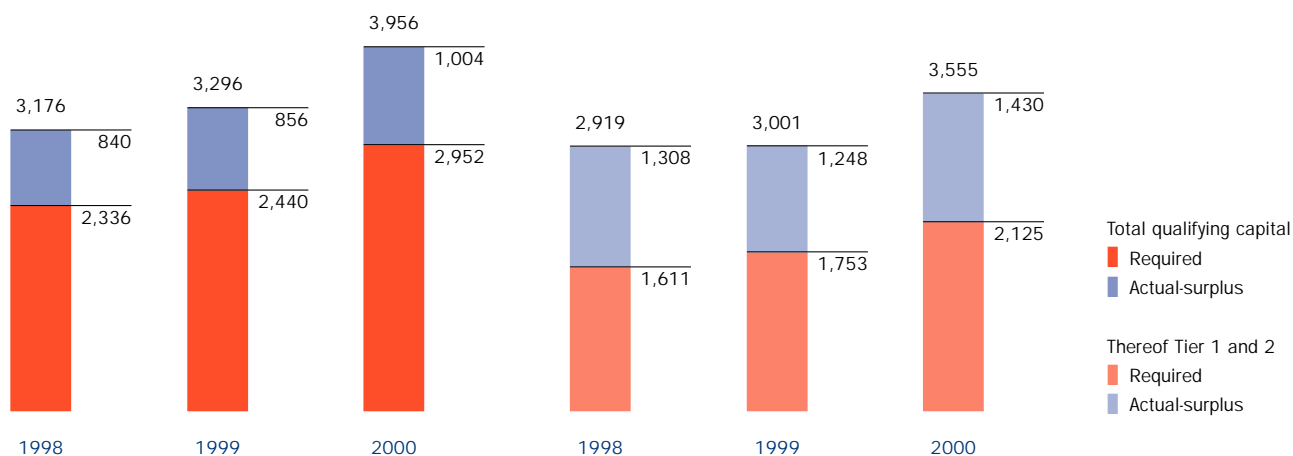


The Group's total **eligible qualifying capital** under the Austrian Banking Act amounted to EUR 3,956.0 million at 31 December 2000 (31 December 1999: EUR 3,296.0 million). This includes the requirement for short-term subordinated capital to cover the trading book according to Section 22b Austrian Banking Act and open foreign exchange positions according to Section 26 Austrian Banking Act.

The statutory minimum requirement at the balance sheet date was EUR 2,952.0 million, thus putting the coverage ratio at 134.1%.

This amount also contains the requirement for the trading book including open foreign exchange positions, which was EUR 401.0 million at the end of 2000 (1999: EUR 295.0 million).

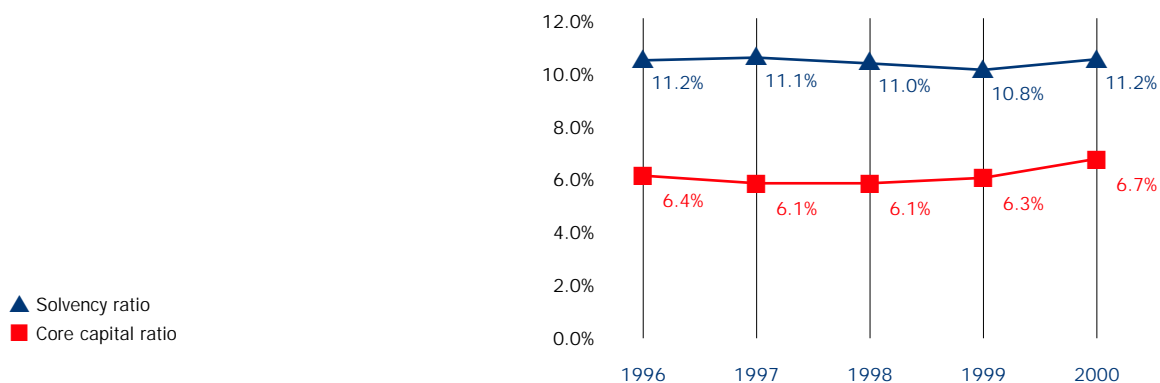
Actual qualifying capital (actual = required + surplus) of the Erste Bank Group under Banking Act (in EUR million)



The **risk-weighted basis** according to Section 22 Austrian Banking Act (the capital measurement basis for the Erste Bank Group) rose 14.9% to EUR 31,879.0 million. EUR 4,478.0 million of this pertained to Česká spořitelna, a.s., making the adjusted figure a decline of 1.3%, which was caused in part by the branch transfer in Styria and also by the fact that in 2000 Erste Bank's interbank business was assigned to the trading book.

At 31 December 2000 the **core capital** pursuant to the Austrian Banking Act stood at EUR 2,125.0 million. The year-on-year increase (1999: EUR 1,753.0 million) reflects the capital increase conducted by Erste Bank in autumn 2000. The **core capital ratio** thus amounted to 6.7% (1999: 6.3%), and the **solvency ratio** to 11.2% (1999: 10.8%), which is well above the statutory minimum requirement of 8%.

Solvency and core capital ratios of the Erste Bank Group under Banking Act

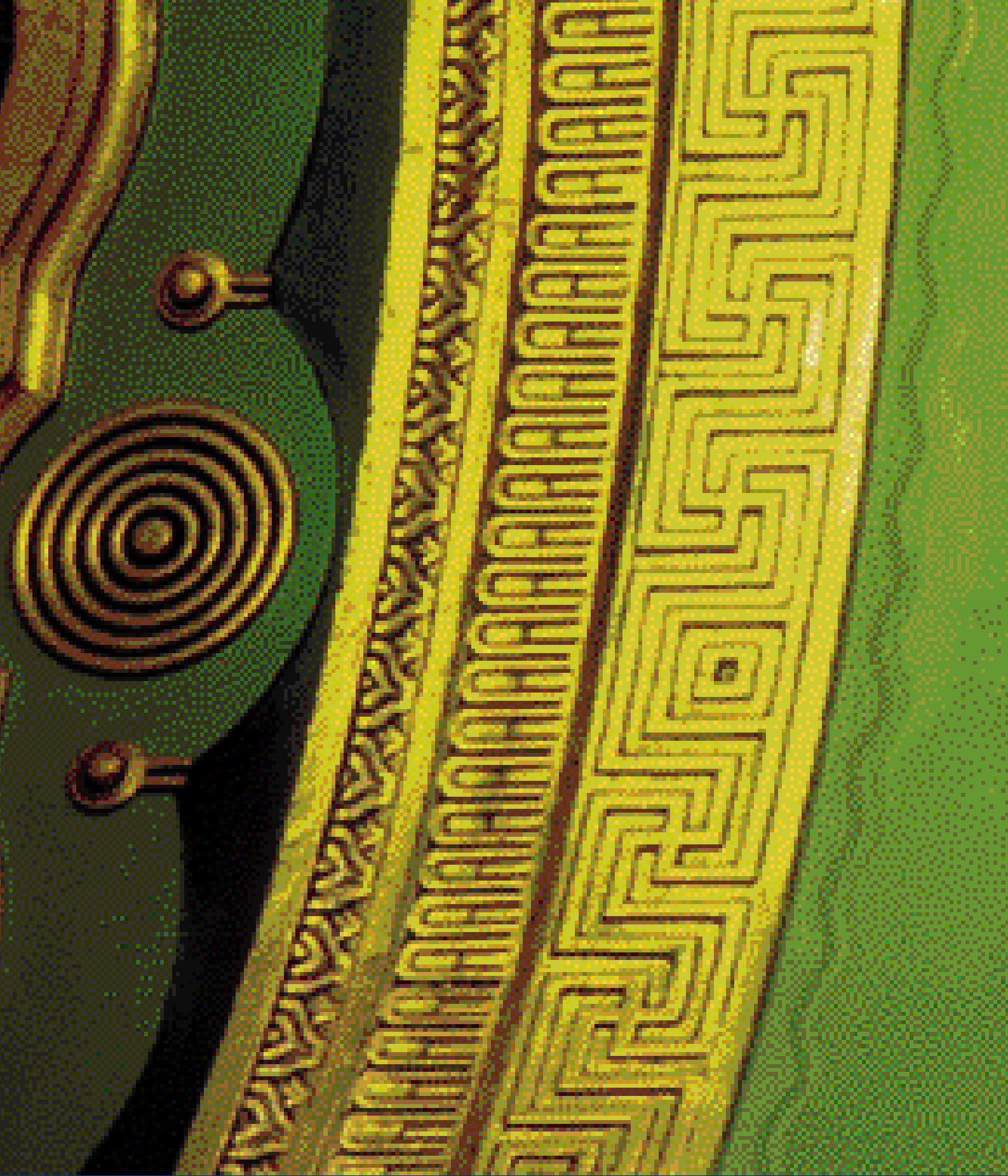


Outlook for 2001 and recent developments

In the autumn of last year Erste Bank beat out international competitors vying for a stake in Slovenská sporiteľňa, a.s., the largest retail bank in the Slovak Republic with just under 1.8 million customers. On 11 January 2001 Erste Bank signed an agreement to purchase 87.18% of the share capital of the Slovak savings bank Slovenská sporiteľňa, a.s., thereby achieving the Central Europe objective that Erste Bank set when it went public in 1997 to become the leading financial services provider in the region.

The integration of Slovenská sporiteľňa, a.s. will require substantial resources and involve not only funding costs despite the capital increase conducted by Erste Bank in autumn 2000, but also restructuring measures which will not be offset by income in the short term. Nevertheless, after restructuring in 2001, a year during which no major increase in earnings is anticipated, we expect to see the positive trend in solid earnings continue as of 2002.

Due to the acquisition of Slovenská sporiteľňa, a.s., the objectives previously set by Erste Bank for its most crucial financial ratios, e.g. raising ROE to at least 14% and improving the cost-income ratio to 66% by 2002, were simply postponed by one year and are to be achieved by 2003.



Segment Performance of the Erste Bank Group

Results by business segment

The activities of Erste Bank fall into five segments:

- **Retail and Real Estate**
(retail banking, small and medium-sized corporate customers and real estate finance in Austria and Central Europe)
- **Large Corporate Customers**
(key accounts in industry, trade and service sector; international business outside Central Europe)
- **Asset Gathering**
(investment funds, portfolio management, insurance business)
- **Trading and Investment Banking**
(investment banking, treasury, balance sheet management)
- **Corporate Centre**
(fixed assets, other equity holdings, consolidating items)

The main changes on 1999 result from the creation of the "ecetra" Internet platform, the development costs of which were allocated to the Corporate Centre segment, and from the purchase of Česká spořitelna, a.s., whose results for five months were integrated with the individual segments of Erste Bank.

In Note 37 to the financial statements, the contribution by the savings banks (collectively) and by Česká spořitelna, a.s. to pre-tax profit in each segment is stated separately.

The regional breakdown of the profit contributions is provided in the same Note.



Retail and Real Estate

RETAIL AND REAL ESTATE

The Retail and Real Estate segment comprises three business units: Retail, Small and Medium-Sized Corporate Customers, and Real Estate Finance, including the corresponding activities of Erste Bank in Central Europe.

These business units represent key priorities under the core strategies of Erste Bank.

in EUR million	2000 ¹⁾	1999	Change in %
Net interest income	634.0	511.9	23.9
Risk provisions for loans and advances	(110.7)	(95.7)	15.7
Net commission income	234.1	136.9	71.0
Net trading result	27.0	35.7	(24.4)
General administrative expenses	(730.2)	(586.5)	24.5
Other operating results	49.9	43.2	15.5
Pre-tax profit for the year	104.1	45.5	128.8
Share in pre-tax profit for the year	37.6%	18.5%	0
Average risk-weighted assets	13,492.4	12,197.0	10.6
Average attributed equity	646.1	575.1	12.3
Share in equity	34.8%	42.3%	0
Cost-income ratio	81.6%	85.7%	0
ROE based on pre-tax profit for the year	16.1%	7.9%	0
Contribution of business with savings banks to pre-tax profit for the year	3.5	3.9	(10.3)
Contribution of Česká spořitelna, a.s. to pre-tax profit for the year	13.1	-	0

1) incl. 5 months of Česká spořitelna, a.s.

The Retail and Real Estate segment more than doubled its pre-tax profit of 1999, thus strongly boosting its return on equity from 7.9% to more than 16%. The foremost reasons were an above average increase in net commission income (notably from branch business), the improvement in the interest margins, proceeds from the disposal of branches in Styria and the strong earnings of Salzburger Sparkasse and s Bausparkasse. The cost-income ratio was brought down from 85.7% to 81.6% last year. A benign trend was also seen in risk provisions, which (Česká spořitelna, a.s. excluded) contracted slightly. The effect of Česká spořitelna, a.s. on Group earnings and costs is felt primarily in this segment. The results of Erste Bank Sparkasse (CR) a.s., which was integrated into Česká spořitelna, a.s. as of the end of September 2000, are included in this segment for the first nine months.

Retail

The restructuring of the retail business began in 1999. It has also involved the transfer of Erste Bank branches to the savings banks of the provincial capitals, Erste Bank in return receiving equity stakes in these savings banks. This process continued in 2000, when 24 branches were handed over to Steiermärkische Bank und Sparkassen AG. In the balance of the branch network, four locations were relinquished in the course of branch mergers.

As a result, in 2000 the number of branches of Erste Bank AG was reduced from 207 to 179.

Including the branches of Salzburger Sparkasse Bank AG, in which Erste Bank holds an interest of 98.7%, and Sparkasse Mühlviertel-West Bank AG, in which Erste Bank owns a 40% stake, the Erste Bank Group has a total of 279 locations in Austria.

Innovative advisory tools now also offered by savings banks

The retail concept of Erste Bank embodies the central strategy of consistently focusing on the core business: The main target groups are retail customers, professionals and small and mid-sized businesses.

Two advisory tools introduced in 1999, "Finanzcheck" and the in-depth "Finanzplan", (respectively, a simpler and a more sophisticated version of a combined needs analysis/financial plan) were already employed throughout Erste Bank in December 1999 as part of a heightened emphasis on providing customers with needs-oriented advice. Since the retail launch, Finanzplan or Finanzcheck interviews were conducted with 24% of the customers of Erste Bank AG; more than half of the meetings concerned building new wealth or investing existing wealth.

As of the end of 2000 about 78% of all branches in the savings bank sector were using the advisory concept. By mid-2001 all savings banks will be applying it.

In parallel with concentrating on personal advice and developing the branch into an advisory centre and centre of expertise for personal banking, in 2000 Erste Bank attuned its retail concept to customers' new needs—specifically, to be able to bank around the clock. The Bank has accommodated this trend by introducing multichannel distribution. The use of mobile and other electronic distribution channels is giving customers considerably more flexibility.

Real Estate

The core clients of the Real Estate segment are non-profit and commercial housing developers, property management companies, real estate brokers and retail mortgage customers. Although new construction activity fell sharply due to a large supply overhang, Erste Bank's new-construction-related business increased somewhat compared to 1999, rising by 2.4% to EUR 1.5 billion. The continuing downtrend in new building activity and a change in the system for subsidising public housing in Vienna probably spell an overall further decline in lending in this market segment.

In retail housing finance, the focus on customer needs was maintained through product innovations. In the form of "Erste Finance Management" (EFM), Erste Bank is first in Austria to offer an actively managed finance portfolio.

Starting from the knowledge of a customer's exact individual risk profile, EFM tailors a finance mix of building society loans, variable- and fixed-rate loans as well as foreign exchange components to the specific combination of customer requirements. In order to strengthen the positioning as the number one provider of solutions related to housing, a new sector-wide real estate finance strategy was launched in January 2001 in a concerted campaign by Erste Bank, the savings banks, Bausparkasse der österreichischen Sparkassen AG, the s Real Group and Sparkassen Versicherung AG. Under the slogan "wohnquadrat—alles rund um die immobilie", a marketplace for real estate was created that offers the entire range of services of the savings bank sector and complete expertise in all questions pertaining to housing and homes. In collaboration with property developers, makers of pre-fabricated housing and brokers, Austria's largest real estate data base to date was created at www.sparkasse.at/Immobilien suche.

From the second quarter of 2001 a virtual marketplace at www.wohnquadrat.at will let customers search the Internet for real estate.

The Erste Bank Group's loan book in retail home finance amounts to a total of about EUR 6.1 billion; about 80% of this lending is secured by mortgages. By means of product offensives and active customer acquisition, outstanding loans in the housing segment as a whole were lifted by 4% to EUR 8.28 billion, thus overcoming the declining market trend and the increase in loan redemptions.

Bausparkasse der österreichischen Sparkassen AG and s Wohnbaubank AG likewise defied the decline in new construction: By use of new product policies and financing techniques, they were able to sustain their market shares and revenues in the finance business.

Bausparkasse der österreichischen Sparkassen AG profited from the adjustment to the way building societies set interest rates and from the trend among retail customers towards using risk-free building society loans. Lending in 2000 climbed by 36%, from the previous year's EUR 688 million to a total loan book of EUR 933 million. In the year under review 248,420 new building society contracts were signed (1999: 247,421).

**Novel and unique:
Individual finance portfolio**

The market share in this segment grew by 1.1 percentage points to 29.8%.

s **Wohnbaubank AG**, by issuing tax-favoured bonds, raises long-term funding at stable rates for social-welfare and other municipal housing. The issuance volume was strongly expanded from the previous year's EUR 43.6 million to EUR 79.94 million.

Small and Medium-Sized Corporate Customers

In 2000 the two commercial banking centres in Styria for small and medium-sized clients, with lendings of EUR 160 million, were also transferred to Steiermärkische Bank und Sparkassen AG. On balance, at year-end Erste Bank operated 12 regional commercial banking centres in the Austrian provinces of Vienna (incl. southern Lower Austria), Burgenland, Tyrol and Vorarlberg, with a concentration in eastern Austria (seven locations in Vienna and three in Burgenland). In spite of the reduction in the number of branches, the number of clients increased by 5% to 7,180.

This expansion was paralleled by a moderate increase in lendings by EUR 40 million, or 2%, to EUR 2,105 million. This trend reflects the continuation of the portfolio review started in 1998.

Volume has risen further

Notwithstanding the significant competition in the Viennese market and in Western Austria, the margin in lending business was held nearly level. The volume of deposits increased amid the expected slightly declining margins, rising by 2% or EUR 26 million to EUR 1,180 million. In total, net interest income was thus maintained at the previous year's level.

The shift from lending business to a rigorous emphasis on Erste Bank's cross-selling approach—that is, the sale by Erste Bank of subsidiaries' products (EBV-Leasing Ges.m.b.H. & Co. KG, IMMORENT AG, ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H. und Sparkassen Versicherung AG)—yielded better-than-targeted commission income. This development was driven primarily by international payments, the warranty and guarantee business and securities operations (such as mutual funds).

Improvements were also achieved in property and equipment leasing business with IMMORENT AG, a subsidiary of the Group. The year 2000 was an especially good one for **EBV-Leasing Ges.m.b.H. & Co. KG**, the market leader in automobile leases distributed through banks and insurance companies. New leases in 2000 reached EUR 201.7 million, or 20.7% more than one year earlier. This growth rate surpassed that of the market at large, in part because new leases constituted 25% of the business contributed by the co-operating savings banks. At the end of 2000, EBV-Leasing Ges.m.b.H. & Co. KG was managing 24,953 lease agreements.

Outlook

The priorities in 2001 in distribution to small and mid-sized companies will be to maintain the profit margin despite an adverse environment, achieve selective growth in risk assets and further expand commission income. Another important task is to advise and prepare small and medium-sized business customers for the introduction of the euro at the end of 2001.

The needs-oriented advisory services launched with retail customers as part of the retail strategy are also being extended to the business with small and medium-sized corporate clients. In this market segment Erste Bank plans to use a standardised tool which it calls Business Check. This device, developed together with the savings banks, can be used in the entire savings bank sector and greatly contributes to the projection of a unified identity.

In 2001, in order to ensure that the steadily rising requirements of customers and markets for quality are met, Erste Bank will continue to invest systematically in the further training and development of its customer advisors.

Savings banks

The savings banks strategy of Erste Bank is based on the Bank's function as the sector's lead bank and centre for product development and design, as well as on the distribution strength of the savings banks based on their knowledge of the market and their local roots. The sharing of resources and division of labour with the savings banks generates synergies in the form of cost reductions and earnings enhancements.

Co-operation with savings banks

Alongside the sector-wide roll-out of the retail concept introduced in 1999 in the form of the advisory tools "Finanzcheck" and "Finanzplan", in 2000 the joint marketing of the savings banks and Erste Bank was further refined. The approach to the market is now uniformly based on joint marketing plans that are produced annually. For the effective communication of the sector's messages, notably by means of advertising, a central budget was created to which the savings banks and Erste Bank transferred a significant proportion of their existing marketing budgets. This has created a secure foundation for the continued rapid building of the collective s brand and for the effective implementation of the uniform corporate design in the appearance of the savings banks products.

Combining the marketing budgets of the individual savings banks with that of Erste Bank results in additional potential for synergies, particularly cost savings. The common Internet presence of the savings bank sector went live in March 2000 at www.sparkasse.at.

**Strong, united identity
conveyed by tightly
co-ordinated marketing**

By the end of 2000, two-thirds of the savings banks had already redesigned their home pages to reflect the new unified structure. A further step in the direction of additional distribution channels was taken in September 2000 by enabling customers to access the automated teller machines and self-service account statement printers of 1,200 branches of the entire Austrian savings bank sector with one card.

The securities trading platform launched in the fourth quarter, Erste-nettrading, will be available to all savings banks this year.

As of the end of the reporting year, 12 savings banks had already outsourced their securities back office operations to Erste Bank, and preparations with another 15 institutions were under way. This initiative puts into practice Erste Bank's strategy of efficiently bundling the sector's back office functions. In asset-liability management—another area of co-operation—26 savings banks in Austria are currently drawing on the consulting services of Erste Bank's Balance Sheet Management unit.

**Reduction of overlap between branch networks leads to equity participation
of Erste Bank in savings banks**

In 1999 ownership of 53 branches in Upper Austria, Salzburg and Carinthia passed to the respective regional savings banks. On 30 September 2000, in line with Erste Bank's savings banks strategy, this was followed by the transfer of 24 Erste Bank branches in Styria to Steiermärkische Bank und Sparkassen AG. In return, Erste Bank received a 14% interest in the savings bank.

In the course of this transaction, Steiermärkische Bank und Sparkassen AG took over 160 employees. The total assets of the branches involved, consisting of both traditional savings bank activities and the business with small and medium-sized corporate customers, amount to EUR 580 million.

The transfer also included all non-bank equity holdings of Erste Bank domiciled in the province of Styria, notably tourism-related companies. As well, in December Erste Bank sold its 9% stake in a municipal savings bank, Sparkasse der Stadt Knittelfeld AG, to Steiermärkische Bank und Sparkassen AG.

The spin-offs of the Erste Bank branches to the savings banks of the Austrian regional capitals are designed to reduce competition within the sector, reap synergies from the pooling of back-office and service functions, and the expand the joint market shares.

In the past several years **Salzburger Sparkasse Bank AG**, the third largest Austrian savings bank, with total assets of EUR 3.53 billion has succeeded in demonstrating its deep entrenchment in the region as a Salzburg institution.

The advantages of the institution's integration into the Erste Bank Group for customers are also being utilised. This effort will be intensified yet more now that the city of Salzburg sold its remaining 25.6% stake to Erste Bank in December 2000. The restructuring of the distribution

network, the further tightening of organisational structures and the resulting synergies will help sustain the positive trend at Salzburger Sparkasse.

Equity interests of Erste Bank in savings banks at the end of 2000

	Share in %	Total assets in EUR million
Allgemeine Sparkasse Oberösterreich Bank AG	26.9	6,410.3
Steiermärkische Bank und Sparkassen AG	14.0	5,947.1
Salzburger Sparkasse Bank AG	98.7	3,534.6
Kärntner Sparkasse AG	10.0	2,442.1
Sparkasse Mühlviertel-West Bank AG	40.0	450.4
Sparkasse Voitsberg-Köflach Bank AG	5.8	391.9
Sparkasse Kremstal-Pyhrn AG	24.1	389.6
Sparkasse Bregenz Bank AG	25.0	308.2
NÖ Sparkasse Hainburg Bank AG	26.0	228.3

Central Europe

Erste Bank has followed through on its core strategy of establishing an extended home market in Central Europe. It has grown into the region's leading retail bank by the acquisition in 2000 of a 52.07% stake in Česká spořitelna, a.s. and the purchase in early 2001 of 87.18% of the shares of Slovenská sporiteľňa, a.s.

Underlying the rapidly executed strategy of the extended home market is the realisation that in future, the number and quality of customer relationships will be the decisive factor determining the business success and independence of financial institutions. Counting the clientele of the 66 other Austrian savings banks for which Erste Bank acts as the lead institution, the banking group now serves more than 8 million customers in Central Europe.

By means of the acquisitions, the management of Erste Bank has laid important groundwork for a further substantial increase in enterprise value. This strong position has also visibly enhanced the Bank's attractiveness as a partner to the insurance industry and international fund companies.

The Bank's strength is also expressed in its market coverage in retail banking, private banking and the market segment of small and medium-sized customers in Central Europe: Both in the Czech and Slovak Republic and (jointly with the savings banks) in Austria, the Erste Bank Group commands a market share of more than 30%.

Erste Bank's subsidiaries in Hungary and Croatia, with market shares of less than 5%, count among the 12 largest institutions nation-wide.

**8 million customers
in Central Europe**

Holdings of Erste Bank in Central Europe

Country	Erste Bank principal subsidiaries (% stake; part-owned since)	Total assets (EUR approx.)
Hungary	Erste Bank Hungary Rt. 99.3%; December 1997	EUR 702 million 55 branches
Czech Republic	Česká spořitelna, a.s. 52.07%, February 2000	EUR 12.3 billion 707 branches
Croatia	Erste & Steiermärkische Bank d.d. 40.6%; presence in Croatia since October 1997	EUR 400 million 30 branches
Slovak Republic	Slovenská sporiteľňa, a.s. 87.18%; January 2001	EUR 4.2 billion 530 branches
Other holdings in Central Europe		
Slovak Republic	Istrobanka a.s. 10%; February 1994	EUR 606 million 32 branches

Czech Republic

With the purchase of 52.07% of Česká spořitelna, a.s. in the first quarter of 2000 for EUR 530 million, Erste Bank took its initial, crucial step on the road to becoming the leading provider of financial services in Central Europe. Česká spořitelna, a.s. is the largest bank in the Czech Republic by number of branches and customers as well as by deposits. With market shares of 34% in customer deposits, 34% in lendings, 21% in mortgage loans and 79% in ATM cards and credit cards, Česká spořitelna, a.s. is easily the market leader in the retail business. Another core activity is the business with small and medium-sized corporate clients in the Czech Republic.

The management was restructured, operating and service units were linked to Erste Bank and a transformation plan was swiftly developed that includes, among other elements, steps promoting business development, process optimisation and cost reductions. Česká spořitelna, a.s. was thus speedily and successfully integrated with Erste Bank Group.

By adjusting the controlling processes, restructuring branches, and taking steps to focus on meeting customers' needs, a move was introduced away from the past focus on products and towards a customer-centred approach.

Small, uneconomical locations were closed. By the end of 2000 the number of branches fell from 850 to 707; staff size of Česká spořitelna, a.s. declined from 15,270 to 14,200 employees. Further reductions are planned for the next several years.

The second half of 2000 brought an improvement in the economic setting; deposits grew by 10% and commission income continued to rise.

Outlook

In 2001 most of the transformation will be completed. One project slated for 2001 is the introduction of a standardised IT platform for the Erste Bank Group in Central Europe. The two major strategic thrusts are the completion of customer segmentation along the lines of the model used by Erste Bank, and the redesign of the credit risk management process.

The realignment of Česká spořitelna, a.s. will be complete in about two to three years from now. Subsequently, the return on equity is to reach at least 18%. The investments in staff training and in the adaptation of IT systems are funded from the Czech bank's own cash flow.

Slovak Republic

A unique opportunity to complete the extended home market of Erste Bank while gaining market leadership in the Slovak retail segment opened up in July 2000 with the start of privatisation of Slovenská sporiteľňa, a.s., the largest financial institution and dominant retail bank in the Slovak Republic. Upon the December 2000 approval by the Slovak government, in the first half of January 2001 Erste Bank signed the agreement to buy an 87.18% interest in Slovenská sporiteľňa, a.s.

The deal closed in early April 2001. Slovenská sporiteľňa, a.s. currently operates some 530 branches and employs a staff of about 6,500. With market shares of 35% in retail deposits, 34% in retail lending and 50% in the card business, it is the market leader in all major business segments. The approximately 1.8 million customers of Slovenská sporiteľňa, a.s. (this number amounts to more than 30% of the population) have increased Erste Bank's customer base to more than 8 million.

Outlook

The process of transforming Slovenská sporiteľňa, a.s., for which two years have been allowed, began in the first quarter of 2001. All of the bank's activities will be thoroughly modernised. A return on equity of at least 18% is targeted for the year 2003.

In addition to the installation of various transformation teams, the top two tiers of management, from the Managing Board down, underwent a management audit concluded at the end of February 2001. As part of the restructuring, the Managing Board of Slovenská sporiteľňa, a.s. was reinforced this February.

The first-time consolidation of the results of Slovenská sporiteľňa, a.s. in the balance sheet and income statement of Erste Bank Group will take effect in the first quarter as of 11 January 2001 (the signing date).

Hungary

Erste Bank Hungary Rt. employs a staff of about 970 at 55 locations and has a presence in all of the country's important economic centres. With total assets of about EUR 700 million, Erste Bank Hungary Rt. is one of the 12 largest banks in Hungary. It currently has about 250,000 retail customers, giving it a market share of 3.5% in this segment. The long-term objective is to expand this figure to 15–20%, with a particular focus on the Budapest area and cities with populations of more than 50,000.

Erste Bank— a seal of quality

The product range was successfully expanded by the introduction of mortgage loans and automobile leases in co-operation with EBV-Leasing. In the corporate business segment in Hungary, seven regional corporate banking centres serve medium-sized companies in particular. The range for the about 4,500 corporate customers encompasses classic finance and investment products as well as trade and project finance.

One key endeavour in 2000 was a nation-wide advertising campaign, which continues the marketing offensive to position the "Erste Bank" premium brand in Hungary. Another was the focus on students as a target group, and a third the introduction of "Symbols", the new integrated banking software, which satisfies the requirements of modern wholesale and retail banking and is already used by the entire branch network.

Outlook

Goals for the financial year 2001 are the expansion of the Budapest branch network—addressing high-net-worth customers and professionals in particular—as well as the implementation of Erste Bank's retail concept.

Croatia

In the past few years Erste Bank and Steiermärkische Bank und Sparkassen AG jointly acquired majority ownership of three Croatian banks—Bjelovarska banka d.d., Trgovačka banka d.d. and Čakovečka banka d.d. On 1 September 2000 the merger of these three regional banks created Erste & Steiermärkische Bank d.d., with its head office in Zagreb. Erste Bank and Steiermärkische Bank und Sparkassen AG jointly own an interest of more than 80% in this entity.

Erste & Steiermärkische Bank d.d. presently has about 400 employees. Its 30 branches and sub-branches are located in all major economic centres in Croatia. With total assets in late December 2000 of about EUR 400 million, Erste & Steiermärkische Bank d.d. is one of the country's eight largest banks. As measured by capital strength, Erste & Steiermärkische Bank d.d. ranks as one of the five biggest and most profitable financial institutions in the country.

The retail business currently has about 100,000 customers and focuses largely on the growing middle class and on professionals. The market shares in customer deposits and loans to customers are 3% to 4% at present.

Outlook

By the enlargement of the branch network and the transfer of know-how and products from the savings bank sector, the market share is to be boosted to 10% in the medium term and the bank is to become one of the five largest in Croatia by this yardstick.

The corporate banking business addresses mainly customers of the savings banks sector and currently about 1,100 medium-sized Croatian companies. Five specialised corporate banking centres (in Zagreb, Bjelovar, Cakovec, Rijeka and Zadar) offer these clients a comprehensive product range.





Asset Gathering

ASSET GATHERING

The Asset Gathering segment comprises the mutual fund business, portfolio management and insurance. The private banking activities, which form part of the Asset Management business unit, serve high-net-worth individuals and institutional customers in the home market. Many of the mutual funds and life insurance products are sold by the branches of Erste Bank and by the savings banks throughout Austria. The private banking group and some branches of Erste Bank also offer discretionary portfolio management services.

in EUR million	2000 ¹⁾	1999	Change in %
Net interest income	(0.1)	0.9	(111.1)
Risk provisions for loans and advances	0.0	0.0	0.0
Net commission income	108.1	102.0	5.9
Trading result	0.0	0.0	0.0
General administrative expenses	(42.4)	(44.5)	(4.7)
Other operating results	0.0	0.0	0.0
Pre-tax profit for the year	65.5	58.4	12.2
Share in pre-tax profit for the year	23.7%	24.2%	0
Average risk-weighted assets	12.3	54.0	(77.2)
Average attributed equity	0.6	2.5	(76.0)
Share in equity	0.0%	0.2%	0
Cost-income ratio	39.3%	43.3%	0
ROE based on pre-tax profit for the year	> 100.0%	> 100.0%	0
Contribution of business with savings banks to pre-tax profit for the year	13.5	12.9	4.7

1) No contribution in this segment by Česká spořitelna, a.s.

The increase in fund sales from 1999 contributed significantly to the improvement in the key figures for the Asset Gathering segment: Pre-tax profit rose by 12% and the cost-income ratio fell from 43.3% to 39.3%. However, the public sector budget measures and the tax reform caused mutual fund sales to ease somewhat as the year progressed. The strong profit was also attributable in part to a higher contribution by Erste-Sparinvest KAG.

Asset Management

The Asset Management business unit of Erste Bank pursues private and institutional banking, the fund business and portfolio management. In mutual funds, portfolio management and insurance, Erste Bank is the market leader in Austria.

The private banking activities focus on providing customised solutions, such as discretionary portfolio management and institutional mutual funds. In several ways, the business with high-end private banking customers and foundations as well as institutional investors (insurance companies, pension funds and corporate customers) represents an especially attractive market segment: It combines excellent earnings opportunities with relatively low risk. As of the end of 2000 the private banking activities had assets of EUR 6.54 billion under management (1999: EUR 5.67 billion). This amounts to a pronounced increase of 15.3%.

For some years now the Austrian fund industry has been enjoying exponential growth as capital is shifting from the traditional forms of deposits (i. e. savings accounts) to investment funds. However, business conditions for investment funds were poor in 2000: Prices of fixed-interest securities fell due to rising interest rates, while stock markets declined in the second half of the year.

Erste Bank in the top tier of asset managers

Total assets managed by **ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H.**, in which Erste Bank holds an 84.3% interest, rose in 2000 by 3.2%, from EUR 14.56 billion to EUR 15.02 billion. This gives ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H., which sells 140 funds, a market share of 17.8% and makes it the third largest fund manager in Austria.

Assets under management can be broken down by retail and institutional mutual funds. Retail mutual funds, at 57.4%, constitute well more than one-half of the total market; ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H. has a market share of 21.7%. With total fund assets of EUR 10.53 billion, it leads the market by a wide margin.

Erste Bank's institutional fund business grew by 11.8% last year, considerably surpassing the market's growth of 5.8%. Funds under management were at EUR 4.49 billion corresponding to a market share of 12.5%.

Erste Bank further built up its position as the largest Austrian provider of international funds. The number of funds for which Erste Bank acted as representative, paying agent and tax representative has climbed by more than one-third to over 400 funds. Distribution agreements are in place with about 70 international fund companies. On 1 December 2000 ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H. launched its collaboration with Putnam Investments of the USA, currently the world's fourth largest mutual fund company. Putnam Investments brings to the partnership a history of more than 60 years in the investment business.

ASSET GATHERING

Putnam Investments will manage the international equity part of the business. The global research team, the consistent investment style marked by rigorous risk management, and not least the disciplined, team-based approach to investment ensure strong international expertise.

Portfolio management

Erste Bank plays a lead role in the Austrian market for portfolio management. Despite the adverse environment in international financial markets, assets under management in 2000, at EUR 1.76 billion, were nearly unchanged from the previous year's high level of EUR 1.78 billion. The reason for this trend was a decline of about 3% in the volumes of fund-based portfolio management due to a broad shift in allocations towards greater use of fund-of-funds, which make up more than 75% of all assets entrusted to the portfolio management of Erste Bank.

As of the end of 2000, fund-based portfolio management under the "Erste Capital Management" (ECM) brand managed 15,558 customer securities accounts with aggregate assets of EUR 1.33 billion (1999: 16,000 accounts, EUR 1.38 billion).

In close co-operation with Lombard Odier, an investment decision process unique in Austria was adopted that takes account of the dynamic interactions between globalisation and regional influences while carefully considering risk factors.

Sparkassen Versicherung AG

Sparkassen Versicherung AG (or "s Versicherung"), which had advanced to become the market's number two provider in 1999, further solidified its position in 2000. Total premium income—largely derived from life insurance—was EUR 699 million on the balance sheet date, 23.4% above even the previous year's extremely strong figure.

Life insurance business from regular premiums was expanded by 17.3% to about EUR 178 million. Growth in single-premium life insurance income reached 26%. The life insurance portfolio of s Versicherung currently consists of some 522,000 contracts. The appeal of life insurance as an ideal vehicle of private retirement saving continued to grow in 2000. Thus, the Austrian life insurance market, having expanded by a forceful 18% in 1999, grew another 11.9% last year.

**Strong rise in insurance
premium income**

A critical factor behind these respectable results was the strategy of s Versicherung, pursued together with the savings bank sector, to step up the promotion of private retirement saving in Austria. In the country as a whole, sales of "s Privat-Pension" policies—already strong in the prior year—were increased to more than 32,700 contracts. This represents about EUR 676 million in premiums written, or nearly 36% of s Versicherung's total business.

The business trend for 2001 can be expected to continue in the same successful vein. In the market for private retirement savings, a new government incentive for such provision that took effect on 1 January 2001 will provide fresh impetus to insurance sales.



Large Corporate Customers

The Large Corporate Customers segment caters to domestic and international corporates, foreign banks and sovereign borrowers. In addition to project lending such as for tourist facilities and development projects and other commercial real estate in Austria and abroad, this segment also offers other forms of structured finance, trade finance, export financing, documentary letters of credit and guarantees.

in EUR million	2000 ¹⁾	1999	Change in %
Net interest income	247.9	178.0	39.3
Risk provisions for loans and advances	(51.3)	(31.7)	61.8
Net commission income	58.9	39.1	50.6
Trading result	9.7	10.5	(7.6)
General administrative expenses	(113.9)	(97.4)	16.9
Other operating results	(37.4)	(4.9)	863.3
Pre-tax profit for the year	114.0	93.7	21.7
Share in pre-tax profit for the year	41.2%	38.8%	0
Average risk-weighted assets	13,966.2	10,377.5	34.6
Average attributed equity	668.4	490.8	36.2
Share in equity	36.0%	36.1%	0
Cost-income ratio	36.0%	42.8%	0
ROE based on pre-tax profit for the year	17.0%	19.1%	0
Contribution of business with savings banks to pre-tax profit for the year	7.8	6.8	14.7
Contribution of Česká spořitelna, a.s. to pre-tax profit for the year	(6.7)	-	0

1) incl. 5 months of Česká spořitelna, a.s.

The Large Corporate Customers segment also improved earnings by 22% from the previous year. At the same time, the cost-income ratio declined from 42.8% to 36.0%. Due to higher risk provisions and the periodical reassessment of real estate projects according to IAS, return on equity contracted slightly from 19.1% to 17.0%. The overall highly satisfactory result in this segment was primarily supported by contributions made by the foreign branches and the Vienna-based international business (both to some extent exchange-rate related) and the excellent business performance of the leasing subsidiary IMMORENT.

LARGE CORPORATE CUSTOMERS

Apart from the traditional lending business (financing of ongoing operations), the products and services provided by the Large Corporate Customers segment comprise foreign trade finance, project financing, different forms of structured finance and cash management systems. A key to the success of this segment is the relationship/key account management concept, under which each corporate customer is assigned to a personal account manager who is responsible for coordinating the provision of products and services and, where required, consults other specialists on individual issues.

A large corporate customer by Erste Bank's definition is a key account with an annual turnover of EUR 75 million or more. The Large Corporate Customers segment at the Erste Bank headquarters in Vienna serviced a total of 2,850 key accounts in 2000. 43% of Austria's 500 largest companies have a business relationship with Erste Bank, for 20% of the top 500, Erste Bank is their key relationship bank and 14% name Erste Bank as a long-time partner bank.

Contrary to 1999, the lending volume in this segment increased slightly in the reporting period. As of 31 December 2000, the lending volume stood at EUR 8.9 billion, a rise of 5% year-on-year. After years of contracting margins, in 2000 targeted promotion and acquisition efforts finally resulted in a slight improvement in the profitability of large volume lending.

Already one of the leading players in the field of state-subsidised lending for foreign trade financing and risk hedging, Erste Bank further strengthened its foothold in this business area. In project financing relating to "tourism and commercial real estate", Erste Bank further consolidated its leading market position beyond national borders by intensifying financing activities in the bank's extended home market.

Through its wholly-owned subsidiary **IMMORENT AG**, Erste Bank offers a wide range of leasing finance services in its extended home market, including real estate and equipment, international leasing business and property funds.

The high growth dynamics in new leasing business of IMMORENT AG throughout the past few years held firm in the reporting year. New leases in 2000 totalled EUR 770 million, which corresponds to a 40% increase against 1999 and marks an all-time record for IMMORENT, cementing its leading market position. With an increase of 53% to EUR 580 million (thereof EUR 324 million from property leasing), domestic business contributed the lion's share to the result. Equipment leasing increased by EUR 256 million, which translates into a 32% increase over 1999.

To a considerable extent, IMMORENT's success is attributed to the marketing activities of Erste Bank and other savings banks. The volume of new revenues generated through this channel amounts to EUR 327 million, a 26.7% increase against the previous year's level of EUR 258 million. Dynamic growth in international business helped to generate an additional EUR 189 million (+48%) in new business.

**Large corporates put
their trust in Erste Bank**

**Erste Bank subsidiary
IMMORENT market leader
in property leasing**

International Business

Large non-Austrian corporates, banks and governments are served by the International Business unit in Vienna and the branches in London, New York and Hong Kong. Among other lines of business, these foreign branches specialise in trade and project finance as well as investment in asset-backed securities.

The international economic environment was characterised by the business cycle reaching its peak by mid-year in 2000. The high level of the oil price caused interest rates to rise in the US and in Europe and put a damper on growth. In the US, economic activity slowed down markedly, albeit developments differ from sector to sector. Meanwhile, the record US current account deficit continued to shore up robust economic growth in Europe. The emerging markets economies did well with few exceptions.

The robust performance of the International Business unit in Vienna was fuelled by a focus on select products and customers, notably lending to sovereign borrowers and banks as well as international corporate and project finance.

Positive trend in International Business

The lending volume expanded by a relatively moderate rate of 8% or EUR 363 million to EUR 4.8 billion. The focus was on interbank financing, whereas expansion was below average in corporate and project financing in the areas of telecommunications, energy and public as well as private sector utilities.

In line with the Group strategy, focal points were defined in different countries in Central Europe.

International branches

The profit centre London, beside acquisition finance, specialises in aircraft finance and securitised financing through mortgage-backed and asset-backed securities. At this branch, all departments outperformed their targets.

Financing of banks and governments forms an important pillar of the Hong Kong operations, which in 2000 benefited from a somewhat relaxed risk situation and robust economic growth.

At the branch in New York, corporate finance (investment in securitised senior loans) accounted for almost three fourths of the total lending volume and hence remained the mainstay of activities. In 2000, this branch expanded its lending volume from EUR 1.8 billion (USD 1.96 billion) to EUR 2.03 billion (USD 2.2 billion).

On the whole, the International Business unit with its four profit centres markedly improved its performance across all products and services.

Credit risk at the Erste Bank Group

The new classification system for customer risk introduced at Erste Bank AG in 1999 was implemented at significant (domestic) subsidiaries in 2000 as well.

Consequently, it is now possible to provide detailed information at the Group level on asset quality and sector distribution. As the existing classification of the customer portfolio at Česká spořitelna, a.s. is similar to that used by the Erste Bank Group, the exposure represented by this subsidiary acquired in financial 2000 was also included.

The following table includes all loans and advances to credit institutions and customers as well as all fixed-income securities (irrespective of whether they are assigned to the trading portfolio, investment available for sale or financial investments) and off-balance-sheet credit risks (warranties, guarantees and letters of credit).

Credit risk at the Erste Bank Group

in EUR million	Low risk	Management attention	Substandard	Doubtful	Total exposure
Banking and insurance	24,725	1,017	84	109	25,935
Consumers	8,183	279	179	241	8,882
Public administration	8,069	211	25	45	8,350
Real estate	4,272	951	449	138	5,810
Production of goods	3,595	688	277	235	4,795
Trade	2,594	636	183	292	3,705
Transport and communication	1,427	327	165	84	2,003
Construction	1,064	351	114	110	1,639
Tourism	715	370	235	124	1,444
Energy and water supply	1,063	170	22	3	1,258
Agriculture and forestry	210	82	30	37	359
Other	2,139	365	144	119	2,767
Total exposure as of 31 Dec 2000	58,056	5,447	1,907	1,537	66,947
% of total	86.7%	8.1%	2.9%	2.3%	100.0%
Risk provisions for 2000	180	55	335	998	1,568
In % of exposure	0.3%	1.0%	17.6%	64.9%	2.3%
Total exposure as of 31 Dec 1999	42,122	4,819	2,208	1,037	50,185
% of total	83.9%	9.6%	4.4%	2.1%	100.0%
Risk provisions for 1999	–	–	–	–	971
In % of total volume	–	–	–	–	1.9%

This distribution is based on customer-specific risk, i.e. existing collateralisation—typically accounted for under business risk (transaction risk)—was not included in the above table.

A glance at the sector distribution of the risk portfolio of the Erste Bank Group shows that the lion's share falls to the banking and insurance sector (39%), followed by consumers (13%), public administration (12%) and real estate (9%). These four rather low-risk groups thus account for just under 73% of the total portfolio of the Erste Bank Group. The rest of the sector distribution is in line with Erste Bank's risk policy and does not show any significant concentration relative to the risk portfolio as a whole.

Furthermore, the distribution is a clear reflection of the strategic orientation of the Erste Bank Group: For one, due to Erste Bank's role as the lead bank of the Austrian savings bank sector it has a relatively high percentage of business in banking and insurance, and the focus on private customers is reflected by the 13% they claim of the total portfolio.

As can be seen in the above table, 65% of the volume of potentially doubtful loans are secured by risk provisions. Taking into account existing collateral, the effective default risk is completely covered by existing risk provisions.

Domestic

In addition to Erste Bank AG itself, we should mention the loans and advances to customers of the following subsidiaries: Salzburger Sparkasse, s Bausparkasse, IMMORENT and EBV-Leasing.

Domestic credit risk by sectors

in EUR million	Low risk	Management attention	Substandard	Doubtful	Total exposure
Banking and insurance	7,659	206	1	4	7,870
Consumers	7,001	252	165	191	7,608
Public administration	4,558	13	5	2	4,577
Real estate	2,956	762	425	107	4,251
Production of goods	2,030	338	196	84	2,647
Trade	2,046	541	139	139	2,865
Transport and communication	607	169	69	21	865
Construction	989	315	89	76	1,470
Tourism	437	234	220	76	966
Energy and water supply	202	26	10	1	238
Agriculture and forestry	72	42	12	10	135
Other	806	210	38	28	1,081
Total exposure	29,361	3,107	1,370	737	34,576
% of total	84.9%	9.0%	4.0%	2.1%	100.0%
Risk provisions	5	17	211	418	653
In % of exposure	0	0.6%	15.4%	56.8%	1.9%

LARGE CORPORATE CUSTOMERS

Erste Bank AG as the parent company makes the biggest contribution to the above-mentioned risk structure. The volume of loans with low risk makes up 85.6% of the risk volume. Doubtful loans, on the other hand, only account for 2.1% of the portfolio and are completely covered by existing collateral and risk provisions.

Similar risk structure is exhibited by Salzburger Sparkasse, which, particularly in 1997 and 1998 when it was coming in line with Erste Bank's risk provision policy, allocated correspondingly large risk provisions.

By the sheer nature of its business purpose, s Bausparkasse finances 95% of its lending volume for consumer housing measures. Thanks to the type of business it does and the fact that practically all of its financing is mortgage-backed, as of 31 December 2000 only 1% of the risk volume of s Bausparkasse was covered by risk provisions.

The IMMORENT Group is a household name in property leasing in Austria. Because it is very selective about its lessees and negotiates its lease agreements accordingly, the IMMORENT Group has a low-risk profile. Adequate risk provisions have been set up to handle the few risk cases encountered.

EBV-Leasing mostly offers car leases for consumers and other selective sectors without a heavy concentration of business in any one group. Owing to the structure of its customer base and the low risk involved in car leasing, 98% of EBV-Leasing's risk volume is classified as low risk.

International

The credit risk volume is accounted for by Erste Bank AG, Česká spořitelna, a.s. (first-time consolidation in 2000), Erste Bank Malta and Erste Bank Hungary Rt.

Foreign credit risk by sectors

in EUR million	Low risk	Management attention	Substandard	Doubtful	Total exposure
Banking and insurance	17,067	810	83	104	18,064
Consumers	1,182	27	14	51	1,273
Public administration	3,511	198	20	43	3,772
Real estate	1,316	189	24	31	1,560
Production of goods	1,566	350	81	152	2,149
Trade	547	95	44	154	839
Transport and communication	820	158	96	63	1,138
Construction	75	35	25	34	168
Tourism	279	136	15	48	478
Energy and water supply	861	144	12	3	1,020
Agriculture and forestry	138	40	18	28	224
Other	1,334	155	106	91	1,687
Total exposure	28,696	2,340	537	800	32,373
% of total	88.6%	7.2%	1.7%	2.5%	100.0%
Risk provisions	175	38	123	580	915
In % of exposure	0.6%	1.6%	23.0%	72.5%	2.8%

As of 31 December 2000 the international exposure of the Erste Bank Group (i.e. the credit risk of Erste Bank AG outside of Austria plus the total credit risk of all consolidated subsidiaries with registered offices located outside of Austria) amounted to EUR 32,373 million and accounted for 48.4% of the credit risk volume of the Group as a whole. As you can see below, the first-time consolidation of Česká spořitelna, a.s. increased this share substantially.

The structure of the Group's international exposure (not adjusted for consolidation deductions totalling EUR 676 million) is as follows:

- Interbank loans and advances and other trading assets of Erste Bank AG: EUR 6,847 million/20.7%
- Other international exposure of Erste Bank AG: EUR 13,880 million/42.0% (almost half of which pertains to branch offices outside of Austria)
- Credit risk of banking subsidiaries in the Czech Republic, Malta and Hungary: EUR 12,120 million/36.7% (thereof Česká spořitelna, a.s.: EUR 11,024 million/33.4%)
- Other international subsidiaries: EUR 202 million/0.6%

Structure of international credit risk of Erste Bank AG

in EUR million	Exposure	Share in %	Provisioned exposure	Risk provisions	Coverage ratio
Austria, guaranteed	690	3.3%			
Industrialised countries	15,739	75.9%	172.0	100.2	58.3%
Extended home market:	1,819	8.8%	4.0	2.1	51.6%
Emerging markets	2,338	11.3%	106.8	42.4	39.7%
Thereof:					
<i>Asia</i>	1,056	5.1%	94.5	34.9	36.9%
<i>Latin America</i>	654	3.2%	1.8	0.2	9.0%
<i>Russia</i>	89	0.4%	7.6	4.3	56.1%
<i>Other</i>	539	2.6%	3.0	3.1	105.6%
Developing countries	141	0.7%	42.7	37.0	86.5%
Total	20,727	100%	325.6	181.7	55.8%

* Croatia, Czech Republic, Hungary, Poland, Slovakia, Slovenia

This breakdown represents the share of Erste Bank AG in the Group's international exposure. Unlike the 1999 Annual Report, in the present report the amount of risk was not inflated by including unused commitment or by double-counting.

99% of the credit risk arising from interbank loans and advances and other trading assets arises from partners in industrialised countries and the extended home market in Central and Eastern Europe, and therefore present a low risk of default.

83% of the rest of Erste Bank's international risk portfolio is also concentrated in these country categories (including guaranteed volume from Austria). In the Emerging Markets new business was conducted in countries with investment-grade ratings and short-term business with banks and governments.

This risk policy paved the way for a successful financial year with no new country risk costs. Writing off fully provisioned loans and advances or parts thereof has reduced not only the volume of loans for which provisions were made, but also the level of the provisions themselves.

The provisioned exposure of Erste Bank AG at the end of 2000 amounted to EUR 325.6 million, consisting of about EUR 180.3 million (55%) of non-performing loans and EUR 145.3 million (45%) of performing loans deemed to involve potential risk.

As a supplement to the general credit policy geared towards diversifying risk, in the industrialised countries additional provisions were established to account for the eventual impact of an economic slowdown on the credit portfolio, above all in the USA.

Major banking subsidiaries abroad

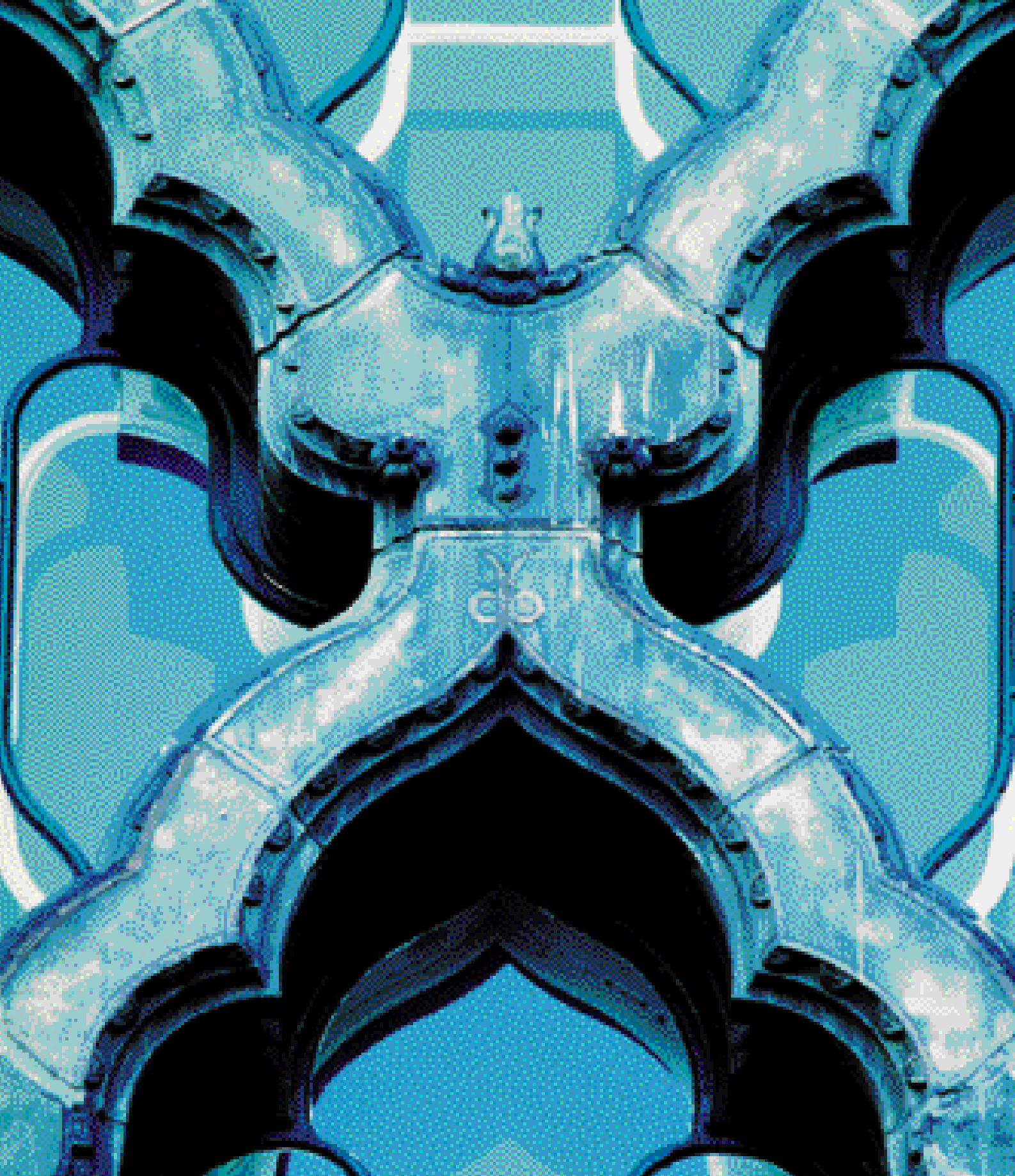
Nearly two-thirds of the credit risk of Česká spořitelna, a.s. relates to banks and government exposure, notably the National Bank (minimum reserve balance and repurchase agreements) as well as liquid assets invested in Czech government bonds. Consistent with the position of Česká spořitelna, a.s. as the largest retail bank in the Czech Republic, the third largest group of borrowers are households, at about 10% of credit risk. The balance of the exposure is widely diversified across the other economic sectors. The Czech domestic share in credit risk is close to 90%.

When Erste Bank bought the majority interest in Česká spořitelna, a.s., it was agreed that a large proportion of the problem loans acquired in the process will be guaranteed by Konsolidační banka, a government institution through a so-called "ring-fencing agreement". This involves almost 5% of the total credit risk of Česká spořitelna, a.s. As these lendings have remained on the Bank's balance sheet, the share of non-performing assets amounts to 5% of credit risk. Loans and advances with elevated credit risk are fully covered by the transfer of risk to Konsolidační banka or by risk provisions.

While the lending business of Erste Bank Hungary increased substantially, the share of the former core business of agricultural credit was reduced. Instead, lending to retail customers was expanded. Write-offs reduced the share of non-performing loans to slightly more than 3% of credit risk. These loans are fully covered by risk provisions.

The overall trend in risk provisions at Group level is described in Notes 15 and 30.

Additional information on risk management at the Erste Bank Group is provided in Note 42 of the Notes to the Financial Statements.



Trading and Investment Banking

The Trading and Investment Banking segment comprises the Investment Banking unit and the Treasury unit, which includes balance sheet management.

in EUR million	2000 ¹⁾	1999	Change in %
Net interest income	37.8	39.6	(4.5)
Risk provisions for loans and advances	(0.2)	0.3	(166.7)
Net commission income	22.2	18.7	18.7
Trading result	75.8	71.8	5.6
General administrative expenses	(93.3)	(83.8)	11.3
Other operating results	(1.7)	(10.1)	(83.2)
Pre-tax profit for the year	40.6	36.5	11.2
Share in pre-tax profit for the year	14.7%	15.1%	0
Average risk-weighted assets	4,858.7	5,756.9	(15.6)
Average attributed equity	232.8	270.0	(13.8)
Share in equity	12.5%	19.9%	0
Cost-income ratio	68.7%	64.4%	0
ROE based on pre-tax profit for the year	17.5%	13.5%	0
Contribution of business with savings banks to pre-tax profit for the year	22.2	7.7	188.3
Contribution of Česká spořitelna, a.s. to pre-tax profit for the year	6.5	–	0

1) incl. 5 months Česká spořitelna, a.s.

The Trading and Investment Banking segment enhanced earnings by 11% even though volatility increased throughout the year. Return on equity improved from 13.5% in 1999 to 17.5% in the reporting period. A slight decrease in net interest income was more than offset by substantially higher commission income from a series of initial public offerings. The increase in the cost-income ratio from 64.4% to 68.7% reflects higher administrative expenses.

Investment Banking

Erste Bank acts as lead manager or syndicate member in initial public offerings mainly of small to medium-sized companies in various sectors, with a special focus on transaction in the Austrian capital markets and the areas of technology and telecoms. Erste Bank is the market leader in terms of the number of transactions.

In the past financial year, a total of 13 Austrian companies tapped the stock market for equity financing, raising a total of EUR 2.4 billion. Ten of the transactions related to IPOs (six in Vienna, four on Neuer Markt) and three were capital increases transacted in Vienna. In 2000 Erste Bank was involved in five stock offerings by Austrian companies as well as three stock issues by German companies, confirming its market leadership by reaching a market share of over 20% in this segment.

In consistent pursuit of Erste Bank's core strategy focused on offering small and medium-sized companies access to the entire range of available financing instruments in particular in the field of equity financing, Erste Bank took the lead in establishing a private equity group, Capexit Beteiligungsmanagement AG (capital x people x exit = Capexit). Capexit is designed to provide fast-growing, highly innovative technology companies with capital, know-how and a network of partners. The group's focus is on sectors like information and communication technologies, Internet, industrial manufacturing and process control, environmental technologies, tainment, media and life sciences. It primarily targets Austrian companies that have already outgrown the start-up phase and entered the stage of expanding into new markets and diversifying into new products (second-stage financing).

Partner for small and medium-sized companies

Equity sales and derivatives

Erste Bank's sales and trading activities focus on Austrian products (stock of companies listed on the Vienna Stock Exchange or Austrian shares listed elsewhere, as well as equity-linked products and derivatives) and products from its "extended home market" in Central Europe. After 25% contraction in 1999, market turnover on the Vienna Stock Exchange dropped also in the year under report, but at 4%, the decrease was much lower than in the previous year.

Notwithstanding a rather difficult market environment in 2000, Erste Bank successfully defended its leading market share in turnover of 22% on the Vienna Stock Exchange. With a market share of more than 27 percent in trading activities with equity-linked products and derivatives Erste Bank was able to further extend its market leadership in trading for the account of customers.

However, lower income from trading through ÖTOB was offset by expanding the range of services offered to Austrian investors on international derivatives markets. In trading with East European stocks, Erste Bank consolidated or even expanded its market share despite an overall decline in this segment (Hungary: leading position both in 1999 and in 2000; Czech Republic: third place in 1999 and second place in 2000; Poland: ranked seventh in 1999, sixth in 2000).

Investment Banking in Central and Eastern Europe

Erste Bank operates investment bank units in every country of its extended home market (Hungary, Czech Republic, Croatia) as well as in Poland.

The principal fields of activity include corporate advisory, mergers and acquisitions, new issue origination, securities brokerage, stock trading, research and asset management. Despite difficult macroeconomic and political conditions and a negative international environment that triggered a slump on stock markets in the second half of the year, almost all units managed to improve their earnings position in 2000, some of them even by a significant margin.

CDI Erste Central Europe Holding GmbH (part of CDI, Corporate Development International) is responsible for the Erste Bank Group's Central European M&A activities for the subsidiaries and offices in Poland, the Czech Republic, Slovenia and Croatia. In 1999 and 2000, the Erste Bank Group strengthened its collaboration with CDI and raised its direct ownership in the holding to 70.1%.

Treasury

The Erste Bank Treasury once again operated in a highly volatile market environment in 2000. After an increase in short-term rates, the interest rate curve increasingly flattened out as the year progressed. At the same time, the euro went on a downslide, which could not even be brought to a halt by repeated central bank interventions. The trend only turned around after news of significantly weaker US economic data had become a reality and the central bank had resorted to further support buying.

The acquisitions of the past two years created the basis for consolidating the Group's Treasury activities into a single unit designed to pool the potentials of the Group's domestic and foreign subsidiaries. This measure has set the stage for the newly acquired subsidiaries in Slovakia and Croatia to benefit from the resulting synergy effects especially with a view to funding and liquidity & risk management.

The integration of the treasury activities of Česká spořitelna, a.s. into the Group Treasury marked a further step towards completing the structures required to fully meet customers' needs as defined in Erste Bank's strategy for Central Europe.

After an excellent first quarter, above all in equity sales and investment fund business, Erste Bank's retail activities in this business segment started to slacken due to changes in interest rates, disparate market trends and high volatility.

Despite the adverse market scenario, Erste Bank continued to expand its leading market position in customized & structured products above all with corporates, savings banks and third-party banks. Based on the know-how and experience gained with institutional clients, Erste Bank developed and successfully marketed custom-made alternative investment products targeted at retail customers.

Standardised mass customisation will be further automated and the products made available above all to the savings bank sector's retail customers in a cost-efficient way via web-based B2C platforms (foreign currencies/money market, stocks, funds).

In 2001 efforts in this area will focus on creating access to these products and technologies for customers throughout the extended home market in Central and Eastern Europe in order to satisfy their need for state-of-the-art banking services.

Issuing business

In the field of own issues, activities in 2000 focused on the issuance of high-volume liquid bonds, thus establishing Erste Bank as a benchmark issuer in the euro area and installing a reference credit yield curve in the market (i.e. a curve covering several bond issues of a specific issuer that mirrors the issuer's credit premiums depending on the bonds' maturities over a longer maturity range—three to ten years for example. This curve serves as a benchmark for future issues floated by this debtor or other issuers with comparable credit ratings).

The existing Debt Issuance Programme (DIP) was expanded to EUR 7 billion for this purpose. One example of the issues made possible by this framework programme is a floating rate note (FRN) with a volume of EUR 1 billion and maturity in 2005. This FRN represented the largest bond issue ever floated by an Austrian non-government entity.

The total nominal volume floated by Erste Bank in 2000 amounts to EUR 3.4 billion and is made up of issues in the amount of EUR 2.77 billion launched within the framework of the DIP and a number of public issues, private placements and promissory notes.

Outside of Austria, Erste Bank demonstrated its dominating position also on the extended home market of the Czech Republic, where Erste Bank, in the wake of the takeover of Česká spořitelna, a.s., followed up the largest ever floated Eurobond issue in Czech crowns (CZK 5,000 million) as well as an issue in the amount of CZK 1,000 million for Artesia Banking Corp.

With a view to strengthening its equity base, Erste Bank issued EUR 125 million in perpetual preference shares and EUR 190 million in supplementary capital. In order to ensure optimised short-term cash management, Erste Bank set up a European Commercial Paper Programme (ECPP) with a ceiling of EUR 1 billion.



Corporate Centre

CORPORATE CENTRE

The Corporate Centre segment supports Erste Bank's implementation of strategic goals by providing marketing, organisation and information technology services. Erste Bank's new core strategy, e-business, which now constitutes the Bank's fourth core strategy, has been assigned to this segment. The Corporate Centre also comprises accounting, controlling, settlement, equity holdings and non-banking subsidiaries.

in EUR million	2000 ¹⁾	1999	Change in %
Net interest income	4.4	5.8	(24.1)
Risk provisions for loans and advances	0.3	(5.4)	105.6
Net commission income	0.0	25.7	(100.0)
Trading result	14.9	(4.3)	446.5
General administrative expenses	(21.1)	(9.5)	(322.1)
Other operating results	(45.9)	(4.9)	836.7
Pre-tax profit for the year	(47.4)	7.5	(732.0)
Share in pre-tax profit for the year	(17.1%)	3.1%	0
Average risk-weighted assets	339.1	415.5	(18.4)
Average attributed equity	16.1	19.6	(17.9)
Share in equity	0.9%	1.4%	0
Cost-income ratio	> 100.0%	34.9%	0
ROE based on pre-tax profit for the year	> (100.0%)	38.1%	0
Contribution of business with savings banks to pre-tax profit for the year	0.0	0.0	0
Contribution of Česká spořitelna, a.s. to pre-tax profit for the year	(13.6)	-	0

1) incl. 5 months Česká spořitelna, a.s.

Earnings of the "Corporate Centre" segment turned negative in the 2000 financial year. This was due primarily to exceptional factors (among them provisions for the Compensation Fund; also included in this segment are the start-up costs in the ecetra Internet platform.

Marketing

In March 2000, Erste Bank in co-operation with the savings bank sector adopted a joint approach to marketing planning which streamlines all related activities behind a single brand. The pooling of marketing budgets generates synergy effects and opens up new potential for cost-saving. As of 1 January 2001, Erste Bank assumed responsibility for the marketing activities of the entire savings bank sector.

These measures are aimed at a unified market appearance signalling a strong brand and, backed up by the entire savings bank sector, high competence as a partner in all finance-related business.

Based on intensive co-operation in target group and product marketing and backed up by the new e-business service unit, Erste Bank successfully consolidated its role as lead bank within the savings bank sector and established itself as the principal production task force for marketing and communication activities for the savings banks sector.

Organisation & IT

In organisation and information technology, the focal point of efforts has recently been on unifying the two different information technology systems still in use within the Bank—a feature that dates back to the time of the merger of Erste Österreichische Spar-Casse with GiroCredit. Under a project named “easd+”, all EDP applications of Erste Bank and the savings banks sector in general will now be harmonised and consolidated. Total project costs of easd+ amount to about EUR 0.2 billion, 17% of which will be contributed by the savings banks.

The project, which is being conducted by **SPARDAT Sparkassen-Datendienst Ges.m.b.H.** (a 72.8% subsidiary of Erste Bank), was taken up in 1999 and is to be concluded by July 2002. Efforts to standardise IT systems are also being made outside of Austria in the foreign subsidiaries of Erste Bank. A new, integrated banking system known as “Symbols” was implemented in Erste Bank Hungary Rt. in 2000 and starting in 2001 will now be transposed to the merged Croatian subsidiaries as well as Česká spořitelna, a.s., where the implementation is to be concluded by 2003.

Erste Bank is preparing for the introduction of euro notes and coins and the conversion of all business transactions, accounts and cash assets to the new currency by 1 January 2002. This project, which poses a major challenge for Erste Bank as a leading retail bank in Austria, adheres to the motto “Erlebnis Bargeld” or the cash experience, which seeks to highlight the exciting nature of the changeover. To ease the transition, Erste Bank offers its customers consultation and support with regard to system conversion and the introduction of the euro notes and coins.

Harmonisation of EDP systems enhances efficiency

The Euro2 Programme Management was set up in early 2000 in order to prepare for timely and professional system conversion and the introduction of euro notes and coins within Erste Bank, the Group and other savings banks. Euro-fitness of all systems is to be achieved by end of June 2001. Up to the end of October 2001, efforts will focus on staff training and detailed transition planning including the establishment of a coordination and support unit to provide logistic support for Erste Bank itself, the Group and other savings banks when the changeover is to be effected at the outset of the new year.

The Cost-Cutting Programme

At the beginning of 1999, Erste Bank launched a cost-cutting programme aimed at achieving cost savings in the amount of EUR 76 million by the end of 2001. The 1999 savings target of EUR 18 million was outperformed by EUR 1 million thanks to the swift implementation of the measures. In 2000, the projected target of EUR 46 million was attained in spite of increased spending on staff and key projects (Česká spořitelna, a.s., easd+, implementation of the fourth core strategy and foundation of ecetra). EUR 12 million of total projected cost savings of EUR 76 million will be reflected in the results for 2001.

Successful implementation of cost-cutting programme

The fourth core strategy of Erste Bank: e-business

In March 2000 the three core strategies defined at the time of the initial public offering of Erste Bank in December 1997 were rounded out by a fourth: Positioning the Bank in e-business and e-finance. By taking advantage of the new electronic banking channels in addition to the comprehensive personal advice available, Erste Bank customers now have the opportunity to reach their bank around the clock.

ecetra Central European e-Finance AG was set up in March 2000 to build and operate the leading e-finance platform servicing the capital markets of Central and Eastern Europe. Since December 2000, Erste Bank customers can buy securities via this platform and retrieve information on financial issues. Investment will amount to EUR 30 million; the breakeven is to be reached in 2003. At the end of 2000, ecetra had 71 people on its payroll.

In 2000 Erste Bank took landmark steps to introduce new distribution channels and services for customers and promote greater reliance on e-business. The reward for these efforts is clearly visible in the transaction statistics: The share of transactions employing new service channels, mainly the Internet and automated banking machines, has increased from 15% in 1997 to 40% in 2000.

**Leading-edge technology
for Erste Bank customers**

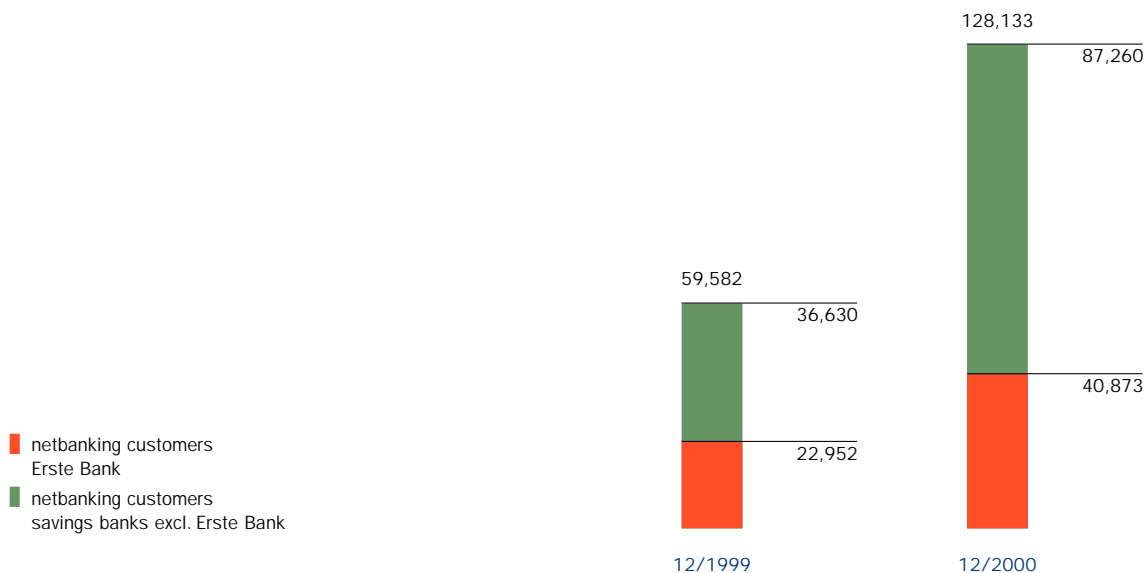
Several factors were responsible for this success last year: the new, joint Internet presence of Erste Bank and the savings banks, the introduction of multichannel management, the launch of an innovative e-finance platform for the capital markets in Central and Eastern Europe, the roll-out of “Erste mobilebanking” and, not least, Austria-wide access for all customers to the self-service foyers of the savings bank sector.

Erste-netbanking

Through Erste-netbanking, Erste Bank offers the opportunity of modern, convenient banking independent of branch hours. A large array of banking services is available from 5 a.m. to midnight, seven days a week, at Internet address www.erste-netbanking.com.

Erste-netbanking puts at customers’ fingertips all accounts to which access is authorised (current accounts, securities accounts, loan accounts, building society accounts and profit accounts). It also lets customers perform transactions rapidly and accurately while providing very high security by means of PIN numbers and encrypted passwords.

Number of netbanking customers in the savings bank sector—growth in 2000



At the end of 2000, more than 128,000 customers of Erste Bank and the savings bank sector already banked via netbanking, an increase of 115% compared to one year earlier.

Erste-nettrading

Erste-nettrading (www.erste-nettrading.com), through the ecetra platform, enables customers to buy and sell securities via the Internet. In addition, since December 2000, Erste Bank's customers have access through www.ecetra.com to finance-related information, such as reports of international news agencies, price data, charts, company profiles and analyses as well as market reports.

In total, about 3,000 financial instruments, including more than 2,300 shares, can be traded around the clock on 18 exchanges world-wide. In initial public offerings and capital increases that are underwritten by Erste Bank, investors are able to subscribe new shares online. Erste-nettrading is designed particularly for customers who wish to invest for the longer term while benefiting from professional advice. From 2001 all savings banks are also represented on the ecetra platform. For self-directed customers, ecetra will offer intraday securities trading. The ecetra website will be expanded by entertainment and interactivity functions.

In 2001 the platform is to be launched in the Czech Republic, Hungary and Poland.

Electronic banking for corporate customers

With a view especially to the euro, the electronic banking activities of Erste Bank focus on cashless payments. In the form of its Erste-Telebanking and Erste-Multicash services, Erste Bank offers not just domestic and international payments transactions, but also access to international bank accounts. The growing trend towards buying merchandise and services over the Internet led Erste Bank and its peer savings banks to develop "netpay", an Internet payments system. Netpay's PIN and TAN safeguards offer a maximum of security to all netbanking customers paying for goods bought via the Internet.

New Internet presence

In March 2000 Erste Bank and the savings banks launched a joint Internet presence at www.sparkasse.at. This blue-chip web site for all things finance does justice to the need of Erste Bank and the savings bank sector for a single, unified brand that stands for first-rate service throughout the market.



2000 Consolidated Financial Statements

according to IAS

I. Group Balance Sheet of Erste Bank as of 31 December 2000

in EUR thousand	Notes	31 Dec 2000	31 Dec 1999
ASSETS			
1. Cash and balances with central banks	12	1,146,250	940,038
2. Loans and advances to credit institutions	1, 13	19,472,286	10,294,689
3. Loans and advances to customers	1, 14	31,238,157	26,405,198
4. Risk provisions for loans and advances	2, 15	(1,544,203)	(964,825)
5. Trading assets	3, 16	3,209,882	1,397,524
6. Investments available for sale	4, 17	3,931,999	4,398,526
7. Financial investments	5, 18, 19, 48	9,541,506	7,395,587
8. Intangible fixed assets	6, 19	604,895	327,997
9. Tangible fixed assets	7, 19	1,031,843	582,585
10. Other assets	11, 20, 21	2,562,918	1,665,793
Total assets		71,195,533	52,443,112
LIABILITIES AND EQUITY			
1. Amounts owed to credit institutions	22	25,638,462	20,571,348
2. Amounts owed to customers	23	28,841,276	19,532,650
3. Debts evidenced by certificates	9, 24	8,305,570	6,360,076
4. Provisions	10, 11, 25	763,775	710,335
5. Other liabilities	26	2,526,811	1,437,237
6. Subordinated capital	27	2,429,952	1,967,654
7. Minority interests		833,314	427,683
8. Equity	28	1,856,373	1,436,129
Total liabilities and equity		71,195,533	52,443,112

II. Group Income Statement of Erste Bank for the year ended 31 December 2000

in EUR thousand	Notes	2000	1999
1. Interest and similar income		3,420,770	2,732,008
2. Interest and similar expenses		(2,496,808)	(1,995,719)
I. Net interest income	29	923,962	736,289
3. Risk provisions for loans and advances	30	(161,883)	(132,516)
4. Fee and commission income		626,498	453,724
5. Fee and commission expenses		(203,126)	(131,373)
<i>Net commission income Net of 4 and 5</i>	31	423,372	322,351
6. Net trading result	32	127,390	113,704
7. General administrative expenses	33	(1,001,012)	(821,659)
8. Other operating results	34	(35,091)	23,382
9. Extraordinary result		-	-
II. Pre-tax profit for the year		276,738	241,551
10. Taxes on income	35	(49,697)	(49,018)
III. Profit for the year		227,041	192,533
11. Minority interests		(35,269)	(27,906)
IV. Net profit after minority interests	36	191,772	164,627

III. Statement of Changes in Equity

in EUR million	Subscribed capital	Capital reserve	Retained earnings	Distributable profit	Total 2000	Total 1999
Equity at 1 January	323	636	421	56	1,436	1,314
Translation differences	0	0	3	0	3	3
Dividends	0	0	0	(54)	(54)	(51)
Capital increase	44	231	0	0	275	0
Net profit after minority interests	0	0	130	62	192	165
Other changes	0	0	4	0	4	5
Equity at 31 December	367	867	558	64	1,856	1,436

For details of the capital increase see Note 28 Equity.

Changes in shares and participation certificates

in units	31 Dec 2000		31 Dec 1999	
	Shares	PCs	Shares	PCs
Issued shares and participation certificates (PCs)	50,360,799	5,000	44,360,799	5,000
– own shares and PCs in bank's portfolio	(20,015)	(1,202)	(23,170)	(1,017)
= shares and PCs outstanding	50,340,784	3,798	44,337,629	3,983
Shares and PCs outstanding as of 1 January	44,337,629	3,983	44,333,497	4,243
Additions to own shares and PCs	(12,911,552)	(185)	(2,909,794)	(285)
Disposal of own shares and PCs	12,914,707	0	2,913,926	25
Capital increase	6,000,000	0	0	0
Shares and PCs outstanding as of 31 December	50,340,784	3,798	44,337,629	3,983
Own shares and PCs	20,015	1,202	23,170	1,017
Number of shares and participation as of 31 December	50,360,799	5,000	44,360,799	5,000

IV. Cash Flow Statement

in EUR million	2000	1999
Profit for the year	227	193
Non-cash positions in net profit		
Depreciation, revaluation gains on fixed assets and financial investments as well as investments available for sale	187	118
Allocation/release of provisions (including risk provisions)	237	108
Profits from the sale of financial investments, fixed assets	(127)	(28)
Other adjustments	(785)	(569)
Cash positions in net profit		
Changes in assets and liabilities from operating activities after adjustments for non-cash components		
- Loans and advances to credit institutions	(4,874)	2,815
- Loans and advances to customers	(2,134)	62
- Trading portfolio	271	240
- Investments available for sale	638	(1,191)
- Other assets from operating activities	(612)	(522)
- Amounts owed to credit institutions	4,954	(1,219)
- Amounts owed to customers	209	49
- Debts evidenced by certificates	1,826	1,263
- Other liabilities from operating activities	587	(210)
Interest and dividends received	3,421	2,732
Interest paid	(2,497)	(1,996)
Cash flows from operating activities	1,528	1,845

2000 CONSOLIDATED FINANCIAL STATEMENTS ACCORDING TO IAS

in EUR million	2000	1999
Proceeds from the sale of		
– Financial investments	1,091	2,464
– Fixed assets	99	136
Payments for the acquisition of		
– Financial investments	(1,980)	(4,251)
– Fixed assets	(479)	(245)
Acquisition of subsidiaries (less acquired cash and cash equivalents)	(332)	0
Other effects	(223)	95
Cash flows from investing activities	(1,824)	(1,801)
Capital increase	275	0
Dividends paid	(54)	(51)
Other financing activities	280	204
Cash flows from financing activities	501	153
Cash and cash equivalents at beginning of period	940	740
Cash flow from operating activities	1,528	1,845
Cash flow from investment activities	(1,824)	(1,801)
Cash flow from financing activities	501	153
Effect of changes in exchange rates	1	3
Cash and cash equivalents at end of period	1,146	940

During the reporting period 52.07% of Česká spořitelna, a.s. (ČS) was acquired. The fair value of the acquired assets and assumed debts was:

in EUR million	
Cash and cash equivalents	198
Loans and advances to credit institutions and customers	7,746
Risk provisions	(646)
Trading assets	1,877
Investments available for sale	184
Financial investments	1,205
Sundry assets	981
Amounts owed to credit institutions and customers	(9,857)
Debts evidenced by certificates and subordinated liabilities	(301)
Sundry liabilities	(788)
Minority interests	(17)
	582
thereof Erste Bank share of 52.07%	303
Goodwill	223
Interest expense (difference between discounted cash value of second tranche's purchase price and actual drawing)	4
Purchase price (including interest paid)	530
Cash and cash equivalents	(198)
Cash flow for acquiring the company less acquired cash and cash equivalents	332

The Cash Flow Statement provides information about the size and development of the Group's cash and cash equivalents. It shows the inflow and outflow of funds broken down into operating activities, investing activities and financing activities. The reported amount of cash and cash equivalents is comprised of cash in hand, balances with central banks and those bills of exchange eligible for funding with central banks (see Note 12).

V. Notes to the Consolidated Financial Statements of the Erste Bank Group

Erste Bank der oesterreichischen Sparkassen AG is Austria's oldest savings bank and largest credit institution that is entirely privately owned. It is listed on the Vienna Stock Exchange and its registered offices are located at Graben 21, 1010 Vienna, Austria.

General information

Erste Bank Group offers a complete array of banking and financing services such as saving, asset management (e. g. investment fund business), lending, mortgage loans, investment banking, securities and derivatives trading, portfolio management, project financing, foreign trade financing, corporate finance, capital market and money market services, foreign exchange trading, leasing, factoring and insurance business.

The Consolidated Financial Statements of Erste Bank for the 2000 financial year and the comparative figures for 1999 were prepared in compliance with the International Accounting Standards (IAS) approved and issued by the International Accounting Standards Committee (IASC) and their interpretations issued by the Standing Interpretations Committee (SIC), thus satisfying the prerequisites set forth in Section 245a Austrian Commercial Code and Section 59a Austrian Banking Act on exempted consolidated financial statements prepared according to internationally recognised accounting principles. Furthermore, the disclosure requirements of the European Union were met where necessary.

In 2000 Erste Bank branch offices located in the province of Styria were transferred to Steiermärkische Bank und Sparkassen AG in exchange for a 14% stake. In addition, Erste Bank acquired 52.07% of the share capital (56.22% of the voting share capital) of Česká spořitelna, the second-largest credit institution in the Czech Republic. In accordance with IAS, this investment was consolidated as of 3 August 2000, the day the purchase agreement was concluded (closing day), which restricts comparison of the Consolidated Financial Statements with those of the previous year.

All IAS that are relevant for the banking group and already mandatory were observed. IAS 39 "Financial Instruments: Recognition and Measurement" is mandatory for financial statements for financial years beginning on or after 1 January 2001. Consequently, the rules for recognition and measurement stated in IAS 25 "Accounting for Financial Investments" were still applied.

The basic principle behind IAS 39 is to provide the most extensive valuation possible of financial instruments at fair values. The necessary adjustments of current carrying amounts to current fair values on 1 January 2001 are set off against equity.

The impact of this change on 1 January 2001 is detailed below:

in EUR million	
Derivative positions (Interest rate swaps)	(170)
Securities valuation	(22)
Deferred tax assets	65
Total	(127)

IAS 40 "Investment Properties" was adopted early (mandatory as of 1 January 2001), but the impact was immaterial.

Points where the Consolidated Financial Statements according to IAS deviate from Austrian Accounting Principles are outlined in VI.

Unless otherwise indicated, all amounts are stated in EUR million. Rounding differences may occur in the following tables.

Assets and liabilities stated in foreign currencies and pending foreign currency spot transactions are converted at the mean rate of exchange and forward exchange contracts at the forward rate at the balance sheet date.

In translating the financial statements of foreign subsidiaries prepared in foreign currencies, the mean rate of exchange at the balance sheet date was applied in the case of the Balance Sheet and the annual average rate was used for the Income Statement. Translation gains and losses resulting from the inclusion of foreign subsidiaries in the Consolidated Financial Statements are netted with retained earnings.

The accounting policies applied uniformly throughout the Group observe the going concern principle.

Revenue and expenses are recognised and reported in the period in which they are earned and incurred, respectively.

Expenditures that are reimbursed on the basis of contractual agreements with third parties are netted with the corresponding amount reimbursed.

Scope of Consolidation

In 2000 the scope of consolidation encompassed 263 domestic and foreign subsidiaries in addition to Erste Bank AG. In the reporting period 29 subsidiaries were included in the Consolidated Financial Statements for the first time and 6 companies were eliminated from the scope of consolidation.

The branch offices of Erste Bank AG located in the province of Styria were spun off and transferred to Steiermärkische Bank und Sparkassen AG ("Steiermärkische Sparkasse") in exchange for a 14% stake in Steiermärkische Sparkasse. The stake in Steiermärkische Sparkasse is stated at cost, i. e. market value at the time of transfer.

On 3 August 2000 (the day the purchase agreement was concluded) Erste Bank acquired 52.07% of Česká spořitelna, the second-largest credit institution in the Czech Republic, for EUR 543 million gross. The first instalment of the purchase price (EUR 280 million) was transferred to the National Property Fund of the Czech Republic in August 2000 (including EUR 50 million that were deposited in March when the agreement was signed). As the second tranche of the purchase price was paid at the earliest possible date (30 November 2000) and taking into account the agreed discount the payment came to EUR 530 million. The acquisition cost of the investment is EUR 526 million.

On 1 March 2000 Česká spořitelna, a.s. (ČS), Corfina, a.s. and Konsolidační banka Praha s.p.u. (KOB) signed a restructuring and guarantee agreement (the Agreement).

According to the Agreement, KOB guarantees the net carrying amount of specific loans and advances and selected financial instruments at the value stated in ČS's balance sheet at 31 December 1999. The Agreement grants ČS an option to sell—up to a stipulated annual ceiling—and obliges KOB to purchase ČS's loans and advances as part of a ring-fencing agreement at a stipulated price corresponding to the net carrying amount. Inversely, KOB has a reciprocal option on the loans and advances at the same stipulated price and annual ceiling. Furthermore, the Agreement grants ČS and KOB a one-time option in 2002 to purchase/sell all loans and advances included therein for which no option has been exercised thus far.

The ring-fencing agreements pertain to loans and advances to commercial customers (corporations) categorised as substandard, doubtful or non-performing according to the rating principles of the Czech National Bank as per 31 December 1999. Also included in the ring-fencing agreements are certain bonds, interbank commitments, financial derivatives and off-balance-sheet risks. The total nominal value of the ring-fencing agreement at 31 December 1999 was CZK 24.8 billion with a guaranteed value of CZK 15.1 billion.

While the agreement is in force (until 2005 at the latest), the loans and advances involved in these ring-fencing agreements will continue to be reported in the ČS balance sheet, are subject to certain conditions and are managed by ČS pursuant to specific rules and regulations. KOB reimburses the interest costs of this portfolio to ČS and also makes premium payments for proper credit management by ČS.

In addition, until 30 June 2001 commercial loans (and certain other loans and advances) of Česká spořitelna that were assigned to the “standard” and “satisfactory” risk categories on 31 December 1999 can be recategorised and included in the ring-fencing agreement provided Česká spořitelna and KOB agree that they were assigned to the wrong category (as of 31 December 1999).

If no agreement can be reached on the classification of certain loans or commitments, such cases shall be referred to the auditors of both parties for their evaluation and—if warranted—submitted to an independent auditor for a final decision.

As part of the first-time consolidation of Česká spořitelna effective 3 August 2000, a total of EUR 122 million were allocated for adjustments to the current fair values and provisions for expenditures and investments agreed to in the purchase agreement.

Of this amount, EUR 28 million were originally foreseen within the scope of initial consolidation for adjusting the fair values of properties used for banking operations. In the course of further analysis after the time of acquisition, the value of these properties was ascertained, as a result of which provisions for the fair value adjustment were no longer necessary.

Nevertheless, when the accounts were prepared the valuation of existing deferred tax assets were re-examined. Due to the uncertainty over future trends, particularly as concerns risk provisions that are recognised for tax purposes and receive restrictive tax treatment under current tax law in the Czech Republic, Erste Bank decided to reassign the fair value adjustment for property used for banking operations made at the time of initial consolidation to the valuation of deferred tax assets in the same amount (EUR 28 million), as a result of which there was no change in the total amount of goodwill resulting from the Česká spořitelna acquisition.

All in all, the difference between the purchase price and prorated equity and all adjustments at the time of acquisition resulted in goodwill of EUR 223 million, which will be written off over a period of 15 years.

Effective 30 September 2000 Erste Bank Sparkassen (CR) a.s., Prague, sold its banking operations to Česká spořitelna.

In December 2000 Erste Bank acquired an additional 25.58% of Salzburger Sparkasse from the City of Salzburg, boosting Erste Bank's share in both direct and indirect investments to 98.69%.

As part of its e-business strategy, ecetra Internet Services AG and ecetra Central European e-Finance AG were founded during the current financial year. The future activities of these companies will focus on e-brokerage services for the Central European market.

In addition to a number of mergers and reestablishments, which also included outsourcing certain functions to other fully consolidated companies in the Group, Erste Bank sold 33.4% of its interest in Intermarket Factoring Bank AG. The remaining shares were stated at equity. The equity held in NOVA Reisebüro GmbH was sold.

Erste Finance Ltd (Jersey) II, Jersey, was founded mid-year and floated a sub-Tier 1 issue (for partial funding of the purchase price of Česká spořitelna).

In the 2000 Consolidated Financial Statements, investments in 198 associates are included, of which 129 companies were accounted for using the equity method. The remaining associates were reported under financial investments, because they are of minor significance in presenting a true and fair view of the Group's assets, earnings and financial position.

Proportionate consolidation is not applied in the Consolidated Financial Statements (IAS 31.28). Companies in which a capital share of between 20% and 50% is held that are not fully consolidated and joint ventures are reported in the Consolidated Financial Statements at equity, as joint ventures are of minor significance in the shareholdings portfolio of the Erste Bank Group.

90 subsidiaries whose influence on the Group's assets, earnings and financial position is of minor significance and 3 undertakings whose assets are subject to restrictions due to provisions of the Non-Profit Housing Act were not consolidated.

Shareholdings in significant companies and their reporting in the Consolidated Financial Statements are presented in Note 48.

Principles of Consolidation

All significant subsidiaries which are controlled by Erste Bank AG are included in the Consolidated Financial Statements. Significant investments of between 20% and 50% (associates) are stated at equity and, where necessary, the corresponding financial statements have been restated according to IAS. As for investments in the insurance sector, owing to the special national legal requirements and the fact that insurance companies in Austria are not yet reporting according to IAS these are stated at equity pursuant to local accounting standards.

The remaining investments are reported at cost and in the case of permanent impairment of value the asset is written off accordingly.

Capital consolidation is done according to the purchase method by setting off fair value against the parent company's interest obtained in the equity stake at the time of acquisition. Any difference between fair value and the equity stake is either partially or completely attributed to the assets of the subsidiary. Goodwill resulting from acquisitions after 1 January 1995 is capitalised and written off over its estimated useful life. This is generally set at 20 years for domestic banks and financial service providers, at 15 years for foreign banks and financial service providers and between 5 and 15 years for all other companies (see Note 6 Intangible fixed assets).

Intercompany balances, income and expenses as well as intercompany profits and losses are eliminated provided they are not of minor significance.

Accounting policies

1) Loans and advances

Loans and advances to credit institutions and customers are reported at their nominal amount or at cost.

Provisions for specific and country risks are not set off against the corresponding loans and advances, but rather reported as a separate line item in the Balance Sheet.

Premiums and discounts—the differences between amounts paid out and nominal amounts—are reported as interest income or interest expense under other assets or other liabilities, and attributed to the accounting period in which they are earned or incurred, respectively.

Interest receivable is not recognised as revenue in the Income Statement if—regardless of the legal right to do so—it is highly improbable that future economic benefits will flow to the company.

Securities not listed on the stock exchange and credit substitutes evidenced by certificates are reported under the appropriate securities portfolio item (trading portfolio, investments available for sale or financial investments).

2) Risk provisions for loans and advances

The special risks inherent to the banking business are taken into account by making adequate specific and general provisions. Creditworthiness risks are provisioned in accordance with prudent valuation standards applied uniformly throughout the Group and take into account any eventual collateralisation. The transfer risk inherent in loans to borrowers in foreign countries (country risk) is valued using an internal rating system which takes into consideration the respective economic, political and regional situation.

In analogous application of IAS 36, project financing in the tourism sector (especially hotels and cable car rail systems), commercial project financing and properties up for sale that are not used for banking operations (the latter for the first time in 2000) were submitted to an impairment test. Project financing comprises building leases to third-parties and use of buildings by third parties, the financing of which is serviced exclusively or primarily from the cash flow of the investment project over a long period of time and for which the collateralisation is predominately the investment project's assets.

To this end, the recoverable amount was determined to be the maximum of the net selling price or value in use, whereby the value in use was determined based on the present value method of calculating the estimated future cash flows (discounted cash flow method) taking into account the customary financing ratio of equity to debt capital. If the carrying amount is over the determined recoverable amount, the impairment of value is reflected in an extraordinary write-off.

The total amount of risk provisions for loans and advances appearing in the Balance Sheet is reported under assets as a separate item and presented as a line item deduction after loans and advances to credit institutions and loans and advances to customers. The risk provision for off-balance-sheet transactions (particularly warranties and guarantees as well as other lending commitments) is included in provisions.

Risk provisions for securities and investments are made through direct valuation (depreciation or reversal of depreciation) of the carrying amounts.

3) Trading assets

Securities, derivatives and other financial instruments held for trading purposes are reported in the Balance Sheet at their fair values at the balance sheet date. Negative fair values are reported in the balance sheet item other liabilities. Products listed on the stock exchange are valued at the quoted prices. For non-listed products the fair values are determined according to the present value method or using suitable options pricing models.

All realised and unrealised gains from such positions are shown in the Income Statement under the net trading result. Also included in this item are interest and dividend income stemming from the trading portfolio and the incurred funding interest.

4) Investments available for sale

Securities which, according to the Group's internal guidelines, are assigned neither to the trading portfolio nor to financial investments because they are defined as a liquidity reserve for business reasons are reported under this item according to the strict principle of lower of cost or market.

The price gains of this portfolio—realised or unrealised—are included under Other operating results.

5) Financial investments

This balance sheet item contains bonds and other fixed-income securities, shares and other variable-yield securities, investments in associates as well as ownership rights in non-consolidated companies and property intended primarily for leasing to outside parties.

Investments in associates are valued according to the equity method. Other equity holdings are valued at cost and, in cases where the impairment of value appears permanent, are written off accordingly. Equity holdings that are intended for sale in the short to medium term are stated at their fair value (for listed investments at the quoted price) at the balance sheet date.

All financial investments are reported at cost (for leased property less normal periodic depreciation) using the cost method permitted by IAS 40. Depreciation is deducted for permanent impairment of value and if the reasons which led to the depreciation cease to apply, the depreciation is reversed back up to the original cost.

The derivative instruments used to hedge market, interest rate and currency risks are stated at the same value as the underlying asset of the transaction reported in the Balance Sheet.

6) Intangible fixed assets

This item is mainly comprised of goodwill arising on acquisition and software. These are reported at cost less amortisation and extraordinary write-offs.

Software generated internally is capitalised if it is probable that future economic benefits associated with that item will flow to the Group and the method of determining cost is reliable. Such software is amortised over the estimated useful life, which is generally set at four to six years as is the case for acquired software.

Goodwill arising on acquisition after 1 January 1995 is amortised on a straight-line basis (for domestic financial service providers over 20 years, for foreign financial service providers over 15 years, for all other companies between 5 and 15 years) and recognised in the Income Statement. Goodwill arising on acquisition before 1 January 1995 is netted with equity.

Extraordinary write-offs are recognised for impairments in value that are deemed permanent.

7) Tangible fixed assets

Tangible fixed assets—land and buildings, office furniture and equipment—are stated at cost less the depreciation corresponding to their estimated useful life. Extraordinary write-offs are recognised for impairments in value that are deemed permanent.

The useful life of tangible fixed assets is presented in the following table:

	Useful life in years
Buildings	25–50
Office furniture and equipment	5–20
Computer hardware	4–5

8) Leasing

The leasing agreements in force in the Erste Bank Group are almost exclusively finance leases, which means that all of the risks and rewards associated with the leased assets are transferred to the lessee. Pursuant to IAS 17, the lessor reports a claim against the lessee amounting to the present value of the contractually agreed payments and taking into account any residual amounts.

In the case of operating leases (in this type of lease the risks and rewards associated with the property remain with the lessor), the leased property is reported by the lessor under financial investments and depreciated in accordance with the principles applicable to the fixed assets involved. Leasing payments are recognised as revenue in the Income Statement in accordance with the period of use.

9) Debts evidenced by certificates

Debts evidenced by certificates are stated at their repayment or nominal amount. Bonds issued at a discount with long terms (e.g. zero coupon bonds) and similar debts evidenced by certificates are reported at their present value.

10) Provisions

Pursuant to IAS 19 (Employee Benefits), all employee benefits (pension and severance payment obligations plus anniversary bonuses) are determined using the projected unit credit method. The pension obligations for current employees and members of the Management Board of Erste Bank AG, Salzburger Sparkasse and s Bausparkasse were transferred in 1998 and 1999 (in some special cases in 2000) to a retirement fund. Consequently, the provisions are made solely for the pension obligations of retired employees and the obligations for disability pensions, which are still based on defined benefits.

The future obligations are valued according to actuarial expert opinions. This calculation takes into account not only those pensions and vested rights to future pension payments known at the balance sheet date but also anticipated future rates of increase in salaries and pensions.

The most important parameters based on actuarial computation of pension obligations are a discount rate (long-term capital market interest rate) of 5.5% annually and a raise in salary inputting pension payments of 3.5% annually for active employees. The parameters for pension provisions for retirees (for this portion there is no transfer to a pension fund) are a discount of 5.5% and an anticipated pension increase of 1.5% annually. The assumed retirement age is 56.5 for women and 61.5 for men.

The calculation of the severance payment obligation and anniversary bonuses is based on a discount of 5.5% annually and an average annual raise in salary of 3.5%.

All employee benefits (pension and severance payment obligations plus anniversary bonuses) are calculated in accordance with the 1999 mortality charts AVÖ 1999 P—Rechnungsgrundlagen für die Pensionsversicherung—Pagler & Pagler, which reflect the increased average life expectancy. Other provisions are made for contingent liabilities payable to outside parties in the amount of the anticipated utilisation of benefits.

11) Taxes on income—deferred taxes

Taxes on income are reported and calculated in conformity with IAS 12.

Assets and liabilities stemming from taxes on income are included in the items other assets and provisions. Deferred tax assets and liabilities are stated at the tax rates at which it is expected that the taxes will be paid to or credited by the respective tax authorities.

In calculating deferred taxes, the liability method based on temporary differences is used, which compares the amounts stated for assets and liabilities in the Balance Sheet with the amounts used in the taxation of the respective Group company. Variances in these amounts lead to temporary differences in value, for which deferred tax assets or deferred tax liabilities are to be reported regardless of when such differences cease to exist. The deferred taxes for the various Group companies are calculated at the country-specific future tax rates to be applied. The deferred tax assets and deferred tax liabilities of any one company are netted if the same tax office collects the taxes on income.

A deferred tax asset for unused tax losses is recognised if it is likely that the same company will generate taxable profits in periods for which the unused tax losses can be utilised. Deferred taxes are not discounted.

12) Cash and balances with central banks

in EUR million	2000	1999
Cash in hand	654	284
Balances with central banks	492	656
Total	1,146	940

Information on the
Group Balance Sheet

13) Loans and advances to credit institutions

in EUR million	2000	1999
Loans and advances to domestic credit institutions	7,646	5,739
Loans and advances to foreign credit institutions	11,826	4,556
Total	19,472	10,295

14) Loans and advances to customers

in EUR million	2000	1999
Loans and advances to domestic customers		
Public sector	1,967	1,858
Commercial customers	11,642	11,510
Private customers	7,588	7,324
Other	176	197
Loans and advances to foreign customers		
Public sector	702	527
Commercial customers	7,690	4,501
Private customers	1,181	230
Other	292	258
Total	31,238	26,405

This item includes receivables from finance leasing agreements totalling EUR 1,725 million (1999: EUR 1,501 million). The gross investment in the leases is EUR 1,946 million (1999: EUR 1,647 million), and the related unearned finance income totals EUR 221 million (1999: EUR 146 million).

15) Risk provisions for loans and advances

in EUR million	As of 1 Jan 2000	Changes in scope of consolidation ⁴⁾	Changes in exchange rate	Allocations ²⁾	Use	Release ²⁾	Reclassi- fication ¹⁾	As of 31 Dec 2000
Specific risks	823	535	8	190	(193)	(90)	45	1,318
Country risks	87	11	1	(4)	(5)	(11)	(70)	9
General provisions	10	85	2	79	(1)	(27)	(63)	85
Subtotal	921	631	11	265	(199)	(128)	(89)	1,412
Suspended interest	44	75	2	24	(9)	(1)	(2)	133
Risk provisions for loans and advances¹⁾	965	706	12	289	(209)	(129)	(90)	1,544
Other provisions ³⁾	49	0	0	0	0	0	(12)	37
Provision for guarantees	6	22	0	4	(1)	(7)	0	24
Total Risk provisions	1,020	728	12	294	(210)	(136)	(103)	1,605

+) in part due to branch spin-offs

1) Risk provisions for loans and advances are reported in item 4 of the Balance Sheet

2) Allocations to and releases of specific risks, country risks, general provisions and provisions for guarantees are accounted for in the Income Statement under the item risk provisions for loans and advances.

Suspended interest is netted with net interest income and other risk provisions are reported in Other operating results

3) Includes provisions for legal proceedings, statements made in offering circulars, risks associated with investments and others

4) This addition essentially resulted from consolidating Česká spořitelna, although part of these risk provisions are for implementing the ring-fencing agreement that was made as part of the acquisition transaction.

Loans and advances with suspended or adjusted interest totalled EUR 1,054 million as of 31 December 2000 (1999: EUR 685 million), the increase is almost exclusively due to the first-time consolidation of Česká spořitelna.

16) Trading assets

in EUR million	2000	1999
Bonds and other fixed-income securities		
Listed	2,257	940
Unlisted	220	47
Shares and other variable-yield securities		
Listed	206	117
Unlisted	206	179
Positive fair value from derivative financial instruments		
Currency transactions	123	18
Interest rate transactions	192	94
Other transactions	6	2
Total	3,210	1,397

17) Investments available for sale

in EUR million	2000	1999
Bonds and other fixed-income securities		
Listed	1,487	1,525
Unlisted	1,809	2,544
Shares and other variable-yield securities		
Listed	24	37
Unlisted	612	293
Total	3,932	4,399

18) Financial investments

in EUR million	2000	1999
Bonds and other fixed-income securities		
Listed	5,803	4,477
Unlisted	1,484	926
Shares and other variable-yield securities		
Listed	285	272
Unlisted	845	728
Investments		
In non-consolidated subsidiaries	14	12
In associates accounted for at equity		
– Credit institutions	156	145
– Non-credit institutions	128	124
In other investments		
– Credit institutions	173	105
– Non-credit institutions	88	89
Other financial investments	566	517
Total	9,542	7,395

The item other financial investments contains the carrying amounts of assets subject to operating lease agreements amounting to EUR 213 million (1999: EUR 214 million).

19) Schedule of fixed assets and financial investments

in EUR million	At cost as of 1 Jan 2000	Currency translation (+/-)	Additions (+)	Disposals (-)	Changes in scope of consolidation	
					Additions ¹⁾ (+)	Disposals (-)
Intangible fixed assets	551.3	0.0	89.6	(28.8)	288.7	(0.2)
a) Goodwill	314.8	0.0	27.7	(8.6)	223.3	0.0
b) Other	236.5	0.0	61.9	(20.2)	65.4	(0.2)
Tangible fixed assets	1,056.5	3.8	166.0	(160.2)	543.4	(1.6)
a) Land and buildings	626.9	3.4	49.3	(80.7)	430.4	(0.2)
b) Office furniture and equipment	429.6	0.4	116.7	(79.5)	113.0	(1.4)
Financial investments	1,162.3	0.0	263.7	(137.9)	66.6	(4.2)
a) Non-consolidated subsidiaries	15.6	0.0	4.2	(3.1)	1.9	(0.2)
b) Associates accounted for at equity	276.7	0.0	24.3	(9.8)	5.3	(3.9)
c) Other investments	224.2	0.0	139.6	(72.9)	5.0	(0.1)
d) Other financial investments (particularly property used by outside parties)	645.8	0.0	95.7	(52.1)	54.4	0.0
Total	2,770.1	3.8	519.3	(327.0)	898.7	(6.0)

in EUR million	At cost as of 31 Dec 2000	Accumulated depreciation (-)	Currency translation (+/-)	Scheduled depreciation ²⁾ (-)	Extraordinary write-offs ³⁾ (-)	Carrying amounts 31 Dec 2000	Carrying amounts 1 Jan 2000
Intangible fixed assets	900.6	(295.8)	0.0	(52.4)	(19.9)	604.8	327.9
a) Goodwill	557.2	(113.7)	0.0	(24.8)	(13.4)	443.5	239.3
b) Other	343.4	(182.1)	0.0	(27.7)	(6.5)	161.3	88.6
Tangible fixed assets	1,607.9	(576.1)	0.2	(87.5)	(14.8)	1,031.8	582.5
a) Land and buildings	1,029.1	(220.8)	0.1	(24.5)	(10.8)	808.4	441.4
b) Office furniture and equipment	578.7	(355.4)	0.1	(63.0)	(3.9)	223.5	141.1
Financial investments	1,350.5	(225.8)	0.0	(18.4)	(38.1)	1,124.7	993.0
a) Non-consolidated subsidiaries	18.4	(4.1)	0.0	0.0	(0.2)	14.2	11.7
b) Associates accounted for at equity	292.5	(8.5)	0.0	0.0	(1.3)	284.1	269.6
c) Other investments	295.7	(35.0)	0.0	0.0	(5.7)	260.7	194.9
d) Other financial investments (particularly property used by outside parties)	743.9	(178.2)	0.0	(18.3)	(30.8)	565.7	516.8
Total	3,858.9	(1,097.8)	0.2	(158.3)	(72.8)	2,761.3	1,903.4

1) Resulting predominantly from first-time consolidation of Česká spořitelna.

2) Including depreciation of companies that are not engaged in the banking business shown in other operating results.

3) Extraordinary write-offs are included in other operating expenses.

20) Other assets

in EUR million	2000	1999
Accrued interest and commissions	1,352	815
Prepaid expenses	26	45
Deferred taxes	315	261
Sundry assets	870	545
Total	2,563	1,666

21) Deferred tax assets and liabilities

Pertaining to temporary differences in the following items:

in EUR million	Deferred tax assets		Deferred tax liabilities	
	2000	1999	2000	1999
Risk provisions	26	20	0	0
Financial investments	45	25	0	0
Tangible fixed assets	17	40	0	0
Provisions for employee benefits	46	59	0	0
Other provisions	10	5	0	0
Tax loss carry forward	163	100	0	0
Other	8	11	0	(6)
Total	315	261	0	(6)

For temporary differences in connection with investments in subsidiaries amounting to EUR 150.1 million (1999: EUR 80.4 million) no deferred taxes were calculated as the requirements of IAS 12.39 were met.

Deferred tax assets are reported under other assets, deferred tax liabilities under provisions.

22) Amounts owed to credit institutions

in EUR million	2000	1999
Amounts owed to		
domestic credit institutions	9,466	9,664
foreign credit institutions	16,173	10,907
Total	25,639	20,571

23) Amounts owed to customers

in EUR million	Domestic		Foreign countries		Total	
	2000	1999	2000	1999	2000	1999
Savings deposits	11,672	12,731	5,673	245	17,345	12,976
Other						
Public sector	177	190	341	137	518	327
Commercial customers	2,594	2,177	2,451	1,898	5,045	4,075
Private customers	1,580	1,177	3,846	631	5,426	1,808
Other	356	304	151	43	507	347
Total	16,379	16,579	12,462	2,954	28,841	19,533

24) Debts evidenced by certificates

in EUR million	2000	1999
Mortgage and municipal bonds	1,052	863
Bonds	5,499	4,090
Certificates of deposit	1,322	991
Profit-sharing rights	63	36
Other	370	380
Total	8,306	6,360

The EUR 2 billion Debt-Issuance Programme ("DIP") launched in 1998 was increased in 1999 to EUR 4 billion and then in 2000 to EUR 7 billion. The DIP is an umbrella programme for issuing debt instruments in any currency, with a wide array of structures and maturities available. In 2000 28 new issues were floated with a total volume of EUR 2.8 billion, the utilisation rate of the DIP as of 31 December 2000 was around 55.6%.

In order to further diversify its financial strength, in September 2000 Erste Bank set up a Euro Commercial Paper Programme with an initial programme amount of EUR 1 billion. In 2000 three issues were floated under this programme with a total volume of EUR 69 million.

25) Provisions

in EUR million	2000	1999
a) Employee benefits	531	612
b) Other provisions	233	98
Total	764	710

a) Employee benefits

in EUR million	Pension provisions	Severance provisions	Anniversary provisions	Total provisions for employee benefit
Net present value as of 31 Dec 1998 (provision as of 31 Dec 1998)	509	121	23	653
Settlements	(22)	(4)	(1)	(27)
Service cost	0	7	2	9
Interest cost	26	6	1	33
Payments	(41)	(20)	(2)	(63)
Actuarial gains and losses	26	10	(3)	33
Net present value as of 31 Dec 1999	498	120	20	638
Unrecognised actuarial gains and losses	(26)	0	0	(26)
Provision for employee benefits as of 31 Dec 1999	472	120	20	612
Settlements	(61)	(2)	(1)	(64)
Service cost	0	7	2	9
Interest cost	26	6	1	33
Payments	(44)	(11)	(1)	(56)
Actuarial gains and losses	32	(4)	1	29
Net present value as of 31 Dec 2000	425	116	22	563
Unrecognised actuarial gains and losses	(32)	0	0	(32)
Provision for employee benefits as of 31 Dec 2000	393	116	22	531

Provisions for employee benefits

Applying the new mortality charts AVÖ 1999 P—Rechnungsgrundlagen für die Pensionsversicherung—Pagler & Pagler, which assume a longer life expectancy, the present value for future benefits for pension obligations as of 31 December 2000 were EUR 425 million. The difference of EUR 32 million between this amount and the pension provisions reported in the Balance Sheet essentially results from applying the current mortality charts and remains within the limits defined in IAS 19.92.

These new mortality charts published in 1999 are also applied in calculating the provisions for severance payments and anniversary bonuses.

The settlement of pension obligations resulted from the spin-off of provincial branches and the redundancy payments for existing pension rights made by Erste Bank and Salzburger Sparkasse during the financial year. The resulting profit (gross amount before deferred taxes) is EUR 17.4 million. The settlement of severance payments and anniversary bonuses resulted solely from the spin-off of Erste Bank branches; the profit resulting thereof amounted to EUR 0.6 million.

b) Other provisions

in EUR million	As of 1 Jan 2000	Change in scope of consolidation ²⁾	Allocations	Use	Releases	Reclassi- fications	Currency translation	31 Dec 2000	As of
Provision for taxes ¹⁾	24	2	20	(3)	(12)	(3)	–	28	
Provision for off-balance- sheet and other risks	56	22	4	(1)	(8)	(12)	–	61	
Various other provisions	18	104	40	(16)	(7)	4	1	144	
Total other provisions	98	128	64	(20)	(26)	(12)	1	233	

1) Regarding deferred tax liabilities, we refer to Note 21.

2) Resulting predominantly from first-time consolidation of Česká spořitelna.

Included under reclassifications are those disposals that were to be transferred from the provincial branch offices to the savings bank of the corresponding provincial capital.

At the time of the IPO in 1997 stock options were issued to management level employees of the Erste Bank Group. In light of the anticipated impact of the acquisition of Česká spořitelna on the Income Statement of the Erste Bank Group, the terms of the options were altered in 2000. While the general conditions remained unchanged, the parameters relevant for exercising the option (ROE to be achieved, required appreciation of stock price) were lowered by 15%. The current terms are as follows:

The exercise price is based on the ratio of the increase in the value of Erste Bank shares (computed using the average stock price for April 2001) to the offer price stipulated in the IPO conducted in December 1997. If the average share price in April 2001 is no higher than EUR 48.99, no discount will be granted, and if it exceeds this share price the rebate will be at least 15% of the offer price. Should the share price rise to at least EUR 52.75, the discount over the actual market price is 20% of the offer price, and should the share price rise to EUR 71.60 or above the rebate granted will be equal to the issue price. Should the increase be between the upper and

lower limits defined above, a gradual upward adjustment of the rebate is foreseen (up to a maximum of 100% of the IPO offer price). The stock options may be exercised within the space of two years after the lock-up period (between 30 June 2001 and 30 June 2003) and are neither negotiable nor transferable. The number of stock options that can actually be exercised after the lock-up period will also depend on the return on equity of the Erste Bank Group in 2000. A return on equity of 10.2% or more means that all stock options can be exercised. A return on equity of 6.8% or less means that no stock options can be exercised. If ROE is between 6.8% and 10.2% then a gradually increasing number of stock options can be exercised.

Owing to the results for 2000 all of the stock options can be exercised.

As of 31 December 2000 a total of 806,280 stock options had been issued to eligible employees; each stock option entitles the holder to subscribe for one Erste Bank share.

26) Other liabilities

in EUR million	2000	1999
Trading liabilities		
Currency transactions	50	3
Interest rate transactions	230	51
Other transactions	2	2
Deferred income	167	77
Accrued interest and commissions	547	470
Sundry liabilities	1,531	834
Total	2,527	1,437

Sundry liabilities include current balances from securities transactions, derivatives and from on-going payment transactions as well as other offset liabilities.

27) Subordinated capital

in EUR million	2000	1999
Subordinated liabilities	1,355	1,213
Supplementary capital	1,075	755
Total	2,430	1,968

28) Equity

Total equity reported as of 31 December 2000 amounts to EUR 366,349,563.60 in subscribed capital, which is divided into:

50,360,799 voting bearer shares	EUR	365,986,199.43
5,000 participation certificates	EUR	363,364.17
Total subscribed capital	EUR	366,349,563.60

The General Meeting held on 1 June 1999 resolved the conversion of share capital to shares with no par value and to convert nominal capital into euro. The entry in the Commercial Register is dated 6 August 1999. As of that date, the total subscribed capital thus amounts to EUR 322,745,863.10 and is divided into EUR 322,382,498.93 in share capital and EUR 363,364.17 in participation capital.

Article 4.4.2. of the Articles of Association authorises the Management Board to increase the share capital from EUR 322,382,498.93 by as much as EUR 65,405,550.75 by issuing 9,000,000 ordinary bearer shares at an issue price of at least EUR 7.27 per share. In accordance with the resolution taken by the Management Board on 10 August 2000, 6,000,000 bearer shares were issued, thereby increasing share capital by EUR 43,603,700.50. This motion was approved by the Supervisory Board on 11 August 2000.

The shares issued consisted of no par value voting stock. Following the subscription period for the offering (19 September to 4 October 2000) the final subscription price of EUR 47.00 was fixed on 5 October 2000. The proceeds of the issue of this Secondary Public Offering amounted to EUR 272 million (after issuing costs and taxes).

As of the balance sheet date (31 December 2000) the Company held the following authorised and conditional capital:

- EUR 43,603,700.50, pursuant to Article 4.4.1. of the Articles of Association for a period of five years from the date of registration of the amendment of the Company's Articles of Association in the Commercial Register through the issue of 6,000,000 ordinary registered or bearer shares as authorised capital;
- EUR 21,801,850.25, pursuant to Article 4.4.2. of the Articles of Association for a period of five years from the date of registration of the amendment of the Company's Articles of Association in the Commercial Register through the issue of 3,000,000 bearer shares as authorised capital;
- EUR 43,603,700.50, pursuant to the Extraordinary General Meeting held on 21 August 1997 a conditional capital increase in case convertible bond holders exercise their conversion rights (bearer shares);
- EUR 363,364.17, pursuant to a resolution taken at the General Meeting held on 11 May 2000 as a conditional capital increase in case participation certificate holders exercise their conversion rights (bearer shares).

As all own shares held in the Company's own portfolio are reported under trading asset, they are not netted with equity.

The composition of the [Erste Bank Group's qualifying capital](#) as determined pursuant to the Banking Act showed the following changes over the previous year:

in EUR million	2000	1999
Subscribed capital (less shares held in own portfolio)	366	322
Reserves	1,954	1,580
Intangible fixed assets	(195)	(149)
Core capital (Tier 1)	2,125	1,753
Participation capital	0	0
Eligible subordinated liabilities	1,623	1,341
Revaluation reserve	85	91
Qualifying supplementary capital (Tier 2)	1,708	1,432
Short-term subordinated capital (Tier 3)	401	295
Total qualifying capital	4,234	3,480
Deductions acc. to Sections 23 (13) and 29 Austrian Banking Act (1-2)	(278)	(184)
Total eligible qualifying capital	3,956	3,296
Capital requirement	2,952	2,440
Surplus capital	1,004	856
Cover ratio in %	134.0	135.1
Tier 1 ratio in %	6.7	6.3
Solvency ratio in %	11.2	10.8

The risk-weighted basis pursuant to Section 22 (1) Banking Act and the resulting capital requirement showed the following changes:

in EUR million	2000	1999
Risk-weighted basis acc. to Section 22 Austrian Banking Act	31,879	27,750
Thereof 8% minimum capital requirement	2,550	2,220
Capital requirement for the open foreign exchange position acc. to Section 26 Austrian Banking Act	19	28
Capital requirement for the trading book acc. to Section 22b (1) Austrian Banking Act	383	192
Total capital requirement	2,952	2,440

29) Net interest income

in EUR million	2000	1999
Interest income from		
Lending and money market transactions		
– with credit institutions	933.3	678.6
– with customers	1,634.8	1,354.6
Fixed-income securities	697.4	514.1
Other interest and similar income	45.6	71.2
Current income from		
Shares and other variable-yield securities	49.9	42.5
Investments		
– In non-consolidated subsidiaries	3.9	5.5
– In associates accounted for at equity	21.8	26.7
– In other investments	8.8	12.4
Property used by outside parties	25.3	26.4
Total interest and similar income	3,420.8	2,732.0
Interest expenses for		
Amounts owed to credit institutions	(1,191.7)	(923.9)
Amounts owed to customers	(683.7)	(595.8)
Debts evidenced by certificates	(456.4)	(335.1)
Subordinated capital	(140.2)	(111.2)
Other	(24.8)	(29.7)
Total interest and similar expenses	(2,496.8)	(1,995.7)
Net interest income	924.0	736.3

Net interest income also includes the net interest income from finance leasing, which totalled EUR 52 million (1999: EUR 40 million).

30) Risk provisions for loans and advances

in EUR million	2000	1999
Allocation to risk provisions in lending business	(269.4)	(189.2)
Release of risk provisions in lending business	135.4	93.3
Direct write-off of loans and advances	(45.1)	(41.9)
Amounts received against written-off loans and advances	17.2	5.3
Total	(161.9)	(132.5)

The above figures do not include the allocations to and releases of risk provisions netted in net interest income (suspended interest). See also explanation accompanying Note 15.

The allocations to and releases of other risk provisions that are not assigned to lending business are reported in the item Other operating results (see Note 34).

The above figures include the allocation and release of provisions for off-balance-sheet credit risks as well as sundry risks.

31) Net commission income

in EUR million	2000	1999
Lending business	52.9	36.8
Payment transfers	100.1	47.7
Securities transactions	178.7	142.9
Thereof: Investment fund transactions	99.5	82.1
Custodial fees	25.8	18.5
Brokerage	53.4	42.2
Insurance business	22.1	25.4
Other	69.6	69.6
Total	423.4	322.4

The sharp increase in this item essentially resulted from consolidation of Česká spořitelna.

A new definition has now been applied throughout the Group for breaking down income from securities transactions and the figures for financial 1999 were adapted accordingly.

32) Net trading result

in EUR million	2000	1999
Securities and derivatives trading	90.1	83.1
Foreign exchange transactions	37.3	30.6
Total	127.4	113.7

The net trading result is comprised of the results of trading portfolio activities and is based on a mark to market valuation. Listed products are valued by applying the quoted rate at the balance sheet date and for non-listed products the fair values are determined according to the present value method or using suitable options pricing models. All realised and unrealised gains are reported in the Income Statement under the net trading result. Also included in this item are interest and dividend income stemming from the trading portfolio and the incurred funding interest.

33) General administrative expenses

in EUR million	2000	1999
Personnel expenses	(561.8)	(487.8)
Other administrative expenses	(323.6)	(255.2)
Depreciation and amortisation of fixed assets	(115.6)	(78.7)
Total	(1,001.0)	(821.7)

Personnel expenses

in EUR million	2000	1999
Wages and salaries	(411.0)	(346.0)
Compulsory social security contributions	(103.3)	(86.0)
Expenses for pensions and other employee benefits	(39.0)	(49.0)
Other personnel expenses	(8.5)	(6.8)
Total	(561.8)	(487.8)

Average number of employees on payroll during the financial year
(weighted according to extent of employment)

	2000 Erste Bank Group without Česká spořitelna	2000 Česká spořitelna alone	2000 Total Erste Bank Group	1999 Total Erste Bank Group
Employed by Group	8,140	15,952	24,092	8,847
Domestic	7,006	0	7,006	7,294
Foreign countries	1,134	15,952	17,086	1,553

In addition to the above-mentioned headcount, an average staff of 273 was employed in the Group's companies that are not engaged in the banking business (hotel and recreation segment) (1999: 282 employees).

At the balance sheet date, loans and advances to members of the Management Board totalled EUR 0.04 million (1999: EUR 0.05 million). Loans to members of the Supervisory Board amounted to EUR 0.4 million (1999: EUR 0.6 million). The interest rates and other conditions (maturity dates and collateralisation) are customary. Of the loans and advances extended to members of the Management Board, EUR 0.04 million (1999: EUR 0.1 million) were repaid during the reporting period. Repayments by members of the Supervisory Board amounted to EUR 0.2 million (1999: EUR 0.3 million).

Remuneration paid to the members of the Management Board active during financial 2000 totalled EUR 2.2 million (1999: EUR 1.8 million), which is 0.67% of Erste Bank's total personnel expenses. This remuneration includes the profit-related bonus of EUR 0.5 million, but does not include amounts for the MSOP provision explained in Note 25b).

In the last financial year EUR 0.6 million (1999: EUR 0.6 million) were paid out to former members of the Management Board and their dependants.

Other administrative expenses

in EUR million	2000	1999
IT expenses	(90.7)	(49.7)
Expenses for office space	(45.8)	(46.6)
Office operating expenses	(55.9)	(48.6)
Advertising/marketing	(42.3)	(31.3)
Legal and consulting costs	(42.7)	(33.9)
Sundry administrative expenses	(46.2)	(45.1)
Total	(323.6)	(255.2)

Depreciation and amortisation of fixed assets

in EUR million	2000	1999
Software and intangible assets	(31.4)	(24.3)
Real estate used by the Group	(22.8)	(17.2)
Office furniture and equipment and other assets	(61.4)	(37.2)
Total	(115.6)	(78.7)

34) Other operating results

in EUR million	2000	1999
Other operating income		
Income from valuation/sale of securities held as investments available for sale	14.4	7.5
Income from valuation/sale of securities held as financial investments	19.5	1.5
Income from valuation/sale of investments	16.5	24.8
Valuation gains from spinning off branch offices	55.6	44.0
Sales revenue from companies ancillary to banking business and companies not engaged in the banking business	30.7	46.9
Income from insurance business	28.1	0
Income from release of other provisions/risks	6.4	1.9
Sundry operating income	50.4	32.9
Total other operating income	221.6	159.5
Other operating expenses		
Expenses from valuation/sale of securities held as investments available for sale	(27.1)	(21.9)
Expenses from valuation/sale of securities held as financial investments	(16.2)	(3.5)
Expenses from valuation/sale of investments	(13.9)	(3.9)
Amortisation of goodwill	(31.4)	(12.4)
Expenses from companies ancillary to banking business and companies not engaged in the banking business	(7.5)	(4.3)
Expenses from insurance business	(29.5)	0
Expenses from allocation to other risk provisions	(7.4)	(14.7)
Other taxes	(0.3)	(3.5)
Sundry operating expenses	(123.4)	(72.0)
Total other operating expenses	(256.7)	(136.2)
Total other operating results	(35.1)	23.4

Included in other operating income are income from the sale of property and income from various property development services.

Sundry operating expenses are comprised of valuation provisions for real estate projects (property used by outside parties) and properties up for sale that are not used in banking operations as well as expenses from various property development services.

35) Taxes on income

The taxes on income are made up of the current taxes on income calculated in each of the Group companies based on the results as reported for tax purposes and the change in deferred taxes.

in EUR million	2000	1999
Current tax expense	(18.2)	(12.3)
Deferred tax expense	(31.5)	(36.7)
Total	(49.7)	(49.0)

The following reconciliation shows the relationship between the income tax rate and the rate actually reported in the Income Statement:

in EUR million	2000	1999
Pre-tax profit for the year	276.7	241.5
Income tax expense expected for the financial year at the domestic statutory tax rate (34%)	(94.1)	(82.1)
Impact of different foreign tax rates	4.3	0.1
Tax reductions due to tax-exempt earnings of investments and other tax-exempt income	46.8	39.0
Tax increases due to non-deductible expenses	(9.9)	(3.4)
Tax expense/income not attributable to the reporting period	3.2	(2.6)
Reported taxes on income and earnings	(49.7)	(49.0)

36) Appropriation of net profit

in EUR million	2000	1999
Net profit after minority interests	191.8	164.6
Allocation to reserves	(129.9)	(110.0)
Profit carried forward	0.7	0.5
Distributable profit of the parent company	62.6	55.1

At the General Meeting to be held on 8 May 2001 the Management Board will propose that the owners of participation certificates be paid from the distributable profit EUR 12.40 per participation certificate in application of Section 65 (5) Austrian Stock Corporation Act, that the shareholders be paid the same dividend as the previous year of EUR 1.24 per share, whereby the shares from the capital increase conducted in 2000 are entitled to dividends for the entire year, and that the remaining profit be carried forward to the new account in application of Section 65 (5) Austrian Stock Corporation Act.

Earnings per share

Earnings per share is the amount representing net profit after minority interests divided by the average number of ordinary shares and participation certificates outstanding. Diluted earnings per share is the amount showing the maximum dilution effect possible if the average number of shares has increased or may increase as a result of the issued subscription and conversion rights.

		2000	1999
Net profit after minority interests	in EUR thousand	191,772	164,627
Thereof pertaining to shares	in EUR thousand	191,609	164,462
Thereof pertaining to participation capital	in EUR thousand	163	165
Average number of			
shares outstanding		45,543,554	43,994,534
participation certificates outstanding		3,877	4,057
Earnings per share	in EUR	4.21	3.74
Earnings per participation certificate	in EUR	42.10	37.42

In calculating the average number of shares, the capital increase of six million shares conducted in early October 2000 was accounted for on a prorated basis.

The diluted earnings per share for 2000 and 1999 show no change over the above figures.

37) Segment reporting

The aim of segment reporting is to present a comprehensive overview of the Erste Bank Group's earnings components according to

- business segments and
- geographical markets.

The basis for calculation is the internal profit contribution report by business areas. Income comprises net interest income determined based on opportunity cost (market spread, mismatch), net commission income, net trading result, other operating results and the income on national equity allocated to the segments according to their risk-weighted assets.

Administrative expenses are derived from activity-based costing and comprise product costs, indirect costs and general overhead. Actual risk costs as reflected in the Income Statement are used to present the risk situation of the financial year.

The earnings contributed by Česká spořitelna for five months are allocated to the corresponding segments.

Reporting according to [business segment](#) covers the following segments:

- Retail and Real Estate (activities in retail banking, small and medium-sized corporate customers, and real estate finance in Austria and Central Europe)
- Large Corporate Customers (key accounts in industry, trade and service sectors as well as international business outside Central Europe)
- Trading and Investment banking (investment banking, treasury, balance sheet management)
- Asset Gathering (investment funds, portfolio management, insurance business) and
- Corporate Centre (fixed assets, other equity holdings, consolidating items).

Segment reporting according to [geographical markets](#) is based on the following breakdown:

- Austria
- Central Europe (Croatia, Czech Republic, Hungary, Slovakia, Slovenia)
- The rest of Europe
- North America
- Central and South America
- Asia
- Others (including International Organisations)

Attribution to the different segments is determined by the country code (ISO code) assigned to each customer based on its place of residence.

Results according to business segments

in EUR million	Retail and Real Estate		Large Corporate Customers		Trading and Investment Banking	
	2000	1999	2000	1999	2000	1999
Net interest income	634.0	511.9	247.9	178.0	37.8	39.6
Risk provisions for loans and advances	(110.7)	(95.7)	(51.3)	(31.7)	(0.2)	0.3
Net commission income	234.1	136.9	58.9	39.1	22.2	18.7
Net trading result	27.0	35.7	9.7	10.5	75.8	71.8
General administrative expenses	(730.2)	(586.5)	(113.9)	(97.4)	(93.3)	(83.8)
Other operating results	49.9	43.2	(37.4)	(4.9)	(1.7)	(10.1)
Pre-tax profit for the year	104.1	45.5	114.0	93.7	40.6	36.5
Less taxes						
Less minority interests						
Net profit after minority interests						
Average risk-weighted assets	13,492.4	12,197.0	13,966.2	10,377.5	4,858.7	5,756.9
Average attributed equity	646.1	575.1	668.4	490.8	232.8	270.0
Cost-income ratio	81.6%	85.7%	36.0%	42.8%	68.7%	64.4%
ROE based on net profit						
before tax	16.1%	7.9%	17.0%	19.1%	17.5%	13.5%
after minority interests						
Thereof based on net profit before tax						
Savings banks	3.5	3.9	7.8	6.8	22.2	7.7
Česká spořitelna	13.1	0.0	(6.7)	0.0	6.5	0.0

in EUR million	Asset Gathering		Corporate Center		Total	
	2000	1999	2000	1999	2000	1999
Net interest income	(0.1)	0.9	4.4	5.8	924.0	736.3
Risk provisions for loans and advances	0.0	0.0	0.3	(5.4)	(161.9)	(132.5)
Net commission income	108.1	102.0	0.0	25.7	423.4	322.4
Net trading result	0.0	0.0	14.9	(4.3)	127.4	113.7
General administrative expenses	(42.4)	(44.5)	(21.1)	(9.5)	(1,001.0)	(821.7)
Other operating results	0.0	0.0	(45.9)	(4.9)	(35.1)	23.3
Pre-tax profit for the year	65.5	58.4	(47.4)	7.5	276.8	241.6
Less taxes					(49.7)	(49.1)
Less minority interests					(35.3)	(27.9)
Net profit after minority interests					191.8	164.6
Average risk-weighted assets	12.3	54.0	339.1	415.5	32,668.7	28,800.9
Average attributed equity	0.6	2.5	16.1	19.6	1,564.0	1,358.0
Cost-income ratio	39.3%	43.3%	109.5%	34.9%	67.9%	70.1%
ROE based on net profit						
before tax	> 100.0%	> 100.0%	> (100.0%)	38.1%	17.7%	17.8%
after minority interests					12.3%	12.1%
Thereof based on net profit before tax						
Savings banks	13.5	12.9	0.0	0.0	47.0	31.4
Česká spořitelna	0.0	0.0	(13.6)	0.0	(0.7)	0.0

The savings bank business reported separately here is comprised of Erste Bank's direct business with savings banks, underwriting business, savings bank business with group subsidiaries and investments in savings banks.

The earnings components of Česká spořitelna are also reported separately in each segment and include the result of the ČS Group, amortisation of goodwill and funding costs for the acquisition.

Results according to region

in EUR million	Austria		Central Europe		Rest of Europe	
	2000	1999	2000	1999	2000	1999
Net interest income	545.3	547.0	202.1	54.1	88.1	67.0
Risk provisions for loans and advances	(72.0)	(106.9)	(43.2)	(5.4)	(22.8)	(9.8)
Net commission income	312.8	293.1	86.0	15.1	18.8	10.7
Net trading result	94.9	95.0	22.9	11.3	10.4	3.7
General administrative expenses	(694.1)	(700.0)	(223.3)	(56.5)	(44.9)	(34.2)
Other operating results	(9.3)	34.6	(13.7)	2.9	(15.8)	(7.0)
Pre-tax profit for the year	177.5	162.8	30.8	21.6	33.7	30.3
Average risk-weighted assets	20,345.0	18,848.8	5,874.1	1,842.1	2,302.1	3,557.5

in EUR million	North America		Central/South America	
	2000	1999	2000	1999
Net interest income	43.2	39.3	10.5	5.2
Risk provisions for loans and advances	(18.0)	(5.8)	0.0	0.0
Net commission income	3.6	1.3	0.2	0.3
Net trading result	0.3	0.8	0.0	0.0
General administrative expenses	(18.5)	(18.2)	(3.1)	(2.2)
Other operating results	2.5	(7.1)	0.0	0.0
Pre-tax profit for the year	13.2	10.3	7.6	3.3
Average risk-weighted assets	2,253.3	2,654.9	281.8	399.4

in EUR million	Asia		Others		Total	
	2000	1999	2000	1999	2000	1999
Net interest income	20.4	13.1	14.5	10.5	924.0	736.3
Risk provisions for loans and advances	(4.7)	(4.2)	(1.2)	(0.3)	(161.9)	(132.5)
Net commission income	0.2	0.9	1.7	1.0	423.4	322.4
Net trading result	(1.1)	4.1	0.0	(1.3)	127.4	113.7
General administrative expenses	(10.5)	(7.1)	(6.6)	(3.6)	(1,001.0)	(821.7)
Other operating results	1.1	0.0	0.1	0.0	(35.1)	23.3
Pre-tax profit for the year	5.5	6.9	8.5	6.4	276.8	241.6
Average risk-weighted assets	1,013.9	826.3	598.5	672.0	32,668.7	28,800.9

38) Additional information

Assets and liabilities denominated in foreign currencies

in EUR million	2000	1999
Assets	32,667	17,988
Liabilities	27,005	14,660

As of 1 January 1999 (introduction of the euro) only foreign currencies used outside the zone of the Monetary Union Members are shown.

Unconsolidated foreign investments and goodwill are not reported as assets denominated in foreign currencies.

Assets and liabilities outside Austria showed the following changes

in EUR million	2000	1999
Assets	34,200	16,230
Liabilities	34,550	17,305

39) Loans and advances to and amounts owed to non-consolidated subsidiaries and investments

in EUR million	2000	1999
Loans and advances to credit institutions		
Non-consolidated subsidiaries	0	0
Associates accounted for at equity	500	389
Other investments	2,405	852
Loans and advances to customers		
Non-consolidated subsidiaries	94	138
Associates accounted for at equity	326	314
Other investments	407	208
Investments available for sale		
Non-consolidated subsidiaries	0	0
Associates accounted for at equity	0	11
Other investments	15	8
Financial investments		
Non-consolidated subsidiaries	0	4
Associates accounted for at equity	61	138
Other investments	2	125

2000 CONSOLIDATED FINANCIAL STATEMENTS ACCORDING TO IAS

in EUR million	2000	1999
Amounts owed to credit institutions		
Non-consolidated subsidiaries	0	0
Associates accounted for at equity	950	872
Other investments	2,354	1,457
Amounts owed to customers		
Non-consolidated subsidiaries	23	29
Associates accounted for at equity	148	91
Other investments	54	44
Debts evidenced by certificates		
Non-consolidated subsidiaries	0	0
Associates accounted for at equity	26	26
Other investments	0	0
Subordinated capital		
Non-consolidated subsidiaries	0	0
Associates accounted for at equity	2	6
Other investments	0	0

40) Assets pledged as security

Assets in the amounts stated below were pledged as security for the following liabilities and contingent liabilities:

in EUR million	2000	1999
Amounts owed to credit institutions	1	32
Amounts owed to customers	32	32
Debts evidenced by certificates	1,375	1,409
Other liabilities	0	0
Contingent liabilities	0	0
Other obligations	0	0

The following assets were pledged as security for the above-mentioned liabilities:

in EUR million	2000	1999
Loans and advances to credit institutions	1	0
Loans and advances to customers	1,697	1,833
Trading assets	53	59
Investments available for sale	51	0
Financial investments	0	83
Tangible fixed assets	0	0

41) Fiduciary transactions

The fiduciary operations not reported in the Balance Sheet are broken down as follows:

in EUR million	2000	1999
Loans and advances to credit institutions	29	29
Loans and advances to customers	51	55
Investments available for sale	9	14
Financial investments	0	0
Assets held in trust	89	98
Amounts owed to credit institutions	79	70
Amounts owed to customers	1	13
Debts evidenced by certificates	9	15
Liabilities held in trust	89	98

Organisation of risk management at Erste Bank

42) Risk Management Policies

The [Central Risk Management](#) department in the Controlling and Risk Management Division acts as a central and independent risk control unit as required by the Austrian Banking Act and sets up group guidelines for processes relating to risk management. This department aims at identifying and measuring all of the risks (market, credit and operational risks) existing throughout the Group based on Value-at-Risk, thus laying the foundation for risk-efficient capital allocation and earnings assessment.

The decentralised unit [Market Risk Management](#) within the Treasury division is responsible for day-to-day control of market risk associated with trading activities. This unit monitors market risk limits and counterparty limits. Other main duties include risk reporting, trading support, legal support, product testing processes and—in co-ordination with Central Risk Management—market risk management.

The responsibility for credit risk management lies with the two divisions [Credit Risk Management Domestic/Central Europe](#) and [Credit Risk Management International](#). Depending on the size and level of trading activities, foreign branch offices and subsidiaries either have their own risk management units or are covered by the decentralised unit [Market Risk Management](#).

The Treasury division is also in charge of measuring the market risks relating to the Banking Book. The [Balance Sheet Management](#) unit submits monthly reports to the Asset Liability Committee (ALCO) on the interest rate risk for Erste Bank's banking book to be used as a basis for adjusting balance sheet structure risks.

Pursuant to the provisions laid down in the Austrian Banking Act, the ultimate responsibility for risk management lies with the Management Board as a whole. The Management Board carries out this duty in part by participating in the work of the Risk Committee, which meets on a quarterly basis. This central committee takes the strategic decisions on risk management in the Erste Bank Group.

According to the Erste Bank Rulebook, the duties of the Risk Committee are to approve amendments to the Erste Bank Rulebook and note exceptions thereto, perform capital allocation at the bank level, set an aggregate bank risk limit based on the risk absorbing capacity of Erste Bank, set the aggregate limit based on the Value-at-Risk for market risk activities on the Trading Book, define medium-term objectives for risk management and discuss progress and issues in risk management.

The procedures relating to risk management at Erste Bank are laid down in the Erste Bank's Rulebook, a set of rules applied throughout the entire Group. The goal is twofold: to minimise operational risks and to create a consistent basis for the quality of data on market and credit risk activities. These rules are consistent with commonly applied international standards such as G30/ Derivatives—Practices and Principles, the German Bundesamt für das Kreditwesen/Minimum Requirements for Trading Book Activities and GARP/Generally Accepted Risk Principles.

**Policies and procedures—
Erste Bank's Rulebook**

Risks at Erste Bank

Market risk

Fluctuations in interest rates, exchange rates, share prices and commodities prices create market risks. Market risks derive from short-term trading (Trading Book) in instruments whose prices are fixed daily as well as from the traditional banking business (Banking Book).

Taking into consideration the Bank's risk-absorbing capacity and projected earnings, the Management Board as a whole manages the aggregate limits as part of its work on the Risk Committee. The aggregate limits are then distributed by the responsible Management Board member and Central Risk Management department based on a recommendation from the decentralised unit for Market Risk Management in the Market Risk Committee. All market risk limits in Erste Bank are statistically consistent with the aggregate Value-at-Risk limit covering all market risks in Erste Bank; limit compliance is checked at several levels: by decentralised local risk management units, invariably by market risk management and also by the Central Risk Management independent risk control unit.

A key component in defining the limits is estimating the potential losses that could be caused by market movements. This so-called Value-at-Risk is calculated at the Group level on a daily basis and reported to the Management Board via Erste Bank's electronic management information system on the basis of an [historical simulation](#) using the internationally recognised software [KVAR+](#). In its analysis Erste Bank uses a 99% confidence interval and a holding period of one or ten days. [Backtesting](#) is used to constantly review the validity of the statistical methods applied.

Unexpected market movements can have a great impact on the value of a trading position and result in significant losses or gains. Relying on purely statistical methods to measure risk, as is the case with Value-at-Risk, does not adequately take into account crisis situations and their consequences. Because of this, in addition to risk measurement applying Value-at-Risk Erste Bank also performs stress testing according to several methods ([historical worst](#), [extreme value theory](#), [scenario analyses](#)). These analyses are also relayed to the Management Board via the electronic management information system.

Value-at-risk of trading portfolio as of 31 Dec 2000 by risk-taking units

in EUR thousand	Total	Interest	Currency	Shares	Commodity	Volatility
Group	12,861	2,147	495	12,175	224	248
Hedge funds	12,472	0	0	12,472	0	0
Trading portfolio	2,286	2,147	495	630	224	248
Treasury Vienna	2,050	1,920	487	366	224	174
Investment banking	635	4	151	530	0	154
Activities abroad	926	841	338	32	0	177

The market risks from the trading portfolio were distributed as follows at the end of December 2000: The total Value-at-Risk with a 99% confidence interval and a one day holding period was EUR 12.9 million including hedge funds. The risk arising from interest rate fluctuations was EUR 2.1 million, from exchange rate fluctuations EUR 0.5 million, from commodities transactions EUR 0.2 million, from share price fluctuations EUR 12.2 million, from fluctuations in the implicit options volatility EUR 0.2 million. The difference between the sum of individual risks and the total risk is explained by diversification effects amounting to EUR 2.4 million.

Credit risk

Credit risk results from traditional lending business as well as from trading in market risk instruments. Credit risk is measured for all of the lending business done by Erste Bank AG in the Central Risk Management department based on credit Value-at-Risk. In future the credit risk will be calculated for the rest of the Group as well.

The calculation is based on the CreditMetrics method used by the American investment banker J.P. Morgan with the support of CreditManager software; Erste Bank opts for an observation period of one year and a 95% confidence interval.

Operational risk

Erste Bank defines operational risk as the "risk of direct or indirect losses resulting from inadequate or lacking processes and systems, from employee error or external events". Thus operational risks are potential losses that cannot be attributed to either market or credit risk. In keeping with current practice in most international banks, line management is responsible for operational risks.

In March 2000 Erste Bank launched a project in collaboration with internationally recognised consultants to define and measure operational risk throughout the entire bank for the first time. After completing the initial phase of the project for Erste Bank AG at the end of the first quarter of 2001, this approach is to be gradually implemented throughout the Group.

This project will lay the groundwork for rational cost-benefit decisions on measures to reduce, limit and mitigate operational risks (e.g. for possible insurance solutions). This will allow Erste Bank to integrate operational risks into risk-adjusted performance measurement based on Value-at-Risk.

Risk-absorbing capacity and risk-adjusted performance measurement

The overall measure of risk applied at bank as well as Group level is the Economic Capital that a bank has to hold in order to cover risk. This amount is defined as the annual loss which, with a very high probability, will not be exceeded. The level of probability is determined on the basis of capital market default analyses. The objective of calculating this figure is to determine the amount of capital needed in order to secure solvency of Erste Bank even in extreme loss scenarios. Furthermore, this figure enables comparative measurement and aggregation of all risks.

The central instrument for securing the Bank's solvency is risk-absorbing capacity. In this calculation, a multiple-stage process is used to compare the Economic Capital to the resources (earning power, reserves and equity) available to cover potential losses. Aside from the risk actually measured, a safety buffer and the existing risk limits are taken into account. Risk-absorbing capacity thus serves as a limit for all risk activities in Erste Bank.

Economic Capital is also a substantial component used in calculating the risk-adjusted return on capital (RAROC). This figure compares returns with the risks that are taken in order to achieve them, using Economic Capital as risk measure. Full implementation of RAROC will allow the entire bank to be managed on the basis of risk/return ratios. Thus, Economic Capital and RAROC combine risk limitation aimed at preserving the Bank's solvency and active risk and capital management geared towards increasing enterprise value.

Credit risks

The concentration of assets according to their gross amounts as of 31 December 2000

in EUR million	Total loans and advances to credit institutions and customers (incl. fixed income securities)	Guarantees/ Letters of credit	Total 2000	Total 1999
Banking and insurance	25,185	750	25,935	16,295
Private customers	8,851	31	8,882	7,801
Public administration	8,272	78	8,350	7,010
Manufacturing	4,078	717	4,795	3,765
Real estate	5,603	207	5,810	4,826
Retail	3,468	237	3,705	3,012
Construction	1,247	392	1,639	1,455
Hotels and restaurants	1,328	116	1,444	1,365
Transport and telecommunications	1,729	274	2,003	1,481
Energy and water supply	1,154	104	1,258	772
Other	2,854	272	3,126	2,289
Total	63,769	3,178	66,947	50,071

The total is comprised of loans and advances to credit institutions and customers, fixed-income securities held in the trading portfolio, as investments available for sale and as financial investments as well as off-balance-sheet credit risks.

The changes in risk provisions are explained in Notes 15 and 30.

Interest rate risk

Interest rate risk is the change in the fair value of fixed-income financial instruments caused by changes in market interest rates. This risk occurs when the maturity ranges of the fixed-income assets and liabilities (including transactions not recognised in the balance sheet) are not matched.

In order to account for the interest rate risk, fixed-income financial instruments (including derivative products) are entered as a hedge in the corresponding maturity ranges in accordance with their remaining maturity or term until expiration of the interest rate lock-up period.

The following table shows the open fixed-income positions of Erste Bank Group which are not attributed to the trading book. Positions with a positive value show the fixed-income risk on the asset side, i. e. there is a surplus in the asset positions; negative values represent the surplus on the liability side.

Open fixed-income positions not attributed to the trading book

in EUR million	1–2 years	2–4 years	4–6 years	6–9 Jahre	> 9 years
Interest rate lock-up gap					
as of 31 Dec 1999	2,612	1,286	102	942	(41)
as of 31 Dec 2000	4,312	(23)	(220)	933	(268)

The following table shows the derivatives not yet settled at the balance sheet date broken down by product:

43) Total volume of unsettled derivatives as of 31 December 2000

in EUR million	Nominal amount by remaining maturity			Total	Fair value	
	< 1 year	1–5 years	> 5 years		Positive	Negative
Interest rate contracts						
OTC products						
– Interest rate options						
Purchase	1,351	907	846	3,105	–	–
Sell	1,436	1,321	1,002	3,760	–	–
	(85)	(414)	(156)	(655)	–	6
– Interest rate swaps						
Purchase	72,450	18,527	8,466	99,444	–	–
Sell	75,830	17,170	7,309	100,309	–	–
	(3,380)	1,358	1,157	(865)	–	21
– FRAs						
Purchase	31,240	2,295	–	33,536	–	–
Sell	31,417	2,300	–	33,717	–	–
	(176)	(5)	–	(181)	–	2
Listed products						
– Futures						
Purchase	1,403	317	11	1,731	–	–
Sell	1,056	1,260	49	2,364	–	–
	347	(942)	(38)	(634)	–	–
– Interest rate options						
Purchase	1,787	–	11	1,798	–	–
Sell	1,048	–	32	1,080	–	–
	739	–	(21)	718	–	–

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in EUR million	Nominal amount by remaining maturity			Total	Fair value		
	< 1 year	1-5 years	> 5 years		Positive	Negative	
Currency contracts							
OTC products							
- Currency options							
Purchase	1,121	-	-	1,121	-	-	
Sell	557	-	-	557	-	-	
	564	-	-	564	-	-	
- Currency swaps							
Purchase	21,975	767	298	23,040	-	-	
Sell	22,005	706	251	22,961	-	-	
	(30)	61	47	79	250		
Listed products							
- Futures							
Purchase	-	-	-	-	-	-	
Sell	23	-	-	23	-	-	
	(23)	-	-	(23)	-	-	
- Currency options							
Purchase	-	-	-	-	-	-	
Sell	-	-	-	-	-	-	
	-	-	-	-	-	-	
Precious metal contracts							
OTC products							
- Precious metal options							
Purchase	-	-	-	-	-	-	
Sell	-	-	-	-	-	-	
	-	-	-	-	-	-	
Listed products							
- Futures							
Purchase	2	-	-	2	-	-	
Sell	1	-	-	1	-	-	
	2	-	-	2	-	-	
- Precious metal options							
Purchase	-	-	-	-	-	-	
Sell	-	-	-	-	-	-	
	-	-	-	-	-	-	

in EUR million	Nominal amount by remaining maturity			Total	Fair value	
	< 1 year	1–5 years	> 5 years		Positive	Negative
Securities-related transactions						
OTC products						
– Stock options						
Purchase	174	267	47	489	–	–
Sell	160	269	37	466	–	–
	14	(1)	10	22	–	–
Listed products						
– Futures						
Purchase	16	–	–	16	–	–
Sell	8	–	–	8	–	–
	9	–	–	9	–	–
– Stock options						
Purchase	–	76	–	76	–	–
Sell	254	–	–	254	–	–
	(254)	76	–	(178)	–	–
Total	(2,275)	132	1,000	(1,144)	250	29
Thereof OTC products	(3,094)	999	1,059	(1,037)	250	29
Thereof listed products	819	(867)	(59)	(107)	–	–

The derivatives listed above are also used in connection with the Group's asset and liability management. These transactions are entered into in order to hedge the market price fluctuations that could result, for example, from changes in market interest rates. In this case, hedging instruments include interest rate futures, mainly interest rate swaps. Currency fluctuations are hedged with currency swaps and forward exchange contracts.

44) Fair values of financial instruments

In the following table, the fair values of the balance sheet items are compared with their carrying amounts.

The fair value is the amount for which a financial instrument could be exchanged or settled between knowledgeable, willing parties in an arm's length transaction. In those cases where market prices were available, they were used in the valuation, otherwise internal valuation models were applied, in particular the present value method.

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The fair value for loans and advances to credit institutions and customers and amounts owed to credit institutions and customers with a remaining maturity of less than one year was set at the carrying amount.

in EUR million	2000		1999	
	Fair value	Carrying amount	Fair value	Carrying amount
Assets				
Cash and balances with central banks	1,146	1,146	940	940
Loans and advances				
to credit institutions	19,459	19,472	10,287	10,295
to customers	31,176	31,238	26,380	26,405
Risk provisions	(1,544)	(1,544)	(965)	(965)
Trading assets	3,210	3,210	1,398	1,398
Investments available for sale	3,936	3,932	4,403	4,399
Financial investments	9,646	9,542	7,314	7,396
Liabilities and equity				
Amounts owed to credit institutions	25,637	25,638	20,578	20,571
Amounts owed to customers	28,754	28,841	19,439	19,533
Debts evidenced by certificates	8,274	8,306	7,409	7,359
Trading liabilities (included in other liabilities)	281	281	56	56
Subordinated capital	2,430	2,430	1,981	1,968
Derivatives for hedging balance sheet items	(27)	0	(44)	0

Note: In compliance with IAS 39, parts of these items must be stated at fair value as of 1 January 2001.

45) Contingent liabilities and other obligations

in EUR million	2000	1999
Contingent liabilities	4,085	2,994
From guarantees and warranties	3,180	2,913
Other	905	81
Other obligations	8,366	6,654
Undrawn credit and loan commitments, promissory notes	7,069	5,002
Amounts owed resulting from repurchase agreements	552	1,041
Other	745	611

Česká spořitelna, a.s. is the defendant in a legal dispute pending since 1994 regarding the main building in Prague 4, Olbrachtova 1929. The plaintiff, Joint Invest Action, k.s., contests the legality of the building's purchase by Česká spořitelna, a.s. from the former owner. The trial court ruled in favour of the plaintiff. The court of appeals has meanwhile reversed the ruling and remanded the case to the trial court to hear further evidence. As of 31 December 2000 the building in question had a book value of approximately EUR 32.9 million.

46) Breakdown of remaining maturities as of 31 December 2000

in EUR million	On demand	Up to 3 months	3 months – 1 year	1–5 years	> 5 years
Loans and advances					
to credit institutions	1,398	10,663	5,004	1,507	901
to customers	3,511	2,685	4,588	7,660	12,794
Securities					
held in the trading portfolio	535	728	533	675	739
held as investments available for sale	30	357	244	1,764	1,536
held as financial investments	275	278	550	4,263	3,052
Total	5,749	14,711	10,919	15,869	19,022
Amounts					
owed to credit institutions	1,419	19,299	3,161	603	1,156
owed to customers	9,016	5,018	3,750	6,768	4,289
Debts evidenced by certificates					
Subordinated capital	–	1,464	449	3,258	3,135
	–	1	44	339	970
Total	10,435	25,782	7,404	10,968	9,550

Subsequent events

On 11 January 2001 Erste Bank signed an agreement to purchase 87.18% of the share capital of the Slovak savings bank Slovenská Sporiteľňa (SLSP), the largest credit institution in the Slovak Republic. The agreed preliminary purchase price is EUR 425 million, and 80% of this amount (EUR 340 million) are to be remitted to the seller upon final conclusion of the purchase agreement, which is set for 4 April 2001. The block of shares is to be transferred to Erste Bank concurrently.

The remaining 20% of the preliminary purchase price and an additional 20% are to be deposited with a fiduciary agent until such time as the final purchase price can be fixed based on SLSP's audited accounts for 2000 prepared according to IAS. Effective the day that the final purchase agreement is concluded Erste Bank has the right to appoint the new management board of SLSP and the majority of the members of the supervisory board.

As part of the overall agreement, the Slovak government has pledged to assume from SLSP doubtful loans up to a total (carrying amount) of SKK 2 billion.

In addition to paying the agreed purchase price, Erste Bank has expressed its willingness to help stimulate the Slovak economy in the areas of housing construction and promotion of small and medium-sized businesses. The aid package consists of SKK 10 billion in low-interest financing.

Furthermore, a sponsoring programme will be set up for education, culture and welfare, providing SKK 500 million in funds over the next five years.

47) Governing Bodies of Erste Bank der oesterreichischen Sparkassen AG

Supervisory Board

Herbert Schimetschek
President

Walter Stauffer
1st Vice President until 11 May 2000

Karl Korinek
1st Vice President from 11 May 2000
2nd Vice President until 11 May 2000

Klaus Braunegg
2nd Vice President from 11 May 2000
Member until 11 May 2000

Karl Blab *until 11 May 2000*

Dietrich Blahut

Dirk Bruneel

Elisabeth Gürtler

Wolfgang Houska *from 1 Juli 2000*

Werner Hutschinski

Birgitta Johansson-Hedberg *from 11 May 2000*

Theresa Jordis

Dietrich Karner

Josef Kassler *from 11 May 2000*

Heinz Kessler

Michael Krainz *until 11 May 2000*

Axel Freiherr von Ruedorffer

Jörg Schneider *until 11 May 2000*

Hubert Singer *from 11 May 2000*

Georg Winckler

Delegated by the Employee Council

Günter Benischek
*Chairman of the Salaried Employee Council
and Member of the Central Employee Council
(until 11 May 2000)
Chairman of the Central Employee Council
(from 11 May 2000)*

Bertram Mach
*Deputy Chairman of the Central Employee Council
(from 11 May 2000)*

Ernst Lukesch
*Deputy Chairman of the Central Employee Council
(until 11 April 2000)*

Josef Bauer
*Member of the Central Employee Council
(until 11 May 2000)
2nd Deputy Chairman of the Central Employee Council
(from 11 May 2000)*

Hedwig Chmelik
*2nd Deputy Chairman of the Central Employee Council
(until 11 May 2000)*

Josef Kronemann
*3rd Deputy Chairman of the Central Employee Council
(until 11 April 2000)*

Christian Havelka
*Member of the Central Employee Council
(from 11 April 2000 until 11 May 2000)*

Erika Hegmala
*Chairman of the Central Employee Council
(until 11 May 2000)
3rd Deputy Chairman of the Central Employee Council
(from 11 May 2000)*

Christine Brandstätter
*Member of the Central Employee Council
(until 4 April 2000)*

Ilse Fetik
*Chairman of the Central Employee Council
(from 11 May 2000)*

Joachim Härtel
*Member of the Central Employee Council
(from 11 April 2000)*

Anton Janku
*Member of the Central Employee Council
(from 11 April 2000)*

Elfriede Junger
*Member of the Central Employee Council
(from 11 May 2000)*

Matthias Skerlan
*Member of the Central Employee Council
(until 11 May 2000)*

Representatives of the Supervisory Authority

Robert Spacek
Senate Councillor, State Commissioner

Peter Pillmeier
Deputy Municipal Director, Deputy State Commissioner

Management Board

Andreas Treichl
Chairman

Franz Hochstrasser
Member

Elisabeth Bleyleben-Koren
Deputy Chairman

Peter Ostermann
Member until 31 December 2000

Reinhard Ortner
Member

Erwin Erasim
Member from 1 January 2001

48) Details of the companies of the Erste Bank Group as of 31 December 2000**Companies of the Erste Bank Group**

The reported equity and earnings figures were prepared according to IAS and may deviate from the financial statements of the individual companies prepared according to national reporting policies.

The net income reported is equivalent to net income after tax, in the case of tax affiliations to net income before tax.

Company, residence	Percentage of interest in %	Investment		Equity in EUR m	Net income in EUR m	Profit transfer ¹⁾	Balance sheet date	Fin. statem. acc. to	
		direct	indirect					Natl. Law	IAS
1) Credit institutions									
Fully consolidated companies									
Bausparkasse der österreichischen Sparkassen AG, Vienna	100.00	■		114.97	15.09	■	31/12/00		■
DIE ERSTE & CONSTANTIA Beteiligungsfonds Aktiengesellschaft, Vienna	100.00	■		14.96	0.89	■	31/12/00		■
Erste Bank (Malta) Limited, Sliema	100.00		■	77.63	5.74		31/12/00		■
Erste Financial Products Ltd., London	100.00	■		26.40	(6.10)		31/12/00		■
ERSTE Bank Hungary Rt., Budapest (group/including 4 subsidiaries)	99.29	■		39.57	0.42		31/12/00		■
Salzburger Sparkasse Bank Aktiengesellschaft, Salzburg (group/including 10 subsidiaries)	98.69	■	■	161.90	34.55	■	31/12/00		■
OTTHON Magyar-Osztrák Lakás-takarékpénztár Rt., Budapest	85.80		■	5.00	(0.90)		31/12/00		■
ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H., Vienna	84.25	■	■	13.03	37.71	■	31/12/00		■
s Wohnbaubank AG, Vienna (group/including 1 subsidiary)	76.56	■	■	28.53	2.07	■	31/12/00		■
Česká spořitelna a.s., Prague (group/including 7 subsidiaries)	52.07	■		646.39	0.73		31/12/00		■
Companies stated at equity									
„SPAR-FINANZ“-Investitions- und Vermittlungs-AG, Vienna	50.00	■		3.73	0.13		31/12/00	■	
Finanzierungs-Aktiengesellschaft österreichischer Sparkassen, Vienna	49.89	■	■	1.63	0.01		31/12/00	■	
ERSTE & STEIERMÄRKISCHE Banka d.d., Zagreb	40.54	■		61.03	6.68		31/12/00		■
Sparkasse Mühlviertel West Bank Aktiengesellschaft, Rohrbach (consolidated financial statements)	40.00	■		37.40	0.42		31/12/00	■	
MAZDA Bank Austria AG, Klagenfurt	33.33	■		2.59	0.17		31/12/00	■	

Company, residence	Percentage of interest in %	Investment		Equity in EUR m	Net income in EUR m	Profit transfer ¹⁾	Balance sheet date	Fin. statem. acc. to	
		direct	indirect					Natl. Law	IAS
Niederösterreichische Kapitalbeteiligungsgesellschaft mbH, Vienna	30.00	■		2.80	0.09		30/09/00	■	
Allgemeine Sparkasse Oberösterreich Bank AG, Linz (consolidated financial statements)	26.93	■	■	295.71	18.62		31/12/00		■
Niederösterreichische Sparkasse Hainburg Bank AG, Hainburg	26.04	■		21.16	1.80		31/12/00	■	
Niederösterreichische Kreditbürgschaftsgesellschaft mbH, Vienna	25.00	■		6.67	0.05		31/12/99	■	
Sparkasse Bregenz Bank Aktiengesellschaft, Bregenz	25.00	■		22.20	3.86		31/12/00	■	
Sparkasse Kremstal-Pyhrn Aktiengesellschaft, Kirchdorf	24.05	■		27.16	2.46		31/12/00	■	
Beteiligungsfinanzierungs-Aktiengesellschaft, Vienna	22.78	■		17.50	1.61		31/03/00	■	
Intermarket Factoring Bank Aktiengesellschaft, Vienna	20.57	■		15.15	1.50		31/12/00	■	
Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H., Vienna	18.75		■	25.97	0.14		31/12/00	■	
Companies stated at cost									
Kapital-Beteiligungs Aktiengesellschaft, Vienna	15.00	■		8.77	0.25		30/09/00	■	
Steiermärkische Bank und Sparkassen Aktiengesellschaft, Graz (consolidated financial statements)	14.00	■		306.73	25.07		31/12/99	■	
Oesterreichische Kontrollbank AG, Vienna	12.89	■		214.00	25.01		31/12/99	■	
Investkredit Bank AG, Vienna	11.26		■	251.58	19.07		31/12/00	■	
Istrobanka a.s., Bratislava	10.00	■		32.80	0.48		31/12/99		■
Kärntner Sparkasse Aktiengesellschaft, Klagenfurt (consolidated financial statements)	10.00	■		123.77	3.78		31/12/99	■	
Europay Austria Zahlungsverkehrssysteme GmbH, Vienna	2.76	■	■	33.36	12.55		31/12/99	■	
2) Financial institutions									
Fully consolidated companies									
EBV-Leasing GmbH & Co KG, Vienna	100.00	■		3.64	0.50		31/12/00		■
Erste Securities Polska S.A., Warsaw	100.00	■		4.36	0.65		31/12/00		■
Immorent AG, Vienna (group/including 172 subsidiaries)	100.00	■		246.46	41.55	■	31/12/00		■
Erste Bank Investment Hungary Rt., Budapest (group/including 2 subsidiaries)	99.94	■	■	9.36	0.33		31/12/00		■
Erste Securities Zagreb d.o.o., Zagreb	93.85	■		0.79	(0.12)		31/12/00		■
CDI-Erste Central Europe Holding Gesellschaft m.b.H., Frankfurt am Main (group/including 6 subsidiaries)	70.10	■		0.85	0.22		31/12/00		■

2000 CONSOLIDATED FINANCIAL STATEMENTS ACCORDING TO IAS

Company, residence	Percentage of interest in %	Investment		Equity in EUR m	Net income in EUR m	Profit transfer ¹⁾	Balance sheet date	Fin. statem. acc. to Natl. Law	IAS
		direct	indirect						
Companies stated at equity									
Leasfinanz AG, Vienna (consolidated financial statements)	25.00	■		6.00	0.08		31/12/99		■
Companies stated at cost									
Österreichisches Volkswohnungswerk gemeinnützige GmbH, Vienna	100.00	■	■	19.66	1.02		31/12/99	■	
Neue Eisenstädter gemeinnützige Bau-, Wohn- u. Siedlungsges.mBh, Eisenstadt	49.80	■		1.57	0.18		31/12/99	■	
Wohnungseigentümer gemeinnützige Wohnbauges.mBh, St. Pölten	26.00	■	■	6.50	0.99		31/12/98	■	
3) Others									
Fully consolidated companies									
EB Beteiligungsservice GmbH, Vienna	100.00	■		0.03	0.01		31/12/00		■
EB-IT-Erste Bank Informations-Technologie Ges.m.b.H., Vienna	100.00	■		0.06	0.00	■	31/12/00		■
EB-Malta-Beteiligungen GmbH, Vienna	100.00	■		36.48	4.43		31/12/00		■
EB-Restaurantsbetriebe Ges.m.b.H., Vienna	100.00	■		0.19	0.03	■	31/12/00		■
EB-Touristik Unternehmensbeteiligung AG, Vienna	100.00	■		3.77	0.02		31/12/00		■
ecetra Internet Services AG, Vienna (group/including 1 subsidiary) ¹⁾	100.00	■		4.66	(3.64)		31/12/00		■
ECO Unternehmensbeteiligungs-Aktiengesellschaft, Vienna	100.00	■	■	11.93	0.36		31/12/00		■
Erste Bank Beteiligungen Gesellschaft m.b.H., Vienna	100.00	■		24.04	(0.36)		31/12/00		■
Erste Finance (Jersey) Limited II, Jersey	100.00		■	8.01	4.60		31/12/00		■
Erste Finance (Jersey) Limited, Jersey	100.00		■	7.53	6.84		31/12/00		■
Gartenbau-Grundstücksverwertung GesmbH, Vienna	100.00	■	■	3.83	(0.30)		31/12/00		■
GZV-Gesellschaft für Zahlungsverkehr GmbH, Vienna	100.00	■		0.14	0.00	■	31/12/00		■
Industriegrundstücks-Verwaltungsges.m.b.H., Vienna	100.00	■	■	10.07	0.35		31/12/00		■
OM Objektmanagement GmbH, Vienna (group/including 5 subsidiaries)	100.00	■		77.43	10.37	■	31.12.00		■
s REAL Holding GmbH, Vienna (group/including 1 subsidiary)	100.00	■	■	0.73	0.13		31/12/00		■
VMG-Erste Bank Versicherungsmakler GmbH, Vienna	100.00	■		0.76	0.06	■	31/12/00		■
s Tourismusfonds Management AG, Vienna	98.69	■	■	74.52	1.57		31/10/00		■
ÖHFT-Vermögensverwaltungsgesellschaft m.b.H., Vienna	75.00	■		2.31	0.11		30/09/00		■
SPARDAT Sparkassen-Datendienst Gesellschaft m.b.H., Vienna	72.82	■	■	4.31	2.19		31/12/00		■

Company, residence	Percentage of interest in %	Investment		Equity in EUR m	Net income in EUR m	Profit transfer ^{*)}	Balance sheet date	Fin. statem. acc. to	
		direct	indirect					Natl. Law	IAS
Sparkassenbeteiligungs und Service AG für Oberösterreich und Salzburg, Linz	69.25	■		18.23	0.26		31/12/00		■
Sparkassen-Immobilienanlagen-Aktiengesellschaft, Vienna	64.95	■	■	13.38	1.66		30/06/00		■
BMG-Warenbeschaffungsmanagement GmbH, Vienna	55.85	■		0.00	0.00		31/12/00		■
GESCO Gesellschaft für Unternehmenscommunication GmbH, Vienna	55.85	■		3.45	1.34		31/12/00		■
s Informatik Gesellschaft m.b.H., Vienna	54.56	■	■	0.12	0.00		31/12/00		■
Hotel ANANAS-Hotelbetriebsges.m.b.H. & Co KG, Vienna	41.49	■		0.41	(1.94)		31/12/00		■
DIE ERSTE Immobilien AG, Vienna (group/including 1 subsidiary)	25.00	■		179.02	2.40		31/12/00		■
Equity									
E-C-A Holding Gesellschaft m.b.H., Vienna	50.00	■		4.80	2.95		30/04/00		■
MAZDA Austria GmbH, Klagenfurt (consolidated financial statements)	50.00	■		12.74	0.71		31/12/99		■
Logistik Zone Tirol GmbH, Hall	48.67	■		3.83	(0.39)		31/12/99		■
Sparkassen-Versicherung Aktiengesellschaft, Vienna	40.32	■	■	60.22	6.73		31/12/00		■
Sparkassen Haftungs AG, Vienna	36.53	■	■	0.22	0.01		31/12/00		■
Erste Wiener Hotel-AG, Vienna	35.15	■		23.38	(1.02)		31/12/99		■
RSV Beteiligungs-Gesellschaft m.b.H., Vienna (Lotto-Toto)	33.33	■		2.42	1.89		31/10/00		■
Vereinigte Pensionskasse AG, Vienna	26.80	■	■	15.15	0.72		31/12/99		■
Informations-Technologie Austria GmbH, Vienna	25.76	■	■	32.69	0.01		31/12/99		■
Vermreal Liegenschaftserwerbs- u. Betriebsges.mbH, Vienna	25.60	■		5.36	(0.02)		31/12/00		■
LTB Beteiligungs-Gesellschaft mbH, Vienna (Lotto-Toto)	25.00	■		2.48	1.90		30/11/00		■
Donau Allgemeine Versicherungs-Aktiengesellschaft, Vienna	20.00	■		95.02	9.80		31/12/99		■
Companies stated at cost									
Erste Private Equity Limited, London	100.00	■		0.53	0.29		31/12/00		■
UBG-Unternehmensbeteiligungsges.mbH, Vienna	100.00	■		0.57	0.00		31/12/99		■
Wohnungseigentum- und Beteiligungsges.mbH, Vienna	100.00	■		0.12	0.00		31/12/99		■
Sparkassen-Betriebsgesellschaft m.b.H., Linz	26.00	■		1.70	0.09		30/09/00		■
WED Holding Gesellschaft m.b.H., Vienna	19.24	■		11.55	0.06		31/12/99		■
Arwag Holding AG, Vienna (consolidated financial statements)	19.20	■		62.30	(4.24)		31/12/99		■
BVP-Pensionskassen AG, Vienna	19.00	■		10.06	0.47		31/12/99		■
BVP-Pensionsvorsorge-Consult-GmbH, Vienna	19.00	■		0.27	0.12		30/06/00		■
Wiener Börse AG, Vienna	10.13	■	■	24.01	(4.17)		31/12/99		■

*) Profit transfer agreement with Erste Bank owing to single entity relationship

**) Taking into account a subordinated loan in the amount of EUR 8.2 million

VI. Information and explanations pursuant to Section 245a Austrian Commercial Code

on accounting, valuation and consolidation methods applied
which deviate from Austrian Accounting Principles

The objectives of consolidated financial statements prepared according to IAS essentially differ from those of consolidated financial statements drawn up according to Austrian Accounting Principles. In particular, financial statements prepared according to IAS provide greater transparency and more relevant information about the company. Figures prepared solely for tax purposes are not permitted according to IAS. IAS assign priority to the investor's information needs.

As IAS have different objectives, this results in different accounting principles in some cases as well as extended reporting requirements in the Notes.

In the following cases, the differences between the objectives of IAS and Austrian accounting provisions led to substantial differences (selected items only):

Scope of Consolidation Compared to the scope of consolidation according to Austrian Accounting Principles, the scope of consolidation pursuant to IAS now also includes subsidiaries (including those stated at equity) that are not engaged in the banking business, but had to be consolidated due to the control concept.

Balance Sheet and Income Statement The Austrian Banking Act provides for a specific form of the Balance Sheet and Income Statement for credit institutions. Such a requirement does not exist according to IAS.

Loans and advances to credit institutions and customers These items are now reported as gross amounts according to IAS, i. e. before deducting provisions. In addition, unlisted securities, which were assigned to the loans and advances items pursuant to the Austrian Banking Act, are now grouped with the respective securities portfolio (trading assets, investments available for sale or financial investments) according to IAS.

Risk provisions for loans and advances Those risk provisions accounted for in the Balance Sheet are reported according to IAS in line with standard international practice as a separate line item under assets following loans and advances. This provides greater insight into the Company's risk provisioning policy. Allocations to and releases of risk provisions for the lending business are reported at the end of the year as a separate item in the Income Statement following net interest income.

Trading assets All trading assets are reported in the Balance Sheet as a separate item according to IAS. This item is mainly comprised of the securities held in the trading portfolio stated at fair value and the positive fair value of derivatives transactions that were not yet settled at the balance sheet date.

Investments available for sale In accordance with IAS, securities that are neither classified as trading assets nor as financial investments (liquidity reserves) are reported under this item. As before, such assets are valued at the lower of cost or market.

Financial investments In accordance with IAS, this item is comprised of long-term investments, securities held as financial investments and other financial investments (particularly leased properties).

Intangible fixed assets Intangible fixed assets generated internally must be capitalised according to IAS if the requirements for capitalising assets are met, whereas the Austrian Commercial Code prohibits capitalisation of such assets.

Purchased goodwill must be capitalised according to IAS and written off on a straight-line basis over its useful life. According to the Austrian Commercial Code, such assets may be deducted from equity.

Employee benefits According to IAS, the actuarial calculation of employee benefits (applying the projected unit credit method) takes into account the expected forecast increase in salaries. A long-term capital market interest rate is used as the discount rate.

Pension provisions for active employees and Management Board members at Erste Bank AG and Salzburger Sparkasse were transferred to a pension fund effective 1 January 1998. Effective 1 January 1999 pension provisions for active employees and Management Board members at s Bausparkasse were also transferred. This transfer also marked the transition for employees active at that point from the defined benefit plan to the contribution principle.

Deferred taxes In calculating and reporting deferred taxes pursuant to IAS, the liability-based temporary concept is applied, which compares the carrying amounts of the assets and liabilities with the respective tax basis. Variances in these amounts lead to temporary differences in value, which justify deferred tax assets and deferred tax liabilities regardless of when these differences cease to exist. According to IAS, these deferred items must be reported, whereas under the Austrian

Commercial Code reporting deferred taxes is optional in the separate financial statements. According to the Austrian Commercial Code, tax accruals and deferrals are only permissible as a consequence of temporary differences between the result according to commercial law and the profit determined in accordance with tax regulations, provided a tax expense would actually have been incurred before accounting for tax losses carried forward. The Commercial Code prohibits the capitalisation of deferred taxes from tax losses carried forward.

Fiduciary transactions In line with their economic purpose, fiduciary operations conducted in the bank's name but for the accounts of third parties are not included in the Balance Sheet pursuant to IAS. According to Section 48 (1) Austrian Banking Act, such fiduciary agreements are to be reported in principle by the fiduciary agent. However, should other regulations exist according to which the assets held in trust can be segregated from bankruptcy proceedings, they should be reported as an off-balance-sheet item.

Net interest income Pursuant to IAS, this item includes interest income, interest expenses, income from investments, other dividends and income earned on variable-yield securities. Interest income and funding expenses resulting from items attributed to the trading portfolio, on the other hand, are reported in the Income Statement under the net trading result.

According to the form stipulated by the Austrian Banking Act, net interest income and income from variable-yield income securities and investments are reported as two separate items.

Depreciation Included in this item are depreciation, amortisation and extraordinary write-offs of all tangible and intangible fixed assets. Amortisation of acquired goodwill, which is accounted for in the item depreciation according to the Austrian Commercial Code, is reported under other operating results pursuant to IAS.

Other operating results This item includes the following main earnings components:

- Result from the valuation and/or sale of securities held as investments available for sale and of all assets reported as financial investments (securities held as financial investments, investments)
- Result from valuation, allocation to and release of provisions not attributed to lending business
- Real estate write-offs and sales revenue
- Amortisation of acquired goodwill
- Other operating income/expenses not attributed to other items in the Income Statement

Vienna, 26 March 2001

The Management Board

Andreas Treichl mp

Chairman

Elisabeth Bleyleben-Koren mp

Deputy Chairman

Reinhard Ortner mp

Member

Franz Hochstrasser mp

Member

Erwin Erasim mp

Member

Auditors' Report

We have audited the accompanying Consolidated Financial Statements of Erste Bank der oesterreichischen Sparkassen AG (the Erste Bank Group) as of 31 December 2000 and 31 December 1999 comprised of the Balance Sheet as of 31 December 2000 and 31 December 1999, and the Income Statements, Statements of Changes in Equity, Cash Flow Statements and Notes for the years ended 31 December 2000 and 31 December 1999.

These Consolidated Financial Statements are the responsibility of the Managing Board. Our responsibility is to express an opinion on these Financial Statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing (ISA) of the International Federation of Accountants (IFAC). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

It is our conviction that the Financial Statements give a true and fair view of the net assets and financial position of the Group as of 31 December 2000 and 31 December 1999, and of the results of its operations and its cash flows for the financial years then ended in accordance with International Accounting Standards (IAS).

Under Austrian commercial law, an audit of the Group Management Report has to be conducted and it has to be certified whether the legal requirements for the exemption from the preparation of consolidated accounts according to Austrian law (Section 59a Austrian Banking Act) are met.

We confirm that the Management Report is consistent with the Consolidated Financial Statements and we further certify that the legal requirements for exemption from the preparation of consolidated accounts according to Austrian law are met.

Vienna, 27 March 2001

Sparkassen-Prüfungsverband
Auditing Agency

Wolfgang Riedl mp
Public Accountant

Klaus Goschler mp
Audit Director

EIDOS Wirtschaftsberatung GmbH
Public Accountants and Tax Advisors

Erich Kandler mp
Public Accountant

Claudia Fritscher-Notthaft mp
Public Accountant

Report of Supervisory Board

During 2000, the Supervisory Board was regularly informed by the Management 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 consolidated accounts, including the consolidated status report, were audited by Sparkassen-Pfungsverband and by EIDOS Wirtschaftsberatung GmbH, 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 Management Board as well as its proposal concerning the distribution of profits. The Supervisory Board has accordingly sanctioned the 2000 annual accounts, which are therefore approved with Section 125 clause 2 of the Austrian Stock Corporation Act and has taken note of the consolidated annual accounts.

Vienna, April 2001

Herbert Schimetschek mp

Chairman of the Supervisory Board

CAPTIONS

About the artwork in this report

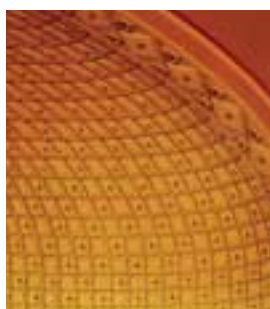
Last year the annual report of Erste Bank was illustrated with architectural details of Wiener Secession, one of Erste Bank's foremost sponsorship partners. This year the architectural theme has been given a broader geographic scope: Details of Art Nouveau architecture from Budapest and Prague frame the financial figures for the year 2000, thus representing the success of Erste Bank's Central European strategy. As last year, the images are by Viennese photographer Bernhard Angerer.



Prague
Koruna passage
Václavské náměstí 1 – 3
Front Cover



Budapest
Academy of Music
Zeneakadémia
Liszt Ferenc tér 6
page 24



Prague
Municipal Building
Náměstí Republiky 5
page 1



Prague
Koruna passage
Václavské náměstí 1 – 3
page 27



Budapest
Iparművészeti Múzeum
Üllői út 33 – 37
page 10



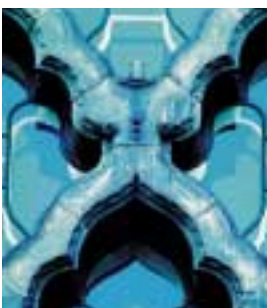
Budapest
Zoo, Elephant House
Állatkeri Körút 6 – 12
page 39



Prague
Hlavní nádraží
(Central Railway Station)
page 44



Budapest
Academy of Music
Zeneakadémia Liszt
Ferenc tér 6
page 59



Budapest
Iparművészeti Múzeum
Üllői út 33 – 37
page 54



Budapest
Zoo, Elephant House
Állatkeri Körút 6 – 12
page 65

Information for shareholders

The earnings per Erste Bank share for the 2000 fiscal year amounted to EUR 4.21. This represents an increase of 12.6% compared to the previous year (1999: EUR 3.74). The Erste Bank share closed the year 2000 on a price-earnings multiple of 11.4x. On the same date the Austrian Traded Index (ATX) at large recorded a P/E of 11.2x.

A dividend of EUR 1.24 per share, unchanged on last year, will be recommended to the annual general meeting on 8 May 2001. This represents a dividend yield of 2.6% based on Erste Bank's closing share price of EUR 48.00 at the year end, visibly surpassing the weighted average of 2.4% for the 24 shares that constituted the ATX on 31 December 2000.

To receive the annual financial statements of Erste Bank AG (based on Austrian accounting standards and available in German only) contact Investor Relations, Graben 21, A-1010 Vienna or investor.relations@erstebank.co.at.

The Erste Bank share

After reaching its low for the year 2000 of EUR 40.85 on 2 February, the Erste Bank share recovered strongly upon the acceptance of Erste Bank's bid to acquire a majority interest in Česká spořitelna, a.s. The price of the Erste Bank share moved within a narrow margin during the second quarter of 2000. Eventually, the very good business results reported by Erste Bank in the first half of the year and the announcement of the capital increase drove the share price up significantly in the third quarter. On 15 September 2000 Erste Bank's share reached its high for the year, at EUR 51.30.

In order to support the expansion plans in Central Europe and finance its e-business activities, Erste Bank carried out a capital increase in October 2000. In this secondary public offering (SPO), Erste Bank issued 6 million new shares. At a price of EUR 47 per share, the bank thus gained EUR 272 million of new capital (net after issuing expenses and tax).

The negative trend on international equity markets caused by vast price losses of telecommunications and technology issues, combined with downgradings of some European bank shares in the fourth quarter of 2000, pulled the Erste Bank share lower. In December the announcement that Erste Bank would buy Slovenská sporiteľňa, a.s. provided a positive impetus for the share price.

The Erste Bank share performed exceptionally well in 2000, ending the year on a price of EUR 48.00, (up 9.1%) giving Erste Bank the fifth strongest price gain in the ATX.

Erste Bank's share outperformed the ATX and the DJ Euro Stoxx Bank index (a key benchmark for bank shares) since the beginning of 2000, since the flotation in December 1997 as well as since the capital increase in October 2000 (see table below).

The strong performance of the Erste Bank share continued in the first quarter of 2001. The signing in the first half of January of the agreement to acquire a majority stake in Slovenská sporiteľňa, a.s. was well-received by investors. An additional important boost to performance came from the inclusion of the Erste Bank share in the MSCI Standard Index Austria in February 2001, which lifted the share price sharply. Erste Bank's share price attained a new two-year high of EUR 58.40 in March 2001.

Share price to the end of 2000

	Since IPO ¹⁾ in Dec 1997	Since 1 Jan 2000	Since SPO ²⁾ in Oct 2000
Erste Bank share	+ 8.3%	+ 9.1%	+ 2.1%
ATX	(17.7%)	(10.4%)	(8.1%)
DJ Euro Stoxx Bank Index	- *	+ 3.8%	(5.3%)

* Comparison since IPO is not possible as Erste Bank has been included in this index only since 16 January 1998.

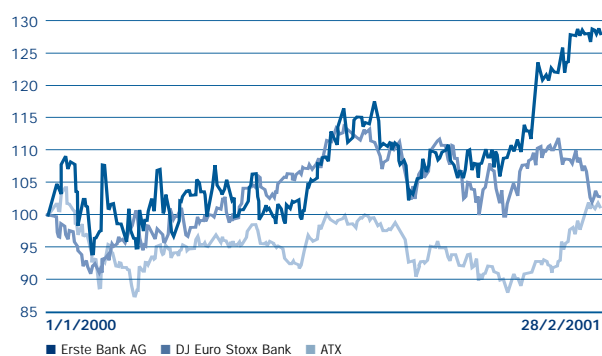
1) Initial public offering

2) Secondary public offering

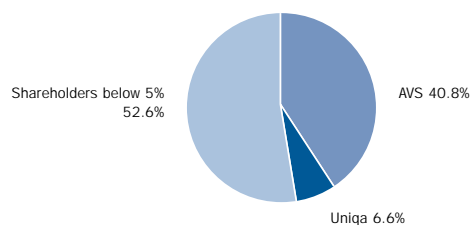
Erste Bank share is included in following international stock indices

- ATX—Austrian Traded Index
- DJ Euro Stoxx Bank Index
- MSCI Standard Index Austria

Performance of Erste Bank share, DJ Euro Stoxx Bank and ATX in 2000 (indexed)



Ownership structure of Erste Bank



Five largest institutional investors:

■ Uniqi	6.6%
■ Generali	4.3%
■ Swedbank	4.0%
■ Artesia	2.1%
■ Commerzbank	2.0%

Five largest savings banks among shareholders:

■ Kärntner Sparkasse	1.3%
■ Tiroler Sparkasse	0.9%
■ Sparkasse OÖ	0.7%
■ Steiermärkische Sparkasse	0.7%
■ Sparkasse Dornbirn	0.4%

Analyses of Erste Bank are regularly prepared by the following investment banks

- | | |
|--|--|
| ■ CA-IB Investment Bank AG | ■ Goldman Sachs Investment Research |
| ■ Credit Suisse First Boston (Europe) Ltd. | ■ Lehman Brothers |
| ■ Deutsche Bank AG | ■ Raiffeisen Zentralbank Österreich AG |
| ■ Dresdner Kleinwort Wasserstein | ■ Schroder Salomon Smith Barney |
| ■ Fox-Pitt, Kelton | ■ UBS Warburg |

Erste Bank financial calendar

8 May 2001	Annual general meeting
11 May 2001	Ex-dividend day and dividend payment date
11 May 2001	Release of first-quarter results 2001
8 August 2001	Release of interim results 2001
12 November 2001	Release of third-quarter results 2001

