

For Immediate Release

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## Erste Bank: Record full year preliminary results for the leading financial services company in Central Europe

- Erste's market leadership reflects successful implementation of strategy
- Fulfilment of financial targets set at time of IPO in 1997

### Unaudited preliminary full year results 2000 - highlights:

- 35.8% increase in total assets to EUR 71.2 billion
- Net interest income rises 25.5% to EUR 924.0 million
- Net commission income climbs by 31.3 % to EUR 423.4 million
- Net profit after minority interests up 16.5% to EUR 191.8 million
- Return on equity rises to 12.3% in line with IPO target, after 12.1% for full year 1999
- Tier 1 ratio at 6.7% compared to 6.3% in 1999
- Cost / income ratio at 67.9% in line with IPO target, down from 70.1% in 1999
- Earnings per share EUR 4.21 compared with EUR 3.74 in 1999 (+12.6%)

In the year to 31 December 2000, Erste Bank der oesterreichischen Sparkassen AG successfully continued along the path of solid growth achieved over the past few years. Net profit after minority interests increased by a further 16.5% against an excellent 1999, to reach the record level of EUR 191.8 million. This result is all the more pleasing and noteworthy, given that Česká spořitelna<sup>1</sup> (ČS), which was acquired last year, has already been integrated into the balance sheet and income statement since 3 August 2000.

Erste Bank achieved significant improvements in the two major financial performance measures targeted since the IPO: the cost / income ratio was reduced by just over two percentage points to 67.9%, in line with the 65-67% target range for 2000, while the return on equity (RoE) increased to 12.3%, surpassing the target of 12%. This means that the targets for the year 2000, set at the time of the IPO in 1997, were achieved, despite the first-time consolidation of Česká spořitelna. Another key indicator, earnings per share (EPS), also showed strong progress, growing 12.6% to EUR 4.21.

Erste Bank CEO Andreas Treichl, said:

*"This is a remarkable success, which validates our strategic positioning. Over the past four years, we have succeeded in acquiring a position as the leading financial services provider in central Europe and as a highly profitable, independent bank with strong fundamentals."*

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<sup>1</sup> The first-time consolidation of Česká spořitelna (ČS) in Erste Bank's Group financial statements was initiated on 3 August 2000, the day the deal closed. This means that the Group balance sheet includes the carrying value of ČS' assets and liabilities and the results of ČS from August to December in the individual income statement items.

Treichl added:

*“The results also show that Česká spořitelna is already contributing substantially to the good annual results in important revenue areas, such as net commission income and net interest income. Although Česká spořitelna has only been integrated for 5 months, its share of operating profit amounts to roughly 14%. This is an excellent foundation from which to continue in the coming years along a growth path that is in the best interests of our shareholders and employees.”*

The main reasons for the excellent financial year were the considerable rises in net commission income (+31.3 % to EUR 423.4 million, or +10.3% net of the acquisition of ČS) and in net interest income (+25.5 % to EUR 924.0 million, or +5.2% net of ČS), as well as strong control of costs (Erste Bank's costs increased only slightly net of ČS: +1.3%).

### **Sharp rise in operating income**

EUR million	2000	Share of operating income	1999	Share of operating income	% change 1999/2000
Net interest income	924	62.7 %	736	62.8 %	25.5%
Commission and fee income	423	28.7 %	322	27.5 %	31.3%
Trading income	127	8.6 %	114	9.7 %	12.0%
<b>Operating income</b>	<b>1,474</b>	<b>100.0 %</b>	<b>1,172</b>	<b>100.0 %</b>	<b>25.8%</b>

The Erste Bank Group's operating income<sup>2</sup> (which includes that of Česká spořitelna since 3 August 2000) showed a considerable rise of 25.8 % in the year 2000 to EUR 1,474.7 million. The main contributors here were changes in net interest and net commission income.

**Net interest income**<sup>3</sup> increased by more than a quarter (+25.5 % to EUR 924 million). Excluding ČS the increase came to 5.2 %. This was mainly due to increased business volume and a small improvement in margins.

The **interest margin** of the Group as a whole improved from 1.34 % in the previous year to 1.5 %. However, after excluding the effects of the Česká spořitelna acquisition (ČS has a considerably higher interest margin than the rest of the Group), the figure remained practically unchanged for the year 2000 at 1.36 %. This is therefore another example of the positive impact that ČS' results had on Erste Bank's figures.

**Net commission income** grew by 31.3 % to EUR 423.4 million, and even if one excludes ČS, the growth rate still reached double-digits at 10.3 %. This result mainly benefited from superior growth (net of ČS) in securities-related transactions and payment transactions. However income from insurance business posted a decline compared with the particularly strong performance last year.

<sup>2</sup> Sum of net interest income, net commission income and trading result

<sup>3</sup> Sum of the interest result in the narrower sense, interest and similar income and expenses as well as earnings from participations including the proportionate results of those subsidiaries consolidated at equity

	2000	Share (%)	1999	Share (%)	% change
	EUR million		EUR million		1999 /2000
Loans	52.9	12.5	36.8	11.4	43.2
Payment services	100.1	23.6	47.7	14.8	109.8
Securities operations	178.7	42.2	142.9	44.3	25.1
Insurance operations	22.1	5.2	25.4	7.9	(13.0)
Other	69.6	16.5	69.6	21.6	0.0
<b>Commission and fee income</b>	<b>423.4</b>	<b>100.0</b>	<b>322.4</b>	<b>100.0</b>	<b>31.3</b>

Despite the unfavourable sentiment on the stock markets, the bank achieved an improvement in the **net trading result** (+12 % to EUR 127.4 million), mainly due to the acquisition of ČS. Net of ČS performance was at around last year's level.

	2000	1999	% change
	EUR million	EUR million	
Securities and derivatives trading	90.1	83.1	8.4
Foreign exchange	37.3	30.6	21.9
<b>Trading income</b>	<b>127.4</b>	<b>113.7</b>	<b>12.0</b>

**General administrative expenses**<sup>4</sup> rose over the past financial year by 21.8 % to EUR 1,001 million. This was mainly due to ČS, with the figure net of ČS showing only a minor increase of 1.3 %. **Personnel expenses** displayed a similar trend: they rose by 15.2 % to EUR 561.8 million, while excluding ČS this figure crept up by a mere 0.5 %.

	2000	1999	% change
	EUR million	EUR million	
Personnel expenses	561.8	487.8	15.2
General and administrative expenses	323.6	255.2	28.0
Depreciation on fixed assets	115.7	78.7	47.0
<b>Administrative expenses</b>	<b>1,001.1</b>	<b>821.7</b>	<b>21.8</b>

The workforce of the Erste Bank Group, excluding temporary employees, showed the following trend:

<b>Number of Employees</b>	<b>31.12.1999</b>	<b>31.12.2000</b>
In Austria	6,944	6,913
Česká spořitelna Group*)	-	15,742
Others abroad	1,472	1,155
<b>Overall</b>	<b><u>8,416</u></b>	<b><u>23,810</u></b>

<sup>4</sup> Sum of personnel expenses, general administrative expenses and depreciation of fixed assets

\*) Included for the first time in 2000

An exceptional influence on the employee numbers was the transfer of 160 employees to the Steiermärkische Bank und Sparkassen AG, in the wake of the **transfer of branches** in the year 2000.

**Other administrative expenses** amounted to EUR 323.6 million, a growth rate of 26.8 %. Net of ČS, these were unchanged at the previous year's level, with office and equipment expenses in particular showing a decline, while IT expenses increased.

**Depreciation of fixed assets** climbed by 46.9 % and, even net of ČS, in particular due to IT investments, there was still a rise of 11.2 %.

The **operating result** (operating income less general administrative expenses) thus increased by 35.1 % (net of ČS: 16.3 %) to EUR 473.7 million, compared to an already excellent 1999.

	2000	1999	% change
	EUR million	EUR million	
Operating income	1,474.7	1,172.4	25.8
Administrative expenses	1,001.0	821.7	21.8
<b>Operating result</b>	<b>473.7</b>	<b>350.7</b>	<b>35.1</b>
<b>Cost / income ratio</b>	<b>67.9 %</b>	<b>70.1 %</b>	

The **cost-income ratio**<sup>5</sup> therefore improved, despite the first-time consolidation of Česká spořitelna, from a prior-year level for the Erste Bank Group of 70.1 % to 67.9% in 2000. Adjusted for ČS, the figure was 67.1 %. This means that the target for 2000 set in 1997 to bring the cost-income ratio down to 65-67% was achieved. A key driver of this achievement was the cost reduction programme initiated in 1999, which had a major impact in 2000.

**Other operating results** decreased in 2000 due to higher amortisation of goodwill and one-off expenses in the sundry operating result (for example - provisions for payments into a restitution fund of the Republic of Austria, or the first time revaluation, using the discounted cash flow method, of properties not used by Erste Bank Group and which are available for sale):

EUR million	2000	1999
Net result of valuation/disposal of securities available for sale and financial investments	(9.4)	(16.4)
Net result of valuation/sale of investments	2.6	20.9
Amortisation of goodwill	(31.4)	(12.4)
Valuation gain from transfer of branches	55.6	44.0
Net result form companies ancillary to banking business and companies not engaged in banking business	23.2	42.6
Sundry operating result	(75.7)	(55.4)
<b>Total other operating results</b>	<b>(35.1)</b>	<b>23.3</b>

<sup>5</sup> General administrative expenses as a percentage of operating income

Erste Bank has always pursued a very cautious **risk provisioning** policy and in the year 2000 raised its net allocation to risk provisions for loans and advances (incl. CS) to EUR 161.9 m (previous year EUR 132.5 m). Although this figure is about 22.2% higher than last year, excluding ČS a 10% decline would have been registered. The vast majority of net allocations to provisions was accounted for by domestic Austrian business.

**Taxes on income and revenues** were mainly due to the deferral of taxes and the adjustment for minority interests. The resulting **Group net profit after minority interests** reached a record level of EUR 191.8 million, 16.5% higher than the excellent result achieved in the previous year.

**Return on equity** rose to 12.3 % in the financial year 2000. This figure is all the more impressive because it not only exceeds the target of 12% set in 1997 for 2000, but also because it was achieved despite the first-time consolidation of Česká spořitelna and the effects of the capital increase implemented in Q4 2000.

### **Total assets exceed EUR 70 billion**

The first-time consolidation of Česká spořitelna led to a sharp rise in **total assets** of 35.8 % to around EUR 71.2 billion, although even without the acquisition of Česká spořitelna, there was still a particularly strong increase of around 12.6 %.

On the **asset side**, the strongest expansion was seen in **loans and advances to credit institutions** (expansion of interbank custody business), while net of ČS **loans and advances to customers** increased by around 5.3 %, despite the negative effect of the transfer of the branches in Styria

On the **liabilities side**, **debts evidenced by certificates** including **subordinated liabilities** saw growth of around 29 % due to brisk issuing activity, thus improving the long-term refinancing position substantially. These figures do not include ČS.

**Amounts owed to customers** climbed 47.7 %, which is solely attributable to the consolidation of the Czech savings bank. Net of ČS, however, there was a decline of 3 %, which was almost exclusively due to the transfer of branches in Styria.

The first-time consolidation of Česká spořitelna also had a notable impact on the balance sheet structure, with regard to the ratio of **loans and advances to customers** against **amounts owed to customers**. Whereas at end 1999 about 74 % of loans and advances to customers were covered by customer deposits, this ratio increased to around 92 % at end 2000.

In line with the trend on the asset side, **inter-bank business** also expanded at above-average rates on the liability side.

**Equity** (including Group net profit after minority interests) attributable to the shareholders of Erste Bank AG rose in 2000 by EUR 420 million or by 29.2 % to EUR 1,856 million, with around EUR 272 million of this (net of issuing costs and related taxes) resulting from the capital increase carried out by Erste Bank AG last autumn.

The **own funds of the Erste Bank Group** under the Austrian Banking Act (ABA), including the short-term subordinated capital needed to cover the requirements of the securities trading book according to § 22 ABA and open foreign exchange positions according to § 26 ABA, amounted to EUR 3,956 million at 31 December 2000 (31.12.1999: EUR 3,296 million). The statutory minimum requirement on this date was EUR 2,951 million, which equates to a cover ratio of 134.1 %.

**Tier 1 capital** of Erste Bank Group under the Austrian Banking Act amounted to EUR 2,125 million on 31 December 2000, with Erste Bank's capital increase in autumn of last year boosting the figure (1999: EUR 1,753 million). This implies a **Tier 1 ratio** of 6.7 % (prior year 6.3 %). The **solvency ratio** reached 11.2 % (previous year 10.8 %), well above the statutory minimum of 8 %.

## Outlook

The Erste Bank Group is confident that over the coming year it will continue to make good progress towards its stated future targets. However, the effect of the acquisition of Slovenská sporiteľňa (which is expected to close on 4 April 2001) is expected to delay the achievements of the previously set key targets - the increase of ROE to at least 14% and the improvement of the cost/income ratio to 66% - by one year. These figures are therefore now targeted for 2003.

## Segment reporting

Note: In the segment reporting, Česká spořitelna's results are divided among individual segments.

The segment **retail and real estate** succeeded in doubling its earnings compared with 1999, with the result that RoE increased strongly from 7.9% to over 16%. Key factors contributing to this increase were strong growth in commission-based business, proceeds from the transfer of Styrian branches and good results at the Salzburger Sparkasse (savings bank for the Salzburg region) and the S-Bausparkasse (mortgage bank of the savings bank sector). The cost/income ratio was reduced from 85.7% to 81.6%. The main contribution from ČS accrued to this segment, both on the income and cost side.

Improvements were also achieved last year in the **large corporate client** segment, where earnings grew 22% and the cost / income ratio was reduced from 42.8% to 36.0%. The RoE declined slightly from 19.1% to 17.0%, due to increased risk provisions and revaluations of real estate projects (required every 2-3 years under IAS). The strong overall performance in this segment was mainly due to contributions from foreign branches, Vienna-based international business (in both cases partly due to foreign exchange factors) and excellent performance at Immorent (the leasing subsidiary).

The **trading and investment banking** segment improved its earnings by 11% despite increased volatility in its business. The RoE increased from 13.5% to over 17.5%. While there was a slight decline in net interest income, there was a significant increase in commission income from a variety of share offers. Increased administrative expenses were felt in the higher cost / income ratio, which increased from 64.4% to 68.7%.

Increased sales of investment funds compared with 1999 were a key driver of the marked improvement in the **asset gathering** segment. Earnings grew 12%, while the cost / income ratio declined from 43.3% to 39.3%. However, initiatives in the Austrian State budget, including tax reforms, put a minor restraint on growth during the course of the year. The strong results also benefited from an increased contribution from the investment fund subsidiary Erste Sparinvest KAG.

The **corporate centre** moved into the red last year. This was mainly due to exceptional factors (including provisions for a restitution fund). Start-up investments in the 'ecetra' Internet platform were also a contributing factor.

Detailed financial statements are attached. For further information please contact:

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## Preliminary Balance Sheet of Erste Bank Group according to IAS

in EUR m	31.12.2000	31.12.1999	Change in %	EB excl. ČS 31.12.2000	Change in %
<b>Assets</b>					
1. Cash and balances with central bank	1,146	940	21.9	558	-40.6
2. Loans and advances to credit institutions	19,472	10,295	89.1	15,166	47.3
3. Loans and advances to customers	31,238	26,405	18.3	27,796	5.3
4. - Risk provisions for loans and advances	-1,544	-965	60.0	-871	-9.7
5. Trading assets	3,210	1,397	129.7	1,877	34.4
6. Investments available for sale	3,932	4,399	-10.6	3,614	-17.8
7. Financial investments	9,542	7,395	29.0	7,970	7.8
8. Intangible fixed assets	605	328	84.5	344	4.9
9. Fixed assets	1,032	583	77.1	564	-3.3
10. Other assets	2,563	1,666	53.9	2,047	22.9
<b>Total assets</b>	<b>71,196</b>	<b>52,443</b>	<b>35.8</b>	<b>59,065</b>	<b>12.6</b>
<b>Liabilities and Shareholder's equity</b>					
1. Amounts owed to credit institutions	25,639	20,571	24.6	25,394	23.4
2. Amounts owed to customers	28,841	19,533	47.7	18,877	-3.4
3. Debts evidenced by certificates	8,306	6,360	30.6	8,207	29.0
4. Provisions	764	710	7.6	636	-10.4
5. Other liabilities	2,527	1,437	75.8	1,291	-10.2
6. Subordinated capital	2,430	1,968	23.5	2,281	15.9
7. Minority interests	833	428	94.8	513	19.9
8. Shareholders' equity	1,856	1,436	29.2	1,866	29.9
<b>Total liabilities and Shareholder's equity</b>	<b>71,196</b>	<b>52,443</b>	<b>35.8</b>	<b>59,065</b>	<b>12.6</b>

## Preliminary Income Statement of Erste Bank Group according to IAS

in EUR m	2000*	1999	Change in %	EB excl. ČS 2000**	Change in %
<b>I. Net interest income</b>	<b>924.0</b>	<b>736.3</b>	<b>25.5</b>	<b>774.6</b>	<b>5.2</b>
- Risk provisions for loans and advances	-161.9	-132.5	22.2	-119.7	-9.7
Surplus on fee and commission income	423.4	322.4	31.3	355.5	10.3
Net trading result	127.4	113.7	12.0	110.6	-2.7
General administrative expenses	-1,001.0	-821.7	21.8	-832.7	1.3
Other operating result	-35.1	23.3	-250.1	-10.7	-145.9
Extraordinary result	-	-	-	-	-
<b>II. Pre tax profit for the year</b>	<b>276.8</b>	<b>241.5</b>	<b>14.6</b>	<b>277.5</b>	<b>14.9</b>
Taxes on income	-49.7	-49.0	1.4	-51.5	5.0
<b>III. Profit for the year</b>	<b>227.1</b>	<b>192.5</b>	<b>17.9</b>	<b>226.0</b>	<b>17.4</b>
Minority interests	-35.3	-27.9	26.4	-24.9	-10.7
<b>IV. Net profit after minority interests</b>	<b>191.8</b>	<b>164.6</b>	<b>16.5</b>	<b>201.1</b>	<b>22.2</b>

\* incl. 5 months of Česká spořitelna, a.s.

\*\* after deduction of CS results, funding costs and depreciation of goodwill

## Segment reporting: Erste Bank Group (preliminary figures 2000)

in EUR million	Retail and Real Estate			Large Corp. Clients		
	2000	1999	excl. ČS 2000	2000	1999	excl. ČS 2000
Net interest income	634.0	511.9	518.7	247.9	178.0	232.0
Risk provisions for loans and advances	-110.7	-95.7	-83.9	-51.3	-31.7	-35.6
Net commission income	234.1	136.9	163.4	58.9	39.1	54.9
Net trading result	27.0	35.7	25.7	9.7	10.5	9.7
General administrative expenses	-730.2	-586.5	-582.8	-113.9	-97.4	-103.1
Other operating results	49.9	43.2	49.9	37.4	-4.9	-37.4
<b>Pre-tax profit</b>	<b>104.1</b>	<b>45.5</b>	<b>91.1</b>	<b>114.0</b>	<b>93.7</b>	<b>120.7</b>
Taxes on income						
Minority interests						
<b>Net profit after minority interests</b>						
Average risk-weighted assets	13,492.4	12,197.0	12,494.0	13,966.2	10,377.5	12,518.5
Average attributed equity	646.1	575.1	598.2	668.4	490.8	599.4
Cost/Income Ratio	81.6%	85.7%	82.3%	36.0%	42.8%	34.7%
ROE based on net profit before tax	16.1%	7.9%	15.2%	17.0%	19.1%	20.1%
ROE based on net profit after minority interests						
Thereof business with savings banks (based on net profit before tax)	3.5	3.9		7.8	6.8	
% of total	7.5%	12.5%		16.6%	21.7%	



in EUR million	Trading and Investment Banking			Asset Gathering*		
	2000	1999	excl. ČS 2000	2000	1999	excl. ČS 2000
Net interest income	37.8	39.6	19.9	-0.1	0.9	-0.1
Risk provisions for loans and advances	-0.2	0.3	-0.2	0.0	0.0	0.0
Net commission income	22.2	18.7	25.7	108.1	102.0	108.1
Net trading result	75.8	71.8	60.6	0.0	0.0	0.0
General administrative expenses	-93.3	-83.8	-82.3	-42.4	-44.5	-42.4
Other operating results	-1.7	-10.1	10.4	0.0	0.1	0.0
<b>Pre-tax profit</b>	<b>40.6</b>	<b>36.5</b>	<b>34.1</b>	<b>65.5</b>	<b>58.4</b>	<b>65.5</b>
Taxes on income						
Minority interests						
<b>Net profit after minority interests</b>						
Average risk-weighted assets	4,858.7	5,756.9	2,312.8	12.3	54.0	12.3
Average attributed equity	232.8	270.0	110.8	0.6	2.5	0.6
Cost/Income Ratio	68.7%	64.4%	77.5%	39.3%	43.3%	39.3%
ROE based on net profit before tax	17.5%	13.5%	30.8%	>100.0%	>100.0%	>100.0%
ROE based on net profit after minority interests						
Thereof business with savings banks (based on net profit before tax)	22.2	7.7		13.5	12.9	13.5
% of total	47.2%	24.6%		28.7%	41.2%	28.7%
* no contribution by Česká spořitelna, a.s. to this segment						

in EUR million	Corporate Centre			Total		
	2000	1999	excl. ČS 2000	2000	1999	excl. ČS 2000
Net interest income	4.4	5.8	-4.1	924.0	736.3	774.6
Risk provisions for loans and advances	0.3	-5.4	0.0	-161.9	-132.5	-119.7
Net commission income	0.0	25.7	3.4	423.4	322.4	355.5
Net trading result	14.9	-4.3	14.6	127.4	113.7	110.6
General administrative expenses	-21.1	-9.5	-22.1	-1,001.0	-821.7	-832.7
Other operating results	-45.9	-4.9	-33.6	-35.0	23.3	-10.7
<b>Pre-tax profit</b>	<b>-47.4</b>	<b>7.5</b>	<b>-33.7</b>	<b>276.8</b>	<b>241.6</b>	<b>277.5</b>
Taxes on income				-49.7	-49.1	
Minority interests				-35.3	-27.9	
<b>Net profit after minority interests</b>				<b>191.8</b>	<b>164.6</b>	
Average risk-weighted assets	339.1	415.5	339.1	32,668.6	28,800.9	27,676.6
Average attributed equity	16.1	19.6	16.1	1,564.0	1,358.0	1,325.0
Cost/Income Ratio	>100.0%	34.9%	>100.0%	67.9%	70.1%	67.1%
ROE based on net profit before tax	>-100.0%	38.1%	>-100.0%	17.7%	17.8%	20.9%
ROE based on net profit after minority interests				12.3%	12.1%	12.8%
Thereof business with savings banks (based on net profit before tax)	0.0	0.0		47.0	31.4	
% of total	0.0%	0.0%		100.0%	100.0%	