

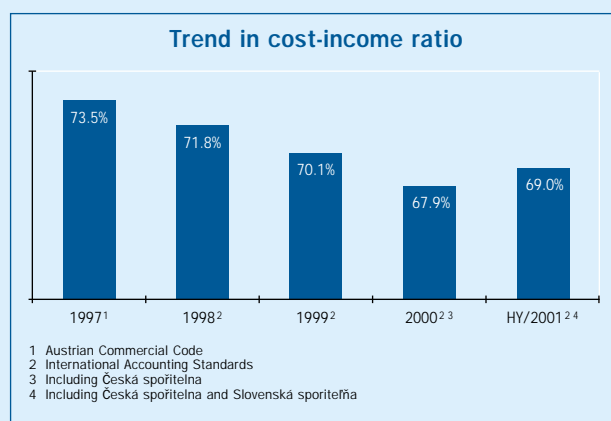
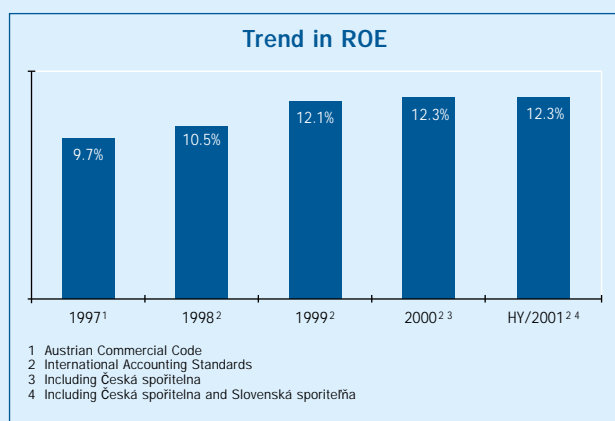
The leading  
financial services  
provider in  
Central Europe

# Interim Report

as of 30 June 2001

## Key figures

	1998	1999	2000	HY/2001
Earnings per share (in EUR)	3.02	3.74	4.21	2.15
Net profit after minority interests (in % of risk-weighted assets)	0.50%	0.59%	0.65%	0.64%
Interest margin	1.38%	1.34%	1.50%	1.70%
Cost-income ratio	71.8%	70.1%	67.9%	69.0%
Return on equity (ROE)	10.5%	12.1%	12.3%	12.3%



## Ratings as of 30 June 2001

FITCH	
Long-term	A
Short-term	F1
Individual	C/D
Moody's Investors Service	
Long-term	A2
Short-term	P-1
Bank financial strength	C+
Standard & Poor's	
Short-term	A-2

# Highlights

- First-time consolidation of Slovenská sporiteľňa (inter alia) increases total assets by 15.6% to EUR 82.3 billion compared to year-end 2000
- Net interest income up 77.8% to EUR 670.0 million compared to half-year 2000
- Net interest margin increases from 1.5% to 1.7%
- Net commission income grows by 55.0% to EUR 278.0 million
- Pre-tax profit up 41.2% to EUR 193.5 million
- Net profit after minority interests up 15.4% to EUR 107.9 million
- Return on equity (ROE) constant at last year's level of 12.3%

Erste Bank managed to continue its positive earnings trend despite difficult market conditions. In particular, Erste Bank succeeded in bringing the cost-income ratio below the 70% mark and keeping the return on equity the same level as full-year 2000. This shows that the Central European subsidiary banks Česká spořitelna and Slovenská sporiteľňa are already making positive contributions to the results even in the restructuring phase.

Thus Erste Bank has already begun to reap the benefits of its growth strategy, which has also reduced its dependence on economic trends in Western Europe.

# Progress with the four core strategies

## Success of modern retail banking strategy

The innovative approach to customer advisory services is one of the most prominent features of Erste Bank's retail banking strategy. Erste Bank's modern customer care strategy is based on customer segmentation, results-oriented branch management and IT support. This new customer-oriented approach provides customers with comprehensive advisory services while at the same time mobilising the bank's sales force.

The finance check and in-depth financial plan are two instruments for advising customers that have been implemented with great success at Erste Bank's branches and most of Austria's savings banks since December 1999. The results achieved with these instruments have now received recognition beyond the confines of the Austrian savings banks: In June 2001 the savings bank for the Hanover area in Germany (Kreissparkasse Hannover) also began applying this concept.

This know-how transfer is solid proof that Erste Bank is developing and implementing innovative customer advisory instruments.

## Co-operation with savings banks intensified

As the lead bank of the Austrian savings banks, Erste Bank has been successful in its efforts to further increase collaboration within the savings bank sector, aimed at improving customer services and boosting the efficiency of each bank.

A uniform market identity has been introduced throughout the savings bank sector. This new identity is symbolised by the savings bank sector logo. In distribution and marketing, joint initiatives include an Internet platform ([www.sparkasse.at](http://www.sparkasse.at)) and a combined marketing budget. Over 80% of the savings banks have adopted the Erste Bank retail banking concept in customer care. Twelve savings banks have transferred their securities settlement operations to Erste Bank with the aim of optimising efficiency and 26 savings banks now procure consulting services on asset/liability management from Erste Bank.

In order to reinforce communication among employees of Erste Bank and savings banks in Austria, in April 2001 the "s Infonet" was set up, a uniform internal information system that also allows for new products to be introduced more quickly and easily.

## Erste Bank – the leading retail financial services provider in Central Europe

Last year Erste Bank took a major step forward into its extended home market in Central Europe (encompassing Austria, the Czech Republic, the Slovak Republic, Hungary, Croatia and Slovenia). In January 2000 Erste Bank acquired majority stockholdings in Česká spořitelna, a.s., the Czech Republic's leading retail bank. With 3.5 million customers, it has a market share of over 30% in retail bank deposits and loans in addition to ranking No. 1 in automated teller machines and credit cards, with a market share of over 50% each.

In addition, in January 2001 Erste Bank submitted the winning bid for an 87.18% stake in Slovenská sporiteľňa, a.s., Slovakia's largest bank, with 1.8 million customers, a market share of about 40% in retail deposits and 25% in retail loans.

These two acquisitions together with the existing subsidiaries in Hungary and Croatia resulted in Erste Bank's rapid ascent to become the leading retail financial services provider in Central Europe. In the extended home market (total population: 40 million) Erste Bank – together with the Austrian savings banks – has eight million customers, providing enormous business potential in the growing economies of Austria's neighbouring countries. Erste Bank is well on its way to achieving its goal of a market share of over 20% in all of the target countries in the extended home market.

## Slovenská sporiteľňa: Sale of stake to EBRD and good progress with restructuring

After taking over 87.18% of Slovakia's largest financial institution, Slovenská sporiteľňa, a.s., at the beginning of this year, Erste Bank agreed to sell a 19.99% stake to the EBRD (European Bank for Reconstruction and Development). This sale, concluded 18 June 2001, reinforces Erste Bank's close collaboration with the EBRD. EBRD already owns a 5.9% stake in Česká spořitelna, a.s., Erste Bank's subsidiary in the Czech Republic. Erste Bank welcomes the close cooperation with the EBRD, which has programmes to assist small and medium-sized businesses, which in turn support economic development.

In the course of restructuring Česká spořitelna, Erste Bank's project teams gained valuable experience, much of which can be applied to the restructuring of Slovenská sporiteľňa. Just a few months into the transformation process it is obvious that the restructuring of Slovenská sporiteľňa will proceed more quickly than expected, benefiting from a proven approach.

As was the case with Česká spořitelna, the transformation was initiated as soon as the purchase agreement had been signed. This was strengthened in the second quarter by appointments to fill most of Slovenská sporiteľňa's senior management. Ten integration projects were defined and a team was put together for each project combining staff from Slovenská sporiteľňa and Erste Bank. The teams have already started to implement the agreed restructuring measures.

Major aspects of the plan include implementing Erste Bank's proven customer relationship concepts, centralising internal support functions to ease the burden on the sales division and establishing effective credit risk management.

An additional focus is on developing IT systems and setting up efficient management information systems.

The overall financial goal is to ensure that Slovenská sporiteľňa makes a positive contribution to the Erste Bank Group's ROE target (at least 14% in 2003).

The process of transformation and integration aims to make Slovenská sporiteľňa the best quality bank on the Slovak market, leveraging its position as part of the largest retail group in Central Europe.

## E-business for all customer groups

### ■ netpay – a leading edge payment system

In June 2001 the new payment system netpay went into operation, enabling the savings banks' 175,000 netbanking users to make safe online payments for goods and services purchased on the Internet. Erste Bank is one of the first financial service providers in Austria to offer such a payment system and the market leader in Internet online payment. Erste Bank and the savings banks will build on the success of netpay by continuing to develop their e-payment services.

### ■ SPARK7.COM exceeds expectations

One of Erste Bank's most successful efforts is the Internet community which was established for young people, SPARK7.COM. After just two months on line, the number of site visits is several times the originally anticipated figure and makes it one of the five most heavily visited sites of this type in Europe. Many members of this Internet community are not yet customers of Erste Bank or the savings banks, representing significant potential for customer acquisition.

### ■ Customer growth in netbanking and nettrading

The number of Erste Bank e-business customers continued to grow at an encouraging pace in the second quarter. In the first half of 2001 Erste Bank's netbanking clientele increased to over 50,000 and the whole savings bank group counted 175,000 customers, which constitutes an increase of 38%. The nettrading online brokerage and information product, introduced in December 2000, is already being used by over 2,600 active traders. The underlying platform, ecetra.com, has more than 8,000 members.



# Developments at Erste Bank Group during first half of 2001

The acquisition of Slovenská sporiteľňa, the largest bank in the Slovak Republic, was a major event for the Erste Bank Group during the first half of 2001. Due to the purchase contract and in line with IAS rules, Slovenská sporiteľňa was consolidated for the first time at 11 January 2001, the day of signing.

When comparing results in comparable accounting periods, it therefore has to be recognised that comparisons between current year accounting periods and the accounting period up to 31 December 2000 are only partly possible. Profit and loss comparisons between the first half 2001 and the same period last year is not only made problematic by the first time consolidation of Slovenská sporiteľňa but also by the fact that Česká spořitelna's results were only included from August 2000 (day of closing) and are therefore missing in the results for the first half of 2000.

As supporting information, pro forma figures are provided where necessary to illustrate the rates of change adjusted for the developments mentioned above. Also, it is important to bear in mind that the results of the Styrian branches, transferred to Steiermärkische Bank und Sparkassen AG as of 30 September 2000, are included in the first half 2000 figures but are no longer in the first half figures for this year.

## Balance sheet developments

Compared to year-end 2000, Erste Bank's total assets grew by 15.6% to EUR 82.3 billion. Adjusted for the first time consolidation of Slovenská sporiteľňa, the growth in total assets amounted to 9%.

in EUR million	30 June 2001	31 Dec 2000	Change in %	Pro forma 30 June 2001	Change in % vs 31 Dec 2000
Cash and balances with central banks	1,475	1,146	28.7	1,207	5.3
Loans and advances to credit institutions	22,579	19,472	16.0	21,279	9.3
Loans and advances to customers	35,278	31,238	12.9	34,597	10.8
Investments in securities and other financial investments <sup>1</sup>	19,827	16,684	18.8	17,595	5.5
Other assets	3,168	2,656	19.3	2,915	9.8
<b>Total assets</b>	<b>82,327</b>	<b>71,196</b>	<b>15.6</b>	<b>77,593</b>	<b>9.0</b>
Amounts owed to credit institutions	29,259	25,638	14.1	29,103	13.5
Amounts owed to customers	33,515	28,841	16.2	29,591	2.6
Debts evidenced by certificates, subordinated capital	12,312	10,736	14.7	12,219	13.8
Other liabilities	5,441	4,125	31.9	4,891	18.6
Equity	1,800	1,856	(3.0)	1,789	(3.6)
<b>Total liabilities and equity</b>	<b>82,327</b>	<b>71,196</b>	<b>15.6</b>	<b>77,593</b>	<b>9.0</b>

<sup>1</sup> The item "Investments in securities and other financial investments" consists of trading assets, investments available for sale and other financial investments.

In addition to the impact of consolidating Slovenská sporiteľňa, the interim increase in cash reserves by 28.7% (pro forma 5.3%) and the strengthening of interbank business (loans and advances to credit institutions and amounts owed to credit institutions) were key influences on the asset side. The significant increase in loans and advances to customers by 12.9% (pro forma 10.8%) was mainly attributable to the reclassification of loan substitutes from securities positions into loans and advances to credit institutions and loans and advances to customers, and resulted from the first-time implementation of IAS 39.

The liabilities side has witnessed a marked structural shift as a result of the consolidation of Slovenská sporiteľňa. Amounts owed to customers have increased considerably (+16.2%, pro forma 2.6%), which is also partly due to the very favourable developments in amounts owed to customers at Česká spořitelna. This reflects the Czech and Slovak savings banks' strong market position in the retail banking segment.

The refinancing of customer loans was 95% covered by customer deposits, or 100% covered if risk provisions are subtracted. This was mainly due to the consolidation of Slovenská sporiteľňa and favourable developments at Česká spořitelna.

There was a significant improvement in the refinancing position in first half of 2001 thanks to significant expansion of issuing activities.

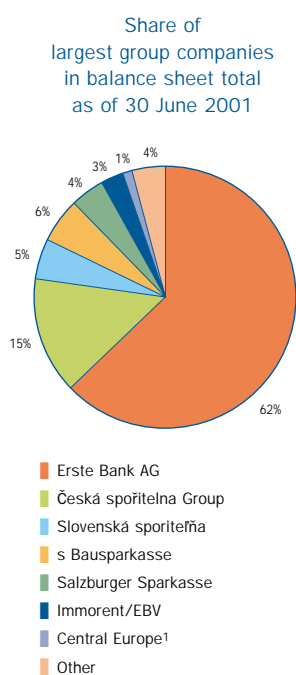
The intense issuing activity of Erste Bank as part of the Debt Issuance Programme has caused debts evidenced by certificates and subordinated capital to increase by 14.7% (pro forma 13.8%).

The small reduction in shareholders' equity can be traced back to the effects of the first-time implementation of IAS 39 as of 1 January 2001 and the dividend pay-out to Erste Bank shareholders in May 2001 (see notes).

The total capital and reserves of the Erste Bank Group, in accordance with the Austrian Banking Act, amounted to EUR 4.0 billion as at 30 June 2001 against a statutory minimum of EUR 3.2 billion. This represents a cover ratio of 125%.

Tier 1 capital amounted to EUR 2.1 billion as at 30 June 2001, representing a tier 1 ratio of 6.1%. The solvency ratio was 10.3% and consequently well above the legally required minimum of 8%.

The acquisition of Slovenská sporiteľňa and the subsequent sale of a 19.99% stake in Slovenská sporiteľňa to the European Bank of Reconstruction and Development (EBRD) at end of June 2001 are already reflected in the figures above.



<sup>1</sup> Without Česká spořitelna Group and Slovenská sporiteľňa, a.s.

## Earnings performance

The Erste Bank Group continued its positive progress in the first half of 2001 despite difficult market conditions.

in EUR million	Jan – June 2001	Jan – June 2000	Change in %	Pro forma Jan – June 2001	Change in % vs Jan – June 2000
Net interest income	670.0	376.8	77.8	416.9	10.6
Net commission income	278.0	179.3	55.0	171.4	(4.4)
Net trading result	64.0	60.0	6.7	42.0	(30.0)
General administrative expenses	(697.8)	(417.3)	67.2	(418.5)	0.3
Pre-tax profit	193.5	137.0	41.2	140.0	2.2
<b>Net profit after minority interests</b>	<b>107.9</b>	<b>93.5</b>	<b>15.4</b>	<b>98.3</b>	<b>5.1</b>

The favourable development in net interest income was mainly responsible for the positive trend in income. Compared to the same period last year, net interest income grew by 77.8% to EUR 670 million. Even after taking into account the effects of the integration of Slovenská sporiteľňa and Česká spořitelna, the adjusted increase in net interest income remains above average at 10.6%. This is attributable to a slight improvement in domestic net interest margins in Austria, above average results in international operations and an improvement in balance sheet management.

Net commission income improved by 55.0% to EUR 278.0 million, with the adjusted figure only marginally below the very good result of the same period last year (-4.4%). Securities business declined, reflecting market conditions. A positive trend was evident in payment transactions, lending and insurance business.

The net trading result increased marginally (+6.7%), despite a significant decline in securities business that reflected unfavourable market conditions.

General administrative expenses grew by 67.2% to EUR 697.8 million. However, the increase amounts to only 0.3% net of Česká spořitelna and Slovenská sporiteľňa.

Due to the integration of Česká spořitelna and Slovenská sporiteľňa, personnel expenses increased by 46.4% to EUR 358.2 million (pro forma +0.3%). Other administrative expenses rose by 85.6% to EUR 239.0 million (pro forma -2.6%). Depreciation of fixed assets increased at an above average rate, mainly due to large IT investments.

The operating result (the balance of operating income – net interest income, net commission income and net trading result – and general administrative expenses) amounted to EUR 314.2 million, representing an increase of 58% (pro forma 6.5%) year-on-year. About one third of this increase resulted from the acquisition of Česká spořitelna and Slovenská sporiteľňa.

Erste Bank succeeded in turning around its cost-income ratio, which was cut to 69% after 70.2% in Q1 2001 (and 67.7% in first half 2000). Net of Česká spořitelna and Slovenská sporiteľňa the first half 2001 figure was 66.4%.

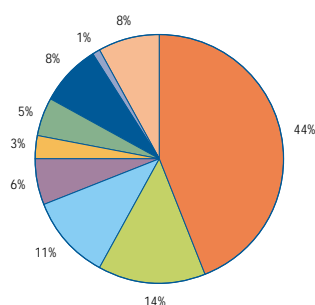
Risk provisions for loans and advances increased by 54.4% to EUR 93.1 million compared to the previous year. This can be ascribed to bringing the risk provisioning policy of the two savings banks in the Slovak and Czech Republic into line with the very conservative standards of Erste Bank. The increase in risk provisions for domestic business is due mainly to a major insolvency which has been fully accounted for.

Other operating results deteriorated from EUR -1.5 million in the same period last year to EUR -27.6 million, due to planned goodwill amortisation from the acquisition of Česká spořitelna and Slovenská sporiteľňa.

Pre-tax profits amounted to EUR 193.5 million, an increase of 41.2% year-on-year. After taxes and minority interests, profits for the first half-year amount to EUR 107.9 million, a figure more than 15.4% above half-year 2000.

The bank succeeded in maintaining its return on equity (ROE) at last year's strong level of 12.3% – despite unfavorable market conditions and the consolidation of Česká spořitelna and Slovenská sporiteľňa.

Share of largest group companies in pre-tax profit from 1 January 2001 to 30 June 2001



- Erste Bank AG
- Česká spořitelna Group
- Slovenská sporiteľňa
- Erste Sparinvest KAG
- s Bausparkasse
- Salzburger Sparkasse
- Immorent/EBV
- Central Europe<sup>1</sup>
- Other

<sup>1</sup> Without Česká spořitelna Group and Slovenská sporiteľňa, a.s.

## Erste Bank Group Balance Sheet as of 30 June 2001

in EUR million	Notes	30 June 2001	31 Dec 2000	Change in %
<b>Assets</b>				
1. Cash and balances with central banks		1,475	1,146	28.7
2. Loans and advances to credit institutions	(1)	22,579	19,472	16.0
3. Loans and advances to customers	(2)	35,278	31,238	12.9
4. Risk provisions for loans and advances	(3)	(1,874)	(1,544)	21.4
5. Trading assets	(4)	3,837	3,210	19.5
6. Investments available for sale	(5)	2,686	3,932	(31.7)
7. Financial investments	(6)	13,304	9,542	39.4
8. Intangible fixed assets		788	605	30.2
9. Fixed assets		1,249	1,032	21.0
10. Other assets		3,005	2,563	17.2
<b>Total assets</b>		<b>82,327</b>	<b>71,196</b>	<b>15.6</b>
<b>Liabilities and Equity</b>				
1. Amounts owed to credit institutions	(7)	29,259	25,639	14.1
2. Amounts owed to customers	(8)	33,515	28,841	16.2
3. Debts evidenced by certificates		9,488	8,306	14.2
4. Provisions		825	764	8.0
5. Other liabilities		3,675	2,527	45.4
6. Subordinated capital		2,824	2,430	16.2
7. Minority interests		941	833	13.0
8. Equity		1,800	1,856	(3.0)
<b>Total liabilities and equity</b>		<b>82,327</b>	<b>71,196</b>	<b>15.6</b>

## Erste Bank Group Income Statement as of 30 June 2001

in EUR million	Notes	Jan – June 2001	Jan – June 2000	Change in %
1. Interest and similar income		2,324.4	1,665.6	39.6
2. Interest and similar expenses		(1,654.4)	(1,288.8)	28.4
<b>I. Net interest income</b>	<b>(9)</b>	<b>670.0</b>	<b>376.8</b>	<b>77.8</b>
3. Risk provisions for loans and advances	(10)	(93.1)	(60.3)	54.4
4. Fee and commission income		364.5	253.1	44.0
5. Fee and commission expenses		(86.5)	(73.8)	17.2
<i>Net commission income</i>	<i>(11)</i>	<i>278.0</i>	<i>179.3</i>	<i>55.0</i>
6. Net trading result	(12)	64.0	60.0	6.7
7. General administrative expenses	(13)	(697.8)	(417.3)	67.2
8. Other operating results	(14)	(27.6)	(1.5)	(1,740.0)
9. Extraordinary result		0.0	0.0	0.0
<b>II. Pre-tax profit for the period</b>		<b>193.5</b>	<b>137.0</b>	<b>41.2</b>
10. Taxes on income		(44.5)	(28.8)	54.5
<b>III. Profit for the period</b>		<b>149.0</b>	<b>108.2</b>	<b>37.7</b>
11. Minority interests		(41.1)	(14.7)	179.6
<b>IV. Net profit after minority interests</b>		<b>107.9</b>	<b>93.5</b>	<b>15.4</b>

## Statement of Changes in Equity

in EUR million	Jan – June 2001	Jan – June 2000	Change in %
<b>Equity as of 31 December</b>	<b>1,856</b>	<b>1,436</b>	<b>29.2</b>
Changes according to IAS 39	(127)	0	(100.0)
<b>Equity at beginning of period</b>	<b>1,729</b>	<b>1,436</b>	<b>20.4</b>
Translation differences	26	(2)	(1,400.0)
Net profit after minority interests	108	94	15.4
Dividends	(62)	(55)	12.7
Other changes	(1)	0	(100.0)
<b>Equity at end of period</b>	<b>1,800</b>	<b>1,473</b>	<b>22.2</b>

## Cash Flow Statement<sup>1</sup>

in EUR million	Jan – June 2001	Jan – June 2000	Change in %
<b>Cash and cash equivalents at beginning of period</b>	<b>1,146</b>	<b>940</b>	<b>21.9</b>
Cash flows from operating activities	2,418	230	951.3
Cash flows from investing activities	(2,439)	(522)	367.2
Cash flows from financing activities	351	99	254.5
Effect of changes in exchange rates	(1)	0	(100.0)
<b>Cash and cash equivalents at end of period</b>	<b>1,475</b>	<b>747</b>	<b>97.5</b>

<sup>1</sup> Due to the first-time consolidation of SLSP and application of IAS 39, comparisons to the prior year are only meaningful to a limited extent.



# Notes to the Consolidated Financial Statements of Erste Bank Group

The Consolidated Financial Statements of Erste Bank Group are presented in compliance with the International Accounting Standards (IAS) and their interpretations issued by the Standing Interpretations Committee (SIC). This interim report for the first half of 2001 complies with IAS 34 (Interim Financial Reporting). Except for the mandatory introduction of IAS 39, there were no changes over the previous year in the accounting principles applied in the first half of 2001.

Unless otherwise indicated, amounts are stated in EUR million.

## IAS 39 Financial Instruments: Recognition and Measurement

The new IAS 39 became operative 1 January 2001. As a consequence, all financial assets and liabilities that are attributed to fixed assets (held to maturity) or loans originated by the enterprise are to be stated at fair value. In this context, fixed assets pertain particularly to those financial investments that are generally held in the portfolio until maturity. Financial investments with no determinable maturity are stated at fair value.

In Erste Bank Group unrealised gains and losses from the valuation of financial assets held as investments available for sale (stated at fair value) are accounted for in the net profit of the accounting period in which they arose.

Derivative financial instruments are held primarily for trading purposes, but are also used in the Group's asset and liability management. These transactions are undertaken to hedge the fluctuations in fair value that can result, for example, from changes in market interest rates. In this case, hedging instruments include interest rate futures, mainly interest rate swaps. Currency fluctuations caused by changes in exchange rates are hedged with currency swaps and forward exchange contracts.

At Erste Bank hedge accounting is done in accordance with the provisions set forth in IAS 39.

The necessary adjustments made as part of initial application of IAS 39 on 1 January 2001 were set off against retained earnings in accordance with the transition provisions.

### Major business events in the reporting period

On 11 January 2001 Erste Bank acquired 87.18% of Slovenská sporiteľňa (SLSP), the largest credit institution in the Slovak Republic. This acquisition was included in Erste Bank's Consolidated Financial Statements from that date on.

On 18 June 2001 the European Bank for Reconstruction and Development (EBRD) and Erste Bank signed the purchase agreement for a 19.99% share in Slovenská sporiteľňa. The purchase price for the stake will be prorated based on the price that Erste Bank has to pay for the entire block of shares. The purchase price is to be finalised in the coming weeks.

This reduces Erste Bank's share in Slovenská sporiteľňa from 87.18% to 67.19%. Along with the sales agreement, an option agreement was concluded giving Erste Bank the right to buy back the stake from the EBRD as of 1 January 2005 upon fulfilling certain prerequisites (call option). Under the terms of the agreement, the EBRD is also entitled to tender the shares to Erste Bank under specific conditions differing from those laid down for the call option. This option expires in seven years.

Based on the preliminary purchase price, goodwill declined as of 18 June 2001 from EUR 228 million to EUR 176 million, and will continue to be amortised uniformly throughout the Group over a period of 15 years.

The acquisition of SLSP in January 2001 and Česká spořitelna (ČS) in August 2000 makes it difficult to compare earnings with last year's figures, as the results of these enterprises are not included in the first half of 2000. The only impact on the balance sheet is the inclusion of SLSP, since ČS was already included as per 31 December 2000.

## Notes to the Consolidated Financial Statements of Erste Bank Group

### Information on the Group Balance Sheet

#### (1) Loans and advances to credit institutions

in EUR million	30 June 2001	31 Dec 2000	Change in %
Loans and advances to domestic credit institutions	6,738	7,646	(11.9)
Loans and advances to foreign credit institutions	15,841	11,826	34.0
<b>Total</b>	<b>22,579</b>	<b>19,472</b>	<b>16.0</b>

#### (2) Loans and advances to customers

in EUR million	30 June 2001	31 Dec 2000	Change in %
Loans and advances to domestic customers	21,867	21,373	2.3
<i>Public sector</i>	2,067	1,967	5.1
<i>Commercial customers</i>	11,934	11,642	2.5
<i>Private customers</i>	7,685	7,588	1.3
<i>Other</i>	181	176	2.8
Loans and advances to foreign customers	13,411	9,865	35.9
<i>Public sector</i>	1,727	702	146.0
<i>Commercial customers</i>	9,825	7,690	27.8
<i>Private customers</i>	1,552	1,181	31.4
<i>Other</i>	307	292	5.1
<b>Total</b>	<b>35,278</b>	<b>31,238</b>	<b>12.9</b>

## Notes to the Consolidated Financial Statements of Erste Bank Group

### (3) Risk provisions

in EUR million	Jan – June 2001	Jan – June 2000	Change in %
Risk provisions for loans and advances			
<b>As of 1 January</b>	<b>1,544</b>	<b>965</b>	<b>60.0</b>
Application of IAS 39	17	0	100.0
Changes in Scope of Consolidation	238	0	100.0
Use	(55)	(47)	17.0
Net-Allocation of risk provisions	93	56	66.1
Changes in exchange rates	37	9	311.1
<b>As of 30 June</b>	<b>1,874</b>	<b>983</b>	<b>90.6</b>
Risk provisions for off-balance-sheet loans and advances and for other risks (incl. in provisions)	61	55	10.9
<b>Risk provisions as of 30 June</b>	<b>1,935</b>	<b>1,038</b>	<b>86.4</b>

### (4) Trading assets

in EUR million	30 June 2001	31 Dec 2000	Change in %
Bonds and other fixed-income securities	3,118	2,477	25.9
Shares and other variable-yield securities	437	412	6.1
Positive fair value from derivative financial instruments	282	321	(12.1)
<b>Total</b>	<b>3,837</b>	<b>3,210</b>	<b>19.5</b>

## Notes to the Consolidated Financial Statements of Erste Bank Group

### (5) Investments available for sale

in EUR million	30 June 2001	31 Dec 2000	Change in %
Bonds and other fixed-income securities	1,708	3,296	(48.2)
Shares and other variable-yield securities	978	636	53.8
<b>Total</b>	<b>2,686</b>	<b>3,932</b>	<b>(31.7)</b>

### (6) Financial investments

in EUR million	30 June 2001	31 Dec 2000	Change in %
Bonds and other fixed-income securities	11,307	7,287	55.2
Shares and other variable-yield securities	825	1,130	(27.0)
Investments	615	559	10.0
Other financial investments (particularly carrying amounts of assets subject to operating lease agreements)	557	566	(1.6)
<b>Total</b>	<b>13,304</b>	<b>9,542</b>	<b>39.4</b>

## Notes to the Consolidated Financial Statements of Erste Bank Group

### (7) Amounts owed to credit institutions

in EUR million	30 June 2001	31 Dec 2000	Change in %
Amounts owed to domestic credit institutions	8,920	9,466	(5.8)
Amounts owed to foreign credit institutions	20,339	16,173	25.8
<b>Total</b>	<b>29,259</b>	<b>25,639</b>	<b>14.1</b>

### (8) Amounts owed to customers

in EUR million	30 June 2001	31 Dec 2000	Change in %
Savings deposits	19,125	17,345	10.3
Other	14,390	11,496	25.2
<b>Total</b>	<b>33,515</b>	<b>28,841</b>	<b>16.2</b>

## Notes to the Consolidated Financial Statements of Erste Bank Group

### Information on the Group Income Statement

#### (9) Net interest income

in EUR million	Jan – June 2001	Jan – June 2000	Change in %
Interest income from			
Lending and money market transactions with credit institutions <sup>1</sup>	740.6	476.4	55.5
Lending and money market transactions with customers	1,018.4	786.3	29.5
Fixed-income securities	477.2	330.4	44.4
Other interest and similar income <sup>1</sup>	16.0	16.3	(1.8)
Current income from			
Shares and other variable-yield securities	30.2	22.5	34.2
Investments	25.5	21.2	20.3
Property used by outside parties	16.5	12.5	32.0
<b>Total interest and similar income</b>	<b>2,324.4</b>	<b>1,665.6</b>	<b>39.6</b>
Interest expenses for			
Amounts owed to credit institutions	(749.3)	(685.6)	9.3
Amounts owed to customers	(546.0)	(326.7)	67.1
Debts evidenced by certificates	(287.7)	(214.8)	33.9
Subordinated capital	(65.5)	(56.0)	17.0
Other	(5.9)	(5.7)	3.5
<b>Total interest and similar expenses</b>	<b>(1,654.4)</b>	<b>(1,288.8)</b>	<b>28.4</b>
<b>Net interest income</b>	<b>670.0</b>	<b>376.8</b>	<b>77.8</b>

<sup>1</sup> The breakdown of interest income was revised to a standardised Group-wide system. The presentation of the comparison figures for 2000 was adjusted accordingly.

## Notes to the Consolidated Financial Statements of Erste Bank Group

### (10) Risk provisions for loans and advances

in EUR million	Jan – June 2001	Jan – June 2000	Change in %
Net-Allocation to risk provisions in lending business	(92.7)	(55.6)	66.7
Direct write-off for loans and advances less amounts received for loans and advances written off	(0.4)	(4.7)	(91.5)
<b>Total</b>	<b>(93.1)</b>	<b>(60.3)</b>	<b>54.4</b>

### (11) Net commission income

in EUR million	Jan – June 2001	Jan – June 2000	Change in %
Lending business	45.0	19.0	136.8
Payment transfers	96.2	25.8	272.9
Securities transactions <sup>1</sup>	78.6	91.1	(13.7)
<i>Thereof: Investment fund transactions</i>	46.6	50.1	(7.0)
<i>Custody fees</i>	12.2	11.7	4.3
<i>Brokerage</i>	19.8	29.3	(32.4)
Insurance business	11.0	10.6	3.8
Other	47.2	32.8	43.9
<b>Total</b>	<b>278.0</b>	<b>179.3</b>	<b>55.0</b>

<sup>1</sup> The breakdown of securities business was revised to a standardised Group-wide system. The presentation of the comparison figures for 2000 was adjusted accordingly.



## Notes to the Consolidated Financial Statements of Erste Bank Group

### (12) Net trading result

in EUR million	Jan – June 2001	Jan – June 2000	Change in %
Securities trading	24.5	37.4	(34.5)
Foreign exchange	39.5	22.6	74.8
<b>Total</b>	<b>64.0</b>	<b>60.0</b>	<b>6.7</b>

### (13) General administrative expenses

in EUR million	Jan – June 2001	Jan – June 2000	Change in %
Personnel expenses	(358.2)	(244.6)	46.4
Other administrative expenses	(239.0)	(128.8)	85.6
Depreciation and amortisation of fixed assets	(100.6)	(43.9)	129.2
<b>Total</b>	<b>(697.8)</b>	<b>(417.3)</b>	<b>67.2</b>

### (14) Other operating results<sup>1</sup>

in EUR million	Jan – June 2001	Jan – June 2000	Change in %
Other operating income	123.8	42.8	189.3
Other operating expenses	(170.1)	(45.8)	271.4
<i>Amortisation of goodwill</i>	<i>(19.1)</i>	<i>(6.0)</i>	<i>218.3</i>
<i>Sundry operating expenses</i>	<i>(151.0)</i>	<i>(39.8)</i>	<i>279.4</i>
Net income from securities held as investments available for sale	18.7	1.5	1,146.7
<b>Total other operating results</b>	<b>(27.6)</b>	<b>(1.5)</b>	<b>(1,740.0)</b>

<sup>1</sup> The breakdown of Other operating result was revised to a standardised Group-wide system. The presentation of the comparison figures for 2000 was adjusted accordingly.

## Notes to the Consolidated Financial Statements of Erste Bank Group

### Other information

#### (15) Contingent liabilities and other obligations

in EUR million	30 June 2001	31 Dec 2000	Change in %
Contingent liabilities	3,567	4,085	(12.7)
<i>From guarantees</i>	3,295	3,180	3.6
<i>Other</i>	272	905	(69.9)
Other obligations	8,376	8,366	0.1
<i>Undrawn credit and loan commitments</i>	6,910	7,069	(2.2)
<i>Amounts owed resulting from     repurchase transactions</i>	816	552	47.8
<i>Other</i>	650	745	(12.8)

#### (16) Number of employees on 30 June 2001 (weighted according to extent of employment)

	30 June 2001	31 Dec 2000	Change in %
<b>Employed by Group</b>	<b>29,077</b>	<b>23,810</b>	<b>22.1</b>
Domestic	6,932	6,913	0.3
Abroad	22,145	16,897	31.1
Thereof: ČS Group	14,577	15,742	(7.4)
SLSP	6,275	–	100.0

In addition to above number of employees, 319 persons were employed in non-bank enterprises of the Group (hotel and leisure sector) as per 30 June 2001.

### (17) Segment reporting

Pre-tax profit in the Retail and Real Estate segment rose from EUR 24.9 million to EUR 53.3 million. The return on equity was raised from 7.6% to 16.1% in the first half of the year. The cost-income ratio fell slightly from 81.4% to 80.8%. The consolidation of Česká spořitelna was particularly apparent in the items net interest income, net commission income and general administrative expenses, as it was not included in the first half of 2000. Without Česká spořitelna the result would have declined in the first half of 2001 primarily due to spinning off the branches in the province of Styria (still included in the first half of 2001) as well as reductions in commissions and trading income. As for the interest trend this year, the customer interest margin at Erste Bank AG recovered and the positive trend at Salzburger Sparkasse continued. The result posted by s Bausparkasse was about the same as for the first half of 2000.

The Large Corporate Customers segment reported a rise in pre-tax profit to EUR 78.1 million. The major part of the extra income was generated by foreign branches and international business. The increase would have been bigger had it not been for higher domestic risk provisions. Due to the higher minimum regulatory capital required for this segment, the return on equity showed a slight decrease to 20.4% after 22.7% in the first half of 2000. The cost-income ratio increased slightly to 38.4% due in part to the first-time consolidation of Česká spořitelna.

Pre-tax profit in the Trading and Investment Banking segment more than tripled year on year to EUR 52.9 million. The return on equity increased from 22.4% to 39.6%, while the cost-income ratio declined from 72.7% to 56.2%. This marked improvement in results is attributed to the skilled management of deposit and loan structure in light of the yield curve trend. Even excluding Česká spořitelna the segment practically tripled its result year on year.

In the Asset Gathering segment the decline in net profit to EUR 27.3 million and the rise in the cost-income ratio to 43.4% are explained by the turbulence on international capital markets and the associated insecurity of investors. Elements contributing to this decline were the lower results posted by Sparinvest and the market-induced drop in fund sales.

## Notes to the Consolidated Financial Statements of Erste Bank Group

The loss posted by the Corporate Centre segment had increased to EUR –38.6 million by mid-year. The main reasons here were the funding costs and the amortisation of goodwill for Česká spořitelna (not included until the third quarter last year). This segment also included the operating costs incurred by the expanding Internet subsidiary ecetra.

in EUR million	Retail and Real Estate HY/2001	Retail and Real Estate HY/2000	Large Corp. Customers HY/2001	Large Corp. Customers HY/2000	Trading and Investment Banking HY/2001	Trading and Investment Banking HY/2000
Net interest income	422.7	258.1	152.8	108.9	40.6	9.6
Risk provisions for loans and advances	(49.3)	(42.7)	(40.1)	(17.6)	(0.1)	0.0
Net commission income	159.6	83.9	34.7	25.7	17.6	10.0
Net trading result	13.4	15.7	2.8	5.8	43.7	37.2
General administrative expenses	(481.2)	(291.1)	(73.0)	(53.1)	(57.3)	(41.4)
Other operating results	(12.0)	1.0	1.0	1.0	8.4	0.2
<b>Pre-tax profit</b>	<b>53.3</b>	<b>24.9</b>	<b>78.1</b>	<b>70.7</b>	<b>52.9</b>	<b>15.7</b>
Taxes on income						
Minority interests						
<b>Net profit after minority interests</b>						
Average risk-weighted assets	13,154.6	12,512.6	15,234.9	11,911.2	5,305.6	2,679.4
Average attributed equity	662.0	654.3	766.7	623.0	267.1	140.2
Cost-income ratio	80.8%	81.4%	38.4%	37.8%	56.2%	72.7%
ROE based on net profit before tax	16.1%	7.6%	20.4%	22.7%	39.6%	22.4%
ROE based on net profit after minority interests						
<b>Business with savings banks (based on pre-tax profit)</b>	<b>(0.2)</b>	<b>1.0</b>	<b>3.9</b>	<b>2.0</b>	<b>8.6</b>	<b>10.9</b>
<b>Business with Česká spořitelna (based on pre-tax profit)</b>	<b>37.8</b>	<b>–</b>	<b>0.1</b>	<b>–</b>	<b>8.5</b>	<b>–</b>

## Notes to the Consolidated Financial Statements of Erste Bank Group

The Slovenská sporiteľňa segment includes both funding costs and amortisation of goodwill. The bank is currently presented as a separate segment, as segmentation similar to that done for Česká spořitelna is still in progress.

Asset Gathering HY/2001	Asset Gathering HY/2000	Corporate Center HY/2001	Corporate Center HY/2000	Slovenská sporiteľňa HY/2001	Slovenská sporiteľňa HY/2000	Total HY/2001	Total HY/2000
0.4	(0.1)	(9.8)	0.3	63.2	–	670.0	376.8
0.0	0.0	0.0	0.0	(3.5)	–	(93.1)	(60.3)
47.9	57.6	4.4	2.1	13.9	–	278.0	179.3
0.0	0.0	(5.5)	1.3	9.7	–	64.0	60.0
(20.9)	(21.8)	(8.6)	(10.0)	(56.8)	–	(697.8)	(417.3)
0.0	0.0	(19.0)	(3.7)	(6.0)	–	(27.6)	(1.5)
<b>27.3</b>	<b>35.7</b>	<b>(38.6)</b>	<b>(10.0)</b>	<b>20.5</b>	<b>–</b>	<b>193.5</b>	<b>137.0</b>
						(44.5)	(28.8)
						(41.1)	(14.7)
						<b>107.9</b>	<b>93.5</b>
10.6	12.3	225.6	391.7	983.8	–	34,915.1	27,507.2
0.5	0.6	11.4	20.4	49.6	–	1,757.3	1,438.5
43.4%	37.9%	(78.8%)	> 100%	65.4%		69.0%	67.7%
> 100%	> 100%	> (100%)	(97.6%)	82.7%		22.0%	19.1%
						12.3%	13.0%
<b>5.0</b>	<b>6.8</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>–</b>	<b>17.4</b>	<b>20.7</b>
<b>0.0</b>	<b>–</b>	<b>(13.3)</b>	<b>–</b>	<b>0.0</b>	<b>–</b>	<b>33.1</b>	<b>–</b>

## Earnings per share

Earnings per share are calculated by dividing net profit after minority interests by the average number of ordinary shares and participation certificates outstanding. Diluted earnings per share represent the maximum dilution effect possible in the event that the average number of shares has increased or will increase as a result of the issued subscription and conversion rights.

in EUR	Jan – June 2001	Jan – June 2000	Change in %
Earnings per share	2.15	2.12	1.4
Earnings per participation certificate	<sup>1</sup>	21.22	–

<sup>1</sup> As the participation certificates were either traded in for shares or redeemed in cash in the first half of 2001, in future it will no longer be necessary to calculate the earnings per participation certificate.

The diluted earnings per share for the period under review are identical with the above figures.

## Development of Erste Bank Group's qualifying capital under the Austrian Banking Act

in EUR million	30 June 2001	31 Dec 2000	30 June 2000
Subscribed capital (less shares held in own portfolio)	366	366	322
Reserves and minority interests	1,936	1,954	1,736
Intangible fixed assets	(221)	(195)	(146)
<b>Core capital (Tier 1)</b>	<b>2,081</b>	<b>2,125</b>	<b>1,912</b>
Participation capital	0	0	0
Eligible subordinated liabilities	1,665	1,623	1,536
Revaluation reserve	85	85	93
<b>Qualifying supplementary capital (Tier 2)</b>	<b>1,750</b>	<b>1,708</b>	<b>1,629</b>
<b>Short-term subordinated capital (Tier 3)</b>	<b>435</b>	<b>401</b>	<b>326</b>
<b>Total qualifying capital</b>	<b>4,266</b>	<b>4,234</b>	<b>3,867</b>
Deductions according to Section 23 (13) and Section 29 (1–2) Austrian Banking Act	(296)	(278)	(184)
<b>Total eligible qualifying capital</b>	<b>3,970</b>	<b>3,956</b>	<b>3,683</b>
Capital requirement	3,180	2,952	2,555
Surplus capital	790	1,004	1,128
Cover ratio	124.8%	134.0%	144.2%
<b>Tier 1 ratio</b>	<b>6.1%</b>	<b>6.7%</b>	<b>7.1%</b>
<b>Solvency ratio</b>	<b>10.3%</b>	<b>11.2%</b>	<b>12.2%</b>
Risk-weighted basis according to Section 22 Austrian Banking Act	34,318	31,879	26,858
Thereof 8% minimum capital requirement	2,746	2,550	2,149
Capital requirement for the open foreign exchange position acc. to Section 26 Austrian Banking Act	30	19	24
Capital requirement for the trading book acc. to Section 22b (1) Austrian Banking Act	404	383	382
<b>Total capital requirement</b>	<b>3,180</b>	<b>2,952</b>	<b>2,555</b>

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

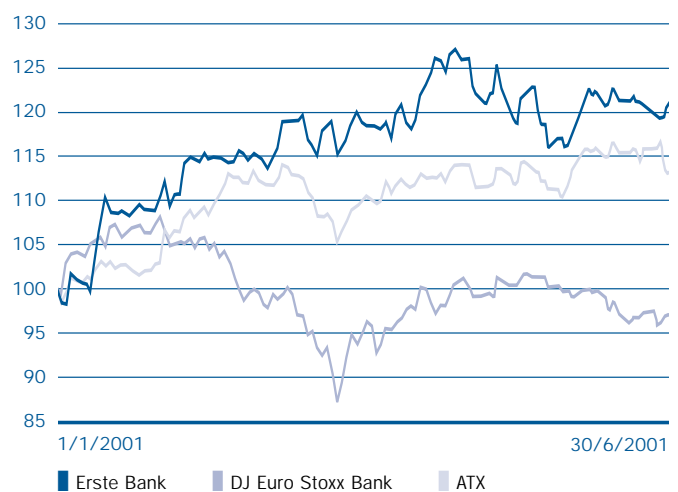
# Performance of Erste Bank share to 30 June 2001

## Key figures for Erste Bank share

Share price as of 29 June 2001	EUR 58.84
High for 2001 to date (27 April 2001)	EUR 62.00
Low for 2001 to date (3 January 2001)	EUR 48.00
Price-earnings ratio as of 29 June 2001 <sup>1</sup>	13.1
Stock exchange turnover to 29 June 2001	EUR 699.5 million
Market capitalisation as of 29 June 2001	EUR 2.96 billion

<sup>1</sup> Based on earnings per share of EUR 4.5 (IBES/consensus forecast for 2001)

## Erste Bank share price performance compared to DJ Euro Stoxx Bank and ATX



The marked slowdown of the US economy noted in the first few months of the year persisted throughout the second quarter. Failing to see any signs of a reversal in the trend, the US Federal Reserve Bank cut interest rates several times, putting the interbank rate and discount rate at their lowest level in seven years. In spite of this, international stock markets have been performing poorly since mid-May. This is attributed mainly to the technology stocks, which continue to be very weak.

On Vienna's stock exchange special factors such as privatisation upside and results that exceeded expectations played a positive role and helped offset the international trend.

In this setting Erste Bank shares essentially performed in line with the ATX index, albeit at a considerably higher level. Whereas Erste Bank's share price lowered to EUR 56.5 in unison with the weak Austrian stock market and the continual decline on the DJ Euro Stoxx Bank Index at the end of May, the loss was completely offset in early June, after which the stock consolidated at EUR 58 in a very narrow range. The recovery is mainly due to the fact that a number of analysts have recommended buying Erste Bank stock recently (see Investor Relations) in view of the trend in bank privatisation in Central Europe. According to a comparison published in the Financial Times at the end of June, Erste Bank stock has been among the seven best-performing bank stocks in Europe for the last 12 months.



# Investor Relations

- The international rating agency Moody's Investors Service upgraded Erste Bank's rating in May 2001 from "outlook: stable" to "outlook: positive". This is justified by the successful integration of Česká spořitelna and the associated expansion of Erste Bank's retail business. Moody's also mentioned the closer collaboration in the savings bank sector.
- In an analysis update issued in June the investment bank UBS Warburg raised the target price for Erste Bank shares from EUR 60 to EUR 66 in view of the successful restructuring at Česká spořitelna and Slovenská sporiteľňa.

In an analysis of recent developments in the banking sector in the Czech Republic, the investment bank Dresdner Kleinwort Wasserstein also underscored the great value of acquiring majority shareholdings in Česká spořitelna.

- In accordance with a resolution taken by the General Meeting convened on 8 May the entire participation capital of Erste Bank was called in effective 11 June. In so doing Erste Bank accomplished its goal of adjusting its capital structure, as its share capital now consists solely of common shares.
- Erste Bank is the first Austrian financial institution to give its investors and analysts the possibility to view the presentation of the quarterly results worldwide in excellent quality via the internet and broadband. This was made possible in collaboration with an agency whose clients include the most important investment bankers and brokers in Europe and the US. In order to ensure that private stockholders have the same access to information, the presentation can also be viewed on the Erste Bank's Web site. Making sure that important information reaches all interested parties as fast as possible constitutes another step forward in the effort to improve Erste Bank's services.

# Important dates for shareholders

3–14 September 2001	Roadshow for investors
12 November 2001	Publication of third-quarter results 2001

The following institutions regularly write research reports on Erste Bank

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

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