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Half Year Results: Erste Bank demonstrates sustained earnings power

“We can look back on a very encouraging performance in the first half of 2004, which is also demonstrated by the marked increase in cash earnings per share from EUR 3.45 to EUR 4.04 (corresponding to an increase from EUR 0.86 to EUR 1.01 after the stock split). The growth in net profit after minority interests of around 45% was driven by our core business particularly the private clients segment and reflects strong demand for credit in Central Europe, as well as increased commission income and a reduction in risk provisions in Central Europe and Austria,” stated Andreas Treichl, Chief Executive Officer of Erste Bank der oesterreichischen Sparkassen AG, commenting on the strong results for the first six months of this year. At the same time, he confirmed the outlook for the full year 2004, which forecasts net profit after minorities of at least EUR 500 million.

I. H1 2004 Highlights¹

- **Consolidated total assets** rose 7.0% in the first half of 2004, from EUR 128.6 billion at the end of 2003 to **EUR 137.6 billion**.
- **Operating income** increased 5.5% compared to the first half of 2003, from EUR 1.9 billion to **EUR 2.0 billion**.
- **Net commission income** was up 17.3%, from EUR 481.9 million to **EUR 565.2 million**.
- **General administrative expenses** (including the first time consolidation of Postabank) rose 5.6%, from EUR 1.22 billion to **EUR 1.29 billion**.
- The **operating result** improved 5.2% year-on-year, from EUR 676.9 million to **EUR 712.4 million**.
- **Net profit** after minority interests grew 45.5%, from EUR 165.1 million in the first half of 2003 to **EUR 240.2 million**.
- The **cost-income ratio** stood at **64.4%** for the first half of 2004, up slightly from 64.2% for the full year 2003.
- **Return on equity** rose from 13.7% for the full year 2003 to **16.6%**.
- The **Tier 1 ratio** under the Austrian Banking Act (BWG) was **6.6%** as of 30 June 2004 (31 December 2003: 6.3%)

Treichl continued, “The smooth integration of Hungary’s Postabank, as well as the performance of the business – which exceeded expectations – further demonstrates that we made the right move in the Hungarian privatisation process at the end of 2003. Our subsidiaries in the Czech and Slovak Republics and Croatia also presented very good half year results, underlining their excellent positioning in the retail market.”

Commenting on cross-border mergers in Europe, he stated, “Historically and culturally, Central Europe is a closely interwoven market whose interrelated economies made it homogeneous even before the expansion of the EU. With its position as the leading retail bank in this market, Erste Bank has secured its long-term earnings potential at the right time. I remain convinced that in retail banking, a regional focus combined with a good cultural knowledge is of key importance and that our position as an independent institution will allow us to continue to secure the best possible results from the key growth regions of Central Europe for our shareholders as well as for our 12 million clients.”

¹ In comparison with prior-year results, it should be noted that Erste Bank adopted IFRS 3 together with IAS 36 and IAS 38 (elimination of goodwill amortisation) in 2004.

II. Earnings performance²

in EUR million	Jan-June 2004	Jan-June 2003	Change in %
Net interest income	1,317.1	1,290.1	2.1
Risk provisions for loans and advances	(196.8)	(205.9)	(4.4)
Net commission income	565.2	481.9	17.3
Net trading result	108.3	114.6	(5.5)
General administrative expenses	(1,291.5)	(1,222.9)	5.6
Income from insurance business	13.3	13.2	0.8
Other operating result	(14.5)	(60.7)	(76.1)
Pre-tax profit	501.1	410.3	22.1
Net profit after minority interests	240.2	165.1	45.5

A further improvement in **net interest income** was recorded in the Group's key holdings – particularly the Central European subsidiaries. Overall it was up 2.1%, from EUR 1,290.1 million to EUR 1,317.1 million, compared to the same period of the previous year. In line with expectations, Slovenská sporiteľna recorded a decline in net interest income due to the exceptional income of around EUR 18 million from its building society reported in 2003. The savings banks in the cross-guarantee system (*Haftungsverbundsparkassen*) also posted a slightly lower result.

The **net interest margin**, which is based on average interest-bearing assets (total assets less cash and balances with central banks, trading assets, tangible assets, intangibles and other assets) stood at 2.21% in the first half of 2004, down slightly from the 2.30% for the full year 2003. This decrease was driven primarily by the above-mentioned one-off effect from the Slovak building society, as well as the funding costs for the acquisition of Postabank incurred since the beginning of 2004. Net of the one-off effect from the Slovak building society the net interest margin for the first half 2004 was almost unchanged compared to the full year 2003.

Specifically, the Central European subsidiaries continued to achieve net interest margins of between 3.4% and over 4.5%. The net interest margin in Austria remained very low at just under 1.8%, reflecting market conditions.

Net commission income increased from EUR 481.9 million in the previous year to EUR 565.2 million, corresponding to an above-average increase of 17.3%. Even excluding the one-off effect of consolidating Postabank, the increase was an impressive 15.7%. Significant year-on-year improvements were reported both in Austria and in the Central European subsidiaries, driven in particular by the securities and insurance business.

The **net trading result** in the second quarter of 2004 was down from the very strong result in the first quarter due to market conditions, and overall the first half 2004 result decreased 5.5% from the first half of 2003 to stand at EUR 108.3 million. This decline was attributable to lower results in the securities and derivatives business, while improvements were recorded in foreign exchange trading.

Income from the insurance business amounted to EUR 13.3 million and – despite the sale of the property insurance operation of Česká sporiteľna – was therefore practically unchanged from income of EUR 13.2 million in the same period of last year. In Austria, s Versicherung continues to be the market leader in life insurance. It has also greatly strengthened its position in the Czech and Slovak Republics where the market potential for life insurance is extremely promising. This resulted in a significant increase in the commission income from insurance (+25%).

² When reviewing the rates of change in the income statement, it should be noted that Postabank, which was acquired in December 2003, has been included in the consolidated income statement since the beginning of 2004 (its balance sheet was already consolidated in the 2003 financial statements).

Total **operating income** (net interest income, net commission income, net trading result and income from the insurance business) rose from EUR 1,899.8 million to EUR 2,003.9 million, corresponding to an increase of 5.5%.

General administrative expenses were up 5.6% to EUR 1,291.5 million. Excluding the consolidation of Postabank, the increase in expenses was just 2.2% – a level which Erste Bank's management feel is fully acceptable for a growing company. Excluding Postabank, expenses for the full year are expected to remain largely unchanged compared to 2003.

Specifically, **personnel expenses** rose by 4.0% (or 1.5% adjusted for the consolidation of Postabank) and **other administrative expenses** were up 12.4% (adjusted: 6.9%). The above-average increase in general administrative expenses was largely due to developments in Central Europe, where there were large increases in value-added tax rates, and changes in foreign exchange rates. The business that is managed out of Austria reported a favourable trend in general administrative expenses, with a moderate increase of only 1.1%.

Depreciation and amortisation of fixed assets fell 2.0% due to the ongoing very restrictive approach to IT investment (adjusted: -5.0%).

The Erste Bank Group's **headcount** decreased 4.1% in the first half of 2004, and was down both in Austria (-1.0%) and in Central Europe. As of 30 June 2004, the Group employed 36,262 staff on an FTE basis.

Erste Bank Group	HY 2004	HY 2003	Change in %	excl. Postabank	Change in %
Personnel expenses	720.3	692.7	4.0	703.3	1.5
Other administrative expenses	403.3	358.9	12.4	383.8	6.9
<i>Subtotal</i>	<i>1,123.6</i>	<i>1,051.6</i>	<i>6.8</i>	<i>1,087.1</i>	<i>3.4</i>
Depreciation	167.9	171.3	(2.0)	162.8	(5.0)
Total	1,291.5	1,222.9	5.6	1,249.9	2.2

Austria (incl. Corporate Centre and International Business)	HY 2004	HY 2003	Change in %
Personnel expenses	531.7	534.3	(0.5)
Other administrative expenses	230.6	215.7	6.9
<i>Subtotal</i>	<i>762.3</i>	<i>750.0</i>	<i>1.6</i>
Depreciation	97.3	101.3	(3.9)
Total	859.6	851.3	1.0

Central Europe	HY 2004	HY 2003	Change in %	excl. Postabank	Change in %
Personnel expenses	188.6	158.4	19.1	171.6	8.3
Other administrative expenses	172.7	143.2	20.6	153.2	7.0
<i>Subtotal</i>	<i>361.3</i>	<i>301.6</i>	<i>19.8</i>	<i>324.8</i>	<i>7.7</i>
Depreciation	70.6	70.0	0.9	65.5	(6.4)
Total	431.9	371.6	16.2	390.3	5.0

The **operating result**, which is operating income less general administrative expenses, therefore rose 5.2% from EUR 676.9 million in the prior year to EUR 712.4 million in the first half of 2004.

The **cost-income ratio** (general administrative expenses as a percentage of operating income) stood at 64.4% for the first half of 2004, unchanged from the first half of 2003 although up slightly from 64.2% for the full year 2003.

The **other operating result** includes some one-off effects that had already been recorded in the first quarter of 2004 (particularly exceptional income from the sale of the Czech property insurance operation as well as a one-off charge for a goodwill impairment and the simultaneous elimination of goodwill amortisation due to the early adoption of the new IFRS 3). Following changes in the legal framework in the Czech Republic, significantly higher contributions have had to be made to the local deposit insurance since the beginning of January 2004, which also impacted this item. Overall, the other operating result remained negative but improved from EUR -60.7 million in the first half of 2003 to EUR -14.5 million in the first half of 2004.

Risk provisions for loans and advances amounted to EUR 196.8 million, down 4.4% compared to the same period of 2003, with decreases in Austria as well as in some Central European subsidiaries. Total provisioning requirements for 2004 are not expected to exceed those of 2003.

Pre-tax profit amounted to EUR 501.1 million for the first half of 2004, corresponding to an above-average increase of 22.1% compared to the previous year.

Taxes on income included an extraordinary write-down of tax assets in the amount of EUR 20 million in the first quarter for the effect of the reduction of corporate income tax from 34% to 25% in connection with tax reforms in Austria, and led to a tax rate of 32.2% in the first quarter. Given that no further write-down was required in the second quarter, the average tax rate for the first half of 2004 was 27.0%. For the full year 2004, a tax rate of between 25% and 26% is currently expected.

Minority interests were down marginally, due partly to the 10% increase in Erste Bank's ownership interest in Slovenská sporiteľna to 80.01% in April 2004, as well as to the lower results at the savings banks in the cross-guarantee system.

All of the above led to a **net profit after minority interests** of EUR 240.2 million, an increase of 45.5% on the year-earlier figure.

The **return on equity** improved significantly to 16.6% in the first half of 2004 (full year 2003: 13.7%).

III. Performance in the second quarter of 2004:

A **quarter-on-quarter** comparison of Erste Bank's performance shows slight increases in **net interest income** (up 0.5% to EUR 660.2 million) and **net commission income** (up 0.9% to EUR 283.8 million), whereas the **net trading result** of EUR 45.9 million represented a significant decrease (-26.4%) versus the very strong first quarter result of EUR 62.4 million. Overall therefore, the operating income was slightly lower than in the first quarter.

General administrative expenses rose slightly to EUR 649.2 million in the second quarter, an increase of approximately 1.1%.

The **operating result** of EUR 347.6 million was therefore down 4.7% from the first quarter.

Risk provisions decreased substantially in the second quarter to stand at EUR 88.6 million, down 18.1% compared to the first quarter.

As a result of the one-off effects in the first quarter (particularly the sale of the property insurance operation in the Czech Republic), as well as the significantly higher write-downs recorded on available-for-sale securities in the second quarter, the **other operating result** decreased from EUR +20.8 million in the first quarter to EUR -35.3 million in the second quarter.

As a result of the reduction in the **effective tax rate** (exceptional write-down of tax assets in the first quarter due to the change of tax rate), as well as reduced **minority interests** (due to the below-average results posted by the savings banks in the cross-guarantee system as well as the increase in the ownership interest in Slovenská sporiteľna, among other factors), **net profit after minority interests** rose from EUR 104.2 million in the first quarter to EUR 136.0 million in the second quarter.

IV. Outlook

Erste Bank Group still expects to report net profit after minority interests of at least EUR 500 million for the full year 2004, reflecting positive economic trends as well as the early adoption of the new IFRS 3 together with IAS 36 and IAS 38 (elimination of scheduled goodwill amortisation).

The company confirms its target for 2005 of net profit after minority interests of at least EUR 600 million, based on a return on equity target of at least 18% and a cost-income ratio target of no more than 62%.

V. Balance sheet performance³

in EUR million	30.06.2004	31.12.2003	Change in %
Loans and advances to credit institutions	17,681	13,140	34.6
Loans and advances to customers	70,523	67,766	4.1
Risk provisions	(2,827)	(2,772)	2.0
Securities and other financial investments	41,323	39,092	5.7
Sundry assets	10,874	11,349	(4.2)
Total assets	137,574	128,575	7.0
Amounts owed to credit institutions	30,034	25,704	16.8
Amounts owed to customers	66,779	64,839	3.0
Debts evidenced by certificates and subordinated capital	22,077	20,481	7.8
Shareholders' equity	2,996	2,791	7.3
Sundry liabilities	15,688	14,760	6.3
Total liabilities and shareholders' equity	137,574	128,575	7.0

The consolidated **total assets** of the Erste Bank Group increased 7.0% to EUR 137.6 billion in the first half of 2004, compared to EUR 128.6 billion at the end of 2003.

Loans and advances to customers rose 4.1% to EUR 70.5 billion, with a particularly strong increase of 15% in the Central European subsidiaries. In Austria, however, loans and advances were up only 1.4%.

On balance, total **risk provisions** increased marginally (up 2.0%), as additions were partly offset by write-backs and the use of provisions.

Securities and other financial investments (comprising trading assets and available-for-sale investments, as well as financial investments) increased 5.7% to EUR 41.3 billion. In the case of financial investments, increases were recorded in particular in the investment portfolios of the consolidated insurance companies and in fixed-income securities held to maturity. While an above-average rise in available-for-sale securities was reported, trading assets declined – particularly fixed-income securities.

³ As the balance sheet of Postabank was already included in Erste Bank's 2003 financial statements, this acquisition does not affect the percentage changes versus year-end 2003.

By far the largest increases on both the assets and the liabilities side were recorded in **interbank business**. Loans and advances to credit institutions were up 34.6% to EUR 17.7 billion, while amounts owed to credit institutions rose 16.8% to EUR 30.0 billion. The above-average rise in interbank business with domestic credit institutions was the main driver of both increases.

Amounts owed to customers rose 3.0% from the end of 2003, with savings deposits practically unchanged at EUR 37.3 billion.

The total funding base from **own issues** (comprising debts evidenced by certificates and subordinated capital) increased 7.8% to EUR 22.1 billion in the first half of 2004.

Equity minority interests rose in the first half of 2004 due to the hybrid Tier 1 capital issue in the first quarter of 2004, which more than offset the reduction that occurred as a result of the previously mentioned increase in Erste Bank's ownership interest in Slovenská sporiteľna.

The eligible qualifying capital of the Erste Bank Group as defined under the Austrian Banking Act (BWG) was approximately EUR 7.3 billion as of 30 June 2004.

As the statutory minimum capital required as of this date was approximately EUR 5.6 billion, the coverage ratio was 131%.

Tier 1 capital amounted to EUR 4.3 billion at the end of June and the Tier 1 ratio was 6.6% (end of 2003: 6.3%)

The **solvency ratio** under the Austrian Banking Act (BWG) was 10.7% as of 30 June 2004 and thus remained well above the legally required minimum of 8.0%.

VI. Segment reporting⁴:

Austria:

This segment reported significant growth in profit to EUR 119.2 million, from EUR 73.2 million in the same period of 2003. In addition to the decline in risk provisions (particularly in the Retail and Real Estate segment), this increase was driven by the strong improvement in net commission income (up 9.9% to EUR 360.2 million) at the savings banks in the cross-guarantee system (including in the securities business and in payment services) as well as in treasury. General administrative expenses decreased slightly from EUR 824.7 million in the same period of last year to EUR 819.4 million (down 0.6% or EUR 5.3 million). Retail and Real Estate contributed significantly to this reduction in expenses. The cost-income ratio improved from 67.5% to 66.8% and return on equity rose from 9.3% to 14.1%.

Savings Banks

Net profit after minorities rose strongly year-on-year to EUR 10.0 million. The market-driven decline in net interest income was more than offset by the rise in net commission income (up almost 8%) and the reduction in risk costs. Expenses increased only marginally (up 1.1%). The decline in other operating income was attributable to revaluation of securities classified as available for sale. This resulted in a slight deterioration of the cost-income ratio, which stood at 70.4%, while the return on equity rose to 9.5%.

Retail and Real Estate

This segment's result more than doubled from EUR 8.5 million in the first half of 2003 to EUR 18.0 million. The previously announced cost reduction program generated savings in the amount of EUR 7.0 million in respect of general administrative expenses (EUR 321.3 million compared to EUR

⁴ In making comparisons with prior-year results, it should be noted that Erste Bank adopted IFRS 3 together with IAS 36 and IAS 38 (elimination of goodwill amortisation) in 2004. It should also be noted that valuation methods have changed in connection with the consolidation. The published results of the individual Group members can therefore not be compared directly with the segment results. In the case of the Central European subsidiaries, for example, proportional funding costs have been offset against the segment earnings.

328.4 million), while a decrease in risk costs was recorded (EUR 56.8 million compared to EUR 66.3 million). This was driven in particular by the Tiroler Sparkasse (down EUR 7.5 million) and the planned reduction in the SME portfolio. Net interest income levelled off as the building society adjusted interest rates in line with legal requirements, as already stated in the first quarter. The cost-income ratio improved marginally from 79.7% to 78.1% compared to the previous year and the return on equity almost doubled to 4.5%.

Large Corporates

The rise in profit in this sub-segment is attributable to a substantial (29.8%) improvement in net commission income (primarily in project finance) to EUR 29.0 million, as well as the positive valuation of securitised financing instruments under the other operating result item. The return on equity rose from 8.8% to 14.6% and the cost-income ratio remained practically unchanged at 39.1% compared to the same period of the previous year. Net profit after tax rose 76.9% to EUR 30.9 million.

Trading and Investment Banking

Net profit rose to EUR 60.2 million, corresponding to an above-average increase of 37.1% compared to the previous year. This result included a substantial (21.1%) increase in net interest income to EUR 52.1 million, due to the favourable positioning in asset-liability management under the current trend in interest rates. Net commission income increased 47.0% to EUR 27.8 million. This positive trend was driven in particular by strong demand for structured products from banks and institutional investors. Strict cost management led to a 9.5% reduction in expenses, bringing an improvement in the cost-income ratio from 43.4% to 37.0%, while the return on equity rose from 42.2% to 49.6%.

Central Europe:

Ceská sporitelna

Profit advanced EUR 32.7 million or 56.1% to EUR 90.9 million compared to the first half of 2003. This rise was attributable to an 8.3% improvement in operating income from EUR 368.9 million to EUR 399.5 million, reflecting increases across all items. In addition to the improvement in net interest income due to higher lending volumes, net commission income was also up, especially in payment services. Net trading income rose significantly (58.3%), driven in particular by the securities and interest rate derivatives businesses. As there was no release from the general reserve – as already stated in the first quarter – an increase in risk costs was recorded. General administrative expenses were practically unchanged compared to the previous year. As a result of the healthy performance of the business, the cost-income ratio improved from 64.3% to 60.2% and the return on equity rose to 40.7%. In asset management, a business for which Erste Bank expects the highest growth potential, Ceská sporitelna was able – albeit from a very low level – to increase both market share and commission income substantially. Erste Bank expects this trend to continue or even to strengthen.

Slovenská sporitelna

The net interest income of SLSP was impacted by the previously mentioned one-off effect from the Slovak building society PSS in the prior year (exceptional income of EUR 18 million). Net commission income was up 36.1% to EUR 32.2 million compared to the same period of last year due to the positive performance in payment services. Net trading income rose 44.0% to EUR 7.0 million, driven in particular by foreign exchange trading.

General administrative expenses rose 6.1% compared to the same period of 2003, due notably to changes in cost accruals since the beginning of the year. For the year as a whole, costs are expected to remain flat, adjusted for foreign currency impacts. The increase in the ownership interest in Slovenská sporitelna from 70% to 80% resulted in a decrease in minority interests. As a result of this positive trend, return on equity rose from 39.8% to 55.8%, and the cost/income ratio increased to 58.6% due to the previously mentioned impact of accruals.

Erste Bank Hungary (EBH and Postabank)

A comparison with the first half of 2003 is not meaningful due to the fact that Postabank was consolidated as of 1 January 2004. While the initial forecasts during due diligence anticipated a

slightly negative result, the smooth integration of both entities as well as the performance of the business, even in a period of consolidation, point to a positive result with a double-digit return on equity forecast for 2004.

Erste Bank Croatia

Pre-tax profit rose 35.3% compared to the previous year to stand at EUR 23.0 million. Increased business volumes drove an 11.6% increase in net interest income to EUR 39.3 million. Net commission income rose 29.8% to EUR 7.4 million – reflecting an increase in payment services in particular – and net trading income improved 29.5% to EUR 6.0 million. Overall risk costs for the first half were positive due to a legally required release in the first quarter. The 10% rise in general administrative expenses to EUR 30.6 million was driven almost exclusively by necessary adjustments to employee salaries in line with market levels. In spite of this, the cost-income ratio improved from 60.6% in the prior year to 58.0%. In Croatia, costs are also expected to remain flat for the full year 2004, adjusted for foreign exchange impacts. Erste Bank Croatia's net profit after minority interests, including all above effects, rose to EUR 11.9 million despite the non-recurrence of tax credits from Rijeka banka from the prior year and higher minority interests resulting from the sale of shares to the Austrian Steiermärkische Sparkasse. The return on equity declined to 21.8% due to the increase in allocated equity capital.

International Business

The segment sustained its consistently high level of profitability in the second quarter. The decline in risk provisions in New York also enhanced results, while cost savings and tax benefits likewise contributed to the improvement in profit from EUR 35.9 million to EUR 43.2 million. The cost-income ratio decreased from 20.5% to 17.9% and the return on equity improved from 20.1% to 21.9%.

Corporate Centre

In addition to other items from Erste Bank AG, the first half 2004 results include auxiliary units as well as one-off effects from goodwill impairment testing and exceptional income from the sale of the property insurance operation in the Czech Republic. The sale is also the principal reason for the increase in minority interests. As already reported in the first quarter, a non-recurring write-down of tax assets was recorded in 2004 for the effect of the reduction in the Austrian corporate tax rate from 34% to 25%. This resulted in a substantial increase in the tax position compared to the prior year. The above-mentioned one-off effects led to a significant negative change in the segment's contribution versus the first half of 2003.

Detailed Financial Statements are attached

Percentage changes in financial figures between two financial periods may differ slightly from non-rounded rates of change

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I. Balance sheet according to IFRS

in EUR m

Assets	30/06/04	31/12/03	+/- %
1. Cash and balances with central banks	2,709	2,549	6.3
2. Loans and advances to credit institutions	17,681	13,140	34.6
3. Loans and advances to customers	70,523	67,766	4.1
4. Risk provisions for loans and advances	(2,827)	(2,772)	2.0
5. Trading assets	4,985	5,259	(5.2)
6. Investments available for sale	8,402	7,379	13.9
7. Financial investments	27,936	26,454	5.6
8. Intangible assets	1,825	1,869	(2.4)
9. Tangible assets	1,795	1,814	(1.0)
10. Other assets	4,545	5,117	(11.2)
Total assets	137,574	128,575	7.0

Liabilities and shareholders' equity	30/06/04	31/12/03	+/- %
1. Amounts owed to credit institutions	30,034	25,704	16.8
2. Amounts owed to customers	66,779	64,839	3.0
3. Debts evidenced by certificates	18,792	16,944	10.9
4. Provisions	6,732	6,366	5.7
5. Other liabilities	5,861	5,515	6.3
6. Subordinated capital	3,285	3,537	(7.1)
7. Minority interests	3,095	2,879	7.5
8. Shareholders' equity	2,996	2,791	7.3
Total liabilities and shareholders' equity	137,574	128,575	7.0

II. Income Statement according to IFRS

in EUR m	1.1.-30.06.04 ⁵	1.1.-30.06.03	+/- %
I. Net interest income	1,317.1	1,290.1	2.1
Risk provisions for loans and advances	(196.8)	(205.9)	(4.4)
Net commission income	565.2	481.9	17.3
Net trading result	108.3	114.6	(5.5)
General administrative expenses	(1,291.5)	(1,222.9)	5.6
Result from insurance business	13.3	13.2	0.8
Other operating result	(14.5)	(60.7)	(76.1)
Extraordinary result	0.0	0.0	-
II. Pre-tax profit for the period	501.1	410.3	22.1
Taxes on income	(135.1)	(119.1)	13.4
III. Profit for the period	366.0	291.2	25.7
Minority interests	(125.8)	(126.1)	(0.2)
IV. Net profit after minority interests	240.2	165.1⁶	45.5

⁵ Postabank included since 1 January 2004

⁶ Net profit after minority interests as reported in 2003 (including goodwill amortisation)

III. Erste Bank Group HY 2004 - Divisional Reporting (Overview)

SUM								
	Austria		Central Europe		International Business		Corporate Centre	
in EUR m	HY 2004	HY 2003	HY 2004	HY 2003	HY 2004	HY 2003	HY 2004	HY 2003
Net interest income	792.9	801.2	455.9	416.1	74.2	73.0	(5.9)	(0.3)
Risk provisions for loan and adv.	(168.8)	(184.8)	(16.0)	(3.6)	(12.1)	(17.3)	0.1	(0.1)
Net commission income	360.2	327.9	190.7	161.5	10.9	9.8	3.3	(17.3)
Net trading result	62.8	83.3	47.9	29.0	0.1	0.0	(2.5)	2.4
General administrative expenses	(819.4)	(824.7)	(431.9)	(371.6)	(15.3)	(17.0)	(24.9)	(9.6)
Income from insurance business	9.9	9.5	3.3	3.7	0.0	0.0	0.0	0.0
Other operating result	22.4	17.7	(32.0)	(74.8)	(3.2)	(2.1)	(1.8)	(1.5)
Pre-tax profit	260.1	230.1	218.0	160.2	54.6	46.5	(31.6)	(26.5)
Taxes on income	(64.9)	(69.1)	(47.6)	(46.1)	(11.4)	(10.6)	(11.2)	6.6
Minority interest	(76.1)	(87.8)	(22.0)	(24.7)	0.0	0.0	(27.8)	(13.5)
Net profit after minority interests⁷	119.2	73.2	148.4	89.5	43.2	35.9	(70.7)	(33.5)
Average risk-weighted assets	45,981.5	44,254.3	12,362.5	9,378.6	6,200.3	5,811.0	474.0	217.6
Average attributed equity	1,685.3	1,569.1	785.9	576.0	394.2	357.0	30.1	13.4
Cost/Income Ratio	66.8%	67.5%	61.9%	60.9%	17.9%	20.5%	n.a.	n.a.
ROE based on net profit⁸	14.1%	9.3%	37.8%	31.1%	21.9%	20.1%	n.a.	n.a.
Thereof funding costs	(36.2)	(36.7)	(31.7)	(22.4)	0.0	0.0	(13.1)	(12.2)
Thereof goodwill ⁹	(9.4)	(9.1)	(39.3)	(26.8)	0.0	0.0	(4.1)	(4.1)

TOTAL		
	Erste Bank Group	
in EUR m	HY 2004	HY 2003
Net interest income	1,317.1	1,290.1
Risk provisions for loan and adv.	(196.8)	(205.9)
Net commission income	565.2	481.9
Net trading result	108.3	114.6
General administrative expenses	(1,291.5)	(1,222.9)
Income from insurance business	13.3	13.2
Other operating result	(14.5)	(60.7)
Pre-tax profit	501.1	410.3
Taxes on income	(135.1)	(119.1)
Minority interest	(125.8)	(126.1)
Net profit after minority interests⁷	240.2	165.1
Average risk-weighted assets	65,018.4	59,661.5
Average attributed equity	2,895.5	2,515.5
Cost/Income Ratio	64.4%	64.4%
ROE based on net profit⁸	16.6%	13.1%
Thereof funding costs	(81.0)	(71.3)
Thereof goodwill ⁹	(52.8)	(40.0)

IV. Erste Bank Group HY 2004 - Divisional Reporting (Details)

AUSTRIA								
	Savings Banks		Retail and Real Estate		Large Corporate Customers		Trading und Investment Banking	
in EUR m	HY 2004	HY 2003	HY 2004	HY 2003	HY 2004	HY 2003	HY 2004	HY 2003
Net interest income	409.6	423.3	257.0	259.3	74.2	75.6	52.1	43.0
Risk provisions for loan and adv.	(87.0)	(92.0)	(56.8)	(66.3)	(25.0)	(26.6)	0.0	0.1
Net commission income	164.5	152.4	138.9	134.2	29.0	22.3	27.8	18.9
Net trading result	8.9	15.2	5.6	8.9	0.5	0.9	47.8	58.3
General administrative expenses	(410.2)	(405.6)	(321.3)	(328.4)	(40.6)	(38.5)	(47.3)	(52.2)
Income from insurance business	0.0	0.0	9.9	9.5	0.0	0.0	0.0	0.0
Other operating result	15.8	20.6	(0.8)	4.3	8.9	(1.9)	(1.4)	(5.3)
Pre-tax profit	101.6	113.9	32.5	21.5	47.0	31.8	79.1	62.8
Taxes on income	(28.1)	(32.5)	(7.2)	(7.9)	(10.6)	(9.4)	(18.9)	(19.2)
Minority interest	(63.4)	(78.0)	(7.3)	(5.2)	(5.4)	(4.9)	0.0	0.3
Net profit after minority interests⁷	10.0	3.4	18.0	8.5	30.9	17.5	60.2	43.9
Average risk-weighted assets	22,797.5	22,208.4	12,687.3	12,177.6	6,678.0	6,451.4	3,818.6	3,416.9
Average attributed equity	211.5	215.1	806.6	748.3	424.5	397.6	242.8	208.0
Cost/Income Ratio	70.4%	68.6%	78.1%	79.7%	39.1%	38.9%	37.0%	43.4%
ROE based on net profit⁸	9.5%	3.2%	4.5%	2.3%	14.6%	8.8%	49.6%	42.2%
Thereof funding costs	(8.2)	(7.3)	(19.3)	(20.1)	(7.4)	(8.0)	(1.4)	(1.3)
Thereof goodwill ⁹	(3.2)	(2.8)	(6.2)	(6.3)	0.0	0.0	0.0	0.0

CENTRAL EUROPE								
	Česká sporitelna		Slovenská sporitelna		Erste Bank Hungary ¹⁰		Erste Bank Croatia	
in EUR m	HY 2004	HY 2003	HY 2004	HY 2003	HY 2004	HY 2003	HY 2004	HY 2003
Net interest income	243.3	230.1	92.5	122.2	80.8	28.6	39.3	35.2
Risk provisions for loan and adv.	(12.3)	4.3	3.1	(1.6)	(8.8)	(4.5)	2.1	(1.9)
Net commission income	127.5	119.1	32.2	23.7	23.6	13.0	7.4	5.7
Net trading result	25.4	16.0	7.0	4.9	9.5	3.5	6.0	4.6
General administrative expenses	(240.6)	(237.4)	(77.3)	(72.8)	(83.5)	(33.8)	(30.6)	(27.6)
Income from insurance business	3.3	3.7	0.0	0.0	0.0	0.0	0.0	0.0
Other operating result	(14.2)	(28.1)	(9.9)	(46.9)	(6.6)	(0.7)	(1.3)	0.9
Pre-tax profit	132.4	107.8	47.6	29.4	15.0	6.1	23.0	17.0
Taxes on income	(36.6)	(40.5)	(6.8)	(3.1)	0.3	(1.3)	(4.5)	(1.2)
Minority interest	(4.9)	(9.1)	(10.3)	(11.3)	(0.1)	0.2	(6.6)	(4.5)
Net profit after minority interests⁷	90.9	58.2	30.4	15.0	15.2	5.0	11.9	11.3
Average risk-weighted assets	7,021.8	6,039.6	1,715.6	1,224.3	1,909.7	723.2	1,715.5	1,391.5
Average attributed equity	446.4	370.9	109.1	75.2	121.4	44.4	109.1	85.5
Cost/Income Ratio	60.2%	64.3%	58.6%	48.3%	73.3%	74.9%	58.0%	60.6%
ROE based on net profit⁸	40.7%	31.4%	55.8%	39.8%	25.0%	22.4%	21.8%	26.5%
Thereof funding costs	(13.0)	(13.9)	(4.9)	(3.2)	(10.7)	(1.6)	(3.1)	(3.7)
Thereof goodwill ⁹	(21.0)	(19.8)	(6.8)	(6.0)	(10.4)	0.0	(1.1)	(1.1)

⁷ 2003 net profit as reported (including goodwill amortisation)

⁸ ROE for HY 2003 has been adjusted for goodwill to allow better comparison

⁹ Goodwill for HY 2004 provided for information only

¹⁰ Postabank included since 1 January 2004