Quarterly Report
HY/2004

Erste Bank 2004
The leading financial services provider in Central Europe

Management: New Board member for risk agenda
Savings banks: Transfer of branches continues
Share: Split enhances marketability

ERSTE BANK

Key figures (IFRS)

in EUR million	30 Jun 2004	31 Dec 2003
Balance sheet		
Total assets	137,574	128,575
Loans and advances to customers	70,523	67,766
Amounts owed to customers	66,779	64,839
Shareholders' equity	2,996	2,791
Solvency ratio pursuant to Sec. 22 Banking Act (in %)	10.7%	10.7%
of which core capital ratio (Tier 1 ratio) (in %)	6.6%	6.3%

	Jan–Jun 2004	Jan–Jun 2003
Income statement		
Operating result	712.4	676.9
Pre-tax profit	501.1	410.3
Net profit after minority interests	240.2	165.1

	Jan–Jun 2004	Jan–Dec 2003
Profitability		
Interest margin in % of average interest-bearing assets	2.21%	2.30%
Cost-income ratio (in %)	64.4%	64.2%
Return on equity (ROE) (in %)	16.6%	13.7%
Earnings per share (in EUR)	4.04	7.31 [1]
Cash earnings per share (in EUR) [2]	1.01	1.83

1 Adjusted for goodwill amortisation
2 Adjusted for stock split

Ratings

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

Moody's Investors Service	
Long-term	A1
Short-term	P-1
Bank Financial Strength Rating	B–

Standard & Poor's	
Short-term	A-2

Performance of Erste Bank share

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

Highlights

> 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 1,899.8 million to EUR 2,003.9 million.

> Net commission income was up 17.3%, from EUR 481.9 million to EUR 565.2 million.

> General administrative expenses rose 5.6%, from EUR 1,222.9 million to EUR 1,291.5 million.

> 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.

> The 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%)

Erste Bank 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 in the first half of 2003 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 entirely by Erste Bank's core business and reflects strong demand for loans in Central Europe, as well as increased commission income and a reduction in risk provisions. Therefore, management confirms the outlook for the full year 2004, which forecasts net profit after minorities of at least EUR 500 million.

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

Landmark achievements

Changes in the Management Board of Erste Bank

For compelling personal reasons, André Horovitz decided to leave Erste Bank and to return to the United States.

Effective 1 July 2004, the Supervisory Board appointed Christian Coreth to the Managing Board of Erste Bank der oesterreichischen Sparkassen AG. As André Horovitz's successor, he took over responsibility for the Group's risk management (credit risk management, strategic risk management and loan restructuring).

Christian Coreth (born 1946) began his career at Creditanstalt, an Austrian bank, in 1972. From operational credit risk he moved up to management positions in various domestic and foreign customer business segments, especially in lending. In 1998 Coreth joined Erste Bank, becoming head of International Business.

In connection with the board change, the responsibility for controlling at Erste Bank has been assumed by Reinhard Ortner, in addition to his existing mandate.

Transfer of Erste Bank branches to local savings banks continues

For almost five years Erste Bank has been successfully following the strategy of intensifying co-operation within Austria's savings bank group. The goal of the collaboration is to make the domestic savings bank group more competitive, efficient and customer-centred. A key thrust in this effort is the transfer of Erste Bank branches to the regional savings banks. True to the proven approach used in the past, four more Erste Bank branches (Korneuburg, Krems, Kitzbühel and Kufstein) in the Tyrol and Lower Austria regions are to be integrated in the local savings banks in the third quarter of this year. With retroactive effect from 1 January 2004, legal title to these branches is to pass to the acquiring banks by universal succession. The transfer was approved by Erste Bank's Annual General Meeting on 4 May 2004. The four branches involved have a business volume of approximately EUR 70 million.

In all, more than 100 branches of Erste Bank thus have already been passed to the regional savings banks.

The Erste Bank share

Performance of equity indices

The subdued performance of international equity markets witnessed since the beginning of 2004 continued in the second quarter of the year. The stock markets in the US and Europe followed an overall sideways trend despite making slight gains. The major US indices underperformed the European stock exchanges both in the first quarter and over the first half of 2004. The FTSE Eurotop 300 Index rose by 1.7% compared to the first quarter and by 4.2% during the six months to June 30.

Events in world stock markets were defined by uncertainties concerning the interest rate policy of the US central bank as well as soaring commodity prices and their possible negative impact on corporate earnings. Also weighing on share prices were mixed economic reports from the US, such as lower-than-expected economic growth coupled with a rising index (Chicago Purchase Manager Index) of economic activity. After the US Federal Reserve raised its key rate by 25 basis points – an outcome that was in line with expectations – and indicated that further increases would proceed at a measured pace, equity prices nonetheless declined in July, particularly in the US. The trigger factors were the renewed upsurge in oil prices – even beyond the record level of 1990 – and fears of easing corporate profit growth in the second half of 2004. The gains that the markets had achieved since the start of the year were largely erased by the downturn, with some international stock markets registering a negative performance as of 30 July for the year to date.

By contrast, Austria's blue-chip ATX index continued its positive performance – underway since the beginning of the year – with a further advance of 6.6% in the second quarter. In the first half of the year it thus increased by 28.8% and closed the seven-month period to the end of July with a gain of 31.5% after reaching an all-time high of 2,040.13 points on 28 July.

The DJ Euro Stoxx Bank Index won back its first-quarter decrease of 1% in the second quarter. However, following a rally in April on the publication of good quarterly results by European banks, the performance of bank shares was diminished later in the quarter by speculation over the impending interest rate increase in the US. Against this backdrop, the European bank index ended the first half of the year with a gain of 0.1% at a level of 260.39 points. Owing to the negative stock market environment, the performance to 30 July was even negative, at –3.3%.

Performance of the Erste Bank share

Building on its strong gain of 24.3% charted in the first quarter of 2004, the Erste Bank share subsequently maintained its positive trend. Following the publication on 10 May of the best quarterly results in the bank's history, the share reached several unprecedented highs despite the lacklustre stock market environment. On balance, Erste Bank's share price rose by 31.8% in the first half of the year. Important drivers of this price appreciation were the expectation of benefits from the EU enlargement that took effect on 1 May and the strategy of further strengthening the position of Erste Bank in Central Europe. The four-for-one split of the Erste Bank share decided on 4 May by the Annual General Meeting was carried out on 8 July. The closing price of EUR 131.50 on 7 July thus corresponded to a share price of EUR 32.88 after the split. The Erste Bank share reached its highest closing price ever on 12 July, at EUR 33.83. With its excellent performance of 31.8% in the first half of the year and 31.7% in the first seven months, the Erste Bank share outdistanced the ATX, which rose by 28.8% to 30 June and by 31.5% to 30 July. Erste Bank delivered an even clearer outperformance compared to the DJ Euro Stoxx Bank Index, which, as described above, fared poorly.

Investor Relations

In order to make the Erste Bank share more marketable after its strong price gains in the past months, Erste Bank conducted a four-for-one share split on 8 July 2004. On this date the shareholders of Erste Bank received three additional no-par-value shares for each share already owned. This quadrupled the number of shares outstanding.

To facilitate the execution of the stock split, the called up share capital of Erste Bank was increased from reserves to EUR 479,550,464. Before the share split, this capital adjustment led to an increase in the amount of Erste Bank's share capital represented by each share, from EUR 7.27 to EUR 8.00. After the stock split, each share now represents EUR 2.00 of share capital.

In parallel with the share split, a capital increase was carried out as part of the employee stock ownership programme and management stock option plan. Including the more than 400,000 shares newly subscribed by Group employees, the share capital of Erste Bank is now EUR 482,885,784. The number of shares outstanding before the stock split increased to 60,360,723.

Since the share split, all 241,442,892 shares of Erste Bank are traded both on the Vienna and the Prague stock exchange. The price of the Erste Bank share since 8 July 2004 has been about one-quarter of the price quoted on the day before the share split.

In May, after the publication of the first-quarter results, the traditional spring road show took the top management of Erste Bank across Europe and the US to give investors the opportunity for one-on-one conversations with the executives.

The Erste Bank management also met with numerous investors at banking conferences hosted by UBS in New York and London in May and by Goldman Sachs in Monaco in June.

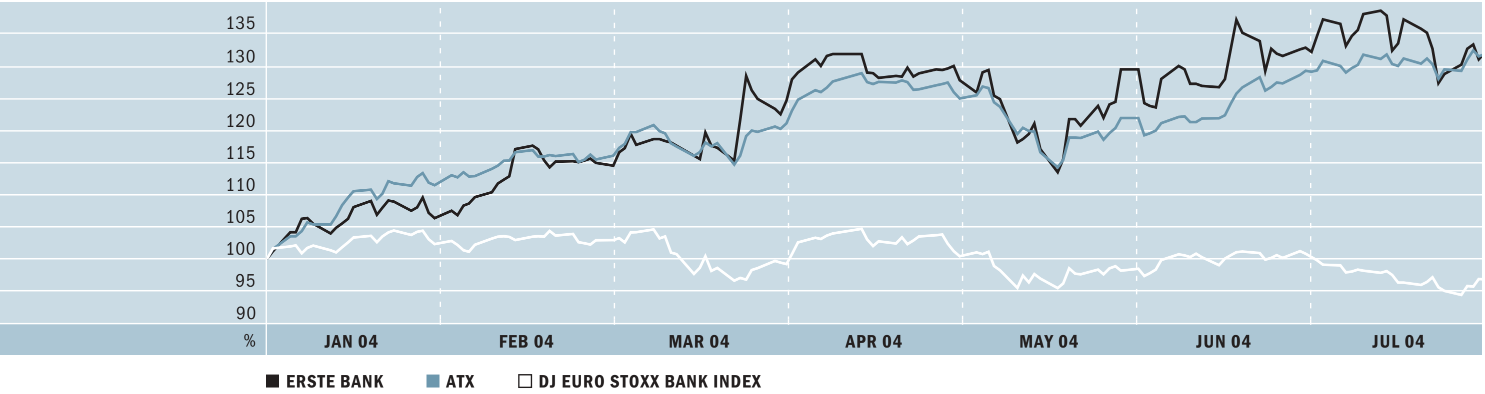
In April Erste Bank successfully re-opened the fixed-rate benchmark 09/2013 bond, issuing an additional EUR 250 million and thus bringing the total to EUR 1.0 billion. The issue was marked by a gratifying wide geographic distribution of investors.

Key figures for the Erste Bank share

Share price at 30 July 2004	EUR 32.25
High (12 July 2004)	EUR 33.83
Low (2 January 2004)	EUR 24.78
Price-earnings ratio at 30 July 2004[1]	15.50
Trading volume (to 30 July 2004)	EUR 1,554.7 million
Market capitalisation at 30 July 2004	EUR 7.8 billion

1 Based on earnings per share of EUR 2.08 (IBES/consensus forecast for 2004)

Erste Bank share price performance compared to DJ Euro Stoxx Bank Index and ATX (indexed)



Research reports covering the Erste Bank share[1)]

- Bank Austria Creditanstalt
- Citigroup
- Deutsche Bank
- Dresdner Kleinwort Wasserstein
- Fox-Pitt, Kelton
- HSBC
- ING
- JP Morgan
- Komerční banka
- Lehman Brothers
- Main First
- Merrill Lynch
- Patria
- Raiffeisen Centrobank
- Sal. Oppenheim
- UBM UniCredit Banca Mobiliare
- UBS
- West LB

1) The list comprises all institutions known to Erste Bank at the editorial deadline that prepare research reports on the Erste Bank share.

Developments at Erste Bank Group

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).

Earnings performance

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 sporiteľňa 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 of the first half year 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 spořitelna – 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 highly promising. This resulted in a significant increase in the commission income from insurance (+25%).

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%. Expenses for the full year 2004 are expected to remain largely unchanged compared to the full year 2003 when excluding Postabank.

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

in EUR million	Jan–Jun 2004	Jan–Jun 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**
Cost-income ratio (in %)	64.4	64.4	

administrative expenses was largely due to developments in Central Europe, where there were changes 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.

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 sporiteľňa to 80.01% in April 2004, as well as to the lower results at the savings banks in the cross-guarantee system.

in EUR million	Jan–Jun 2004	Jan–Jun 2003	Change in %	excl. Postabank	Change in %
Erste Bank Group					
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
Subtotal	*1,123.6*	*1,051.6*	*6.8*	*1,087.1*	*3.4*
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)					
Personnel expenses	531.7	534.3	(0.5)		
Other administrative expenses	230.6	215.7	6.9		
Subtotal	*762.3*	*750.0*	*1.6*		
Depreciation	97.3	101.3	(3.9)		
Total	**859.6**	**851.3**	**1.0**		
Central Europe					
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
Subtotal	*361.3*	*301.6*	*19.8*	*324.8*	*7.7*
Depreciation	70.6	70.0	0.9	65.5	(6.4)
Total	**431.9**	**371.6**	**16.2**	**390.3**	**5.0**

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%).

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 sporiteľňa, 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.

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 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%.

Balance sheet performance

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.

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.

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 sporiteľňa.

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 cover 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%.

in EUR million	30 Jun 2004	31 Dec 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**

Consolidated Financial Statements for the first half of 2004 (IFRS)

The accompanying notes form an integral part of the financial statements.

Group Balance Sheet of Erste Bank at 30 June 2004

in EUR million	Notes	30 Jun 2004	31 Dec 2003	Change in %
Assets				
1. Cash and balances with central banks		2,709	2,549	6.3
2. Loans and advances to credit institutions	(1)	17,681	13,140	34.6
3. Loans and advances to customers	(2)	70,523	67,766	4.1
4. Risk provisions	(3)	(2,827)	(2,772)	2.0
5. Trading assets	(4)	4,985	5,259	(5.2)
6. Investments available for sale	(5)	8,402	7,379	13.9
7. Financial investments	(6)	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				
1. Amounts owed to credit institutions	(7)	30,034	25,704	16.8
2. Amounts owed to customers	(8)	66,779	64,839	3.0
3. Debts evidenced by certificates		18,792	16,944	10.9
4. Provisions	(9)	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**

Group Income Statement of Erste Bank from 1 January to 30 June 2004

in EUR million	Notes	Jan–Jun 2004	Jan–Jun 2003	Change in %
1. Interest and similar income		2,597.8	2,610.7	(0.5)
2. Interest paid and similar expenses		(1,280.7)	(1,320.6)	(3.0)
I. Net interest income	(10)	**1,317.1**	**1,290.1**	**2.1**
3. Risk provisions for loans and advances	(11)	(196.8)	(205.9)	(4.4)
4. Fee and commission income		654.3	568.7	15.1
5. Fee and commission expenses		(89.1)	(86.8)	2.6
Net commission income (Net of 4 and 5)	*(12)*	*565.2*	*481.9*	*17.3*
6. Net trading result	(13)	108.3	114.6	(5.5)
7. General administrative expenses	(14)	(1,291.5)	(1,222.9)	5.6
8. Income from insurance business	(15)	13.3	13.2	0.8
9. Other operating result	(16)	(14.5)	(60.7)	(76.1)
10. Extraordinary result		–	–	–
II. Pre-tax profit for the period		**501.1**	**410.3**	**22.1**
11. Taxes on income		(135.1)	(119.1)	13.4
III. Profit for the period		**366.0**	**291.2**	**25.7**
12. Minority interests		(125.8)	(126.1)	(0.2)
IV. Net profit after minority interests		**240.2**	**165.1**	**45.5**

Earnings per share

Earnings per share represents net profit after minority interests divided by the average number of ordinary shares outstanding. Diluted earnings per share represents the maximum possible dilution in the event that the average number of shares covered by subscription or conversion rights granted has increased or may increase.

in EUR	Jan–Jun 2004	Jan–Jun 2003	Change in %
Earnings per share	4.04	2.78 [1]	45.3
Earnings per share adjusted for stock split	1.01	0.70 [2]	45.3
Diluted earnings per share	4.02	2.77	45.1
Diluted earnings per share adjusted for stock split	1.01	0.69	45.1

1 Cash earnings per share: EUR 3.45
2 Cash earnings per share: EUR 0.86

Statement of Changes in Shareholders' Equity

in EUR million	Jan–Jun 2004	Jan–Jun 2003	Change in %
Shareholders' equity at 1 January	**2,791**	**2,481**	**12.5**
Translation differences	50	(16)	> 100.0
Capital increase	29	6	> 100.0
Net profit after minority interests	240	165	45.5
Dividends	(90)	(74)	21.6
Erste Bank shares	(5)	(47)	(89.4)
Change in reserves according to IAS 39	(19)	30	> 100.0
Other changes	–	(2)	(100.0)
Shareholders' equity at 30 June	**2,996**	**2,543**	**17.8**

Cash Flow Statement

in EUR million	Jan–Jun 2004	Jan–Jun 2003	Change in %
Cash and cash equivalents at the beginning of period	**2,549**	**3,181**	**(19.9)**
Cash flows from operating activities	1,790	2,087	(14.2)
Cash flows from investing activities	(1,348)	(2,472)	(45.5)
Cash flows from financing activities	(317)	(93)	> 100.0
Effect of changes in exchange rates	35	18	94.4
Cash and cash equivalents at the end of period	**2,709**	**2,721**	**(0.4)**

Notes to the Consolidated Financial Statements of the Erste Bank Group for the first half of 2004

The consolidated financial statements of the Erste Bank Group are prepared in accordance with the International Financial Reporting Standards (IFRS – formerly IAS) as interpreted by the International Financial Reporting Interpretations Committee (IFRIC – formerly SIC). This report for the first half of 2004 complies with IAS 34 (Interim Financial Reporting). The publication of new reporting standards at the end of 2003 and in the first months of 2004 leads to material changes in accounting principles for the first half of 2004, especially in the following areas:

The new IFRS 3 (Business Combinations) published in 2004, in conjunction with IAS 36 (Impairment of Assets) and IAS 38 (Intangible Assets), deals with the measurement, presentation and impairment testing of goodwill. The most important resulting change arises from the fact that the straight-line amortization of goodwill is discontinued and replaced with annual impairment reviews. These new standards can be applied as early as from 1 January 2004, and the Erste Bank Group chose this option. Based on the required impairment tests, this results in a one-time charge of EUR 80 million for Austrian goodwill. This eliminates the need for further linear amortization, an item which would have amounted to approximately EUR 100 million for this fiscal year or about EUR 25 million per quarter. Under current rules, prior periods need not be restated.

Erste Bank has also opted for early application of the new IFRS 2 (Share-Based Payments) from 1 January 2004. Personnel expenses of about EUR 1.7 million were recorded for the stock ownership programme and stock option plan for the period, based on the associated exercise dates.

At the end of 2003 and in the first months of 2004, the IASB published a large number of amendments and new guidelines that, with the exception of the changes described above, did not yet have an impact on profit in the first half of 2004.

Significant business events during the reporting period

On 20 April 2004 the acquisition of a further 10% equity interest in Slovenská sporiteľňa from the Slovak government was completed. The purchase price for this tranche was EUR 72 million. Erste Bank now holds 80.01% of the shares of Slovenská sporiteľňa, with options to purchase the remaining 19.99% from the EBRD beginning on 1 January 2005.

The Annual General Meeting of Erste Bank on 4 May 2004 decided in favour of a four-for-one stock split in accordance with the Austrian Stock Corporation Act. As well, the AGM approved a capital adjustment from additional paid-in capital and from reserves which results in an accounting par value of EUR 2.00 per share after the share split.

The AGM also ratified the transfer of the Erste Bank branches in Kitzbühel, Kufstein, Krems and Korneuburg to the local savings banks against payment in cash. This involves a total business volume of about EUR 70 million. The transfer will be carried out in the autumn of 2004.

In May 2004 Erste Bank implemented another phase of its employee stock ownership programme. The ESOP was originally launched in 2002. A total of 1.4 million shares can be issued to employees under the entire plan. In the current phase of the programme, each employee of the Erste Bank Group is entitled to buy up to 100 new shares at a reduced price. The subscription price of EUR 101.00 per share represented a discount of 20% to the average price of the Erste Bank share quoted on the Vienna stock exchange in April 2004. The shares are subject to a holding period of one year. Employees subscribed 69,735 shares. As a result the share capital increased by EUR 0.6 million. To date a total of about 440,000 shares have been taken up by staff in Austria and Central Europe.

Under the 2002 management stock option plan, 347,180 shares were subscribed in the second quarter, at an issue price of EUR 66 per share. This translates into an increase of EUR 2.8 million in share capital. The measures described brought the number of Erste Bank shares to 60,360,723 as of 30 June 2004 or 241,442,892 after the stock split. Furthermore, in the second quarter of 2004 the third tranche of the 2002 employee stock ownership programme was allotted or booked. This involved 321,209 options, each of which entitled the bearer to subscribe one Erste Bank share.

Information on the Group Balance Sheet

1) Loans and advances to credit institutions

in EUR million	30 Jun 2004	31 Dec 2003	Change in %
Loans and advances to domestic credit institutions	3,649	2,193	66.4
Loans and advances to foreign credit institutions	14,032	10,947	28.2
Total	**17,681**	**13,140**	**34.6**

2) Loans and advances to customers

in EUR million	30 Jun 2004	31 Dec 2003	Change in %
Loans and advances to domestic customers	46,396	45,758	1.4
Public sector	*2,864*	*3,004*	*(4.7)*
Commercial customers	*26,183*	*25,977*	*0.8*
Private customers	*17,233*	*16,650*	*3.5*
Other	*116*	*127*	*(8.7)*
Loans and advances to foreign customers	24,127	22,008	9.6
Public sector	*3,150*	*2,996*	*5.1*
Commercial customers	*15,066*	*13,861*	*8.7*
Private customers	*5,737*	*4,949*	*15.9*
Other	*174*	*202*	*(13.9)*
Total	**70,523**	**67,766**	**4.1**

3) Risk provisions

in EUR million	Jan–Jun 2004	Jan–Jun 2003	Change in %
Risk provisions for loans and advances			
At 1 January	**2,772**	**2,983**	**(7.1)**
Use	(146)	(154)	(5.2)
Net allocation of risk provisions	180	190	(5.3)
Changes in exchange rates	21	(15)	> 100.0
At 30 June	**2,827**	**3,004**	**(5.9)**
Risk provisions for off-balance credit risk and for other risks (included in provisions)	78	103	(24.3)
Risk provisions at 30 June	**2,905**	**3,107**	**(6.5)**

4) Trading assets

in EUR million	30 Jun 2004	31 Dec 2003	Change in %
Bonds and other fixed-income securities	3,485	3,776	(7.7)
Shares and other variable-yield securities	567	444	27.7
Positive fair value of derivative financial instruments	933	1,039	(10.2)
Total	**4,985**	**5,259**	**(5.2)**

5) Investments available for sale

in EUR million	30 Jun 2004	31 Dec 2003	Change in %
Bonds and other fixed-income securities	5,251	4,578	14.7
Shares and other variable-yield securities	3,151	2,801	12.5
Total	**8,402**	**7,379**	**13.9**

6) Financial investments

in EUR million	30 Jun 2004	31 Dec 2003	Change in %
Bonds and other fixed-income securities (held to maturity)	20,121	19,132	5.2
Variable-yield securities	744	740	0.5
Investments	466	497	(6.2)
Investments of insurance companies	5,433	4,989	8.9
Other financial investments (particularly carrying amounts of assets subject to operating leases and rental agreements)	1,172	1,096	6.9
Total	**27,936**	**26,454**	**5.6**

7) Amounts owed to credit institutions

in EUR million	30 Jun 2004	31 Dec 2003	Change in %
Amounts owed to domestic credit institutions	8,351	5,583	49.6
Amounts owed to foreign credit institutions	21,683	20,121	7.8
Total	**30,034**	**25,704**	**16.8**

8) Amounts owed to customers

in EUR million	30 Jun 2004	31 Dec 2003	Change in %
Savings deposits	37,277	37,335	(0.2)
Other	29,502	27,504	7.3
Total	**66,779**	**64,839**	**3.0**

9) Provisions

in EUR million	30 Jun 2004	31 Dec 2003	Change in %
Long-term employee provisions	1,080	1,097	(1.5)
Insurance reserves	5,241	4,829	8.5
Other	411	440	(6.6)
Total	**6,732**	**6,366**	**5.7**

Information on the Group Income Statement

10) Net interest income

in EUR million	Jan–Jun 2004	Jan–Jun 2003	Change in %
Interest income from			
Lending and money market transactions with credit institutions	340.2	378.5	(10.1)
Lending and money market transactions with customers	1,475.4	1,480.1	(0.3)
Fixed-income securities	628.1	568.4	10.5
Other interest and similar income	27.6	25.2	9.5
Current income from			
Shares and other variable-yield securities	81.4	79.3	2.6
Investments	13.3	45.6	(70.8)
Property used by outside parties	31.8	33.6	(5.4)
Total interest and similar income	**2,597.8**	**2,610.7**	**(0.5)**
Interest expenses for			
Amounts owed to credit institutions	(258.2)	(287.0)	(10.0)
Amounts owed to customers	(605.9)	(632.8)	(4.3)
Debts evidenced by certificates	(316.8)	(291.4)	8.7
Subordinated capital	(87.0)	(103.9)	(16.3)
Other	(12.8)	(5.5)	> 100.0
Total interest and similar expenses	**(1,280.7)**	**(1,320.6)**	**(3.0)**
Net interest income	**1,317.1**	**1,290.1**	**2.1**

11) Risk provisions for loans and advances

in EUR million	Jan–Jun 2004	Jan–Jun 2003	Change in %
Net allocation to risk provisions in lending business	(179.7)	(190.2)	(5.5)
Direct write-off for loans and advances less amounts recovered on loans and advances written off	(17.1)	(15.7)	8.9
Total	**(196.8)**	**(205.9)**	**(4.4)**

12) Net commission income

in EUR million	Jan–Jun 2004	Jan–Jun 2003	Change in %
Lending business	92.4	85.5	8.1
Payment transfers	213.3	182.0	17.2
Securities transactions	145.6	114.0	27.7
Investment fund transactions	*54.8*	*51.9*	*5.6*
Custodial fees	*24.2*	*19.5*	*24.1*
Brokerage	*66.6*	*42.6*	*56.3*
Insurance business	30.7	24.4	25.8
Building society agency operations	14.7	13.0	13.1
Foreign exchange operations	21.5	25.1	(14.3)
Other	47.0	37.9	24.0
Total	**565.2**	**481.9**	**17.3**

13) Net trading result

in EUR million	Jan–Jun 2004	Jan–Jun 2003	Change in %
Securities and derivatives trading	52.4	68.3	(23.3)
Foreign exchange	55.9	46.3	20.7
Total	**108.3**	**114.6**	**(5.5)**

14) General administrative expenses

in EUR million	Jan–Jun 2004	Jan–Jun 2003	Change in %
Personnel expenses	(720.3)	(692.7)	4.0
Other administrative expenses	(403.3)	(358.9)	12.4
Depreciation and amortisation of fixed assets	(167.9)	(171.3)	(2.0)
Total	**(1,291.5)**	**(1,222.9)**	**5.6**

15) Income from insurance business

in EUR million	Jan–Jun 2004	Jan–Jun 2003	Change in %
Earned premiums	485.3	434.0	11.8
Investment income on underwriting business	164.0	116.5	40.8
Claims incurred	(117.4)	(122.1)	(3.8)
Change in underwriting provisions	(420.2)	(336.2)	25.0
Expenses for profit-linked premium reimbursements	(28.0)	(28.4)	(1.4)
Operating expenses	(51.6)	(53.0)	(2.6)
Other underwriting income	10.5	(4.3)	> 100.0
Net underwriting income	**42.6**	**6.5**	**> 100.0**
Net investment income	134.7	123.2	9.3
Carried to underwriting account	(164.0)	(116.5)	40.8
Total	**13.3**	**13.2**	**0.8**

16) Other operating result

in EUR million	Jan–Jun 2004	Jan–Jun 2003	Change in %
Other operating income	135.7	49.8	> 100.0
Other operating expenses	(181.1)	(150.9)	20.0
Goodwill impairment/amortisation	*(80.0)*	*(40.1)*	*99.5*
Other operating expenses	*(101.1)*	*(110.8)*	*(8.8)*
Income from securities held as investments available for sale	14.7	39.8	(63.1)
Income from investments and related companies	16.2	0.6	> 100.0
Total	**(14.5)**	**(60.7)**	**(76.1)**

Other information

17) Contingent liabilities and other obligations

in EUR million	30 Jun 2004	31 Dec 2003	Change in %
Contingent liabilities	8,317	7,068	17.7
Contingent liabilities	8,204	6,955	18.0
Other	113	113	0.0
Other obligations	18,933	15,926	18.9
Undrawn credit and loan commitments	16,795	15,047	11.6
Amounts owed resulting from repurchase transactions	1,227	328	> 100.0
Other	911	551	65.3

18) Number of employees (weighted by extent of employment)

	30 Jun 2004	31 Dec 2003	Change in %
Employed by Group	**36,262**	**37,830**	**(4.1)**
Domestic	14,825	14,974	(1.0)
Abroad	21,437	22,856	(6.2)
thereof Česká spořitelna Group	11,606	12,420	(6.6)
thereof Slovenská sporiteľňa	5,234	5,283	(0.9)
thereof Erste Bank Hungary (since 31 December 2003 including Postabank)	2,587	3,145 [1]	(17.7)

1) Based on a new calculation the number of employees of Erste Bank Hungary and Postabank at 31 December 2003 has changed.

In addition to the above number of employees, 68 persons were employed in non-bank enterprises of the Group (hotel and leisure sector) at 30 June 2004.

19) Segment reporting

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.

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%.

in EUR million	Savings Banks HY/2004	Savings Banks HY/2003	Retail and Real Estate HY/2004	Retail and Real Estate HY/2003
Net interest income	409.6	423.3	257.0	259.3
Risk provisions for loans and advances	(87.0)	(92.0)	(56.8)	(66.3)
Net commission income	164.5	152.4	138.9	134.2
Net trading result	8.9	15.2	5.6	8.9
General administrative expenses	(410.2)	(405.6)	(321.3)	(328.4)
Income from insurance business	0.0	0.0	9.9	9.5
Other operating result	15.8	20.6	(0.8)	4.3
Pre-tax profit for the period	**101.6**	**113.9**	**32.5**	**21.5**
Taxes on income	(28.1)	(32.5)	(7.2)	(7.9)
Minority interests	(63.4)	(78.0)	(7.3)	(5.2)
Net profit after minority interests[1]	**10.0**	**3.4**	**18.0**	**8.5**
Average risk-weighted assets	22,797.5	22,208.4	12,687.3	12,177.6
Average attributed equity	211.5	215.1	806.6	748.3
Cost-income ratio (in %)	**70.4%**	**68.6%**	**78.1%**	**79.7%**
ROE based on net profit (in %)[2]	**9.5%**	**3.2%**	**4.5%**	**2.3%**

1 2003 net profit as reported (including goodwill amortisation)
2 2003 ROE as reported (including goodwill amortisation)

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 programme generated savings in the amount of EUR 7.0 million in respect of general administrative expenses (EUR 321.3 million compared to EUR 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 13.5% 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 a 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 from banks and institutional investors for structured products. 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%.

Large Corporates HY/2004	Large Corporates HY/2003	Trading and Investment Banking HY/2004	Trading and Investment Banking HY/2003	**Austria Total** HY/2004	**Austria Total** HY/2003
74.2	75.6	52.1	43.0	792.9	801.2
(25.0)	(26.6)	0.0	0.1	(168.8)	(184.8)
29.0	22.3	27.8	18.9	360.2	327.9
0.5	0.9	47.8	58.3	62.8	83.3
(40.6)	(38.5)	(47.3)	(52.2)	(819.4)	(824.7)
0.0	0.0	0.0	0.0	9.9	9.5
8.9	(1.9)	(1.4)	(5.3)	22.4	17.7
47.0	**31.8**	**79.1**	**62.8**	**260.1**	**230.1**
(10.6)	(9.4)	(18.9)	(19.2)	(64.9)	(69.1)
(5.4)	(4.9)	0.0	0.3	(76.1)	(87.8)
30.9	**17.5**	**60.2**	**43.9**	**119.2**	**73.2**
6,678.0	6,451.4	3,818.6	3,416.9	45,981.5	44,254.3
424.5	397.6	242.8	208.0	1,685.3	1,569.1
39.1%	**38.9%**	**37.0%**	**43.4%**	**66.8%**	**67.5%**
14.6%	**8.8%**	**49.6%**	**42.2%**	**14.1%**	**9.3%**

Central Europe

Česká spořitelna

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, Česká spořitelna 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 sporiteľňa

The net interest income of Slovenská sporiteľňa 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 sporiteľňa from 70% to 80% resulted in a decrease in minority interests. As a result of this positive trend, return on equity

in EUR million	Česká spořitelna HY/2004	Česká spořitelna HY/2003	Slovenská sporiteľňa HY/2004	Slovenská sporiteľňa HY/2003
Net interest income	243.3	230.1	92.5	122.2
Risk provisions for loans and advances	(12.3)	4.3	3.1	(1.6)
Net commission income	127.5	119.1	32.2	23.7
Net trading result	25.4	16.0	7.0	4.9
General administrative expenses	(240.6)	(237.4)	(77.3)	(72.8)
Income from insurance business	3.3	3.7	0.0	0.0
Other operating result	(14.2)	(28.1)	(9.9)	(46.9)
Pre-tax profit for the period	**132.4**	**107.8**	**47.6**	**29.4**
Taxes on income	(36.6)	(40.5)	(6.8)	(3.1)
Minority interests	(4.9)	(9.1)	(10.3)	(11.3)
Net profit after minority interests[1]	**90.9**	**58.2**	**30.4**	**15.0**
Average risk-weighted assets	7,021.8	6,039.6	1,715.6	1,224.3
Average attributed equity	446.4	370.9	109.1	75.2
Cost-income ratio (in %)	**60.2%**	**64.3%**	**58.6%**	**48.3%**
ROE based on net profit (in %)[2]	**40.7%**	**31.4%**	**55.8%**	**39.8%**

1 2003 net profit as reported (including goodwill amortisation)
2 2003 ROE as reported (including goodwill amortisation)
3 Including Postabank since 1 January 2004

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 (including 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 in 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 year were still 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 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 Riječka banka from the prior year and higher minority interests resulting from the sale of shares to the Austrian Steiermärkische Bank. The return on equity declined to 21.8% due to the increase in allocated equity capital.

Erste Bank Hungary[3] HY/2004	Erste Bank Hungary[3] HY/2003	Erste Bank Croatia HY/2004	Erste Bank Croatia HY/2003	**Central Europe Total** HY/2004	**Central Europe Total** HY/2003
80.8	28.6	39.3	35.2	455.9	416.1
(8.8)	(4.5)	2.1	(1.9)	(16.0)	(3.6)
23.6	13.0	7.4	5.7	190.7	161.5
9.5	3.5	6.0	4.6	47.9	29.0
(83.5)	(33.8)	(30.6)	(27.6)	(431.9)	(371.6)
0.0	0.0	0.0	0.0	3.3	3.7
(6.6)	(0.7)	(1.3)	0.9	(32.0)	(74.8)
15.0	**6.1**	**23.0**	**17.0**	**218.0**	**160.2**
0.3	(1.3)	(4.5)	(1.2)	(47.6)	(46.1)
(0.1)	0.2	(6.6)	(4.5)	(22.0)	(24.7)
15.2	**5.0**	**11.9**	**11.3**	**148.4**	**89.5**
1,909.7	723.2	1,715.5	1,391.5	12,362.5	9,378.6
121.4	44.4	109.1	85.5	785.9	576.0
73.3%	**74.9%**	**58.0%**	**60.6%**	**61.9%**	**60.9%**
25.0%	**22.4%**	**21.8%**	**26.5%**	**37.8%**	**31.1%**

International Business

The segment sustained its constantly 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.

in EUR million	International Business HY/2004	International Business HY/2003	Corporate Centre HY/2004	Corporate Centre HY/2003	**Erste Bank Group Total** HY/2004	**Erste Bank Group Total** HY/2003
Net interest income	74.2	73.0	(5.9)	(0.3)	1,317.1	1,290.1
Risk provisions for loans and advances	(12.1)	(17.3)	0.1	(0.1)	(196.8)	(205.9)
Net commission income	10.9	9.8	3.3	(17.3)	565.2	481.9
Net trading result	0.1	0.0	(2.5)	2.4	108.3	114.6
General administrative expenses	(15.3)	(17.0)	(24.9)	(9.6)	(1,291.5)	(1,222.9)
Income from insurance business	0.0	0.0	0.0	0.0	13.3	13.2
Other operating result	(3.2)	(2.1)	(1.8)	(1.5)	(14.5)	(60.7)
Pre-tax profit for the period	**54.6**	**46.5**	**(31.6)**	**(26.5)**	**501.1**	**410.3**
Taxes on income	(11.4)	(10.6)	(11.2)	6.6	(135.1)	(119.1)
Minority interests	0.0	0.0	(27.8)	(13.5)	(125.8)	(126.1)
Net profit after minority interests[1]	**43.2**	**35.9**	**(70.7)**	**(33.5)**	**240.2**	**165.1**
Average risk-weighted assets	6,200.3	5,811.0	474.0	217.6	65,018.4	59,661.5
Average attributed equity	394.2	357.0	30.1	13.4	2,895.5	2,515.5
Cost-income ratio (in %)	**17.9%**	**20.5%**	**–**	**–**	**64.4%**	**64.4%**
ROE based on net profit (in %)[2]	**21.9%**	**20.1%**	**–**	**–**	**16.6%**	**13.1%**

1 2003 net profit as reported (including goodwill amortisation)
2 2003 ROE as reported (including goodwill amortisation)

Earnings performance at Erste Bank Group: Quarterly results

in EUR million	01/2003	Q2/2003	Q3/2003	Q4/2003	Q1/2004	Q2/2004
Net interest income	617.6	672.5	644.6	652.1	656.9	660.2
Risk provisions for loans and advances	(97.2)	(108.7)	(92.7)	(107.8)	(108.2)	(88.6)
Net commission income	228.9	253.0	245.6	269.1	281.4	283.8
Net trading result	60.1	54.5	56.0	44.0	62.4	45.9
General administrative expenses	(605.1)	(617.8)	(614.1)	(623.8)	(642.3)	(649.2)
Income from insurance business	4.4	8.8	7.6	12.1	6.4	6.9
Other operating result	(22.6)	(38.1)	(68.1)	(73.3)	20.8	(35.3)
Pre-tax profit for the period	**186.1**	**224.2**	**178.9**	**172.4**	**277.4**	**223.7**
Taxes on income	(54.4)	(64.7)	(51.5)	(53.6)	(89.4)	(45.7)
Profit for the period	**131.7**	**159.5**	**127.4**	**118.8**	**188.0**	**178.0**
Minority interests	(55.9)	(70.2)	(37.3)	(20.7)	(83.8)	(42.0)
Net profit after minority interests	**75.8**	**89.3**	**90.1**	**98.1**	**104.2**	**136.0**

Development in Erste Bank Group's qualifying capital at 30 June 2004

in EUR million	30 Jun 2004	31 Dec 2003	30 Jun 2003
Subscribed capital (less shares held in own portfolio)	483	436	436
Reserves and minority interests	4,255	3,940	3,943
Intangible assets	(447)	(464)	(458)
Core capital (Tier 1)	**4,291**	**3,912**	**3,921**
Eligible subordinated liabilities	2,640	2,696	2,799
Revaluation reserve	180	198	195
Qualifying supplementary capital (Tier 2)	**2,820**	**2,894**	**2,994**
Short-term subordinated capital (Tier 3)	**320**	**340**	**325**
Total qualifying capital	**7,431**	**7,146**	**7,240**
Deductions acc. to Sections 23 (13) and 29 (1–2) Austrian Banking Act	(144)	(137)	(71)
Total eligible qualifying capital	**7,287**	**7,009**	**7,169**
Capital requirement	5,556	5,315	5,097
Surplus capital	1,731	1,694	2,072
Cover ratio (in %)	131%	132%	141%
Tier 1 ratio (in %)	**6.6%**	**6.3%**	**6.6%**
Solvency ratio (in %)	**10.7%**	**10.7%**	**11.5%**
Risk-weighted basis acc. to Section 22 Austrian Banking Act	65,087	62,188	59,654
Thereof 8% minimum capital requirement	5,207	4,975	4,772
Capital requirement for open foreign exchange position acc. to Section 26 Austrian Banking Act	14	14	11
Capital requirement for the trading book acc. to Section 22b (1) Austrian Banking Act	335	326	314
Total capital requirement	**5,556**	**5,315**	**5,097**

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Financial calendar[1)]

24 September 2004	International capital markets day
12 November 2004	Release of results for the first three quarters of 2004

1) Preliminary date

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