Interim Report
03/2004

Erste Bank 2004
The leading financial services provider in Central Europe

Outlook: New profit targets for 2006
Savings Banks: Share in Sparkasse Bregenz sold
Central Europe: Merger of Hungarian subsidiaries completed
Share: New all-time high

Key figures (IFRS)

in EUR million	30 Sep 2004	31 Dec 2003
Balance sheet		
Total assets	142,238	128,575
Loans and advances to customers	72,117	67,766
Amounts owed to customers	68,983	64,839
Shareholders' equity	3,135	2,791
Solvency ratio pursuant to Sec. 22 Banking Act (in %)	10.0%	10.7%
of which core capital ratio (Tier 1 ratio) (in %)	6.1%	6.3%

	Jan–Sep 2004	Jan–Sep 2003
Income statement		
Operating result	1,075.4	1,016.6
Pre-tax profit	769.6	589.2
Net profit after minority interests	382.6	255.2

	Jan–Sep 2004	Jan–Dec 2003
Profitability		
Interest margin in % of average interest-bearing assets	2.20%	2.30%
Cost-income ratio (in %)	64.5%	64.2%
Return on equity (ROE) (in %)	17.3%	13.7%
Earnings per share (in EUR)	6.44	7.31 [1]
Cash earnings per share (in EUR) [2]	1.61	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

In calculating rates of change, small discrepancies may emerge compared with calculations using unrounded figures.

Highlights

> **Net interest income** rose from EUR 1,934.7 million to **EUR 1,993.7 million** (+3.0%)

> **Net commission income** rose from EUR 727.5 million to **EUR 851.8 million** (+17.1%)

> **Operating income** rose from EUR 2,853.6 million to **EUR 3,026.3 million** (+6.1%)

> **General administrative expenses** rose from EUR 1,837.0 million to **EUR 1,950.9 million** (+6.2%)

> **Operating result** rose from EUR 1,016.6 million to **EUR 1,075.4 million** (+5.8%)

> **Pre-tax profit** rose from EUR 589.2 million to **EUR 769.6 million** (+30.6%)

> **Net profit after minority interests** rose from EUR 255.2 million to **EUR 382.6 million** (+49.9%)

> **Cost-income ratio** rose marginally from 64.2% at end 2003 to **64.5%**

> **Return on equity** rose from 13.7% at end 2003 to **17.3%**

> **Consolidated total assets** rose from EUR 128.6 billion at end 2003 to **EUR 142.2 billion** (+10.6%)

> **Core capital** (Austrian Banking Act) reduced marginally from 6.3% at end 2003 to **6.1%**

The results for the first three quarters of this year demonstrate that Erste Bank is well on course to hit its net profit target for full-year 2004 of at least EUR 500 million. This confidence is well-founded: Erste Bank's innovative pension and lending products in Central Europe have met with huge demand, and management believe that the region still offers good market potential.

In addition, Erste Bank is continuing to make strides in improving the profitability of the Austrian business. Another very strong year-on-year rise in net profit after minority interests underlines the sustainability of Erste Bank's excellent market position.

Landmark achievements

Erste Bank sets its sights on targets for 2006

At its Capital Market Day, held on September 24 in Budapest, Erste Bank announced earnings targets for 2006.

The new targets for the Erste Bank Group are a consolidated net profit for 2006 in the range EUR 720-750 million and earnings per share of between EUR 2.98 and EUR 3.11. This is based on a target return on equity of minimum 18% and a cost-income ratio no higher than 61%.

There are three main factors supporting these new figures. Firstly, the Central European subsidiaries, where ROE targets for 2006 are: above 20% (maintained) for Česká spořitelna; above 25% for Erste Bank Hungary; 20% for Slovenská sporiteľňa and 18-20% for Erste Bank Croatia. Further productivity improvements are also anticipated in the Austrian operations: the target for the retail business is to record a minimum ROE of 10% in 2005, leading to an ROE of minimum 15% in the Austrian segment. Erste Bank's management also believes that the group-wide synergy projects currently in the pipeline will deliver long-term cost savings and efficiency improvements, which will start to show an effect in 2006 and will play a part in meeting these new targets. The currently quantified synergy effects are in the range of EUR 140–155 million by 2008.

All information materials relating to the Capital Markets Day are available from the Erste Bank website at www.erstebank.com/ir.

Erste Bank sells stake in Sparkasse Bregenz to Dornbirner Sparkasse

In line with its savings bank strategy, Erste Bank has over the last couple of years been transferring its regional branches to the local savings banks. Following previous transfers in the Vorarlberg areas of Feldkirch, Dornbirn and Bregenz, Erste Bank has now sold its 43.71% stake in Sparkasse Bregenz to the largest savings bank in this region, the Dornbirner Sparkasse. As a result, the Sparkasse Bregenz is now owned exclusively by Vorarlberg shareholders. The Dornbirner Sparkasse now holds 70.48% of Sparkasse Bregenz with the other shareholders remaining unchanged (City of Bregenz 3.75%, Sparkasse Egg 2.75%, Sparkasse Bludenz 7.47%, Sparkasse Feldkirch 15.55%).

The close collaboration between Erste Bank and the savings banks in Vorarlberg on the product and service level will remain unaffected by the share transfer. Sparkasse Bregenz's market positioning as an independent savings bank is unchanged by the new shareholder structure. Its membership in the cross guarantee system, which includes Erste Bank and the Savings Bank Group, is also entirely unaffected.

As of the end of June 2004, Sparkasse Bregenz had total assets of EUR 431.5 million, 109 employees and a total of 7 branches.

Erste Bank Hungary and Postabank complete merger to form Hungary's second-largest retail bank

The legal merger between Erste Bank Hungary and Postabank was effective from 1 September 2004. The combined entity, Erste Bank Hungary Rt., is Hungary's second-largest retail bank, and a market leader in investment banking and leasing.

The speed and success with which the two banks are being integrated and the fact that the bank regulator and court of commercial registrations granted approval faster than anticipated has enabled the legal merger to go through as early as 1 September. The process of integration began in January 2004 and is now at an advanced stage. Half of the 24 integration projects have already been completed, including those dealing with risk management, corporate customers, leasing, central purchasing, back office services, investment banking and treasury. Under the integration process, the workforce has been trimmed by 20% and the branch network is being optimised from around 195 to 166 by year-end 2004. Most of the remaining projects will also be completed by the end of 2004, including negotiations to intensify the existing strategic cooperation with the Hungarian postal service.

Customers have already been enjoying the benefits of the two banks' broader product range over the past few months. The merger is bringing about a streamlined, customer-oriented organisational structure with rapid decision-making processes.

Erste Bank has approximately 2,500 employees in Hungary, catering for around 900,000 customers. As at 30 September 2004, the bank boasted total assets of HUF 1,081 billion (EUR 4.4 billion) and had generated a profit of HUF 4,305 million (EUR 17.0 million). With a share of around 9% of the retail market and about 8% of the corporate customer market, plus a comprehensive branch network, the bank is exceedingly well placed to improve its market position still further.

The Erste Bank share

Performance of equity indices

The prevailing sideways movement on international stock markets in the first half of the year, which ultimately still produced slight gains for nearly all exchanges, was followed by sometimes pronounced price declines in the third quarter, both in Europe and the USA. This trend left some stock indices with a negative performance for the nine months to 30 September 2004. As in the preceding quarters, the major US stock exchanges underperformed the European equity markets. While the most important US indices closed the first three quarters lower (Dow Jones Industrial Average, Nasdaq) or unchanged (Standard & Poor's 500), the FTSE Eurotop 300 Index – despite a decline of 1.1% in the third quarter – rose by 3.0% year-to-date as of 30 September.

The stock markets in Europe and the USA were driven largely by the continuous rise in oil prices, which marked a succession of new record highs. Fuelled by the rapidly growing demand from the USA and Asia (notably China), the persistent unrest in Iraq and fear of supply shortages, the price of oil soared by more than 65% since the start of the year. Weighing on US and European equity markets were worries over the consequences of the lasting high energy prices, which range from a reduction in private consumption and lower corporate earnings all the way to a delayed recovery in US economic growth.

The second dominant factor in the third quarter was the interest rate policy of the US central bank, the Federal Reserve. In the second half of September, after already twice raising its benchmark interest rate on overnight loans between banks since June, the Federal Reserve increased the overnight rate by a further 25 basis points to 1.75%. The Fed's confident statements on the economic trend led only to a brief improvement in stock market sentiment, as the central bank's optimism was at odds with some of the economic data. Thus, the University of Michigan's index of consumer sentiment was lower than forecast, and the Philadelphia Fed Index, a leading indicator of economic activity, declined sharply. In October, the stock markets initially lost ground amid disappointing outlooks presented by some companies, but then benefited from the decrease in oil prices at the end of the month. One of the chief causes of this easing in oil prices was an unexpected increase in US inventories of crude oil and the surprise interest rate hike by China's central bank.

The ATX, Austria's index for blue-chip shares, continued the excellent performance witnessed since the beginning of the year. While all tracked international stock indices fell in the third quarter, the ATX defied this negative environment to gain 2.7%. Over the first three quarters of the year, the index thus advanced by 32.2%. In the ten months to the end of October, the gain was 36.7%, with an all-time high of 2,119.00 points reached on 6 October.

The DJ Euro Stoxx Bank Index had closed the first half of the year virtually unchanged from the start of the year. At the beginning of the third quarter, although banks reported results for the first six months that were largely in line with expectations, the European banking index was affected by the negative stock market setting and thus declined. Later in the quarter, merger speculation in the European banking sector and the mild improvement in international equity markets enabled the index to recoup its losses. The DJ Euro Stoxx Bank Index ended the third quarter at 260.50 points, or 0.2% higher than at the beginning of January. The index performance for the ten-month period to the end of October was an even better 4.7%.

Performance of the Erste Bank share

Consistent with its advance of 31.8% in the first half of 2004, the Erste Bank share continued to gain in the third quarter. Both after the publication of the strong earnings growth in the first half of the year and upon the release of the new profit forecasts for 2006 at Erste Bank's Capital Markets Day, the price of the Erste Bank share showed resistance to the muted stock market environment by charting several new all-time highs. Erste Bank reached its highest-ever closing share price on 29 October, at EUR 34.89. On balance over the first three quarters of 2004, the share price rose by 36.8%. Thanks to its consistent positive performance, the Erste Bank share beat the ATX by 4.6 percentage points on a year-to-date basis as of 30 September and by 5.8 percentage points – with a gain of 42.5% – as of the end of October. The outstanding performance of the Erste Bank share was especially evident in comparison to the DJ Euro Stoxx Bank Index.

Investor Relations

On 24 September 2004 Erste Bank held its second international Capital Markets Day in Budapest. In detailed presentations, the management of Erste Bank and its Central European subsidiaries provided a comprehensive overview of the Group's business performance. The talks centred on the measures to improve the retail business in Austria, the targets and master plan for the ongoing project to reap Group synergies, and the growth prospects of Erste Bank's units in the Czech and Slovak Republics, Hungary and Croatia. At the event Erste Bank also released its earnings targets for 2006.

Mounting interest in the Erste Bank share is documented by the fact that an additional four respected investment banks – Commerzbank, CSFB, Keefe Bruyette & Woods and Morgan Stanley – have initiated research coverage of Erste Bank. These institutions respectively rated the Erste Bank share as Overweight, Outperform, Market Perform and Equal-Weight.

The management of Erste Bank also ensured intensive contact with investors through an Asian road show in October and at investor conferences hosted by HSBC, Wiener Börse (Vienna stock exchange) and Erste

Bank. The Group's strategy and results were thus disseminated in person to a wide audience.

As part of the activities tailored to retail investors, Erste Bank head of Group communications Michael Mauritz spoke at GEWINN-Messe, the annual investment trade fair held in Vienna, on 21 October. His presentation focused on the strategy of the Erste Bank.

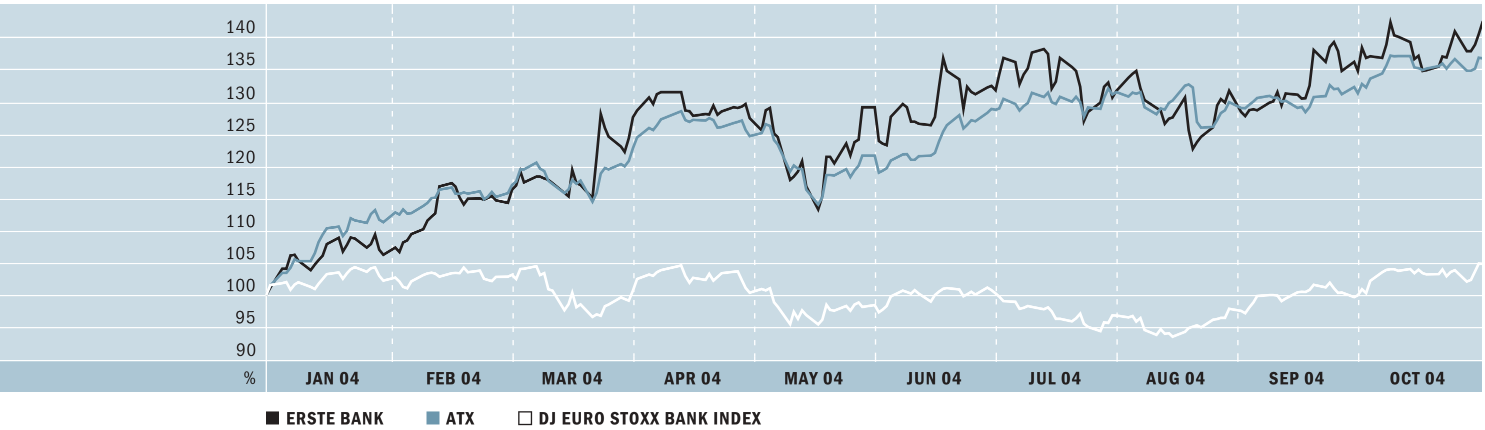
As well, on 5 October Erste Bank held another public meeting with the shareholder representatives on the Supervisory Board.

Key figures for the Erste Bank share

Share price at 29 October 2004	EUR 34.89
High for the year to date (29 October 2004)	EUR 34.89
Low for the year to date (2 January 2004)	EUR 24.78
Price-earnings ratio at 29 October 2004[1]	16.54
Trading volume (to 29 October 2004)	EUR 2,163.5 million
Market capitalisation at 29 October 2004	EUR 8.4 billion

1 Based on earnings per share of EUR 2.11 (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
- Commerzbank
- Credit Suisse First Boston
- Deutsche Bank
- Dresdner Kleinwort Wasserstein
- Fox-Pitt, Kelton
- HSBC
- ING
- JP Morgan
- Komerční banka
- Keefe, Bruyette & Woods
- Lehman Brothers
- Merrill Lynch
- Morgan Stanley
- 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

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. Figures are compared to those for Jan–Sept 2003 unless stated.

When reviewing the rates of change in the income statement, it should be noted that the Hungarian Postabank, which was acquired in December 2003, has only 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

Despite a tough environment, **net interest income** grew 3.0% year-on-year, from EUR 1,934.7 million to EUR 1,993.7 million. As stated in respect of the first two quarters, Slovenská sporiteľňa recorded exceptional earnings from its Slovak building society of EUR 28 million in 2003, resulting in a decline in earnings at this unit in 2004.

The **net interest margin,** which is based on average interest-bearing assets (total assets less cash reserves, trading assets, tangible assets, intangibles and other assets), stood at 2.20% for the first three quarters of 2004, down slightly from the 2.30% for full-year 2003. This decrease was driven primarily by the aforementioned one-off effect from the Slovak building society. Other factors were the funding costs for the acquisition of Postabank incurred since the beginning of 2004 and the increase of the stake in Slovenská sporiteľňa to 80%. Adjusted for the one-off effect from the Slovak building society, the net interest margin for the first half of 2004 was almost unchanged versus the previous year.

The Central European subsidiaries continue to generate much higher margins (between 3.4% and 4.5%) than the Austrian operation. Here, the net interest margin remained low at 1.75%, reflecting market conditions.

Net commission income again increased at above-average rates in the third quarter, growing 17.1% year-on-year in the first nine months of 2004, up from EUR 727.5 million to EUR 851.8 million. The Central European subsidiaries posted the biggest increases. However, the performance of the Austrian business was also very satisfactory, with securities, insurance and lending activities being the highlights.

The year 2004 is not going to be a bumper one for the stock markets, and this was reflected in the **net trading result.** The cumulative figure for the first nine months of the year is EUR 156.2 million – down 8.4% from the impressive EUR 170.6 million in the same period last year. This was mainly due to declines in securities and derivatives trading, which the slight upturn in income from foreign exchange trading was not able to offset.

By contrast, the **insurance business** experienced one of its strongest quarters. Both the subsidiaries in the Czech and Slovak Republics and s Versicherung, the Austrian market leader in life insurance, were able to deliver an excellent result. The cumulative income from the insurance business in the first nine months of 2004 stood at EUR 24.6 million, representing an 18.3% rise on the year-earlier period (EUR 20.8 million).

General administrative expenses rose 6.2% year-on-year in the first three quarters of 2004, to stand at EUR 1,950.9 million, against EUR 1,837.0 million in the same period last year. However, after adjustments for the Postabank consolidation, the increase was just 2.8%. This is due to the accounting for costs during the implementation of the new Group projects. Secondly, high inflation rates in some Central European countries have also raised costs, and thirdly, certain of these countries have experienced massive increases in VAT.

Specifically, **personnel expenses** rose by 4.1% (adjusted to exclude Postabank: 1.8%) from EUR 1,041.1 million to EUR 1,083.4 million and **other administrative expenses** were up 13.5% (adjusted: 7.7%) from EUR 538.8 million to EUR 611.7 million.

in EUR million	Jan–Sep 2004	Jan–Sep 2003	Change in %
Net interest income	1,993.7	1,934.7	3.0
Risk provisions for loans and advances	(306.9)	(298.6)	2.8
Net commission income	851.8	727.5	17.1
Net trading result	156.2	170.6	(8.4)
General administrative expenses	(1,950.9)	(1,837.0)	6.2
Income from insurance business	24.6	20.8	18.3
Other operating result	1.1	(128.8)	> 100.0
Pre-tax profit	**769.6**	**589.2**	**30.6**
Net profit after minority interests	**382.6**	**255.2**	**49.9**
Cost-income ratio (in %)	64.5%	64.4%	

The very restrictive IT investment policy continued, which meant that **depreciation and amortisation of fixed assets** was a little below the year-earlier period (-0.5% from EUR 257.1 million to EUR 255.8 million).

The **headcount** has decreased by 3.9% since end-2003 and now stands at 36,370. There were reductions in both Austria (-0.9%) and Central Europe (-5.8%).

The **operating result** (operating income less general administrative expenses) grew 5.8% in the first nine months of 2004, up from EUR 1,016.6 million to EUR 1,075.4 million.

The **cost-income ratio** (general administrative expenses as a percentage of operating income) was 64.5% in the first three quarters of 2004, marginally higher than in the same period of 2003 (64.4%) and full-year 2003 (64.2%).

The **other operating result** includes some one-off effects that were mainly recorded in the first quarter of 2004 (in particular exceptional income from the sale of the Czech property insurance company and a one-off impairment charge with simultaneous elimination of goodwill amortisation due to the early adoption of the new IFRS 3). A strongly positive result was recorded in the third quarter of 2004 (considerable write-downs had to be made in the second quarter), thanks to higher valuations of participations and securities mainly in Česká spořitelna. As mentioned previously, contributions to the local deposit insurance scheme in the Czech Republic have had to be significantly increased since the start of 2004 because of changes to national legislation.

This item was still deeply negative in the first three quarters of 2003 at EUR -128.8 million but is now virtually neutral at EUR 1.1 million.

Risk provisions for loans and advances were a little higher (2.8%) year-on-year, at EUR 306.9 million versus EUR 298.6 million for the nine months to September 2003. While there was a reduction in Austria, some Central European subsidiaries are building up their reserves again after releasing cash last year. Total provisioning requirements for 2004 are not expected to exceed those for 2003.

Pre-tax profit was 30.6% higher year-on-year at EUR 769.6 million, against EUR 589.2 million, due to the trends described above.

The tax rate for the first three quarters of 2004 was 25.6% (EUR 197.0 million; previous year: EUR 170.6 million). This included an extraordinary write-down of EUR 20 million in the first quarter resulting from the tax reforms adopted by the Austrian parliament.

After taking account of **taxes on income** and **minority interests in profits,** Erste Bank generated a net profit after minority interests of EUR 382.6 million in the first three quarters of 2004, up 49.9% against the year-earlier figure of EUR 255.2 million.

Return on equity, calculated on the basis of net profit after minority interests, advanced significantly to 17.3% in the first nine months of 2004 (full-year 2003: 13.7%).

in EUR million	Jan–Sep 2004	Jan–Sep 2003	Change in %	excl. Postabank	Change in %
Erste Bank Group					
Personnel expenses	1,083.4	1,041.1	4.1	1,060.0	1.8
Other administrative expenses	611.7	538.8	13.5	580.5	7.7
Subtotal	*1,695.1*	*1,579.9*	*7.3*	*1,640.5*	*3.8*
Depreciation	255.8	257.1	(0.5)	248.7	(3.3)
Total	**1,950.9**	**1,837.0**	**6.2**	**1,889.2**	**2.8**
Austria (incl. Corporate Centre and International Business)					
Personnel expenses	798.7	797.3	0.2		
Other administrative expenses	355.3	324.7	9.4		
Subtotal	*1,154.0*	*1,122.0*	*2.9*		
Depreciation	146.3	151.7	(3.6)		
Total	**1,300.3**	**1,273.7**	**2.1**		
Central Europe					
Personnel expenses	284.7	243.8	16.8	261.3	7.2
Other administrative expenses	256.4	214.1	19.8	225.2	5.2
Subtotal	*541.1*	*457.9*	*18.2*	*486.5*	*6.2*
Depreciation	109.5	105.4	3.9	102.4	(2.8)
Total	**650.6**	**563.3**	**15.5**	**588.9**	**4.5**

Performance in the third quarter of 2004

Quarter-on-quarter comparison shows that Erste Bank performed much better in the third quarter than in the second.

Net interest income increased by 2.5% quarter-on-quarter from EUR 660.2 million to EUR 676.6 million, and **net commission income** was also up a marginal 1.0% from EUR 283.8 million to EUR 286.6 million. The third-quarter **trading result** stood at EUR 47.9 million, a little above the EUR 45.9 million recorded in the previous quarter, which was affected by market conditions.

General administrative expenses rose 1.6%, from EUR 649.2 million to EUR 659.4 million. This was due first and foremost to the "other operating expenses" item (+3.1% to EUR 208.4 million).

As a consequence, the **operating result** was 4.4% higher than in the second quarter at EUR 363.0 million.

The **cost-income ratio** improved quarter-on-quarter from 65.1% to 64.5%.

The release of reserves meant the second-quarter figure for **risk provisions** was unusually low at just EUR 88.6 million. The net figure for the third quarter came in at EUR 110.1 million.

From a negative amount (EUR –35.3 million) in the second quarter, when the **other operating result** was dragged down by high downward valuation adjustments on securities available for sale, the figure for the third quarter was well into the black (total: EUR 15.6 million) due largely to securities and participations valuations, as mentioned before mainly from Česká spořitelna.

As the earnings of the savings banks participating in the cross-guarantee system also performed very well in the period under review, third-quarter **pre-tax profit** advanced by a disproportionately strong 20.0% quarter-on-quarter to EUR 268.5 million.

However, the strong result by the savings banks also led to higher **minority interests. Net profit after minority interests** climbed 4.7% quarter-on-quarter to EUR 142.4 million (second quarter: EUR 136.0 million).

Outlook

Management is confirming the earlier projection that Erste Bank will achieve a net profit after minority interests of at least EUR 500 million in full-year 2004.

The target announced at the Capital Markets Day in Budapest of generating a net profit after minority interests of EUR 720–750 million in 2006 still applies. That involves a target return on equity (based on net profit after minority interests) of at least 18% and a cost-income ratio no higher than 61%.

The Group synergy projects currently under consideration will help to achieve these targets and will deliver a long term positive contribution to the Group results. Projects within this Group-wide programme comprise among others procurement and enhancing controlling systems as well as the retail and large corporate divisions, where the aim is to achieve long term cost savings and a continuing increase in profitability combined with an improvement in customer service.

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 31 December 2003.

Erste Bank Group's consolidated **total assets** grew 10.6% over the first nine months of the year, from EUR 128.6 billion as at end-2003 to EUR 142.2 billion as at 30 September 2004.

Loans and advances to customers rose from EUR 67.8 billion to EUR 72.1 billion, a rise of 6.4%. While the increase in Austria was only slight (up 2.2% to EUR 46.8 billion), loans and advances to customers outside Austria increased by 15.2% to EUR 25.4 billion. Lending to Central European corporate and personal customers grew particularly strongly. The Slovak subsidiary, for example, posted 42% growth in mortgage lending in the first three quarters, with overdraft facilities up by almost 140%. Over the same period, Česká spořitelna recorded a 74% year-on-year increase in mortgage lending.

Net **risk provisions** were up slightly (+3.2%) in the first nine months of 2004 at EUR 2.9 billion (after taking account of additions as well as the use of provisions).

A substantial drop in **trading assets** (down 18.7% to EUR 4.3 billion, with fixed-income securities most affected) was offset by a sharp increase in **securities available for sale** (+22.7% to EUR 9.1 billion). In all, **securities and financial investments** (trading assets, securities available for sale and financial investments) have increased considerably since 31 December 2003, advancing 9.0% from EUR 39.1 billion to EUR 42.6 billion.

Financial investments rose at an above-average rate, mainly due to the investment portfolios of the consolidated insurance companies (EUR 5.7 billion from EUR 4.9 billion) and the increase in fixed-income securities held to maturity (EUR 21.1 billion from EUR 19.1 billion).

Loans and advances to credit institutions rose 45.5% to EUR 19.1 billion and **amounts owed to credit institutions** by 21.4% to EUR 31.2 billion. This rise applied to both domestic and international credit institutions, and almost entirely to short-term interbank deposits.

Despite a slight decrease in savings deposits, which fell 0.6% from EUR 37.3 billion to EUR 37.1 billion, **amounts owed to customers** have risen by 6.4% versus end-2003, to stand at EUR 69.0 billion as at 30 September 2004.

Claims on **subordinated capital** shrank 9.8% to EUR 3.2 billion, although over the first three quarters of 2004, the funding base from **own issues** (comprising debts evidenced by certificates and subordinated capital) grew 11.7% from EUR 20.5 billion at end-2003 to EUR 22.9 billion today.

The eligible **qualifying capital** of the Erste Bank Group as defined under the Austrian Banking Act (BWG) was approximately EUR 7.0 billion as at 30 September 2004. As the statutory minimum capital required as at this date was approximately EUR 5.7 billion, the coverage ratio was roughly 123%.

Hybrid tier 1 capital in the amount of EUR 100 million was repurchased during the third quarter 2004. Thus, **core capital** at end-September stood at around EUR 4.1 billion, corresponding to a core capital ratio of 6.1% (year end 2003: 6.3%). For year end 2004 Erste Bank expects a tier 1 ratio of around 6.4% after inclusion of reserves.

The **solvency ratio** as defined by the Austrian Banking Act was 10.0% as at 30 September 2004, well above the legally required minimum of 8.0%.

in EUR million	30 Sep 2004	31 Dec 2003	Change in %
Loans and advances to credit institutions	19,113	13,140	45.5
Loans and advances to customers	72,117	67,766	6.4
Risk provisions	(2,861)	(2,772)	3.2
Securities and other financial investments	42,604	39,092	9.0
Sundry assets	11,265	11,349	(0.7)
Total assets	**142,238**	**128,575**	**10.6**
Amounts owed to credit institutions	31,217	25,704	21.4
Amounts owed to customers	68,983	64,839	6.4
Debts evidenced by certificates and subordinated capital	22,884	20,481	11.7
Shareholders' equity	3,135	2,791	12.3
Sundry liabilities	16,019	14,760	8.5
Total liabilities and shareholders' equity	**142,238**	**128,575**	**10.6**

Consolidated Financial Statements for the first three quarters of 2004 (IFRS)

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

Group Balance Sheet of Erste Bank at 30 September 2004

in EUR million	Notes	30 Sep 2004	31 Dec 2003	Change in %
Assets				
1. Cash and balances with central banks		2,802	2,549	9.9
2. Loans and advances to credit institutions	(1)	19,113	13,140	45.5
3. Loans and advances to customers	(2)	72,117	67,766	6.4
4. Risk provisions	(3)	(2,861)	(2,772)	3.2
5. Trading assets	(4)	4,277	5,259	(18.7)
6. Investments available for sale	(5)	9,052	7,379	22.7
7. Financial investments	(6)	29,275	26,454	10.7
8. Intangible assets		1,824	1,869	(2.4)
9. Tangible assets		1,766	1,814	(2.6)
10. Other assets		4,873	5,117	(4.8)
Total assets		**142,238**	**128,575**	**10.6**
Liabilities and shareholders' equity				
1. Amounts owed to credit institutions	(7)	31,217	25,704	21.4
2. Amounts owed to customers	(8)	68,983	64,839	6.4
3. Debts evidenced by certificates		19,693	16,944	16.2
4. Provisions	(9)	6,987	6,366	9.8
5. Other liabilities		6,000	5,515	8.8
6. Subordinated capital		3,191	3,537	(9.8)
7. Minority interests		3,032	2,879	5.3
8. Shareholders' equity		3,135	2,791	12.3
Total liabilities and shareholders' equity		**142,238**	**128,575**	**10.6**

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

in EUR million	Notes	Jan–Sep 2004	Jan–Sep 2003	Change in %
1. Interest and similar income		4,016.2	4,057.6	(1.0)
2. Interest paid and similar expenses		(2,022.5)	(2,122.9)	(4.7)
I. Net interest income	**(10)**	**1,993.7**	**1,934.7**	**3.0**
3. Risk provisions for loans and advances	(11)	(306.9)	(298.6)	2.8
4. Fee and commission income		1,001.2	860.8	16.3
5. Fee and commission expenses		(149.4)	(133.3)	12.1
Net commission income (Net of 4 and 5)	*(12)*	*851.8*	*727.5*	*17.1*
6. Net trading result	(13)	156.2	170.6	(8.4)
7. General administrative expenses	(14)	(1,950.9)	(1,837.0)	6.2
8. Income from insurance business	(15)	24.6	20.8	18.3
9. Other operating result	(16)	1.1	(128.8)	> 100.0
10. Extraordinary result		0.0	0.0	–
II. Pre-tax profit for the period		**769.6**	**589.2**	**30.6**
11. Taxes on income		(197.0)	(170.6)	15.5
III. Profit for the period		**572.6**	**418.6**	**36.8**
12. Minority interests		(190.0)	(163.4)	16.3
IV. Net profit after minority interests		**382.6**	**255.2**	**49.9**

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–Sep 2004	Jan–Sep 2003	Change in %
Earnings per share	6.44	4.29	50.1
Earnings per share adjusted for stock split	1.61	1.07	50.1
Diluted earnings per share	6.40	4.27	49.9
Diluted earnings per share adjusted for stock split	1.60	1.07	49.9

Statement of Changes in Shareholders' Equity

in EUR million	Jan–Sep 2004	Jan–Sep 2003	Change in %
Shareholders' equity at 1 January	**2,791**	**2,481**	**12.5**
Translation differences	52	(23)	> 100.0
Capital increase	31	7	> 100.0
Net profit after minority interests	383	255	50.2
Dividends	(90)	(74)	21.6
Erste Bank shares	(19)	(74)	(74.3)
Change in reserves according to IAS 39	(13)	34	> 100.0
Other changes	0	(5)	(100.0)
Shareholders' equity at 30 September	**3,135**	**2,601**	**20.5**

Cash Flow Statement

in EUR million	Jan–Sep 2004	Jan–Sep 2003	Change in %
Cash and cash equivalents at the beginning of period	**2,549**	**3,181**	**(19.9)**
Cash flows from operating activities	3,352	2,256	48.6
Cash flows from investing activities	(2,723)	(3,235)	(15.8)
Cash flows from financing activities	(411)	315	> 100.0
Effect of changes in exchange rates	35	(5)	> 100.0
Cash and cash equivalents at the end of period	**2,802**	**2,512**	**11.5**

Notes to the Consolidated Financial Statements of the Erste Bank Group for the first three quarters 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 three quarters 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 has led to material changes in accounting principles for the reporting period, 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 has chosen this option. Based on the required impairment tests, this results in a one-time write-off of EUR 80 million for Austrian goodwill in the 2004 fiscal year. This eliminates the need for further straight-line 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. As a result, and based on the associated exercise dates, personnel expenses of about EUR 2.6 million were recorded for the stock ownership programme and stock option programme for the period.

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 effect on profit in the first three quarters of 2004.

Significant business events during the reporting period

The previously announced legal transfer of Erste Bank branches in Kitzbühel, Kufstein, Krems and Korneuburg to the local savings banks in exchange for cash was carried out in the third quarter. These branches represent a business volume of about EUR 70 million. The net disposal proceeds in the form of cash totalled EUR 7 million. The technical migration will occur in the fourth quarter of 2004.

Events after the balance sheet date

Following the completion of its investigation into State Aid relating to the banking privatisations in the Czech and the Slovak Republic, on 20 October 2004, the EU Commission has announced that the Interim Procedure in its investigation regarding the privatisation of the Hungarian Postabank és Takarékpénztár in 2003 has been closed. The Commission has confirmed that, with the exception of one measure providing for an indemnity for unknown litigation risks stemming from the past, the financial restructuring measures of the past as well as the contractual arrangements of the privatisation of Postabank do not constitute state aid measures applicable after Hungary's accession to the European Union.

Concerning the "Indemnity for Unknown Claims" the Commission is checking whether the measure is consistent with its rescue and restructuring guidelines.

Information on the Group Balance Sheet

1) Loans and advances to credit institutions

in EUR million	30 Sep 2004	31 Dec 2003	Change in %
Loans and advances to domestic credit institutions	2,993	2,193	36.5
Loans and advances to foreign credit institutions	16,120	10,947	47.3
Total	**19,113**	**13,140**	**45.5**

2) Loans and advances to customers

in EUR million	30 Sep 2004	31 Dec 2003	Change in %
Loans and advances to domestic customers	46,766	45,758	2.2
Public sector	*2,867*	*3,004*	*(4.6)*
Commercial customers	*26,229*	*25,977*	*1.0*
Private customers	*17,557*	*16,650*	*5.4*
Other	*113*	*127*	*(11.0)*
Loans and advances to foreign customers	25,351	22,008	15.2
Public sector	*3,022*	*2,996*	*0.9*
Commercial customers	*15,955*	*13,861*	*15.1*
Private customers	*6,208*	*4,949*	*25.4*
Other	*166*	*202*	*(17.8)*
Total	**72,117**	**67,766**	**6.4**

3) Risk provisions

in EUR million	Jan–Sep 2004	Jan–Sep 2003	Change in %
Risk provisions for loans and advances			
At 1 January	**2,772**	**2,983**	**(7.1)**
Use	(204)	(463)	(55.9)
Net allocation of risk provisions	276	277	(0.2)
Changes in exchange rates	17	(16)	> 100.0
At 30 September	**2,861**	**2,781**	**2.9**
Risk provisions for off-balance credit risk and for other risks (included in provisions)	82	103	(20.4)
Risk provisions at 30 September	**2,943**	**2,884**	**2.1**

4) Trading assets

in EUR million	30 Sep 2004	31 Dec 2003	Change in %
Bonds and other fixed-income securities	2,787	3,776	(26.2)
Shares and other variable-yield securities	551	444	24.1
Positive fair value of derivative financial instruments	939	1,039	(9.6)
Total	**4,277**	**5,259**	**(18.7)**

5) Investments available for sale

in EUR million	30 Sep 2004	31 Dec 2003	Change in %
Bonds and other fixed-income securities	5,863	4,578	28.1
Shares and other variable-yield securities	3,189	2,801	13.9
Total	**9,052**	**7,379**	**22.7**

6) Financial investments

in EUR million	30 Sep 2004	31 Dec 2003	Change in %
Bonds and other fixed-income securities (held to maturity)	21,124	19,132	10.4
Variable-yield securities	731	740	(1.2)
Investments	487	497	(2.0)
Investments of insurance companies	5,718	4,989	14.6
Other financial investments (particularly carrying amounts of assets subject to operating leases and rental agreements)	1,215	1,096	10.9
Total	**29,275**	**26,454**	**10.7**

7) Amounts owed to credit institutions

in EUR million	30 Sep 2004	31 Dec 2003	Change in %
Amounts owed to domestic credit institutions	8,996	5,583	61.1
Amounts owed to foreign credit institutions	22,221	20,121	10.4
Total	**31,217**	**25,704**	**21.4**

8) Amounts owed to customers

in EUR million	30 Sep 2004	31 Dec 2003	Change in %
Savings deposits	37,125	37,335	(0.6)
Other	31,858	27,504	15.8
Total	**68,983**	**64,839**	**6.4**

9) Provisions

in EUR million	30 Sep 2004	31 Dec 2003	Change in %
Long-term employee provisions	1,077	1,097	(1.8)
Insurance reserves	5,467	4,829	13.2
Other	443	440	0.7
Total	**6,987**	**6,366**	**9.8**

Information on the Group Income Statement

10) Net interest income

in EUR million	Jan–Sep 2004	Jan–Sep 2003	Change in %
Interest income from			
Lending and money market transactions with credit institutions	537.7	650.8	(17.4)
Lending and money market transactions with customers	2,255.1	2,225.4	1.3
Fixed-income securities	977.8	912.4	7.2
Other interest and similar income	51.9	39.5	31.4
Current income from			
Shares and other variable-yield securities	119.3	117.5	1.5
Investments	26.8	62.1	(56.8)
Property used by outside parties	47.6	49.9	(4.6)
Total interest and similar income	**4,016.2**	**4,057.6**	**(1.0)**
Interest expenses for			
Amounts owed to credit institutions	(304.1)	(555.9)	(45.3)
Amounts owed to customers	(1,032.2)	(941.9)	9.6
Debts evidenced by certificates	(543.3)	(456.7)	19.0
Subordinated capital	(124.5)	(159.3)	(21.8)
Other	(18.4)	(9.1)	> 100.0
Total interest and similar expenses	**(2,022.5)**	**(2,122.9)**	**(4.7)**
Net interest income	**1,993.7**	**1,934.7**	**3.0**

11) Risk provisions for loans and advances

in EUR million	Jan–Sep 2004	Jan–Sep 2003	Change in %
Net allocation to risk provisions in lending business	(275.5)	(276.5)	(0.4)
Direct write-off for loans and advances less amounts recovered on loans and advances written off	(31.4)	(22.1)	42.1
Total	**(306.9)**	**(298.6)**	**2.8**

12) Net commission income

in EUR million	Jan–Sep 2004	Jan–Sep 2003	Change in %
Lending business	134.1	116.8	14.8
Payment transfers	318.9	282.1	13.0
Securities transactions	211.6	176.8	19.7
Investment fund transactions	*87.0*	*78.1*	*11.4*
Custodial fees	*35.0*	*29.2*	*19.9*
Brokerage	*89.6*	*69.5*	*28.9*
Insurance business	44.7	37.9	17.9
Building society agency operations	22.5	19.9	13.1
Foreign exchange operations	31.6	38.6	(18.1)
Other	88.4	55.4	59.6
Total	**851.8**	**727.5**	**17.1**

13) Net trading result

in EUR million	Jan–Sep 2004	Jan–Sep 2003	Change in %
Securities and derivatives trading	65.5	85.0	(22.9)
Foreign exchange	90.7	85.6	6.0
Total	**156.2**	**170.6**	**(8.4)**

14) General administrative expenses

in EUR million	Jan–Sep 2004	Jan–Sep 2003	Change in %
Personnel expenses	(1,083.4)	(1,041.1)	4.1
Other administrative expenses	(611.7)	(538.8)	13.5
Depreciation and amortisation of fixed assets	(255.8)	(257.1)	(0.5)
Total	**(1,950.9)**	**(1,837.0)**	**6.2**

15) Income from insurance business

in EUR million	Jan–Sep 2004	Jan–Sep 2003	Change in %
Earned premiums	733.4	667.9	9.8
Investment income on underwriting business	235.9	181.6	29.9
Claims incurred	(171.3)	(172.6)	(0.8)
Change in underwriting provisions	(631.1)	(525.9)	20.0
Expenses for profit-linked premium reimbursements	(47.4)	(56.0)	(15.4)
Operating expenses	(75.6)	(77.2)	(2.1)
Other underwriting income	10.7	(6.7)	> 100.0
Net underwriting income	**54.6**	**11.1**	**> 100.0**
Net investment income	205.9	191.3	7.6
Carried to underwriting account	(235.9)	(181.6)	(29.9)
Total	**24.6**	**20.8**	**18.3**

16) Other operating result

in EUR million	Jan–Sep 2004	Jan–Sep 2003	Change in %
Other operating income	158.7	69.5	> 100.0
Other operating expenses	(232.0)	(215.7)	7.6
Goodwill impairment/amortisation	*(80.0)*	*(60.9)*	*31.4*
Other operating expenses	*(152.0)*	*(154.8)*	*(1.8)*
Income from securities held as investments available for sale	37.7	16.0	> 100.0
Income from investments and related companies	36.7	1.4	> 100.0
Total	**1.1**	**(128.8)**	**> 100.0**

Other information

17) Contingent liabilities and other obligations

in EUR million	30 Sep 2004	31 Dec 2003	Change in %
Contingent liabilities	8,422	7,068	19.2
Contingent liabilities	8,299	6,955	19.3
Other	123	113	8.8
Other obligations	18,878	15,926	18.5
Undrawn credit and loan commitments	16,522	15,047	9.8
Amounts owed resulting from repurchase transactions	1,602	328	> 100.0
Other	754	551	36.8

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

	30 Sep 2004	31 Dec 2003	Change in %
Employed by Group	**36,370**	**37,830**	**(3.9)**
Domestic	14,841	14,974	(0.9)
Abroad	21,529	22,856	(5.8)
thereof Česká spořitelna Group	11,699	12,420	(5.8)
thereof Slovenská sporiteľňa	5,239	5,283	(0.8)
thereof Erste Bank Hungary (since 31 December 2003 including Postabank)	2,517	3,145 [1]	(20.0)

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, 62 persons were employed in non-bank enterprises of the Group (hotel and leisure sector) at 30 June 2004.

19) Segment reporting

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. It should also be noted that valuation methods have changed in connection with the consolidation. This means the published results of the individual Group members cannot be compared directly with the segment results. In the case of the Central European subsidiaries, for example, proportion funding costs have been offset against the segment earnings.

Austria

This segment reported impressive profit growth of 48.1%, from EUR 115.7 million in the same period last year to EUR 171.3 million. In addition to the decline in risk provisions (particularly in the Retail and Mortgage segment), this increase was driven by the strong improvement in net commission income (up 8.4% to EUR 535.0 million) in the Large Corporates division and in the treasury. General administrative expenses were cut by -0.7% or EUR 9.2 million year-on-year, from EUR 1,239.4 million to EUR 1,230.2 million. Retail and Real Estate contributed significantly to this reduction in expenses. The cost-income ratio stayed steady at 67.2% and return on equity rose substantially from 9.8% to 13.3%.

Savings Banks

Net profit rose strongly year-on-year to EUR 14.0 million. The 6.4% increase in net commission income, which came mainly from payment services and securities business, and the very slight (0.9%) rise in operating expenses more than made up for the market-driven drop in net interest income. The sizeable increase in the other operating result was attributable to the revaluation of other assets available for sale. The cost-income ratio deteriorated slightly to 70.3%, while return on equity rose to 7.9%.

in EUR million	Savings Banks Q1–3/2004	Savings Banks Q1–3/2003	Retail and Real Estate Q1–3/2004	Retail and Real Estate Q1–3/2003
Net interest income	618.1	625.9	383.9	394.8
Risk provisions for loan and advances	(133.6)	(131.8)	(84.6)	(97.9)
Net commission income	244.3	229.7	205.5	200.4
Net trading result	12.7	21.2	7.9	13.5
General administrative expenses	(615.1)	(609.4)	(481.0)	(493.1)
Income from insurance business	0.0	0.0	18.1	15.5
Other operating results	29.1	5.1	3.1	0.7
Pre-tax profit for the period	**155.6**	**140.7**	**52.9**	**33.8**
Taxes on income	(42.0)	(39.8)	(11.2)	(12.2)
Minority interest	(99.6)	(96.1)	(12.3)	(6.7)
Net profit after minority interests[1]	**14.0**	**4.7**	**29.3**	**14.9**
Average risk-weighted assets	23,051.8	22,134.2	12,868.9	12,158.2
Average attributed equity	236.3	199.2	809.5	741.7
Cost-income ratio (in %)	**70.3%**	**69.5%**	**78.2%**	**79.0%**
ROE based on net profit (in %)[2]	**7.9%**	**3.2%**	**4.8%**	**2.7%**

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

Retail and Real Estate

This segment's profit virtually doubled from EUR 14.9 million to EUR 29.3 million in the first nine months of 2004 compared to the same period of last year. The cost-cutting programme put in place generated savings in respect of general administrative expenses of EUR 12.1 million (EUR 481.0 million against EUR 493.1 million), while a decrease in risk costs was also recorded (EUR 84.6 million against EUR 97.9 million). This was driven in particular by Tiroler Sparkasse (down EUR 9.5 million) and the SME business. Net interest income fell as the building society adjusted interest rates in line with legal requirements, as highlighted in the first quarter. The cost-income ratio improved from 79.0% in the first nine months of 2003 to 78.2%, and return on equity increased substantially to 4.8%.

Large Corporates

The rise in net profit in this sub-segment was due to a strong improvement in net commission income (primarily in project finance), up 31.0% to EUR 45.2 million, combined with the positive valuation of securitised financing instruments under the other operating result item. The return on equity grew robustly from 8.9% to 13.1%, while the cost-income ratio remained practically unchanged year-on-year at 40.0%. Net profit climbed 52.8% to EUR 42.1 million.

Trading and Investment Banking

Net profit saw an above average 25.4% rise year-on-year to EUR 85.9 million. There was a drop in net interest income (from EUR 85.6 million to EUR 80.8 million), but this was offset by a large improvement in other operating results. The rise in net commission income from EUR 29 million to EUR 40 million was mainly due to the sale of structured products to savings banks, other banks and institutional investors. Rigorous cost management also brought about a 6.1% reduction in general administrative expenses compared with the first nine months of 2003. As a result, the cost-income ratio improved from 39.7% to 38.7%, while return on equity rose from 41.6% to 47.6%.

Large Corporates Q1–3/2004	Large Corporates Q1–3/2003	Trading and Investment Banking Q1–3/2004	Trading and Investment Banking Q1–3/2003	**Austria Total** Q1–3/2004	**Austria Total** Q1–3/2003
108.8	113.9	80.8	85.6	1,191.6	1,220.3
(37.3)	(40.1)	0.0	0.0	(255.5)	(269.8)
45.2	34.5	40.0	29.0	535.0	493.6
0.9	1.2	65.8	78.6	87.2	114.4
(62.0)	(60.1)	(72.1)	(76.8)	(1,230.2)	(1,239.4)
0.0	0.0	0.0	0.0	18.1	15.5
8.0	(0.4)	(2.3)	(18.4)	37.9	(13.1)
63.6	**49.0**	**112.1**	**98.0**	**384.1**	**321.5**
(13.5)	(14.2)	(26.3)	(29.9)	(92.9)	(96.2
(7.9)	(7.2)	0.0	0.3	(119.9)	(109.6)
42.1	**27.6**	**85.9**	**68.5**	**171.3**	**115.7**
6,822.8	6,748.0	3,826.5	3,721.3	46,569.9	44,761.7
429.2	415.0	240.7	219.6	1,715.6	1,575.5
40.0%	**40.2%**	**38.7%**	**39.7%**	**67.2%**	**67.2%**
13.1%	**8.9%**	**47.6%**	**41.6%**	**13.3%**	**9.8%**

Central Europe

Česká spořitelna

Profit advanced 80.4% or EUR 68.6 million versus the first nine months of 2003, to EUR 153.9 million. The very positive 20.3% year-on-year improvement in the operating result in the third quarter of 2004 was based on the 7.7% rise in operating income (from EUR 555.6 million to EUR 598.1 million) combined with virtually unchanged general administrative expenses. Net interest income improved due to the expansion of lending business, and net commission income also came in higher, thanks to payment services in particular. The trading result rose, driven by the securities and interest rate derivatives business. The substantial advance in the other operating result can be attributed to no longer amortising goodwill (Q3 2003: EUR 30.1 million). Due to the fact that, as discussed in the first quarter, there was no release from the general reserve, a budgeted increase in risk costs was recorded. As a result of the very pleasing business performance, the cost-income ratio improved from 64.0% to 59.8%, while return on equity rose from 29.7% to 44.5%.

Slovenská sporiteľňa

Relative to last year the performance of net interest income at Slovenská sporiteľňa was impacted by the one-off effect from the Slovak building society PSS in the prior year, as mentioned earlier (exceptional income of EUR 28 million). Net commission income grew by 35.8% year-on-year to EUR 49.5 million, due primarily to payment services and financing. The trading result was up 29.4% to EUR 10.4 million, with foreign exchange and securities business largely behind this improvement.

Due above all to changes in cost accruals since the start of the year, general administrative expenses have risen 4.2% versus the first nine months of 2003. Only a marginal increase is forecast for full-year 2004 on inflation grounds. The lower operating result (EUR 82.5 million from EUR 110.0 million) can largely be explained by positive one-off effects in 2003 mentioned earlier. Adjusted for this extraordinary effect of EUR 28 million, the operating result would have been unchanged year on year. The April 2004 increase in Erste Bank's stake in Slovenská sporiteľňa from 70% to 80% has reduced minority interests.

Return on equity grew from 36.5% to 49.9%, while the cost-income ratio rose from 50.4% to 58.8% because of the aforementioned accruals.

in EUR million	Česká spořitelna Q1–3/2004	Česká spořitelna Q1–3/2003	Slovenská sporiteľňa Q1–3/2004	Slovenská sporiteľňa Q1–3/2003
Net interest income	367.4	341.7	140.3	179.3
Risk provisions for loan and advances	(18.6)	6.7	2.8	0.3
Net commission income	193.8	180.0	49.5	36.4
Net trading result	30.4	28.5	10.4	8.1
General administrative expenses	(357.7)	(355.6)	(117.6)	(112.9)
Income from insurance business	6.5	5.3	0.0	0.0
Other operating results	2.9	(48.8)	(19.2)	(66.4)
Pre-tax profit for the period	**224.8**	**157.9**	**66.1**	**44.9**
Taxes on income	(62.3)	(60.4	(9.1)	(5.6)
Minority interest	(8.6)	(12.2)	(14.0)	(16.8)
Net profit after minority interests[1]	**153.9**	**85.3**	**43.1**	**22.5**
Average risk-weighted assets	7,335.7	6,291.7	1,829.2	1,353.7
Average attributed equity	461.4	382.8	115.1	82.4
Cost-income ratio (in %)	**59.8%**	**64.0%**	**58.8%**	**50.4%**
ROE based on net profit (in %)[2]	**44.5%**	**29.7%**	**49.9%**	**36.5%**

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

Erste Bank Hungary

Comparison with the first nine months of 2003 would not be meaningful due to the fact that Postabank was consolidated as at 1 January 2004. The smooth integration of the two entities and the better-than-expected business performance point to a positive and projection-beating result for full-year 2004.

Erste Bank Croatia

Pre-tax profit rose 37.4% compared with the first three quarters of 2003 to EUR 30.7 million. Interest income grew 12.4% to EUR 61.2 million on the back of large volumes. Commission income – especially for payment services – rose 35.5% to EUR 12.0 million, and the trading result increased 90.4% to EUR 11.1 million over the same period. The 9.8% rise in general administrative expenses to EUR 47.6 million is almost entirely attributable to expansion of its branch network and necessary adjustments to bring employee salaries in line with market levels. In spite of this, the cost-income ratio improved from 62.6% in the first nine months of 2003 to 56.4%. Due to the change in quarterly allocation costs in Croatia are also expected to remain flat after adjustment for foreign exchange impacts. Because of higher minority interests – Steiermärkische Sparkasse has increased its holding in Erste Bank Croatia to 35% – and the non-recurrence of tax credits in respect of Rijecka banka in the year-earlier period, net profit attributable to Erste bank slipped 17.8% to EUR 15.8 million. Return on equity declined to 18.3%, due in part to the increase in allocated equity capital.

Erste Bank Hungary[3] Q1–3/2004	Erste Bank Hungary[3] Q1–3/2003	Erste Bank Croatia Q1–3/2004	Erste Bank Croatia Q1–3/2003	**Central Europe Total** Q1–3/2004	**Central Europe Total** Q1–3/2003
120.2	42.9	61.2	54.5	689.1	618.5
(16.7)	(8.3)	(3.5)	(2.8)	(36.0)	(4.1)
36.5	20.5	12.0	8.9	291.8	245.9
19.5	9.6	11.1	5.8	71.4	52.1
(127.6)	(50.9)	(47.6)	(43.3)	(650.5)	(562.6)
0.0	0.0	0.0	0.0	6.5	5.3
(12.6)	(2.7)	(2.6)	(0.7)	(31.5)	(118.6)
19.2	**11.2**	**30.7**	**22.4**	**340.8**	**236.4**
0.6	(1.6)	(6.0)	1.5	(76.8)	(66.1)
(0.1)	0.0	(8.9)	(4.6)	(31.6)	(33.5)
19.6	**9.6**	**15.8**	**19.3**	**232.4**	**136.7**
1,977.2	828.6	1,836.3	1,386.8	12,978.4	9,860.8
124.4	50.5	115.5	84.4	816.4	600.1
72.4%	**69.6%**	**56.4%**	**62.6%**	**61.4%**	**61.0%**
21.1%	**25.5%**	**18.3%**	**30.5%**	**38.0%**	**30.4%**

International Business

In general, the very strong performance by the International Business continued in the third quarter. The decline in risk provisioning in New York also enhanced results, while cost savings and tax benefits likewise contributed to the improvement in 9M profit from EUR 55.7 million to EUR 68.1 million. The cost-income ratio decreased from 20.6% to 18% and return on equity improved from 21.1% to 23.3%.

Corporate Centre

In addition to other items from Erste Bank AG, Corporate Centre's results include auxiliary units, one-off effects of 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, resulting from the reduction in the Austrian corporate tax rate from 34% to 25% from 2005. This led to a substantial increase in the tax position compared with the year-earlier period. The rise in net interest income is due in part to dividends from unconsolidated companies and in part to higher earnings from the companies allocated to this segment. In particular, the one-off effects from the first quarter of 2004 explain the strong deviation from the year-earlier period.

in EUR million	International Business Q1–3/2004	International Business Q1–3/2003	Corporate Centre Q1–3/2004	Corporate Centre Q1–3/2003	**Erste Bank Group Total** Q1–3/2004	**Erste Bank Group Total** Q1–3/2003
Net interest income	113.3	108.5	(0.3)	(12.5)	1,993.7	1,934.7
Risk provisions for loan and advances	(15.4)	(24.8)	(0.0)	0.1	(306.9)	(298.6)
Net commission income	16.8	16.1	8.2	(28.1)	851.8	727.5
Net trading result	0.1	(0.0)	(2.6)	4.1	156.2	170.6
General administrative expenses	(23.4)	(25.7)	(46.8)	(9.3)	(1,950.9)	(1,837.0)
Income from insurance business	0.0	0.0	0.0	0.0	24.6	20.8
Other operating results	(4.4)	(1.8)	(0.9)	4.8	1.1	(128.8)
Pre-tax profit for the period	**86.9**	**72.3**	**(42.3)**	**(40.9)**	**769.6**	**589.2**
Taxes on income	(18.9)	(16.6)	(8.4)	8.3	(197.0)	(170.6)
Minority interest	0.0	0.0	(38.5)	(20.4)	(190.0)	(163.4)
Net profit after minority interests[1]	**68.1**	**55.7**	**(89.2)**	**(53.0)**	**382.6**	**255.2**
Average risk-weighted assets	6,199.7	5,768.9	438.6	248.9	66,186.7	60,640.3
Average attributed equity	390.0	351.2	27.6	17.1	2,949.5	2,543.9
Cost-income ratio (in %)	**18.0%**	**20.6%**	–	–	**64.5%**	**64.4%**
ROE based on net profit (in %)[2]	**23.3%**	**21.1%**	–	–	**17.3%**	**13.4%**

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	Q1/2003	Q2/2003	Q3/2003	Q4/2003	Q1/2004	Q2/2004	Q3/2004
Net interest income	617.6	672.5	644.6	652.1	656.9	660.2	676.6
Risk provisions for loans and advances	(97.2)	(108.7)	(92.7)	(107.8)	(108.2)	(88.6)	(110.1)
Net commission income	228.9	253.0	245.6	269.1	281.4	283.8	286.6
Net trading result	60.1	54.5	56.0	44.0	62.4	45.9	47.9
General administrative expenses	(605.1)	(617.8)	(614.1)	(623.8)	(642.3)	(649.2)	(659.4)
Income from insurance business	4.4	8.8	7.6	12.1	6.4	6.9	11.3
Other operating result	(22.6)	(38.1)	(68.1)	(73.3)	20.8	(35.3)	15.6
Pre-tax profit for the period	**186.1**	**224.2**	**178.9**	**172.4**	**277.4**	**223.7**	**268.5**
Taxes on income	(54.4)	(64.7)	(51.5)	(53.6)	(89.4)	(45.7)	(61.9)
Profit for the period	**131.7**	**159.5**	**127.4**	**118.8**	**188.0**	**178.0**	**206.6**
Minority interests	(55.9)	(70.2)	(37.3)	(20.7)	(83.8)	(42.0)	(64.2)
Net profit after minority interests	**75.8**	**89.3**	**90.1**	**98.1**	**104.2**	**136.0**	**142.4**

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

in EUR million	30 Sep 2004	31 Dec 2003	30 Sep 2003
Subscribed capital (less shares held in own portfolio)	483	436	435
Reserves and minority interests	4,060	3,940	3,973
Intangible assets	(470)	(464)	(450)
Core capital (Tier 1)	**4,073**	**3,912**	**3,958**
Eligible subordinated liabilities	2,533	2,696	2,919
Revaluation reserve	193	198	198
Qualifying supplementary capital (Tier 2)	**2,726**	**2,894**	**3,117**
Short-term subordinated capital (Tier 3)	**353**	**340**	**339**
Total qualifying capital	**7,152**	**7,146**	**7,414**
Deductions acc. to Sections 23 (13) and 29 (1–2) Austrian Banking Act	(143)	(137)	(71)
Total eligible qualifying capital	**7,009**	**7,009**	**7,343**
Capital requirement	5,682	5,315	5,191
Surplus capital	1,327	1,694	2,152
Cover ratio (in %)	123%	132%	142%
Tier 1 ratio (in %)	**6,1%**	**6,3%**	**6,5%**
Solvency ratio (in %)	**10,0%**	**10,7%**	**11,6%**
Risk-weighted basis acc. to Section 22 Austrian Banking Act	66,614	62,188	60,640
Thereof 8% minimum capital requirement	5,329	4,975	4,851
Capital requirement for open foreign exchange position acc. to Section 26 Austrian Banking Act	17	14	20
Capital requirement for the trading book acc. to Section 22b (1) Austrian Banking Act	336	326	320
Total capital requirement	**5,682**	**5,315**	**5,191**

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Financial calendar

14 March 2005[1]	Release of preliminary results for 2004
6 May 2005[1]	Release of results for the first quarter of 2005
11 May 2005	Annual General Meeting
17 May 2005	Ex-dividend date
19 May 2005	Dividend payment date
10 August 2005[1]	Release of results for the first half of 2005
8 November 2005[1]	Release of results for the first three quarters of 2005

1 Preliminary date

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