



Erste Bank starts the year with strong growth in income

With its Q1 2001 results Erste Bank for the first time captures in figures all key strategic moves of the past four years, in particular expansion into neighbouring markets and co-operation with the Austrian savings banks. The numbers not only validate the systematically implemented strategy but also underscore the economic strength of the Bank.

There were increases in all key income line items. Erste Bank also achieved its objective of maintaining its return on equity (RoE) above 12 % for the enlarged group, despite restructuring activities at Slovenská sporiteľňa (SLSP) and Česká spořitelna (CS). The RoE of the enlarged group was increased to 12.5 %.

The Q1 2001 results also show that expansion into the central European growth market enables Erste Bank to benefit from the relative strength of economic developments in central Europe compared with western Europe.

Q1 2001 highlights:

- Net interest income + 72.8 % to EUR 312.6 million compared with Q1 2000
- Net commission income + 52.2 % to EUR 136.2 million
- Administrative expenses + 65.3 % to EUR 338.4 million
- Operating result + 43.9 % to EUR 143.5 million
- Group net profit + 16.3 % to EUR 54.2 million
- Cost / income ratio at 70.2 % after 67.9 % for the full year 2000
- Return on equity rises to 12.5 % after 12.3 % for the full year 2000
- Total assets + 12.5 % to EUR 80.1 billion
- Tier 1 ratio 6.5 %

Balance sheet developments

Compared to year end 2000, Erste Bank's total assets grew by 12.5 % to EUR 80.1 billion at end Q1 2001. This means that for the first time in its history the Erste Bank group has breached the threshold of ATS 1,000 billion in total assets. The majority of this increase was due to the first time consolidation of Slovenská sporiteľňa (SLSP) with total assets of EUR 4.3 billion.

The significant developments on the asset side were the usual interim increase in cash and balances with the central bank (+37.9 %) and in interbank business (loans and advances to credit institutions and amounts owed to credit institutions). The significant increase in loans and advances to customers, compared to 31.12.2000, was mainly due to the reclassification of asset swaps from securities positions into loans and advances to credit institutions and loans and advances to customers, due to the first-time implementation of IAS 39.

The liabilities side has seen a distinct structural shift due to the consolidation of SLSP. Customer deposits have climbed considerably (+13.4 %), reflecting the Slovak savings bank's strong market position in the retail banking segment. This results in a near 100 % coverage of amounts owed to customers by customer deposits as at 31.3.2001.

The relatively strong increase in debts evidenced by certificates and subordinated capital was largely due to Erste Bank's brisk issuing activity during Q1 2001, as part of the debt issuance programme. Around EUR 1 billion of short to medium-term commercial paper was issued.

The small reduction in shareholders' equity can be traced back to the effects of the first-time implementation of IAS 39 as of 1.1.2001.

The total capital and reserves of the Erste Bank banking group in accordance with the Austrian Banking Act amounted to EUR 4.1 billion as at 31.3.2001, against a statutory minimum of EUR 3.1 billion. This represents a cover ratio of 131.3 %. Tier 1 capital amounted to EUR 2.1 billion as at 31.3.2001, representing a tier 1 ratio of 6.5 %, and the solvency ratio was 10.9 %. Since the closing date for the purchase of the holding in SLSP was 4 April 2001, the effects of this acquisition are not included in these figures.

Profit and loss account

The income trend in Q1 2001 was favourable, bearing in mind the difficult market conditions for banks. The Bank exceeded the excellent results achieved in the same quarter last year in net interest income and net commission income, mainly due to contributions from the two subsidiaries in the Czech and Slovak Republics. Net interest income saw growth of almost 73 % to EUR 312.6 million in Q1 2001 year on year. This was attributable to contributions from

Central Europe and the improvement in spreads in Austria, a trend which was already visible in the full year 2000 results. Overall the interest margin increased from 1.50 % for the full year 2000 to 1.57 % in Q1 2001.

Net commission income improved 52.2 % to EUR 136.2 million year on year. This increase was mainly due to significant growth in commission income from lending and payments (in particular contributions from CS and SLSP). Securities business declined, reflecting market conditions.

As a result of their integration into the Erste Bank Group, the two savings banks in the Czech and Slovak Republics brought their risk provisions and provisioning policy into line with the very conservative standards of Erste Bank. Risk provisions in lending business increased by around 75% compared to the prior year quarter. In Austria risk provisions were maintained at the level of Q1 2000, but following Q1 2001 it is not yet possible to reach conclusions about the likely developments in the full year 2001.

Against the backdrop of an excellent first quarter 2000, the trading result declined 2.6 % to EUR 33.1 million. In the equities and derivatives segments in particular, considerable value adjustments had to be made, due to market conditions (in particular in February 2001), but the situation is expected to improve over the course of the financial year.

Administrative expenses climbed by 65.3 % to EUR 338.4 million, almost exclusively due to the consolidation of Česká spořitelna (CS) and SLSP. Domestic growth in administrative expenses was only 1.2 %, reflecting the continued success of the cost-cutting programme launched in 1999.

The cost / income ratio for Q1 2001 amounts to 70.2 % against 67.9 % for the full year 2000. In view of the integration of two of the largest retail banks in central Europe, this is a particular achievement.

After taking into account other operating results (which have not changed significantly compared to the previous year), the pre-tax profit comes to EUR 92.3 million, an increase of 32 % year on year.

After taxes and minority interests, profits for the quarter amount to EUR 54.2 million, a figure more than 16 % above the comparable quarter last year. This was mainly due to the integration of CS and SLSP.

Despite taking full account of the capital increase carried out in October 2000, the return on equity (RoE) amounted to 12.5 % in Q1 2001, compared to an RoE for the full year 2000 of 12.3 %. In Q1 2000 there was an RoE of 12.8 %, reflecting both the extremely good results and the lower level of equity capital in that quarter.

Acquisition of Slovenská sporiteľ'na - a key development in Q1 2001

The key development at Erste Bank in Q1 2001 was the acquisition of Slovenská sporiteľ'na (SLSP), the largest bank in the Slovak Republic. With the signing of the deal on 11.1.2001, Erste Bank acquired an 87.18 % stake at a preliminary price of EUR 425 million. The final purchase price will depend on the amount of equity capital reported in the audited IAS statements of SLSP for the full year 2000. The closing of deal took place on 4.4.2001, resulting in the transfer of SLSP shares to Erste Bank and the payment by Erste Bank of 80 % of the preliminary purchase price to the Slovak Privatisation Agency. Based on the terms of the purchase agreement and in accordance with IAS regulations, SLSP was consolidated into Erste Bank financial statements with effect from the date of signing (11.1.2001). As a result of the acquisition of SLSP, provisions were made to the tune of SSK 2.55 billion/EUR 59 million were made and offset against Slovenska Sporiteľ'na's equity capital, to cover adjustments for fair value, unforeseen risks and future restructuring costs. Based on the provisional IAS accounts of SLSP as at 31.12.2000, and taking into consideration the first-time consolidation measures, the provisional purchase price and the reported equity capital, there is a preliminary goodwill charge of EUR 228 million, which will be written off on a straight line basis over 15 years (in line with Erste Bank accounting policy).

After taking into account the capital increase carried out in October 2000, the acquisition of SLSP creates a refinancing expense for Erste Bank of around EUR 7 million per annum, based on the preliminary purchase price. SLSP has total assets of around EUR 4.5 billion. The focus of its portfolio is now on securities and interbank deposits as well as advances to retail customers (in particular following the restructuring of its loan portfolio by the Slovak state). Its refinancing structure is dominated by customer deposits (about 85 % of total assets).

Negotiations on sale of shares in Slovak subsidiary to EBRD

Erste Bank is currently in discussions with EBRD about a possible sale of a 19.9 % stake in SLSP to EBRD. Erste Bank currently owns 87.18% of SLSP. Details on the precise timetable for the discussions, the possible sale price or terms and conditions of a sale cannot be provided at this time.

Erste Bank's performance in Austria

Key influences on Erste Bank's domestic performance, calculated on a pro forma basis (broadly equal to Group figures less results for the Czech and Slovak Republics), included developments on international capital markets. It was encouraging that growth in net interest income by 4.4 % to EUR 188.8 million counterbalanced the decline in the trading result (down 32 % to EUR 23.3 million) which was driven by stock market conditions. Erste Bank achieved growth of 0.4 % in fee and commission income, despite adverse capital market conditions and the negative impact of an ongoing debate on taxation. There was a favourable development in insurance business, where the bank was able

to further extend its leading position in the (fund-linked) life insurance segment in Austria. The containment of administrative expenses which increased only marginally (+1.2 % to EUR 207.2 million) supported growth in net profit on a pro forma basis by 10.7 % to EUR 51.6 million.

Segment reporting

In the segment retail and real estate pre-tax profit increased slightly to EUR 16.9 million, while the RoE on pre-tax basis was almost unchanged at 10 %. The increase in the cost / income ratio from 80.9% to 84.3 % was mainly due to increased administrative expenses resulting from the consolidation of CS (which had not been included at the same time last year). Net interest income and net fee and commission income benefited from contributions by CS, while contributions from the Styrian branches ceased. The increased risk provisions also reflect the consolidation of CS. In Austria there was a slight decline in the results of Salzburger Sparkasse (savings bank for the Salzburg region) and S-Bausparkasse (the mortgage bank of the savings bank sector).

Growth in pre-tax profit to EUR 30 million in the large corporate clients segment was mainly due to reduced risk provisions in Austria and marked improvements in earnings at foreign subsidiaries and in international business handled out of Vienna. The increase in the cost / income ratio and in overall risk provisions was, as in the case of the retail and real estate segment, due to the consolidation of CS.

The segment trading and investment banking more than doubled its pre-tax profit to over EUR 32 million, and the pre-tax RoE increased to over 40 %. The cost / income ratio was reduced to 54.8 %, although administrative expenses increased. Despite difficult market conditions, the trading result was flat at EUR 23 million. The first time application of IAS 39 had a positive impact on interest income and other operating results.

The decline in pre-tax profit in the asset gathering segment to EUR 13 million was mainly due to turbulence on international capital markets and the ongoing taxation debate in Austria, which combined to unsettle investors. However, it is important to bear in mind that Q1 2000 was the strongest quarter in that year, and the Q1 2001 result is broadly in line with results in Q4 2000.

The loss at the corporate centre increased to EUR 14 million in Q1 2001. The main reasons for this were the first incidence of refinancing costs and goodwill amortisation for the CS acquisition as well as start-up costs for the internet platform "ecetra", which were likewise absent from the Q1 2000 numbers.

AGM approves measures to enable new stock-based incentive programme

At its AGM on May 8, 2001, Erste Bank's shareholders approved proposals to authorise the issue of new shares or repurchase of existing shares, up to a maximum of 2.5 million shares in total. These shares are to be used for a management and employee incentive programme, with around half of the shares to be granted to employees. Erste Bank sees this as a key element of its initiatives for employee retention and recruitment.

The new stock-based incentive programme, involving both share options and opportunities for discounted share purchases, is expected to be launched in H2 2001. Further details will be provided nearer the time of the launch.

Background Information on Erste Bank

Highlights

A top ten European financial service provider by number of customers

The leading player in Central European financial services by number of customers and share of deposits. Erste Bank and its Austrian savings bank partners together serve over 8 million customers in Central Europe and have an 11 % share of customer deposits in the region, according to recent analyst estimates.

Financial Targets for Year End 2003

With the RoE on an upward trend and the cost / income ratio on a downward trend, Erste Bank is making good progress towards its conservative 2003 targets, which are as follows:

RoE 14 %

Cost / Income Ratio 66 %

Recent share price performance

In Q1 2001 the Erste Bank share price grew by 19 %, making it one of the best performing European banking stocks.

Customer and product focus

The Erste Bank Group's customer focus is on the retail market as well as small to medium-sized enterprises. The product focus is moving increasingly towards higher margin commission-based business where Erste Bank has achieved particular success, including asset management, insurance and leasing.

Strategy

Erste Bank has four basic strategic objectives:

- to exploit its core business potential in Austria and focus on its key competencies
- to build on its role as the lead bank of the Austrian savings banks sector and to seek increasingly closer co-operation and co-ordination within the sector, with the sharing of resources and responsibilities, creating

synergies for the parties in terms of cost reduction and revenue growth to grow its business in an extended home market in Central Europe with a potential customer base of some 40 million people and maintain its position as the leading retail financial institution in that market, and to offer the premier on-line access to innovative products across its extended home market

Savings bank strategy

The pioneering partnership approach adopted in Austria has enabled Erste Bank to leverage its core competencies across the large distribution network offered by the Austrian savings banks, offering new sources of growth potential in a mature market.

Central Europe

Within only three years, Erste Bank has successfully implemented plans announced in 1997 of acquiring or establishing significant operations in the neighbouring markets of Central Europe. The largest acquisitions in the region were in the Czech Republic and Slovakia:

In January 2000 Erste Bank acquired a majority stake in Česká spořitelna, the leading Czech retail bank with 3.5 million customers

At the beginning of 2001 Erste Bank signed an agreement to acquire a majority stake in Slovenská sporiteľňa, the largest bank in the Slovak Republic with 1.8 million customers

Through these and other recent acquisitions, Erste Bank has significantly enhanced its attractiveness as a distribution partner for the insurance industry and international mutual fund managers.

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(1) Erste Bank der oesterreichischen Sparkassen AG Group

(3) Česká spořitelna (CS) and SLSP are not included in the Q1 2000 figures. CS results according to IAS are however included in the Q1 2001 numbers (CS was consolidated from August 2000 when the deal closed). SLSP results are included as from 1.1.2001. The results of the Styrian branches transferred as of 30.9.2000 are included in the Q1 2000 figures but not for Q1 2001. These factors should be considered when assessing performance in Q1 2001 against Q1 2000.

in EUR million	31.03.2001	31.12.2000	Change in %	EB ex SLSP 31.03.2001	Change in %
Assets					
Cash	1,580	1,146	37.9	1,296	13.1
Loans and advances to credit institutions	22,879	19,472	17.5	21,626	11.1
Loans and advances to customers	34,489	31,238	10.4	33,798	8.2
-Risk provisions for loans and advances	-1,815	-1,544	17.6	-1,598	3.5
Trading assets	3,436	3,210	7.0	3,352	4.4
Investments available for sale	4,266	3,932	8.5	2,825	-28.2
Financial Investments	10,609	9,542	11.2	10,222	7.1
Intangible fixed assets	840	605	38.8	602	-0.5
Tangible fixed assets	1,216	1,032	17.8	1,031	-0.1
Other assets	2,614	2,563	2.0	2,505	-2.3
Total assets	80,114	71,196	12.5	75,659	6.3
Liabilities					
Amounts owed to credit institutions	28,641	25,639	11.7	28,513	11.2
Amounts owed to customers	32,715	28,841	13.4	29,049	0.7
Debts evidenced by certificates	9,386	8,306	13.0	9,386	13.0
Provisions	843	764	10.3	794	3.9
Other liabilities	3,097	2,527	22.6	2,596	2.7

Subordinated capital	2,769	2,430	14.0	2,679	10.2
Minority interest	870	833	4.4	850	2.0
Equity	1,793	1,856	-3.4	1,792	-3.4
Total liabilities	80,114	71,196	12.5	75,659	6.3

Q1 2001 Income Segment according to IAS

in EUR million	1-3 2001	1-3 2000	Change in %	EB ex CS & SLSP* 1-3 2001	Change in %
Net interest income	312.6	180.9	72.8	188.8	4.4
Riskprovisions for loans and advances	-48.1	-27.6	74.3	-27.6	0.0
Surplus on fee and commission income	136.2	89.5	52.2	89.9	0.4
Net trading result	33.1	34.0	-2.6	23.2	-31.8
General administrative expenses	-338.4	-204.7	65.3	-207.2	1.2
Other operating result	-3.1	-2.2	40.9	6.1	-377.3
Extraordinary result	-	-	-	-	-
Pre-tax profit	92.3	69.9	32.0	73.2	4.7
Taxes on income	-21.2	-14.7	44.2	-14.0	-4.8
Net profit	71.1	55.2	28.8	59.2	7.2
Minority interests	-16.9	-8.6	96.5	-7.6	-11.6
Net profit after minorities	54.2	46.6	16.3	51.6	10.7
RoE (%)	12.5%	12.8%			
Cost/Income Ratio (%)	70.2%	67.2%			

* Pro forma after deduction of results, depreciation of goodwill and funding costs for CS

in EUR million	Q1 2001 Retail and Real Estate	Q1 2000 Retail and Real Estate	Q1 2001 Retail and Real Estate ex CS	Q1 2001 Large Corp. Clients	Q1 2000 Large Corp. Clients	Q1 2001 Large Corp. Clients ex CS
Net interest income	195.3	125.7	117.2	66.9	47.9	56.8
Risikprovisions for loans and advances	-28.7	-18.0	-20.7	-15.6	-9.3	-6.9
Net commission income	78.1	45.2	45.0	16.1	10.6	14.0
Net trading result	7.0	8.1	6.3	0.7	3.1	0.7
General administrative expenses	-236.4	-144.8	-143.5	-36.4	-25.4	-27.4
Other operating results	1.6	0.4	1.3	-1.7	1.1	-1.7
Pre-tax profit	16.9	16.6	5.7	30.0	28.0	35.5
Average risk- weighted assets	13,217.3	12,615.9	13,217.3	13,384.7	11,054.2	13,384.7
Average attributed equity	673.4	654.3	673.4	681.9	573.2	681.9
Cost-Income-Ratio	84.3%	80.9%	85.1%	43.5%	41.3%	38.3%
RoE based on net profit before tax	10.0%	10.2%	3.4%	17.6%	19.5%	20.8%
Thereof business with savings banks (based on net profit before tax)	-0.2	0.7		1.7	1.2	
in EUR million	Q1 2001 Trading and IB	Q1 2000 Trading and IB	Q1 2001 Trading and IB ex CS	Q1 2001 *Asset Gathering	Q1 2000 Asset Gathering	Q1 2001 Asset Gathering ex CS
Net interest income	20.0	7.8	16.0	0.4	0.0	0.4

Riskprovisions for loans and advances	0.0	0.1	0.0	0.0	0.0	0.0
Net commission income	5.4	4.3	5.2	23.7	29.2	23.7
Net trading result	23.3	23.0	20.1	0.0	0.0	0.0
General administrative expenses	-26.7	-20.1	-20.1	-11.0	-11.0	-11.0
Other operating results	10.5	-1.9	6.8	0.0	0.0	0.0
Pre-tax profit	32.4	13.3	28.2	13.2	18.2	13.2
Average risk-weighted assets	6,307.1	3,983.3	6,307.1	4.9	12.3	4.9
Average attributed equity	321.4	206.6	321.4	0.2	0.6	0.2
Cost-Income-Ratio	54.8%	57.1%	48.5%	45.5%	37.8%	45.5%
RoE based on net profit before tax	40.4%	25.7%	35.0%	100.0%	100.0%	100.0%
Thereof business with savingsbanks (based on net profit before tax)	5.1	5.1		2.5	3.4	

* no contribution by CS to this segment

in EUR million	Q1 2001 Corporate Center	Q1 2000 Corporate Center	Q1 2001 Corporate Center ex CS	Q1 2001 Slovenska sporitelna	Q1 2000 Slovenska sporitelna
Net interest income	-0.3	-0.4	-1.8	30.3	-
Riskprovisions for loan and advances	0.0	-0.5	0.0	-3.8	-

Net commission income	6.4	0.2	2.0	6.5	-
	-4.1	-0.3	-4.0	6.2	-
General administrative expenses	-4.9	-3.3	-5.2	-23.0	-
Other operating results	-11.0	-1.8	-0.4	-2.5	-
Pre-tax profit	-13.9	-6.2	-9.4	13.7	-
Average risk-weighted assets	219.9	390.8	219.9	1,033.7	-
Average attributed equity	11.1	20.3	11.1	52.7	-
Cost-Income-Ratio	100%	-100%	-100%	53.5%	-
RoE based on net profit before tax	-100%	-100%	-100%	104.3%	-
Thereof business with savingsbanks (based on net profit before tax)	0.0	0.0		-	-
			Q1 2001 Total	Q1 2000 Total	Q1 2001 Total ex CS and SLSP
Net interest income			312.6	180.9	188.7
Riskprovisions			-48.1	-27.6	-27.6
Net commission income			136.2	89.5	89.9
Net trading result			33.0	34.0	23.2

General administrative expenses	-338.3	-204.7	-207.0
Other operating results	-3.1	-2.2	6.0
Pre-tax profit	92.3	69.9	73.1
Taxes on income	-21.2	-14.7	-14.0
Minority interests	-16.9	-8.6	-7.6
Net profit after minority interests	54.2	46.6	51.6
Average risk-weighted assets	34,167.6	28,056.6	33,133.9
Average attributed equity	1,740.7	1,455.0	1,688.0
Cost-Income-Ratio	70.2%	67.2%	68.6%
RoE based on net profit before tax	21.2%	19.2%	17.3%
RoE based on net profit after minority interests	12.5%	12.8%	12.2%
Thereof business with savingsbanks (based on net profit before tax)	9.2	10.5	