



2001 results: Erste Bank shows strong performance

"Fiscal 2001 exceeded our expectations," said a statement issued today by the Management Board of Erste Bank der oesterreichischen Sparkassen AG, commenting on preliminary (unaudited) 2001 results. "We also exceeded our objectives for the transformation of our Central European subsidiaries, where we were faster and therefore more financially successful than originally expected", the Board added.

Highlights

Operating result grew 50.2% from EUR 474m to EUR 712m.

Net commission income increased by 35.7%, from EUR 423m to EUR 575m.

Pre-tax profit improved by 46.6%, rising from EUR 277m to EUR 406m.

Group net profit grew by 16.4 % to EUR 223m.

Cost/income ratio further improved, dropping from 67.9% to 67.1%.

Return on equity (RoE) was raised from 12.3% to 12.4%, despite the capital increase in autumn 2000.

Total assets grew by 20.8%, from EUR 71bn to EUR 86bn.

Earnings per share increased from EUR 4.21 to EUR 4.47.

Andreas Treichl, CEO of Erste Bank, said:

"We concentrated on consolidating our acquisitions in Prague and Bratislava during the past year. We are therefore particularly proud that we were able to achieve such significant growth in earnings despite turbulent market conditions."

"Our strong earnings performance was driven not only by contributions from Central Europe but also by cross-selling results in Austria. For instance, our insurance company s-Versicherung last year moved up the rankings to become Austria's largest life insurer, while our leasing company Immorent succeeded in further expanding its share of a contracting market. Also our subsidiary EBV leased more cars than any other company in Austria."

By raising its premium volume by 8.23 % to EUR 747.3m, the insurer s-Versicherung was able to secure pole position in the Austrian life insurance market in 2001. EBV car leasing, meanwhile, with new business worth EUR 218.75m, increased its market share from 8.6 % to more than 10%, thereby becoming the market leader. The leasing subsidiary Immorent countered a negative industry trend, enabling it to become the Austrian leader.

Treichl added:

"To judge the success of the transformations we have undertaken at Česká spořitelna (CS) and Slovenská spořitel'na (SLSP), one only has to look at the growth in customer numbers, which is a key yardstick for us. In the Czech Republic greatly improved service helped us to acquire further new customers, while our Slovak subsidiary acquired as many as 400,000 new customers."

"Since the IPO in 1997, Erste Bank has certainly attained its objective of becoming one of the most important players in Central Europe."

The excellent strategy and implementation performance of Erste Bank is further demonstrated by the fact that the first-time consolidation of SLSP in the Group financial statements proved no barrier to a further improvement in the cost/income ratio from 67.9 % to 67.1 %. Also, Erste Bank succeeded in increasing the return on equity (RoE) from 12.3 % in 2000 to 12.4 % in 2001, despite unfavourable market conditions and the considerably higher average equity due to a capital increase in Q4 2000.

Treichl said:

"This makes us one of only a handful of retail banks in Europe to achieve such sustained improvement in financial performance over the past year."

Balance sheet developments(1)

The Erste Bank Group's **total assets** increased during 2001 by EUR 14.9m, or 20.8 %, to some EUR 86bn. Key drivers of growth on the asset side included the rise in cash balances, which was among other things influenced by the introduction of Euro notes and coins on 1 January 2002, but in particular the 25.5 % increase in loans and advances to customers. The increase in other assets (and other liabilities) was mainly due to securities lending business resulting from the shift to the Euro.

On the refinancing front, the main development was a sharp increase in customer deposits (+28.9 % to EUR 37.1m),

especially due to growth at Central European subsidiaries. This impressive growth gives Erste Bank a significant competitive advantage, by making its refinancing less dependent on money market developments.

There was also strong growth in refinancing through proprietary issuance (the combined total of debts evidenced by certificates and subordinated capital increased by 18.4%). This has also meant a significant improvement in Erste Bank's capital structure, through a shift towards longer term refinancing.

The increase in minority interests was due to both additional issuance of sub-tier-one capital (through subsidiaries) and the stakes of third parties in the recently acquired SLSP and Tyrolean Savings Bank (TISPA).

The Erste Bank Group's **tier 1 ratio** according to the Austrian legal definition was 6.2 % at 31 December 2001 (compared with 6.7 % a year earlier). The **solvency ratio** was 10.7 % (against 11.2 % a year earlier), considerably above the statutory minimum requirement of 8 %. The decline in the ratio is the result of the sharp rise in risk-weighted assets (according to Austrian legal definitions).

Income statement(2)

Erste Bank's **earnings** in the past year were driven by a combination of strong interest income in Austria and Central Europe and strong trading results at subsidiaries in Central Europe. Progress in the fourth quarter of 2001 was fully in line with the prior three quarters.

There was particularly strong growth in **net interest income** (+55.7 % to EUR 1,439m). This was in part due to progress at Central European subsidiaries but above all due to the slight increase in the net interest margin in the Austrian market (up from 1.36 % to 1.44 %). The outstanding performance in asset and liability management and the strong performance in foreign business also contributed to the rise in net interest income.

The Group's overall **net interest margin** improved from 1.50 % in the previous year to a current level of 1.78 %.

Despite significant declines in securities business due to market conditions, **net commission income** increased by 35.7 %, benefiting from both lending and payments business. Earnings from insurance business were also considerably ahead of the prior year.

The **trading result** increased by 19.8 % to EUR 152.6m. Weak Austrian securities business, which resulted from the negative stock market conditions, was largely compensated by income from interest rate derivatives as well as from the Central European subsidiaries.

All in all, **operating income** grew by 46.9% to EUR 2,166m.

General administrative expenses were pushed up by the consolidation of new subsidiaries and increased by 45.3 % to EUR 1,454m. A large proportion of the growth in expenses is attributable to the first-time consolidation of the Slovakian subsidiary SLSP.

The expense items were as follows. **Personnel expenses** grew by 34.7 %, **other administrative expenses** were up by 57.7 % and **depreciation** of fixed assets increased by 61.9%. **Staffing numbers** at the Erste Bank Group grew to 28,222 over the past year through the inclusion of SLSP (5,856 staff) and the TISPA (554 staff).

The **operating result** (the balance of operating income less general administrative expenses) increased by around 50% over the past year to reach EUR 711.8m.

CEO Treichl said:

"This increase in profits clearly shows that the Erste Bank's strategic focus enabled it to resist negative trends in the sector and makes us better equipped to handle any difficulties than many of our competitors."

At EUR 204m, **risk provisions** for loans were up 25.8 % over the previous year. The increase was almost exclusively attributable to Erste Bank AG (business originated in Austria), where the main impact came from a number of major insolvencies, which were not a factor in the prior year. Erste Bank currently believes that risk provisions (leaving aside any impact from the cross-guarantee system) will be lower in 2002 than in 2001, because major insolvencies of the type recently experienced are not currently anticipated.

Other operating results declined from EUR -35m in 2000 to EUR -103m in 2001. The main reasons for this included the previous year's extraordinary income from branch sales (approx. EUR 56m), higher goodwill amortisation for CS and SLSP and the increase in write-downs on investments outside the core business. Goodwill amortisation (above all for CS and SLSP, which was consolidated for the first time) increased from EUR 31.4m to EUR 39.6m.

Pre-tax profits increase strongly (+46.6 %) to EUR 406m. After taxes and minority interests, **group net profit** amounted to EUR 223m, representing growth of 16.4 % over the previous year.

The **return on equity** improved from 12.3 % to 12.4 %.

Dividends

At the AGM the Management Board will propose to shareholders an unchanged dividend pay-out of EUR 1.24 per share.

Fourth quarter

The fourth quarter of 2001 was Erste Bank's best single quarter to date, with group net profit reaching EUR 126m. The rise in the trading result compared with the third quarter to EUR 61.7m, was particularly significant. Commission income grew from EUR 142.6m to EUR 154m, in part due to an increase in lending fees in foreign business. Risk provisions increased slightly compared with the third quarter (EUR 56m vs. EUR 54.5m), almost entirely due to developments in Austria. While other administrative expenses declined slightly in comparison with the prior quarter (from EUR 136 to EUR 135.2), personnel expenses rose by 20 % to EUR 217.9m (180.9m in the prior quarter). This was first and foremost due to increased provisions for non-wage labour costs, in particular redundancy payments. Depreciation fell from EUR 49.4m to EUR 37.1m.

Outlook

Management at Erste Bank remains cautious about the current financial year in view of uncertainty at a macroeconomic level. However, Erste Bank is sticking to its targets of a return on equity of at least 14 % and a cost/income ratio of at most 66 % by end 2003, despite the integration of SLSP and TISPA and the first-time consolidation of the Austrian savings banks involved with the cross-guarantee scheme, effective from 1.1.2002. Management expects earnings in 2002 to significantly exceed the performance in 2001.

AVS take-over bid for CS shares

Anteilsverwaltungssparkasse (AVS, Erste Bank's largest shareholder) today made a filing with the Czech stock exchange supervisory body seeking the approval of its tender offer for the outstanding shares (free float) of CS. The Management Board of Erste Bank consider the terms of the offer to be very attractive. The Board also considers the offer to be consistent with Erste Bank's strategy. There is a call option in place which entitles Erste Bank to purchase shares in CS that AVS acquires through its tender offer. Management will make a decision in due course regarding the exercise of this option.

Divisional results

The retail and real estate segment achieved an increase in profit before taxes of around 25 %, from EUR 104.1m to EUR 128.9m. Likewise, return on equity (on a pre-tax basis) improved from 16.1 % to 18.9 %. The cost/income ratio declined from 81.6 % to 78.1 %. The relatively high cost/income ratio is due to the high density of the branch network in Austria and Central Europe, where bank branches remain the key distribution channel. In Austria income dropped in comparison with 2000 due to the transfer (sale) of 24 branches in the Austrian state of Styria (with total assets of EUR 580m). Contributions from Central European subsidiaries, however, more than made up for this, as did improvements in earnings at the mortgage bank s-Bausparkasse, Erste Bank Hungary and the real estate finance company s-Wohnbaubank.

The **large corporate client** segment reported a 19 % increase in earnings, from EUR 114m to EUR 136.0m. The previous year's favourable cost/income ratio was more or less maintained (at 36.8 %), while the return on equity (RoE) grew from 17 % to 18.2 %. There was a significant increase in risk provisions (EUR 103.9 after 51.3m), but this was balanced out by higher income (mostly net interest income) in both domestic and foreign business.

The **trading and investment banking** segment saw earnings increase more than threefold, from EUR 40.6m to EUR 137.2m, with the RoE growing from 17.5 % to 49.3 %. This exceptional rise in earnings was mainly due to the success of Group treasury in achieving a favourable position on the yield curve, although increases in the trading result also contributed. The cost/income ratio was reduced from 68.7 % to 50.9 %. Unfavourable market conditions led to a decline in performance in investment banking.

Earnings from **asset gathering** declined by 19 %, while the cost/income ratio grew from 39.3 % to 45.4 %. The main drivers of this performance were macroeconomic conditions and weak securities markets which produced a decline in investment fund sales through the branch network.

Results for the **corporate centre** sector were impacted by the full refinancing costs and goodwill write-offs for CS. Other contributors to this segment include 8other balancing / consolidation) and revaluation items (for real estate and investments) and the internet platform "ecetra".

Detailed Financials:

I. Balance Sheet according to IAS

in EUR m

EB ex SLSP and
Tispa *)

Assets	31/12/01	31/12/00	+/- %	31/12/01	+/- %
1. Cash and balances with central bank	2,573	1,146	>100	2,263	97.4
2. Loans and advances to credit institutions	18,913	19,472	(2.9)	17,101	(12.2)
3. Loans and advances to customers	39,210	31,238	25.5	36,544	17.0
4. Risk provisions for loans and advances	(1,875)	(1,544)	21.4	(1,523)	(1.4)
5. Trading assets	3,451	3,210	7.5	3,383	5.4
6. Investments available for sale	2,912	3,932	(25.9)	2,458	(37.5)
7. Financial investments	14,730	9,542	54.4	11,987	25.6
8. Intangible fixed assets	932	605	54.1	669	10.6
9. Tangible fixed assets	1,318	1,032	27.7	1,111	7.7
10. Other assets	3,870	2,563	51.0	3,543	38.2
Total assets	86,033	71,196	20.8	77,534	8.9

Liabilities	31/12/01	31/12/00	+/- %	31/12/01	+/- %
1. Amounts owed to credit institutions	28,642	25,639	11.7	27,356	6.7
2. Amounts owed to customers	37,175	28,841	28.9	31,418	8.9
3. Debts evidenced by certificates	9,751	8,306	17.4	9,501	14.4
4. Provisions	953	764	24.8	785	2.8
5. Other liabilities	3,393	2,527	34.3	2,665	5.5
6. Subordinated capital	2,956	2,430	21.6	2,842	17.0
7. Minority interests	1,259	833	51.1	1,073	28.8
8. Equity	1,904	1,856	2.6	1,894	2.0
Total liabilities	86,033	71,196	20.8	77,534	8.9

*) Excluding first time consolidation of SLSP (11 January 2001) and Tiroler Sparkasse (28 December 2001)

II. Income Statement according to IAS

EB ex CS & SLSP *)

in EUR m	1.1.- 31.12.01	1.1.- 31.12.00	+/- %	1.1.- 31.12.01	1.1.- 31.12.00	+/- %
I. Net interest income	1,438.9	924.0	55.7	901.1	774.5	16.3
Risk provisions for loans and advances	(203.6)	(161.9)	25.8	(203.3)	(119.7)	69.8
Net commission income	574.6	423.4	35.7	361.3	355.5	1.6
Net trading result	152.6	127.4	19.8	99.9	110.6	(9.7)
General administrative expenses	(1,454.3)	(1,001.1)	45.3	(878.5)	(832.7)	5.5
Other operating results	(102.5)	(35.1)	>100	(29.3)	(10.7)	>100
Extraordinary result	0.0	0.0	0.0	0.0	0.0	0.0
II. Pre-tax profit for the period	405.7	276.8	46.6	251.2	277.5	(9.5)
Taxes on income	(81.3)	(49.7)	63.6	(31.9)	(51.5)	(38.1)
III. Profit for the period	324.4	227.0	42.9	219.3	226.0	(3.0)
Minority interests	(101.1)	(35.3)	>100	(26.8)	(24.9)	7.6
IV. Net profit after minority interests	223.3	191.8	16.4	192.5	201.1	(4.3)

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

Erste Bank Group 2001 – Segment reporting (1)

in EUR m	Retail and Real Estate				Large Corp. Clients			
			excl. CS				excl. CS	
	1.-4.Q.2001	1.-4.Q.2000	1.-4.Q. 01	1.-4.Q. 00	1.-4.Q.2001	1.-4.Q. 2000	1.-4.Q. 01	1.-4.Q. 00
Net interest income	881.0	634.0	540.7	518.7	344.9	247.9	269.7	232.0
Risk provisions for loans and adv.	(112.9)	(110.7)	(119.3)	(83.9)	(103.9)	(51.3)	(83.9)	(35.6)
Net commission income	332.0	234.1	173.6	163.4	74.0	58.9	59.8	54.9
Net trading result	27.1	27.0	23.3	25.7	5.1	9.7	5.2	9.7
General administrative expenses	(969.0)	(730.2)	(607.2)	(582.8)	(156.0)	(113.9)	(111.3)	(103.1)
Other operating results	(29.3)	49.9	8.0	49.9	(28.1)	(37.4)	(22.2)	(37.4)
Pre-tax profit	128.9	104.1	19.2	91.1	136.0	114.0	117.3	120.6
Average risk-weighted assets	14,463.1	13,492.4	13,442.8	12,494.0	15,758.7	13,966.2	14,279.5	12,518.5
Average attributed equity	683.8	646.1	635.5	598.2	745.4	668.4	675.4	599.3
Cost-income ratio	78.1%	81.6%	82.3%	82.3%	36.8%	36.0%	33.3%	34.7%
ROE based on net profit before tax	18.9%	16.1%	3.0%	15.2%	18.2%	17.0%	17.4%	20.1%
Business with savings banks (based on pre-tax profit)	(2.9)	3.5	(2.9)	3.5	11.0	7.8	11.0	7.8

in EUR m	Trading and Inv. Banking				Asset Gathering			
			excl. CS				excl. CS	
	1.-4.Q. 2001	1.-4.Q. 2000	1.-4.Q. 01	1.-4.Q. 00	1.-4.Q. 2001	1.-4.Q. 2000	1.-4. Q. 01	1.-4. Q. 00
Net interest income	116.7	37.8	87.4	19.9	3.6	(0.1)	3.6	(0.1)
Risk provisions for loans and adv.	(0.1)	(0.2)	(0.3)	(0.2)	0.0	0.0	0.0	0.0
Net commission income	38.4	22.2	28.8	25.7	92.8	108.1	92.8	108.1
Net trading result	111.0	75.8	83.5	60.6	0.0	0.0	0.0	0.0
General administrative expenses	(135.6)	(93.3)	(94.8)	(82.3)	(43.7)	(42.4)	(43.7)	(42.4)
Other operating results	6.8	(1.7)	2.9	10.4	0.2	0.0	0.2	0.0
Pre-tax profit	137.2	40.6	107.5	34.1	52.8	65.5	52.8	65.5
Average risk-weighted assets	5,883.9	4,858.7	3,282.3	2,312.7	10.8	12.3	10.8	12.3
Average attributed equity	278.3	232.8	155.2	110.8	0.5	0.6	0.5	0.6
Cost-income ratio	51.0%	68.7%	47.5%	77.5%	45.4%	39.3%	45.4%	39.3%
ROE based on net profit before tax	49.3%	17.5%	69.2%	30.8%	>100%	>100%	>100%	>100%
Business with savings banks (based on pre-tax profit)	17.5	22.2	17.5	22.2	9.7	13.5	9.7	13.5

Erste Bank Group 2001 – Segment reporting (2)

in EUR m	Corporate Centre				Slovenská sporiteľňa	
			excl. CS			
	1.-4.Q. 2001	1.-4.Q. 2000	1.-4.Q. 01	1.-4.Q.00	1.-4.Q. 2001	1.-4.Q. 2000
Net interest income	(23.3)	4.4	(0.2)	4.1	116.0	-
Risk provisions for loans and adv.	0.0	0.3	0.0	0.0	13.3	-
Net commission income	6.3	0.0	6.3	3.4	31.1	-
Net trading result	(8.2)	14.9	(12.1)	14.6	17.7	-
General administrative expenses	(19.3)	(21.1)	(21.4)	(22.1)	(130.7)	-
Other operating results	(34.9)	(45.9)	(18.2)	(33.6)	(17.2)	-
Pre-tax profit	(79.4)	(47.4)	(45.7)	(33.7)	30.2	-
Average risk-weighted assets	840.1	339.1	840.1	339.1	1,037.9	-
Average attributed equity	39.8	16.1	39.8	16.1	49.3	-
Cost-income ratio	n.a.	n.a.	n.a.	n.a.	78.5%	-
ROE based on net profit before tax	>(100%)	>(100%)	>(100%)	>(100%)	61.1%	-
Business with savings banks (based on pre-tax profit)	0.0	0.0	0.0	0.0	0.0	-

in EUR m	Total			
			excl. CS & SLSP	
	1.-4.Q. 2001	1.-4.Q. 2000	1.-4.Q. 01	1.-4.Q.00
Net interest income	1,438.9	924.0	901.1	774.5
Risk provisions for loans and adv.	(203.6)	(161.9)	(203.3)	(119.7)
Net commission income	574.6	423.4	361.3	355.5
Net trading result	152.6	127.4	99.9	110.6
General administrative expenses	(1,454.3)	(1,001.1)	(878.5)	(832.7)
Other operating results	(102.5)	(35.1)	(29.3)	(10.7)
Pre-tax profit	405.7	276.8	251.2	277.5
Taxes on income	(81.3)	(49.7)	(31.9)	(51.5)
Minority interests	(101.1)	(35.3)	(26.8)	(24.9)
Net profit after minority interests	223.3	191.8	192.5	201.1
Average risk-weighted assets	37,994.5	32,668.7	31,855.6	27,676.6
Average attributed equity	1,797.1	1,564.0	1,506.5	1,325.0
Cost-income ratio	67.1%	67.9%	64.5%	67.1%
ROE based on net profit before tax	22.6%	17.7%	-	-
ROE based on net profit after minority interests	12.4%	12.3%	-	-
Business with savings banks (based on pre-tax profit)	35.3	47.0	35.3	47.0

Please note that due to rounding up/down there may be minor discrepancies between the sum of the P&L line items from each segment and the totals given in the Income Statement.