

# Quarterly Report

## 01/2004

### **Erste Bank 2004**

**The leading financial services provider in Central Europe**

**Expansion: Stake in Slovenská sporiteľňa increased**  
**Integration: Progress at Postabank fully on schedule**  
**Performance: Share price continues to rise**

## Key figures (IFRS)

in EUR million

31 Mar 2004

31 Dec 2003

### Balance sheet

Total assets	136,091	128,575
Loans and advances to customers	69,045	67,766
Amounts owed to customers	67,361	64,839
Shareholders' equity	2,919	2,791
Solvency ratio pursuant to Sec. 22 Banking Act (in %)	10.9%	10.7%
of which core capital ratio (Tier 1 ratio) (in %)	6.6%	6.3%

Jan-Mar 2004

Jan-Mar 2003

### Income statement

Operating result	364.8	305.9
Pre-tax profit	277.4	186.1
Net profit after minority interests	104.2	75.8

Jan-Mar 2004

Jan-Dec 2003

### Profitability

Interest margin in % of average interest-bearing assets	2.25%	2.30%
Cost-income ratio (in %)	63.8%	64.2%
Return on equity (ROE) (in %)	14.6%	13.7%
Earnings per share (in EUR)	1.75	5.94

## Ratings

### FITCH

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

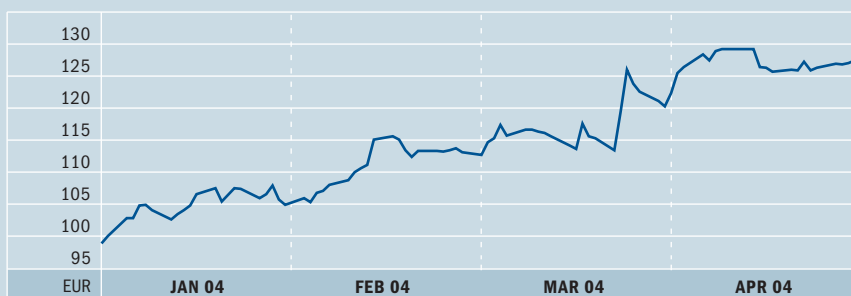
### Moody's Investors Service

Long-term	A1
Short-term	P-1
Bank Financial Strength Rating	C+

### Standard & Poor's

Short-term	A-2
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## Performance of Erste Bank share



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

# Highlights

\_\_\_\_\_ This quarter saw the first-time application of IFRS 3 (Business Combinations) together with IAS 36 and IAS 38. The effect of this change, together with details of other one-off effects are discussed in more detail from page 8 onwards.

- > **Consolidated total assets in the first quarter rose 5.8% from EUR 128.6 billion at 31 December 2003 to EUR 136.1 billion.**
- > **Net interest income increased by 6.4% year-on-year in the past quarter, from EUR 617.6 million in the first quarter of 2003 to EUR 656.9 million.**
- > **Net commission income expanded disproportionately strongly by 22.9% from EUR 228.9 million to EUR 281.4 million.**
- > **General administrative expenses went up 6.1% from EUR 605.1 million in the prior-year quarter to EUR 642.3 million in the first quarter of 2004.**
- > **Operating result increased 19.3% year-on-year from EUR 305.9 million to EUR 364.8 million.**
- > **Net profit after minority interests grew 37.5%, rising from EUR 75.8 million to EUR 104.2 million.**
- > **The cost-income ratio improved further in the first quarter from 64.2% for the 2003 financial year to 63.8% in 2004.**
- > **Return on equity was lifted from 13.7% in the full year 2003 to 14.6%.**
- > **The Tier 1 ratio under the Austrian Banking Act was 6.6% as of 31 March 2004 (31 December 2003: 6.3%).**

\_\_\_\_\_ Erste Bank is very pleased with its earnings in the first quarter of 2004. First, Erste Bank Group is reporting the best quarterly profit in its history. Second, the revenue streams critical for Erste Bank as a retail bank – interest income as well as fee and commission income – grew strongly. Finally, in the Austrian business Erste Bank has attained further improvement both on the cost and income side, which underscores the success of the measures launched in the second half of 2003.

\_\_\_\_\_ Management expects the EU enlargement that is now fact to boost Erste Bank's earnings for the full year 2004 and beyond, and it will also further strengthen Erste Bank's position as the leading retail bank in Central Europe with almost 12 million customers.

# Landmark achievements

## Increased stake in Slovenská sporiteľňa

\_\_\_\_\_ On 20 April Erste Bank expanded its ownership interest in Slovak subsidiary Slovenská sporiteľňa by 10 percentage points to a total of 80.01%. The purchase was made under a put option that had been agreed in 2001 between the Slovak finance ministry and Erste Bank for the privatisation of Slovenská sporiteľňa. The total purchase price of the new tranche is EUR 72 million (about SKK 2.9 billion), corresponding to a price/book multiple of 2.0. The other 19.99% of Slovenská sporiteľňa is held by the EBRD. Erste Bank has the right to buy these other shares under a call/put option whose term begins 1 January 2005.

\_\_\_\_\_ The recent transaction enables Erste Bank and its shareholders to participate even more strongly in the growing earnings of Slovenská sporiteľňa.

## Rapid integration of Postabank

\_\_\_\_\_ Following the acquisition of Hungary's Postabank és Takarékpénztár (Postabank) at the end of 2003, the next step for Erste Bank is now the rapid and efficient integration of Postabank with Erste Bank Hungary. The intent is to reap the desired synergies and to join forces in intensified marketing. In the process of integration, Erste Bank draws on its wealth of experience from the restructuring of Česká spořitelna and Slovenská sporiteľňa and the integration of the Croatian subsidiaries.

\_\_\_\_\_ Applying a well-proven approach, an integration plan involving 21 constituent projects was worked out as early as October 2003, ahead of the deal's closing date of 16 December. The projects encompass all bank activities, from combining the IT systems, to branch integration and preparation for the legal merger of the two banks, all the way to restructuring the business units, human resources and central purchasing, and merging the leasing subsidiaries and investment banks.

\_\_\_\_\_ All projects are progressing as planned, and four (treasury, investment banking, corporate customers and internal auditing) were already completed on schedule in the first quarter of 2004. Thus, in January all of Postabank Securities' customer business was moved to Erste Bank Investment Hungary, while the latter's front-end system was implemented at 49 selected branches of Postabank. Another five projects (including central purchasing, the customer care center and leasing) will be concluded by the end of May. As well, more than 60% of the staff reduction planned for 2004 was carried out by the end of April, as were about one-third of the branch closures. The date for the legal merger of the two banks has been set for the end of September 2004. The technical pooling of client data will occur in stages after the merger, in 2004 and 2005. The whole integration of the two institutions is to be completed by mid-2005 at the latest.

\_\_\_\_\_ This rapid integration will ensure that all clients of Postabank gain access to the same offering of Erste Bank services as soon as possible.

\_\_\_\_\_ With provisions for the budgeted integration expenses already made in the 2003 financial statements of Postabank and Erste Bank Hungary, the merged bank can be expected to generate a profit in the integration year 2004.

## Erste Bank plans stock split

\_\_\_\_\_ The Annual General Meeting of Erste Bank der oesterreichischen Sparkassen AG on 4 May 2004 approved a four-for-one share split of the Erste Bank share.

\_\_\_\_\_ With a price gain of more than 180% from EUR 44.33 to about EUR 125 in April 2004, Erste Bank's share has performed exceedingly well since its flotation in 1997. Much of this advance is explained by the successful implementation of Erste Bank's strategy of focusing on the retail business in Central Europe. The Managing Board of Erste Bank puts a strong emphasis not only on serving retail customers, but also has a high appreciation for the Erste Bank retail investors. The planned share split is to make the Erste Bank shares more accessible and marketable.

\_\_\_\_\_ To simplify the transaction by ensuring that the accounting par value of the resulting shares is a round number, the AGM also approved a capital adjustment. This is to take the form of a capital increase from reserves and will raise the bank's called up share capital from currently EUR 435,628,641.82 to EUR 479,550,464.00. As no new shares will be issued in the capital increase, the existing shareholdings will not be diluted.

\_\_\_\_\_ The capital increase will raise the amount of Erste Bank's share capital represented by each share from the current level of EUR 7.27 to EUR 8.00. This permits a four-for-one stock split, with each resulting share representing EUR 2.00 of the share capital of Erste Bank. The split increases the number of existing shares by a factor of four as well (from currently 59,943,808 to 239,775,232 shares). The stock split will take effect when it is entered in the Commercial Register at about beginning of July 2004.

# The Erste Bank share

## Performance of equity indices

\_\_\_\_\_ After nearly all important stock markets charted double-digit gains last year, the international equity indices continued their positive trend in the first months of 2004, albeit at a slower pace. While the major US indices ended the first quarter and the first four months of this year almost unchanged, the FTSE Eurotop 300 Index rose about 2.7% in the first quarter and 3.7% by the end of April 2004.

\_\_\_\_\_ In the first two months of the year, further advances in world stock markets were spurred by the hopes of continuing low US interest rates nourished by mixed economic reports from the United States, where GDP in the fourth quarter of 2003 was slightly ahead of expectations while consumer confidence was low and labour market data disappointed.

\_\_\_\_\_ The Madrid train bombings in mid-March led to renewed declines in the key international equity markets that erased almost half of the gains made in 2004 to date at the time. Corporate results for the first quarter that largely exceeded expectations then improved stock market sentiment, although the tension in Iraq weighed on US exchanges. Both in the first quarter and for the period ended 30 April 2004, the Austrian stock market delivered an outstanding performance, with the ATX climbing 20.8% in the first three months and 24.7% by the end of April.

\_\_\_\_\_ Meanwhile, the DJ Euro Stoxx Bank Index moved in step with international equity markets during the first quarter of 2004. Despite persistent gains in the first two months, the index of European banks, at 257.55 points, finished the first quarter 1% below its 2003 year-end level as a result of the nervousness which gripped stock markets in March. The DJ Euro Stoxx Bank Index subsequently moved slightly higher, thanks in part to good bank earnings reports for the first quarter of 2004, and closed the month of April at 260.75 points, up 0.3% compared to the beginning of January.

## Performance of the Erste Bank share

\_\_\_\_\_ Following its record jump of 52.7% in 2003, the Erste Bank share continued to appreciate in the first months of this year. On 5 January 2004, with a price of EUR 102.00, the share for the first time broke the EUR 100 barrier. More all-time-highs followed. In the middle of March the rising share received an additional boost from the release of the good preliminary results for 2003. Nearly all analysts then raised both their forecasts for the business performance and their target prices for the share of Erste Bank. These positive assessments are based on the Group's further growth

potential: In addition to the rewards from restructuring the domestic business, Erste Bank's strong market position in Central Europe should translate into substantial benefits from the enlargement of the European Union on May 1 of this year. Closing at EUR 121.80 on 31 March 2004, the Erste Bank share gained 24.3% in the first three months of the year. Extending this trend (with an interim record closing high of EUR 128.80 on 8 April), the Erste Bank share advanced by 31.5% on balance. The share thus outperformed the ATX, which gained 20.8% in the first quarter and 24.7% in the four months to the end of April.

## Investor relations

\_\_\_\_\_ On 15 April 2004, Komerční banka in the Czech Republic published its first research report on Erste Bank. The Erste Bank share was rated Hold, with a target price of EUR 134. This brought to 18 the number of investment banks providing research coverage of Erste Bank.

\_\_\_\_\_ In the first months of the new financial year, Erste Bank presented its strategy to international investors at banking conferences held by Bank Austria Creditanstalt/CAIB Investmentbank, Deutsche Bank and ING. Visitors at these events showed keen interest in one-on-one meetings with the management of Erste Bank.

\_\_\_\_\_ Erste Bank is planning an international Capital Markets Day in Budapest for the end of September 2004. The purpose of this event is to bring investors and analysts up to date on the latest developments at the Erste Bank Group and give participants an opportunity for in-depth discussions with senior management and business unit heads.

\_\_\_\_\_ On 19 April 2004 Erste Bank staged the fifth Internet chat with Chief Executive Officer Andreas Treichl. Numerous retail investors and other participants again used this chance for direct communication with the CEO to ask questions about current developments at the Erste Bank Group.

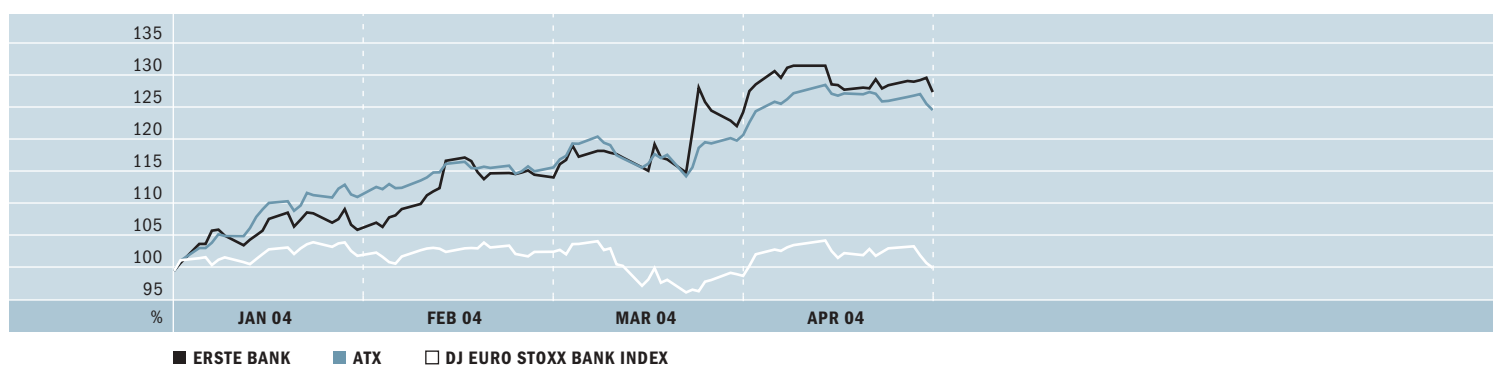
\_\_\_\_\_ Another stage of Erste Bank's employee share ownership plan will be implemented in May 2004. This year, staff of the Erste Bank Group will be offered shares for subscription from 10 to 21 May 2004, with the right to buy up to 100 shares on preferential terms. The subscription price will be 20% below the average price of the Erste Bank share quoted on the Vienna stock exchange in April 2004. The shares will be subject to a lock-up period of one year. Under Erste Bank's second management stock option plan, initiated in 2002, an additional 266,000 options were granted to management and high-performing employees. Staff and management currently own about 1.7% of the shares of Erste Bank.

## Key figures for the Erste Bank share

Share price at 30 April 2004	EUR 124.85
High for year to date (8 April 2004)	EUR 128.80
Low for year to date (2 January 2004)	EUR 99.10
Price-earnings ratio at 30 April 2004	17.3
Trading volume (to 30 April 2004)	EUR 770.7 million
Market capitalisation at 30 April 2004	EUR 7.5 billion

Based on: Earnings per share of EUR 7.21 (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<sup>1</sup>

- > Bank Austria Creditanstalt
- > BNP Paribas
- > Citigroup
- > Deutsche Bank
- > Dresdner Kleinwort Wasserstein
- > Fox-Pitt, Kelton
- > Goldman Sachs
- > ING
- > JP Morgan
- > Komerční banka
- > Lehman Brothers
- > Main First
- > Merrill Lynch
- > Patria

- > Raiffeisen Centrobank
- > UBM UniCredit Banca Mobiliare
- > UBS
- > West LB

<sup>1</sup> This 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

\_\_\_\_\_ This quarter saw the first-time application of IFRS 3 (Business Combinations) together with IAS 36 and IAS 38 (Impairment). The effect of this change, together with details of other one-off effects are discussed in more detail on the following pages.

## Results in brief

\_\_\_\_\_ When reviewing the **rates of change in the income statement**, it should be taken into account that Postabank, which was acquired in 2003, is now for the first time included in the consolidated income statement (its balance sheet was already consolidated in the 2003 annual financial statements).

\_\_\_\_\_ The **operating income** rose by 10.5% to EUR 1,007.1 million compared to Q1 2003.

\_\_\_\_\_ **General administrative expenses** rose by 6.1% to EUR 642.3 million. This increase represents both the inclusion of Postabank and a rise in costs (compared to an atypically low first quarter of 2003) at Slovenská sporiteľňa. For the year as a whole, however, the trend is expected to ease significantly.

\_\_\_\_\_ **Risk provisions** for loans and advances were EUR 108.2 million, up 11.3% against the first quarter of 2003. This figure reflects both the first-time consolidation of Postabank, but also the fact that the Savings Banks within the cross-guarantee system have made increased provisions compared to Q1 2003.

## One-off effects in the first quarter 2004 results

\_\_\_\_\_ Erste Bank has voluntarily adopted IFRS 3, which together with IAS 36 and IAS 38, stipulates new rules for the impairment of goodwill, earlier than is required (IFRS 3 will be mandatory from 1 January 2005).

This financial reporting standard has therefore been applied as of 1 January 2004 to impairment of goodwill. As a result, impairment in the amount of EUR 80 million was charged to income in Q1 2004. In line with this change, the linear amortisation of goodwill has been eliminated. Amortisation of EUR 25 million had been budgeted for the first quarter.

\_\_\_\_\_ Furthermore, pre-tax profit includes EUR 88 million of exceptional income from the sale of the Czech property insurance operation (booked under the item other operating result). This, after tax and minority interests have been taken into account largely compensates for the goodwill impairment.

\_\_\_\_\_ In addition, the planned reform of the Austrian tax legislation including the reduction of the corporate tax rate from 34% to 25%, requires the revaluation of deferred tax assets from previous losses carried forward. This resulted in a one-off tax expense of EUR 20 million.

\_\_\_\_\_ Including the effect on minorities of the sale of the Czech property insurance operation and the tax effects of all measures described above, this results in a **net profit after minorities** for the first quarter 2004 which is essentially free from non-recurring items and which amounts to EUR 104.2 million (+37.5%).

## Earnings developments

\_\_\_\_\_ **Net interest income** in the first quarter of 2004 rose by 6.4% compared to Q1 2003, to EUR 656.9 million.

\_\_\_\_\_ This was attributable both to the inclusion of Postabank in the accounts and to increases at Erste Bank AG and most large subsidiaries. The only exception, Slovenská sporiteľňa, saw a decrease due to the non-recurrence of income reported in 2003 from the at-equity valuation of the Slovak building society.

in EUR million	Jan-Mar 2004	Jan-Mar 2003	Change in %
Net interest income	656.9	617.6	6.4
Risk provisions for loans and advances	(108.2)	(97.2)	11.3
Net commission income	281.4	228.9	22.9
Net trading result	62.4	60.1	3.8
General administrative expenses	(642.3)	(605.1)	6.1
Income from insurance business	6.4	4.4	45.5
Other operating result	20.8	(22.6)	> 100.0
<b>Pre-tax profit</b>	<b>277.4</b>	<b>186.1</b>	<b>49.1</b>
<b>Profit for the period</b>	<b>188.0</b>	<b>131.7</b>	<b>42.7</b>
<b>Net profit after minority interests</b>	<b>104.2</b>	<b>75.8</b>	<b>37.5</b>
Cost-income ratio (%)	63.8%	66.4%	



\_\_\_\_\_ The net **interest margin** based on average interest-bearing assets<sup>1</sup> was 2.25% in the first quarter of 2004, down slightly from the level of 2.30% recorded for the full year 2003. The main reasons for this development were the above-mentioned one-off effect from the Slovak building society in 2003 and the funding costs for the acquisition of Postabank, incurred since the beginning of 2004.

\_\_\_\_\_ While the Central European subsidiaries achieved interest margins of between 3.6% and over 4.5%, the net interest margin in Austria remained relatively low at approximately 1.8%.

\_\_\_\_\_ **Net commission income** registered a significant rise of 22.9% to EUR 281.4 million. Even excluding the one-time effect of consolidating Postabank, the increase was an impressive 21.2%. This income stream saw growth in almost all business areas. The biggest gains occurred in the securities and insurance business, which expanded strongly both in Austria and Central Europe.

\_\_\_\_\_ **Net trading result**, at EUR 62.4 million, was maintained above the very good result of Q1 2003 (EUR 60.1 million), thanks particularly to foreign exchange operations.

\_\_\_\_\_ **Income from insurance business**, which represents all earnings of the consolidated insurance companies, increased from EUR 4.4 million to EUR 6.4 million. One of the helpful influences was the improved performance of financial markets during the quarter.

\_\_\_\_\_ **General administrative expenses** rose 6.1% overall to EUR 642.3 million; the increase excluding the newly consolidated Postabank was just 2.7%.

\_\_\_\_\_ Specifically, **personnel expenses** rose by 4.9% (or an adjusted 2.5% excluding the effect of Postabank) and **other administrative expenses** were up 12.5% (adjusted: 6.8%). As in the preceding quarters, the rise in **general administrative expenses** is explained chiefly by the expansion of business activities at the Central European subsidiaries and the adjustment of salaries to market levels as a prerequisite for quality improvement. **Depreciation and amortisation of fixed assets** fell 2.3% (adjusted: down 5.2%) amid a more restrictive approach particularly with regard to IT investment.

\_\_\_\_\_ The Erste Bank Group's **head count** (in terms of full-time equivalents, or FTE) was down 2.3%. As of 31 March 2004 the Group had 36,966 employees on an FTE basis.

### Split of general administrative expenses

in EUR million	Jan-Mar 2004	Jan-Mar 2003	Change in %	excl. Postabank	Change in %
<b>Erste Bank-Group</b>					
Personnel expenses	358.7	342.0	4.9	350.4	2.5
Other administrative expenses	201.1	178.7	12.5	190.9	6.8
<i>Subtotal</i>	559.8	520.7	7.5	541.3	4.0
Depreciation	82.5	84.4	(2.3)	80.0	(5.2)
<b>Total</b>	<b>642.3</b>	<b>605.1</b>	<b>6.1</b>	<b>621.3</b>	<b>2.7</b>
<b>Austria (including Corporate Centre and International business)</b>					
Personnel expenses	266.2	266.4	(0.1)		
Other administrative expenses	115.8	108.8	6.4		
<i>Subtotal</i>	382.0	375.2	1.8		
Depreciation	48.3	49.2	(1.8)		
<b>Total</b>	<b>430.3</b>	<b>424.4</b>	<b>1.4</b>		
<b>Central Europe</b>					
Personnel expenses	92.5	75.6	22.4	84.2	11.4
Other administrative expenses	85.3	69.9	22.0	75.1	7.4
<i>Subtotal</i>	177.8	145.5	22.2	159.3	9.5
Depreciation	34.2	35.2	(2.8)	31.7	(9.9)
<b>Total</b>	<b>212.0</b>	<b>180.7</b>	<b>17.3</b>	<b>191.0</b>	<b>5.7</b>

<sup>1</sup> Interest-bearing assets are defined as total assets less cash and balances with central banks, trading assets, tangible assets, intangibles and other assets

\_\_\_\_\_ Total **operating income** (net interest income, net commission income, net trading result and income from insurance business) grew 10.5% in the first quarter of 2004, to EUR 1,007.1 million. Excluding Postabank, the figure would have been EUR 972.7 million, an increase of 6.8%. As a consequence, the operating result improved by 19.3% to EUR 364.8 million (ex Postabank: up 14.9% to EUR 351.4 million).

\_\_\_\_\_ The **cost-income ratio** (general administrative expenses as a percentage of operating income) was again successfully lowered. In the first quarter of 2004 this figure was 63.8%, compared to 66.4% in the first quarter of 2003 and 64.2% for the full year 2003.

\_\_\_\_\_ The **other operating result** includes some one-off effects. In addition to those components already named above, significantly higher contributions had to be made towards the local deposit insurance following changes in the legal framework in the Czech Republic. The positive trend compared to last year in the remaining elements of other operating result was driven mostly by the revaluation of available-for-sale securities.

\_\_\_\_\_ **Risk provisions for loans and advances**, at EUR 108.2 million, were up 11.3% on Q1 2003. The increase resulted in part from the addition of Postabank, but also from the fact that the Savings Banks within the cross-guarantee system have made increased provisions compared to Q1 2003.

\_\_\_\_\_ **Pre-tax profit** in the first quarter of 2004 was up by a particularly strong 49.1% compared to the first quarter 2003, to EUR 277.4 million.

\_\_\_\_\_ **Taxes on income** include the previously cited EUR 20 million write-down of tax assets for the effect of the reduction in the Austrian corporate income tax rate from 34% to 25%. The effective tax rate in the first quarter therefore increased to 32.2%. It currently appears likely that the resulting effective tax rate for the full year will be 27-28%.

\_\_\_\_\_ These developments led to a **net profit after minority interests** of EUR 104.2 million, an increase of 37.5% on one year earlier. After deducting minority interests, on balance, the one-off items did not give rise to any significant exceptional effects on net earnings for the first quarter of 2004. Net profit after minority interests can thus be regarded as being largely free of non-recurring influences.

\_\_\_\_\_ **Return on equity**, which had already shown continuing improvement in the past quarters, progressed further in the first quarter 2004 to 14.6% (full year 2003: 13.7%).

\_\_\_\_\_ The application of IFRS 3 will increase net profit by EUR 75 million in the remaining three quarters of 2004. The positive effect in Q1 2004 is largely offset by provisions. Therefore Erste Bank Group net profit after tax and minorities of at least 500 million is within reach for 2004.

#### Outlook for 2005

\_\_\_\_\_ The existing target of EUR 500 million for net profit after minority interests in 2005 is being adapted to reflect the application of IFRS 3, IAS 36 and 38 and the associated elimination of goodwill amortisation. The target for net profit after minority interests (before goodwill write-downs) is now above EUR 600 million for 2005.

\_\_\_\_\_ The return on equity target has increased to at least 18% accordingly. The targeted cost-income ratio of no more than 62% for 2005 remains unchanged.

## Balance sheet developments

in EUR million	31 Mar 2004	31 Dec 2003	Change in %
Loans and advances to credit institutions	18,514	13,140	40.9
Loans and advances to customers	69,045	67,766	1.9
Risk provisions	(2,847)	(2,772)	2.7
Securities and other financial investments	40,521	39,092	3.7
Sundry assets	10,858	11,349	(4.3)
<b>Total assets</b>	<b>136,091</b>	<b>128,575</b>	<b>5.8</b>
Amounts owed to credit institutions	28,842	25,704	12.2
Amounts owed to customers	67,361	64,839	3.9
Debts evidenced by certificates and subordinated capital	21,109	20,481	3.1
Shareholders' equity	2,919	2,791	4.6
Sundry liabilities	15,860	14,760	7.5
<b>Total liabilities and shareholders' equity</b>	<b>136,091</b>	<b>128,575</b>	<b>5.8</b>

Compared to 31 December 2003, the consolidated **total assets** of the Erste Bank Group increased by 5.8% from EUR 128.6 billion to EUR 136.1 billion.

As the balance sheet of Postabank (acquired in December 2003) was already included in Erste Bank's 2003 year-end financial statements, this purchase causes no distortion in the rates of change since the end of 2003.

**Loans and advances to customers** increased only moderately by 1.9% to EUR 69.0 billion. The gain came exclusively from the subsidiaries in Central Europe.

On balance, total **risk provisions** rose slightly from the end of the year, as additions were partly offset by write-backs and use of provisions.

In the first quarter of 2004, **securities and other financial investments** (consisting of trading assets, investments available for sale and financial investments) expanded at a lower than average rate of 3.7% to EUR 40.5 billion. While fixed-income securities in the trading portfolio saw a decline of 5.5%, fixed-income issues classified as available-for-sale rose more rapidly than securities and other financial investments in general. In financial investments, the increases occurred particularly in the investment portfolios of the consolidated insurance firms.

By far the largest increases, both on the assets and liabilities side, were registered in **interbank business**.

In liabilities, **customer deposits** increased by 3.9% from the end of 2003 to EUR 67.4 billion, although savings deposits edged 0.5% lower (to EUR 37.1 billion).

The total funding base from **own issues** (consisting of debts evidenced by certificates and subordinated capital) increased by more than 3.1% to EUR 21.1 billion.

**Equity minority interests** rose especially rapidly, by 9.2%. This resulted primarily from a EUR 275 million hybrid Tier 1 issue at the end of March 2004, but also incorporated a repayment of EUR 85 million from earlier issues.

The **qualifying capital** of the Erste Bank Group as defined under the Austrian Banking Act was approximately EUR 7.2 billion at 31 March 2004.

As the statutory minimum capital required at this date was about EUR 5.4 billion, the cover ratio was 134%.

The Tier 1 capital at the end of March stood at EUR 4.2 billion and the Tier 1 ratio reached 6.6% (end of 2003: 6.3%).

At 31 March 2004 the **solvency ratio** under the Austrian Banking Act was 10.9% (end of 2003: 10.7%) and thus remained well above the legally required minimum of 8.0%.

# Consolidated Financial Statements for the first quarter of 2004 (IFRS)

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

## Group Balance Sheet of Erste Bank at 31 March 2004

in EUR million	Notes	31 Mar 2004	31 Dec 2003	Change in %
<b>Assets</b>				
1. Cash and balances with central banks		2,204	2,549	(13.5)
2. Loans and advances to credit institutions	(1)	18,514	13,140	40.9
3. Loans and advances to customers	(2)	69,045	67,766	1.9
4. Risk provisions	(3)	(2,847)	(2,772)	2.7
5. Trading assets	(4)	5,081	5,259	(3.4)
6. Investments available for sale	(5)	8,208	7,379	11.2
7. Financial investments	(6)	27,232	26,454	2.9
8. Intangible assets		1,790	1,869	(4.2)
9. Tangible assets		1,777	1,814	(2.0)
10. Other assets		5,087	5,117	(0.6)
<b>Total assets</b>		<b>136,091</b>	<b>128,575</b>	<b>5.8</b>
<b>Liabilities and shareholders' equity</b>				
1. Amounts owed to credit institutions	(7)	28,842	25,704	12.2
2. Amounts owed to customers	(8)	67,361	64,839	3.9
3. Debts evidenced by certificates		17,733	16,944	4.7
4. Provisions	(9)	6,622	6,366	4.0
5. Other liabilities		6,093	5,515	10.5
6. Subordinated capital		3,376	3,537	(4.6)
7. Minority interests		3,145	2,879	9.2
8. Shareholders' equity		2,919	2,791	4.6
<b>Total liabilities and shareholders' equity</b>		<b>136,091</b>	<b>128,575</b>	<b>5.8</b>

## Group Income Statement of Erste Bank from 1 January to 31 March 2004

in EUR million	Notes	Jan-Mar 2004	Jan-Mar 2003	Change in %
1. Interest and similar income		1,289.2	1,300.0	(0.8)
2. Interest paid and similar expenses		(632.3)	(682.4)	(7.3)
<b>I. Net interest income</b>	(10)	<b>656.9</b>	<b>617.6</b>	<b>6.4</b>
3. Risk provisions for loans and advances	(11)	(108.2)	(97.2)	11.3
4. Fee and commission income		329.7	273.1	20.7
5. Fee and commission expenses		(48.3)	(44.2)	9.3
<i>Net commission income (Net of 4 and 5)</i>	(12)	281.4	228.9	22.9
6. Net trading result	(13)	62.4	60.1	3.8
7. General administrative expenses	(14)	(642.3)	(605.1)	6.1
8. Income from insurance business	(15)	6.4	4.4	45.5
9. Other operating result	(16)	20.8	(22.6)	> 100.0
10. Extraordinary result		-	-	-
<b>II. Pre-tax profit for the period</b>		<b>277.4</b>	<b>186.1</b>	<b>49.1</b>
11. Taxes on income		(89.4)	(54.4)	64.3
<b>III. Profit for the period</b>		<b>188.0</b>	<b>131.7</b>	<b>42.7</b>
12. Minority interests		(83.8)	(55.9)	49.9
<b>IV. Net profit after minority interests</b>		<b>104.2</b>	<b>75.8</b>	<b>37.5</b>

### 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-Mar 2004	Jan-Mar 2003	Change in %
Earnings per share	1.75	1.28	36.7
Diluted earnings per share	1.73	1.28	35.2

## Statement of Changes in Shareholders' Equity

in EUR million	Jan-Mar 2004	Jan-Mar 2003	Change in %
<b>Shareholders' equity at 1 January</b>	<b>2,791</b>	<b>2,481</b>	<b>12.5</b>
Translation differences	9	(24)	> 100.0
Net profit after minority interests	104	76	36.8
Dividends	-	-	-
Erste Bank shares	2	(13)	> 100.0
Change in reserves according to IAS 39	16	19	(15.8)
Other changes	(3)	1	> (100.0)
<b>Shareholders' equity at 31 March</b>	<b>2,919</b>	<b>2,540</b>	<b>14.9</b>

## Cash Flow Statement

in EUR million	Jan-Mar 2004	Jan-Mar 2003	Change in %
<b>Cash and cash equivalents at the beginning of period</b>	<b>2,549</b>	<b>3,181</b>	<b>(19.9)</b>
Cash flows from operating activities	333	1,300	(74.4)
Cash flows from investing activities	(526)	(1,815)	(71.0)
Cash flows from financing activities	(166)	(8)	> 100.0
Effect of changes in exchange rates	14	(8)	> 100.0
<b>Cash and cash equivalents at the end of period</b>	<b>2,204</b>	<b>2,650</b>	<b>(16.8)</b>

# Notes to the Consolidated Financial Statements of the Erste Bank Group for the first quarter 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 quarter of 2004 complies with IAS 34 (Interim Financial Reporting). The publication of new reporting standards at the end of 2003 and in the first months of 2004 leads to material changes in accounting principles for the first quarter of 2004, especially in the following areas:

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

\_\_\_\_\_ Erste Bank has also opted for early application of the new IFRS 2 (Share-Based Payments) from 1 January 2004. The timing of the stock ownership programme and stock option plan and the associated exercise dates is such that the adoption of this standard does not yet have an effect on earnings for the first quarter of 2004.

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

## Events after the balance sheet date

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

\_\_\_\_\_ The Annual General Meeting of Erste Bank on 4 May 2004 decided to make a four-for-one stock split in accordance with the Austrian Stock Corporation Act. Implementation of this resolution will increase the number of shares to 239,775,232. As well, the AGM approved a capital adjustment from additional paid-in capital and from reserves, which will result in an accounting par value per share after the share split to EUR 2.00.

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

\_\_\_\_\_ In May 2004 Erste Bank is implementing another part of its employee stock ownership programme. The ESOP was originally launched in 2002. A total of 1.4 million shares can be issued to employees under the entire plan. To date more than 370,000 shares have been placed with employees in Austria and Central Europe. In the current phase of the programme, each employee of the Erste Bank Group is entitled to buy up to 100 new shares at a reduced price. The subscription price of EUR 101.00 per share represents a discount of 20% to the average price of the Erste Bank share quoted on the Vienna stock exchange in April 2004. The shares are subject to a holding period of one year.

## Information on the Group Balance Sheet

### 1) Loans and advances to credit institutions

in EUR million	31 Mar 2004	31 Dec 2003	Change in %
Loans and advances to domestic credit institutions	2,881	2,193	31.4
Loans and advances to foreign credit institutions	15,633	10,947	42.8
<b>Total</b>	<b>18,514</b>	<b>13,140</b>	<b>40.9</b>

### 2) Loans and advances to customers

in EUR million	31 Mar 2004	31 Dec 2003	Change in %
Loans and advances to domestic customers	45,682	45,758	(0.2)
<i>Public sector</i>	2,941	3,004	(2.1)
<i>Commercial customers</i>	25,809	25,977	(0.6)
<i>Private customers</i>	16,814	16,650	1.0
<i>Other</i>	118	127	(7.1)
Loans and advances to foreign customers	23,363	22,008	6.2
<i>Public sector</i>	3,536	2,996	18.0
<i>Commercial customers</i>	14,441	13,861	4.2
<i>Private customers</i>	5,212	4,949	5.3
<i>Other</i>	174	202	(13.9)
<b>Total</b>	<b>69,045</b>	<b>67,766</b>	<b>1.9</b>

### 3) Risk provisions

in EUR million	Jan-Mar 2004	Jan-Mar 2003	Change in %
<b>Risk provisions for loans and advances</b>			
<b>At 1 January</b>	<b>2,772</b>	<b>2,983</b>	<b>(7.1)</b>
Use	(35)	(31)	12.9
Net allocation of risk provisions	102	89	14.6
Changes in exchange rates	8	(16)	> 100.0
<b>At 31 March</b>	<b>2,847</b>	<b>3,025</b>	<b>(5.9)</b>
Risk provisions for off-balance credit risk and for other risks (included in provisions)	81	103	(21.4)
<b>Risk provisions at 31 March</b>	<b>2,928</b>	<b>3,128</b>	<b>(6.4)</b>



**4) Trading assets**

in EUR million	31 Mar 2004	31 Dec 2003	Change in %
Bonds and other fixed-income securities	3,570	3,776	(5.5)
Shares and other variable-yield securities	506	444	14.0
Positive fair value of derivative financial instruments	1,005	1,039	(3.3)
<b>Total</b>	<b>5,081</b>	<b>5,259</b>	<b>(3.4)</b>

**5) Investments available for sale**

in EUR million	31 Mar 2004	31 Dec 2003	Change in %
Bonds and other fixed-income securities	5,232	4,578	14.3
Shares and other variable-yield securities	2,976	2,801	6.2
<b>Total</b>	<b>8,208</b>	<b>7,379</b>	<b>11.2</b>

**6) Financial investments**

in EUR million	31 Mar 2004	31 Dec 2003	Change in %
Bonds and other fixed-income securities (held to maturity)	19,677	19,132	2.8
Variable-yield securities	739	740	(0.1)
Investments	491	497	(1.2)
Investments of insurance companies	5,173	4,989	3.7
Other financial investments (particularly carrying amounts of assets subject to operating leases and rental agreements)	1,152	1,096	5.1
<b>Total</b>	<b>27,232</b>	<b>26,454</b>	<b>2.9</b>

**7) Amounts owed to credit institutions**

in EUR million	31 Mar 2004	31 Dec 2003	Change in %
Amounts owed to domestic credit institutions	8,121	5,583	45.5
Amounts owed to foreign credit institutions	20,721	20,121	3.0
<b>Total</b>	<b>28,842</b>	<b>25,704</b>	<b>12.2</b>

**8) Amounts owed to customers**

in EUR million	31 Mar 2004	31 Dec 2003	Change in %
Savings deposits	37,142	37,335	(0.5)
Other	30,219	27,504	9.9
<b>Total</b>	<b>67,361</b>	<b>64,839</b>	<b>3.9</b>

**9) Provisions**

in EUR million	31 Mar 2004	31 Dec 2003	Change in %
Long-term employee provisions	1,090	1,097	(0.6)
Insurance reserves	5,039	4,829	4.3
Other	493	440	12.0
<b>Total</b>	<b>6,622</b>	<b>6,366</b>	<b>4.0</b>

**Information on the Group Income Statement**

**10) Net interest income**

in EUR million	Jan-Mar 2004	Jan-Mar 2003	Change in %
Interest income from			
Lending and money market transactions with credit institutions	161.9	184.5	(12.2)
Lending and money market transactions with customers	737.6	754.7	(2.3)
Fixed-income securities	313.1	280.7	11.5
Other interest and similar income	16.4	12.6	30.2
Current income from			
Shares and other variable-yield securities	37.8	38.5	(1.8)
Investments	6.7	14.0	(52.1)
Property used by outside parties	15.7	15.0	4.7
<b>Total interest and similar income</b>	<b>1,289.2</b>	<b>1,300.0</b>	<b>(0.8)</b>
Interest expenses for			
Amounts owed to credit institutions	(117.6)	(149.4)	(21.3)
Amounts owed to customers	(306.2)	(332.9)	(8.0)
Debts evidenced by certificates	(153.2)	(146.9)	4.3
Subordinated capital	(48.8)	(50.3)	(3.0)
Other	(6.5)	(2.9)	> 100.0
<b>Total interest and similar expenses</b>	<b>(632.3)</b>	<b>(682.4)</b>	<b>(7.3)</b>
<b>Net interest income</b>	<b>656.9</b>	<b>617.6</b>	<b>6.4</b>

**11) Risk provisions for loans and advances**

in EUR million	Jan-Mar 2004	Jan-Mar 2003	Change in %
Net allocation to risk provisions in lending business	(101.8)	(89.3)	14.0
Direct write-off for loans and advances less amounts recovered on loans and advances written off	(6.4)	(7.9)	(19.0)
<b>Total</b>	<b>(108.2)</b>	<b>(97.2)</b>	<b>11.3</b>

**12) Net commission income**

in EUR million	Jan-Mar 2004	Jan-Mar 2003	Change in %
Lending business	41.0	36.7	11.7
Payment transfers	106.0	89.9	17.9
Securities transactions	77.3	54.3	42.4
<i>Investment fund transactions</i>	29.2	23.9	22.2
<i>Custodial fees</i>	12.6	8.7	44.8
<i>Brokerage</i>	35.5	21.7	63.6
Insurance business	17.4	13.1	32.8
Building society agency operations	7.2	7.1	1.4
Foreign exchange operations	10.0	11.1	(9.9)
Other	22.5	16.7	34.7
<b>Total</b>	<b>281.4</b>	<b>228.9</b>	<b>22.9</b>

**13) Net trading result**

in EUR million	Jan-Mar 2004	Jan-Mar 2003	Change in %
Securities and derivatives trading	28.4	29.7	(4.4)
Foreign exchange	34.0	30.4	11.8
<b>Total</b>	<b>62.4</b>	<b>60.1</b>	<b>3.8</b>

**14) General administrative expenses**

in EUR million	Jan-Mar 2004	Jan-Mar 2003	Change in %
Personnel expenses	(358.7)	(342.0)	4.9
Other administrative expenses	(201.1)	(178.7)	12.5
Depreciation and amortisation of fixed assets	(82.5)	(84.4)	(2.3)
<b>Total</b>	<b>(642.3)</b>	<b>(605.1)</b>	<b>6.1</b>

**15) Income from insurance business**

in EUR million	Jan-Mar 2004	Jan-Mar 2003	Change in %
Earned premiums	278.9	253.1	10.2
Investment income on underwriting business	104.7	50.1	> 100.0
Claims incurred	(62.5)	(60.1)	4.0
Change in underwriting provisions	(262.9)	(199.1)	32.0
Expenses for profit-linked premium reimbursements	(10.0)	(7.9)	26.6
Operating expenses	(25.9)	(23.8)	8.8
Other underwriting income	13.6	(11.4)	> 100.0
<b>Net underwriting income</b>	<b>35.9</b>	<b>0.9</b>	<b>&gt; 100.0</b>
Net investment income	75.2	53.6	40.3
Carried to underwriting account	(104.7)	(50.1)	> 100.0
<b>Total</b>	<b>6.4</b>	<b>4.4</b>	<b>45.5</b>

**16) Other operating result**

in EUR million	Jan-Mar 2004	Jan-Mar 2003	Change in %
Other operating income	114.0 <sup>1</sup>	21.7	> 100.0
Other operating expenses	(132.5)	(51.0)	> 100.0
<i>Linear amortisation of goodwill</i>	-	(19.8)	-
<i>Extraordinary depreciation (impairment) of goodwill</i>	(80.0)	-	-
<i>Other operating expenses</i>	(52.5)	(31.2)	68.3
Income from securities held as investments available for sale	38.8	13.4	> 100.0
Income from investments and related companies	0.5	(6.7)	> 100.0
<b>Total</b>	<b>20.8</b>	<b>(22.6)</b>	<b>&gt; 100.0</b>

<sup>1</sup> This item includes the sale of the Czech insurance business with a total of EUR 88 million.

## Other information

### 17) Contingent liabilities and other obligations

in EUR million	31 Mar 2004	31 Dec 2003	Change in %
Contingent liabilities	7,897	7,068	11.7
Contingent liabilities	7,789	6,955	12.0
Other	108	113	(4.4)
Other obligations	16,103	15,926	1.1
Undrawn credit and loan commitments	14,665	15,047	(2.5)
Amounts owed resulting from repurchase transactions	691	328	> 100.0
Other	747	551	35.6

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

	31 Mar 2004	31 Dec 2003	Change in %
<b>Employed by Group</b>	<b>36,966</b>	<b>37,830</b>	<b>(2.3)</b>
Domestic	14,922	14,974	(0.3)
Abroad	22,044	22,856	(3.6)
thereof Česká spořitelna Group	11,762	12,420	(5.3)
thereof Slovenská sporiteľňa	5,273	5,283	(0.2)
thereof Erste Bank Hungary (since 31 December 2003 including Postabank)	3,019	3,145 <sup>1</sup>	(4.0)

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

\_\_\_\_\_. In addition to the above number of employees, 66 persons were employed in non-bank enterprises of the Group (hotel and leisure sector) at 31 March 2004.

19) Segment reporting

**Austria**

\_\_\_\_\_ Compared to the first quarter in 2003, there was a significant increase in the profit for this segment, up from EUR 28.2 million to EUR 65.7 million. The key drivers of this were the substantial increase in net commission income (up 23.8% to Euro 186.4 million) in the Haftungsverbund savings banks compared to a low first quarter 2003, as well as in Treasury. The increase in risk provisions is attributable to the Haftungsverbund savings banks. General administrative expenses declined slightly, by just under 1%, to Euro 410.7 million. The effective tax rate decreased from 35.2% to 26.6%. The cost-income ratio declined from 70% to 65.6%; return on equity improved significantly from 7.2% to 15.6%.

**Savings Banks**

\_\_\_\_\_ In addition to a slight increase in net interest income of 3.6% to EUR 210.2 million, net commission income was the main contributor to this good result with an increase of 27.3% to EUR 85.1 million. General administrative expenses of EUR 205.7 million were at about the same level as the first quarter of the previous year. The increase in other operating result arose from the mark-to-market valuation of investments available for sale. As in other segments, there was a reduction in the effective tax rate from 37.4% to 28.6%.

**Retail and Real Estate**

\_\_\_\_\_ There was a substantial improvement in the result of this segment, up from EUR 6.9 million to EUR 17.0 million. Although slightly favoured by the absence of EUR 3.1 million goodwill amortisation, the improvement resulted mainly from both a reduction in general administrative expenses

in EUR million	Savings Banks Q1/2004	Savings Banks Q1/2003	Retail and Real Estate Q1/2004	Retail and Real Estate Q1/2003
Net interest income	210.2	202.8	125.9	128.9
Risk provisions for loans and advances	(48.6)	(45.0)	(28.8)	(28.5)
Net commission income	85.1	66.8	70.7	66.8
Net trading result	7.0	6.1	3.1	3.2
General administrative expenses	(205.7)	(202.0)	(161.8)	(167.3)
Income from insurance business	0.0	0.0	4.3	2.6
Other operating result	16.8	9.9	3.6	1.1
<b>Pre-tax profit for the period</b>	<b>64.7</b>	<b>38.6</b>	<b>17.0</b>	<b>6.9</b>
Taxes on income	(18.5)	(14.4)	(4.2)	(2.8)
Minority interests	(40.6)	(29.7)	(4.3)	(1.1)
<b>Net profit after minority interests<sup>1</sup></b>	<b>5.5</b>	<b>(5.4)</b>	<b>8.5</b>	<b>3.0</b>
Average risk-weighted assets	22,572.5	21,871.8	12,440.8	12,295.6
Average attributed equity	219.9	191.6	801.1	743.4
<b>Cost-income ratio (in %)</b>	<b>68.1%</b>	<b>73.2%</b>	<b>79.3%</b>	<b>83.0%</b>
<b>ROE based on net profit (in %)<sup>2</sup></b>	<b>10.0%</b>	<b>n.a.</b>	<b>4.2%</b>	<b>1.6%</b>

1 2003 net profit as reported (including goodwill amortisation)

2 2003 ROE as reported (including goodwill amortisation)

(down from EUR 167.3 million to EUR 161.8 million) and also an increase in both net commission income (up from EUR 66.8 million to EUR 70.7 million) and income from the insurance business (up from EUR 2.6 million to EUR 4.3 million). Net commission income in the own savings banks (inter alia, Salzburger Sparkasse and Tiroler Sparkasse) rose by 18%, primarily in the securities business. Looking at the branch contributions, a substantial increase of some 10% was achieved in commission business, again in securities, even when taking into account the branch transfers to regional savings banks. Risk provisions amounted to EUR 28.8 million and were at the same level as the first quarter of the previous year. The decrease in net interest income is primarily attributable to the reduction in net interest income of the building society as a result of the legal requirement to adjust interest rates. After the next adjustment in 2005 net interest income should recover to 2003 levels. In addition a slight market-driven decrease in the real estate business attributed to this development. The cost-income ratio fell from 83% to 79.3%; return on equity increased to 4.2%.

### Large Corporates

\_\_\_\_\_ The improvement in the result of this sub-segment is attributable both to a substantial (20%) increase (primarily in project finance) in net commission income to EUR 15.0 million and a 1.6% increase in net interest income to EUR 37.2 million. General administrative expenses, at EUR 19.5 million, were broadly in line with the first quarter of 2003.

### Trading and Investment Banking

\_\_\_\_\_ The improvement in the result from EUR 23.2 million to EUR 33.6 million was attributable to a substantial increase in net commission income – primarily in the sale of structured products – from EUR 4.5 million to EUR 15.5 million. There was a gratifying decrease in general administrative expenses of 5.2% to EUR 23.6 million. The net trading result decreased by 15% compared to the very good performance in the first quarter of 2003.

Large Corporates Q1/2004	Large Corporates Q1/2003	Trading and Investment Banking Q1/2004	Trading and Investment Banking Q1/2003	<b>Austria Total Q1/2004</b>	<b>Austria Total Q1/2003</b>
37.2	36.6	25.0	27.2	398.3	395.5
(13.0)	(12.6)	0.0	(0.3)	(90.4)	(86.4)
15.0	12.4	15.5	4.5	186.4	150.6
0.2	0.4	27.2	32.0	37.4	41.7
(19.5)	(19.2)	(23.6)	(24.9)	(410.7)	(413.4)
0.0	0.0	0.0	0.0	4.3	2.6
7.2	(0.2)	0.7	(5.1)	28.3	5.6
<b>27.0</b>	<b>17.5</b>	<b>44.8</b>	<b>33.2</b>	<b>153.5</b>	<b>96.2</b>
(6.8)	(6.5)	(11.2)	(10.2)	(40.8)	(33.8)
(2.1)	(3.6)	0.0	0.2	(47.0)	(34.2)
<b>18.1</b>	<b>7.4</b>	<b>33.6</b>	<b>23.2</b>	<b>65.7</b>	<b>28.2</b>
6,660.3	6,560.9	3,678.4	3,712.6	45,352.0	44,440.9
428.9	396.7	236.9	224.5	1,686.8	1,556.1
<b>37.2%</b>	<b>38.8%</b>	<b>34.9%</b>	<b>39.2%</b>	<b>65.6%</b>	<b>70.0%</b>
<b>16.9%</b>	<b>7.4%</b>	<b>56.7%</b>	<b>41.3%</b>	<b>15.6%</b>	<b>7.2%</b>

## Central Europe

### Česká spořitelna

\_\_\_\_\_ The increase in net profit from EUR 32.9 million to EUR 49.0 million (the profit on the sale of the non-life insurance business was recorded in the Corporate Centre segment) is attributable to an increase in income items, especially net interest income (up 7.3% to EUR 121.5 million). This is significantly above the budgeted level as a result of an increase in customer deposits as well as higher margins on liabilities. There were also increases in net commission income (up 4.3% at EUR 61.9%) and the net trading result (up 22% to EUR 11.5 million). As no specific or general provisions were released during the first quarter 2004, there was an increase in risk provisions for the first quarter. Costs, however, have remained at the same level compared to the first quarter of 2003. Minority interests have decreased from EUR 5.4 million to EUR 2.0 million year on year. The cost-income ratio decreased to 59.8%.

### Slovenská sporiteľňa

\_\_\_\_\_ Net interest income of the Slovak subsidiary was affected by the already mentioned one-off income from its building society subsidiary. Adjusted for this amount of EUR 7.0 million, net interest income would have been 2.2% higher compared to the first quarter of the previous year. There were impressive increases of 45% in net commission income (to EUR 15.0 million) and of nearly 30% in the net trading result (to EUR 3 million), an improvement over the low level recorded in the first quarter of the previous year. Minority interests decreased from EUR 8.0 million in the first quarter 2003 to EUR 5.7 million. General administrative expenses increased particularly sharply, up by almost 10% compared to the exceptionally low level of the first quarter 2003, causing a deterioration in the cost-income ratio. However, it is not anticipated that general administrative expenses will increase for 2004 as a whole, as the first quarter 2004 amount of EUR 38.5 million is below the average quarterly levels (EUR 39.3 million) of the previous year.

in EUR million	Česká spořitelna Q1/2004	Česká spořitelna Q1/2003	Slovenská sporiteľňa Q1/2004	Slovenská sporiteľňa Q1/2003
Net interest income	121.5	113.3	45.5	51.4
Risk provisions for loans and advances	(9.4)	2.4	0.1	0.0
Net commission income	61.9	59.3	15.0	10.4
Net trading result	11.5	9.5	3.0	2.4
General administrative expenses	(117.7)	(117.1)	(38.5)	(35.0)
Income from insurance business	2.1	1.8	0.0	0.0
Other operating result	1.8	(9.3)	(4.8)	(6.4)
<b>Pre-tax profit for the period</b>	<b>71.7</b>	<b>59.8</b>	<b>20.4</b>	<b>22.7</b>
Taxes on income	(20.7)	(21.4)	(3.0)	(2.6)
Minority interests	(2.0)	(5.4)	(5.7)	(8.0)
<b>Net profit after minority interests<sup>1</sup></b>	<b>49.0</b>	<b>32.9</b>	<b>11.7</b>	<b>12.1</b>
Average risk-weighted assets	6,315.3	6,154.0	1,665.9	1,102.0
Average attributed equity	406.7	372.1	107.3	66.6
<b>Cost-income ratio (in %)</b>	<b>59.8%</b>	<b>63.7%</b>	<b>60.5%</b>	<b>54.7%</b>
<b>ROE based on net profit (in %)<sup>2</sup></b>	<b>48.2%</b>	<b>35.4%</b>	<b>43.7%</b>	<b>72.8%</b>

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 including Postabank**

\_\_\_\_\_ A quarterly comparison is difficult due to the first-time consolidation of the results of Postabank. Both entities showed a very positive trend in the first quarter. As the restructuring costs were accounted for in the previous year, the 2004 result will be better than expected. From a current standpoint, Erste Bank Hungary should make a positive contribution to the full year results.

**Erste Bank Croatia**

\_\_\_\_\_ Net interest income rose by 18% to EUR 19.8 million due to an increase in lending and securities business. Net commission income increased by 37.8% to EUR 3.3 million, primarily in payment services. A quarterly comparison of risk provisions is not meaningful as they are based on adaptations required by the Croatian National Bank (inter alia, the implementation of a new rating system). The tax charge increased as all the tax losses of Riječka banka that were carried forward have now been used. Minority interests have increased by EUR 1.5 million to EUR 4.6 million as a result of the sale of shares to the Austrian Steiermärkische Sparkasse.

Erste Bank Hungary <sup>3</sup> Q1/2004	Erste Bank Hungary <sup>3</sup> Q1/2003	Erste Bank Croatia Q1/2004	Erste Bank Croatia Q1/2003	Central Europe Total Q1/2004	Central Europe Total Q1/2003
38.7	12.4	19.8	16.8	225.5	193.9
(5.5)	(2.0)	5.0	(1.5)	(9.8)	(1.2)
11.5	6.2	3.3	2.4	91.7	78.2
7.7	3.1	4.5	4.1	26.7	19.0
(41.0)	(15.6)	(14.8)	(12.9)	(212.0)	(180.7)
0.0	0.0	0.0	0.0	2.1	1.8
(2.5)	(1.0)	(0.9)	(0.6)	(6.5)	(17.4)
<b>8.9</b>	<b>3.1</b>	<b>16.8</b>	<b>8.2</b>	<b>117.7</b>	<b>93.7</b>
(0.4)	(0.5)	(3.3)	(0.2)	(27.3)	(24.8)
(0.1)	0.1	(4.6)	(1.5)	(12.4)	(14.8)
<b>8.5</b>	<b>2.6</b>	<b>8.9</b>	<b>6.5</b>	<b>78.1</b>	<b>54.1</b>
1,841.6	752.4	1,590.8	1,288.2	11,413.7	9,296.6
118.6	45.5	102.4	77.9	735.0	562.1
<b>70.8%</b>	<b>71.9%</b>	<b>53.8%</b>	<b>55.6%</b>	<b>61.3%</b>	<b>61.7%</b>
<b>28.5%</b>	<b>23.3%</b>	<b>34.7%</b>	<b>33.4%</b>	<b>42.5%</b>	<b>38.6%</b>

## International Business

\_\_\_\_\_ Both net commission income (up 50.2% to EUR 5.7 million) and net interest income (up 13.3% to EUR 35.3 million) increased in the first quarter. A slight decrease in general administrative expenses also contributed to the improvement in the result from EUR 15.6 million to 22.1 million.

## Corporate Centre

\_\_\_\_\_ As already mentioned, the first quarter 2004 results include the additional effects arising from the sale of the non-life insurance business in the Czech Republic, the one-off impairment charge for goodwill in Austria and the write-down of tax assets following the change in the Austrian tax law. As a result of the effects described above, there was a significant decrease in net profit after minorities.

in EUR million	International Business Q1/2004	International Business Q1/2003	Corporate Centre Q1/2004	Corporate Centre Q1/2003	Erste Bank Group Total Q1/2004	Erste Bank Group Total Q1/2003
Net interest income	35.3	31.2	(2.2)	(3.0)	656.9	617.6
Risk provisions for loans and advances	(8.1)	(10.0)	0.0	0.4	(108.2)	(97.2)
Net commission income	5.7	3.8	(2.3)	(3.6)	281.4	228.9
Net trading result	0.0	(0.1)	(1.7)	(0.7)	62.4	60.1
General administrative expenses	(7.8)	(8.8)	(11.6)	(2.2)	(642.3)	(605.1)
Income from insurance business	0.0	0.0	0.0	0.0	6.4	4.4
Other operating result	(3.0)	(0.6)	2.0	(10.3)	20.8	(22.6)
<b>Pre-tax profit for the period</b>	<b>22.1</b>	<b>15.6</b>	<b>(15.9)</b>	<b>(19.3)</b>	<b>277.4</b>	<b>186.1</b>
Taxes on income	(3.8)	(4.7)	(17.6)	8.8	(89.4)	(54.4)
Minority interests	0.0	0.0	(24.5)	(6.9)	(83.8)	(55.9)
<b>Net profit after minority interests<sup>1</sup></b>	<b>18.4</b>	<b>11.0</b>	<b>(58.0)</b>	<b>(17.4)</b>	<b>104.2</b>	<b>75.8</b>
Average risk-weighted assets	6,218.3	6,231.6	486.7	322.4	63,470.6	60,291.5
Average attributed equity	400.4	376.7	31.3	19.5	2,853.5	2,514.4
<b>Cost-income ratio (in %)</b>	<b>19.1%</b>	<b>25.1%</b>	<b>n.a.</b>	<b>n.a.</b>	<b>63.8%</b>	<b>66.4%</b>
<b>ROE based on net profit (in %)<sup>2</sup></b>	<b>18.4%</b>	<b>11.6%</b>	<b>n.a.</b>	<b>n.a.</b>	<b>14.6%</b>	<b>12.1%</b>

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
Net interest income	617.6	672.5	644.6	652.1	656.9
Risk provisions for loans and advances	(97.2)	(108.7)	(92.7)	(107.8)	(108.2)
Net commission income	228.9	253.0	245.6	269.1	281.4
Net trading result	60.1	54.5	56.0	44.0	62.4
General administrative expenses	(605.1)	(617.8)	(614.1)	(623.8)	(642.3)
Income from insurance business	4.4	8.8	7.6	12.1	6.4
Other operating result	(22.6)	(38.1)	(68.1)	(73.3)	20.8
<b>Pre-tax profit for the period</b>	<b>186.1</b>	<b>224.2</b>	<b>178.9</b>	<b>172.4</b>	<b>277.4</b>
Taxes on income	(54.4)	(64.7)	(51.5)	(53.6)	(89.4)
<b>Profit for the period</b>	<b>131.7</b>	<b>159.5</b>	<b>127.4</b>	<b>118.8</b>	<b>188.0</b>
Minority interests	(55.9)	(70.2)	(37.3)	(20.7)	(83.8)
<b>Net profit after minority interests</b>	<b>75.8</b>	<b>89.3</b>	<b>90.1</b>	<b>98.1</b>	<b>104.2</b>

# Development in Erste Bank Group's qualifying capital at 31 March 2004

in EUR million	31 Mar 2004	31 Dec 2003	31 Mar 2003
Subscribed capital (less shares held in own portfolio)	436	436	435
Reserves and minority interests	4,227	3,940	3,989
Intangible assets	(439)	(464)	(457)
<b>Core capital (Tier 1)</b>	<b>4,224</b>	<b>3,912</b>	<b>3,967</b>
Eligible subordinated liabilities	2,670	2,696	2,805
Revaluation reserve	192	198	197
<b>Qualifying supplementary capital (Tier 2)</b>	<b>2,862</b>	<b>2,894</b>	<b>3,002</b>
<b>Short-term subordinated capital (Tier 3)</b>	<b>305</b>	<b>340</b>	<b>321</b>
<b>Total qualifying capital</b>	<b>7,391</b>	<b>7,146</b>	<b>7,290</b>
Deductions acc. to Sections 23 (13) and 29 (1-2) Austrian Banking Act	(146)	(137)	(93)
<b>Total eligible qualifying capital</b>	<b>7,245</b>	<b>7,009</b>	<b>7,197</b>
Capital requirement	5,419	5,315	5,142
Surplus capital	1,826	1,694	2,055
Cover ratio (in %)	134%	132%	140%
<b>Tier 1 ratio (in %)</b>	<b>6.6%</b>	<b>6.3%</b>	<b>6.6%</b>
<b>Solvency ratio (in %)</b>	<b>10.9%</b>	<b>10.7%</b>	<b>11.4%</b>
Risk-weighted basis acc. to Section 22 Austrian Banking Act	63,555	62,188	60,256
Thereof 8% minimum capital requirement	5,084	4,975	4,821
Capital requirement for open foreign exchange position acc. to Section 26 Austrian Banking Act	15	14	11
Capital requirement for the trading book acc. to Section 22b (1) Austrian Banking Act	320	326	310
<b>Total capital requirement</b>	<b>5,419</b>	<b>5,315</b>	<b>5,142</b>



## Financial calendar<sup>1</sup>

17 August 2004	Release of results for the first half of 2004
23 September 2004	International Capital Markets Day
12 November 2004	Release of results for the first three quarters of 2004

1 Preliminary dates

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## Ticker symbols

Reuters ERST.VI

Bloomberg EBS AV

Datastream O:ERS

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ADR Cusip-Code 296 036 304

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