

# Erste Bank 2003

The Leading Financial Services Provider in Central Europe

**Leadership: More than 11 million customers**

**Expansion: Acquired Hungarian Postabank**

**Integration: Erste Bank Croatia has become the country's third largest bank**

**Share performance: Well ahead of benchmarks**

# The principles of Erste Bank.

**Employees** Every relationship is about people. Strategic decisions are made in dialogue with our staff. **Customers** The satisfaction of our clients is the basis of our success as a business. The customer is therefore at the centre of all our activities. **Innovation** We continually question traditional ways, developing new solutions to the benefit of our customers. **Performance** Our actions emphasise achievement. All staff members are able to contribute their abilities and commitment to the common mission in the most effective manner. **Team** Success takes a team. Only by open, communicative teamwork and with high integrity can we overcome selfishness and attain our goals. **Entrepreneurship** We must all be entrepreneurs. Within their area of power, employees act in a self-directed way that is in keeping with a sense of responsibility. **Results** We focus on results. By striking the right balance between costs and benefits, we achieve the best possible outcome and fulfil the expectations of all involved. **Trust** We encourage a culture of open communication. Our behaviour embodies reliability, fairness, honesty and mutual esteem.

**Our success comes from keeping our promises to our customers and our investors.**

## Key figures (IFRS)

	2003 in EUR million	2002 in EUR million
<b>Balance sheet</b>		
Total assets	128,575	121,222
Loans and advances to credit institutions	13,140	15,492
Loans and advances to customers	67,766	64,435
Risk provisions for loans and advances	(2,772)	(2,983)
Trading assets, investments available for sale, financial investments	39,093	32,795
Sundry assets	11,348	11,483
Total liabilities and shareholders' equity	128,575	121,222
Amounts owed to credit institutions	25,704	26,425
Amounts owed to customers	64,839	61,308
Debts evidenced by certificates, including subordinated capital	20,482	17,577
Other liabilities, provisions	11,880	10,708
Minority interests	2,879	2,723
Shareholders' equity	2,791	2,481
<b>Changes in total qualifying capital</b>		
Risk-weighted assets pursuant to Sec. 22 Banking Act	62,188	60,257
Qualifying consolidated capital pursuant to Sec. 23 & 24 Banking Act	7,009	6,983
of which core capital (Tier 1)	3,912	3,800
Solvency ratio pursuant to Sec. 22 Banking Act (in %)	10.7%	11.0%
of which core capital ratio (in %)	6.3%	6.3%
<b>Income statement</b>		
Net interest income	2,586.8	2,463.0
Risk provisions for loans and advances	(406.4)	(406.4)
Net commission income	996.6	944.3
Net trading result	214.6	167.4
General administrative expenses	(2,460.8)	(2,432.0)
Operating result	1,370.1	1,151.2
Pre-tax profit	761.6	664.6
Net profit after minority interests	353.3	255.2
<b>Profitability</b>		
Interest margin in % of average interest bearing assets <sup>1</sup>	2.30%	2.30%
Net profit after minority interests in % of average total assets	0.28%	0.22%
Net profit after minority interests in % of risk-weighted assets (RWA)	0.57%	0.42%
Cost-income ratio (in %)	64.2%	67.9%
Return on equity (ROE) (in %)	13.7%	12.7%
Earnings per share (in EUR)	5.94	4.73
<b>Additional information</b>		
Number of employees	37,650 <sup>2</sup>	36,923
Number of bank branches	2,370 <sup>3</sup>	2,285

1 New calculation method compared to previous year

2 Including 1,804 employees of Postabank

3 Including 112 branch offices of Postabank

## Key figures for Erste Bank share

	2003 in EUR	2002 in EUR
<b>Share price</b>		
High	98.20	85.83
Low	58.45	53.00
Closing price	97.97	64.15
<b>Share ratios</b>		
Earnings per share	5.94	4.73
Price-earnings ratio	16.49	13.56
Dividend per share	1.50 <sup>1</sup>	1.24
Payout ratio (in %)	25.4%	29.1%
Dividend yield (in %)	1.5%	1.9%
Book value per share	46.56	41.47
Operating result per share	22.86	19.24
Price-book value ratio	2.1	1.5
<b>Total Shareholder Return (TSR)</b>		
TSR (in %)	54.22%	9.35%
Average TSR (in %)	15.57%	9.13%

### Number of shares

Number of shares outstanding	59,943,808 <sup>2</sup>	59,825,114 <sup>2</sup>
Average number of shares outstanding	59,461,459	53,942,369
Market capitalisation (in EUR billion)	5.87	3.84
Trading volume (in EUR billion)	2.02 <sup>3</sup>	1.42 <sup>3</sup>

1 Recommendation to Annual General Meeting

2 The Erste Bank shares held by the cross-guarantee system savings banks were not deducted from the number of shares outstanding.

3 Source: Vienna Stock Exchange; single counting

## 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

## Performance of Erste Bank share



**Czech Republic**  
Česká spořitelna

**Slovak Republic**  
Slovenská sporiteľňa

**Austria**  
Erste Bank and  
Savings Banks

**Hungary**  
Erste Bank  
Hungary and  
Postabank

**Croatia**  
Erste Bank Croatia

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## Ticker symbols

Reuters	ERST.VI
Bloomberg	EBS AV
Datastream	O:ERS
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## **Delivered as promised.**

The strategy has worked out

**The successful acquisition of Hungarian Postabank marked the preliminary endpoint in the implementation of the Central Europe strategy. Erste Bank is now concentrating on reaping synergies within the Group and delivering to customers all the advantages expected from a modern financial services provider: a complete range of services in an attractive economic region that is at the leading edge of growth in Europe.**

**Erste Bank has reached its goal. With more than 11 million customers, it is leading in precisely those countries where the economy will continue to grow more rapidly in the coming years than anywhere else in Europe.**

## Our core strategies

## The most important goals are already attained

## Where we are going from here



### 01 Focusing on and exploiting core business potentials

Strengthened and expanded the domestic business; Erste Bank and savings banks have up to 25% market share in Austria

Win market shares by selective growth in the core business; expand the distribution of financial services and products, with greater focus on the potential of traditional savings customers; streamline branch network to improve retail efficiency

### 02 Building a strong retail franchise with the Austrian savings banks

Consolidated the Austrian savings bank group; established joint production, uniform marketing, cross-guarantee system (Haftungsverbund)

Intensify cross-selling in insurance, leasing and real estate; raise efficiency by joint budgeting

### 03 Targeting a home market of 40 million people in Central Europe

Retail market leader in the Czech Republic and Slovak Republic; leading positions in Hungary and Croatia; Erste Bank already serves over 11 million customers in Central Europe, making it the region's leading financial services provider

Solidify the number one positions in the Czech and Slovak markets; conduct marketing campaigns after integration of the banking subsidiaries in Hungary and Croatia; leverage the growth potential from EU convergence of the accession countries; evaluate market entry in countries that could join the EU as of 2007

### 04 Transferring the multi-channel distribution model throughout Central Europe

Developed an integrated multi-channel distribution system with savings banks; e-business products are gaining ever more popularity with customers

Expand alternative sales channels in the extended home market based on the model used in Austria; further develop the online selling of products as part of the integrated multi-channel management

# Key goals achieved.

## Preface from Chairman Andreas Treichl



### DEAR SHAREHOLDERS,

SIX YEARS AGO AT OUR GOING-PUBLIC, WE PRESENTED A STRATEGY THAT FEW OUTSIDE ERSTE BANK BELIEVED WE COULD IMPLEMENT SUCCESSFULLY. AT A TIME WHEN THE SAVINGS BANK BUSINESS WAS WIDELY DISMISSED AS UNEXCITING AND MANY INVESTORS HAD EYES ONLY FOR INVESTMENT BANKING, WE MADE IT OUR GOAL TO BECOME THE LEADING RETAIL BANK IN CENTRAL EUROPE. TODAY WE HAVE ACCOMPLISHED THAT – AND ARE AMONG THE TOP BANKS IN PRECISELY THOSE MARKETS WHERE ECONOMIC GROWTH IN THE COMING YEARS WILL CONTINUE TO BE THE STRONGEST IN EUROPE.

### OUR STRATEGY HAS DELIVERED

\_\_\_\_\_ The successful acquisition of Hungarian Postabank was the preliminary endpoint in making our Central Europe strategy a reality. Now we are concentrating on reaping synergies within the Group and offering our customers all the advantages they can expect from a modern financial services provider: a complete range of services in the economically most attractive region in an expanding Europe. In all its markets, Erste Bank now ranks among the top three retail banks, which overall – with more than 11 million customers – makes it the leading financial institution in Central Europe.

### STRONG CONFIDENCE IN CAPITAL MARKETS

\_\_\_\_\_ Our sustained business success in the past several years is impressive proof that we chose the right strategy. Our share price, having risen by more than half in 2003, likewise reflects this development and underlines the high value that stock markets place on Erste Bank. Part of the reason is that we have always fulfilled or even overachieved our promises. In the years since our initial public offering we have come to appreciate the capital market as a reliable partner, and we will continue to put our trust in it. Overall since the IPO, the market capitalisation of Erste Bank has more than tripled to over EUR 7 billion. We have thus moved up to an order of magnitude that opens doors to a new class of investors – those interested primarily in mid- and large-capitalisation shares.



#### HIGHEST EARNINGS EVER

\_\_\_\_\_ The single-minded pursuit of our strategy is also evident in our earnings for the 2003 fiscal year. Net profit after minority interests increased for the sixth year in succession. From a level of just under EUR 130 million in 1997, this figure has by now nearly tripled to EUR 353.3 million.

\_\_\_\_\_ An indispensable factor in this record result, alongside the high contribution by the Central European subsidiaries, was that we persistently kept a tight rein on costs. In Austria too we began to make new headway: Here we not only succeeded in holding costs virtually steady, but also boosted fee and commission income, helped by the resurgence in capital market activity.

\_\_\_\_\_ In the years ahead, thanks to our superb positioning in Europe's growth markets, we can look forward to continuing substantial growth in Erste Bank's main revenue streams – interest income and fees and commissions.

#### ADDING VALUE IN OUR EXTENDED HOME MARKET

\_\_\_\_\_ Our Central European subsidiaries generated a significant part of the Group's earnings in 2003, at about 54% of the total – clear evidence of the enormous potential that we have tapped through our Central Europe strategy. An especially gratifying development was the performance of Erste Bank Croatia. This subsidiary earned a good profit even in the year of its creation through the merger of Riječka banka and Erste & Steiermärkische banka, a union that made it the third largest bank in Croatia.

\_\_\_\_\_ Erste Bank's ability to integrate acquisitions was thus eloquently demonstrated: We not only know how to expand, but are also able to combine and transform existing institutions effectively and thus add lasting value for the Erste Bank Group.

\_\_\_\_\_ This experience will be applied again successfully this year in Hungary. Already, we are posting very good results in this country despite an extremely difficult market setting. With the merger of our two Hungarian subsidiaries, planned for this year, we will now become the second largest retail bank in Hungary by number of customers. Additional positive impetus should come from new marketing campaigns, which are already under way.

#### ENHANCING BUSINESS PERFORMANCE IN AUSTRIA

\_\_\_\_\_ In Austria as well, we got ahead last year. Thanks to a significant reduction in costs, solid gains were made in profitability – and we will continue so in 2004. Among other initiatives, the already launched evaluation of the branches will lead to a distinct structural improvement. Building on this foundation, we must now intensify our product offers to existing customers, with the goal of having every customer benefit fully from Erste Bank's comprehensive array of services.

\_\_\_\_\_ Reversing a prolonged trend, the savings bank group succeeded in increasing its market share both in Vienna and overall in Austria. An important driving factor behind this success is certainly the smoothly functioning collaboration with the savings banks. This cooperation has been highly productive and is serving as a model to other players in the industry. For example, many savings banks in Germany plan to work together under a similar co-operative scheme.

#### STAFF CHARTER CEMENTS CORPORATE CULTURE

\_\_\_\_\_ A vital role in our success is of course played by our staff – the people who give our bank its face and true character. Last year, together with the staff council, we put into words the esteem and respect for the Group's employees by drafting a Staff Charter. This document sets out the shared values and, derived from them, the terms of reference for working together in the Erste Bank Group. The Staff Charter clears the way for tackling new challenges co-operatively in maximum consensus with staff. In this context we no longer make distinctions between the countries spanned by the Group's operations – we see ourselves as a Central European retail bank with a common identity that cuts across national and cultural boundaries.

\_\_\_\_\_ Our goal, in complete alignment with the principles of good corporate governance, is to fulfil the expectations of all our stakeholders. That involves paying particular attention to employees. A fair balance between the interests of shareholders and staff is to avoid conflicts and create a basis for the achievement of our corporate objectives. Additionally, our extensive employee stock ownership programme ensures that all staff members receive their share of the bank's profits.

#### SOCIAL RESPONSIBILITY

\_\_\_\_\_ At the level of shareholders as well, we live up to our corporate social responsibility more than ever. Last year AVS (DIE ERSTE österreichische Spar-Casse-Anteilsverwaltungssparkasse) was converted into a private foundation which, with a 34% interest, constitutes our largest shareholder. With its new legal form, this savings bank foundation not only satisfies the requirements of the international capital markets much better, but also has greater flexibility to fulfil a traditional calling of savings banks: the promotion of socially active, charitable institutions.

#### OPTIMISTIC OUTLOOK

\_\_\_\_\_ The Erste Bank Group has built a powerful base for prospering from the dynamic growth of the Central European markets. The economic potential of these countries, where about 90% of our customers live, is vast. With a per-capita income of about EUR 6,200 these nations remain far behind the EU average, and will need years to close the gap. It is this very catch-up potential that holds immense profit opportunities for our Group. The reason is that we offer exactly what customers need most: finance for home renovation and purchase, insurance, retirement savings products as well as consumer loans – all products that until recently did not exist in the new European countries.

\_\_\_\_\_ We will also continue to consider selected possible acquisitions, focusing on those countries which could be part of the next wave of EU enlargement. Here too all our activities will be governed by two criteria: sustained growth in value, and the benefits generated for the existing Erste Bank Group.

\_\_\_\_\_ In doing so, we will reap the rewards of the effective strategic work done since going public. To this end, we will position the Erste Bank Group so as to make optimum use of the strengths of all Group companies, thus setting the stage for further gains in efficiency.

\_\_\_\_\_ In this way we also ensure that Erste Bank remains an independent, autonomous institution. For our clients and shareholders, this safeguards that they will continue to derive the greatest possible advantage from their relationship with Erste Bank.



Andreas Treichl

## **Landmark achievements.**

Highlights in 2003

**Leadership: More than 11 million customers**

**Expansion: Acquired Hungarian Postabank**

**Integration: Erste Bank Croatia has become the country's third largest bank**

**Focused: Reorganised the insurance business**

**Savings banks: Continued transfer of branches; increased stake in Kärntner Sparkasse**

**Earnings growth: Net profit up 38.4%**

**Share price: Performance well ahead of benchmarks**

**Company value: Market capitalisation grew more than 50% in 2003**

# Leading to success.

## The Managing Board of Erste Bank

### **Andreas Treichl**

**Chairman of the Managing Board since July 1997**

**RESPONSIBLE FOR:** Group Communication, Savings Banks, Group Strategic Development, Internal Audit, Legal Services, Group Marketing, Česká spořitelna

### **Elisabeth Bleyleben-Koren**

**Deputy Chairwoman of the Managing Board since May 1999**

**RESPONSIBLE FOR:** Austrian Branches, SME Customers, Large Corporate Customers & Project Finance, Multinational Customers, Multi-Channel Management, Product Management, Human Resources

### **Reinhard Ortner**

**Member of the Managing Board since July 1984**

**RESPONSIBLE FOR:** Accounting, Equity Investments, International Business, Slovenská sporiteľňa, Erste Bank Hungary, Erste Bank Croatia

### **Franz Hochstrasser**

**Member of the Managing Board since January 1999**

**RESPONSIBLE FOR:** Investment Banking, Treasury, Private Banking & Asset Management

### **Erwin Erasim**

**Member of the Managing Board since January 2001**

**RESPONSIBLE FOR:** Payments & Processing, Group Information Technology, Securities & Treasury Operations, Infrastructure & Logistics

### **André Horovitz**

**Member of the Managing Board since January 2003**

**RESPONSIBLE FOR:** Strategic Risk Management, Credit Risk Management Austria & Central Europe, Credit Risk Management International, Loan Restructuring, Planning & Controlling



ANDREAS TREICHL



FRANZ HOCHSTRASSER



ELISABETH BLEYLEBEN-KOREN



ERWIN ERASIM



REINHARD ORTNER



ANDRÉ HOROVITZ

# Share performance.

## Gains in a dynamic environment

\_\_\_\_\_ Marking their first full-year rise since 1999, the international stock exchanges ended 2003 with solid gains. Despite the political uncertainty, the delay in the economic upturn and the persistent weakness of the US dollar, nearly all important equity markets charted double-digit advances. In the banking sector, the DJ Euro Stoxx Bank Index rose significantly, spurred by an emerging improvement in the earnings situation of European banks. Attaining a level of 260.05 points at the end of December, the sector index climbed 31.0% on balance over the year.

\_\_\_\_\_ With a rise of 34.4% in the ATX Index, the Austrian stock market

outdistanced almost all other European equity indices in 2003. A central reason for the outperformance of the Vienna stock exchange was the growing upside potential associated with the imminent eastward enlargement of the European Union.

\_\_\_\_\_ Last year the Erste Bank share delivered a record gain and a series of new all-time highs. Reaching a year-end price of EUR 97.97, the share advanced 52.7% in 2003. Erste Bank thus outperformed both the ATX, by 18.3 percentage points, and the sector index for European banks, by 21.7 percentage points.

### Share performance at a glance

	since IPO <sup>1</sup> Dec. 1997	since SPO <sup>2</sup> Sept. 2000	since SPO <sup>2</sup> July 2002	2003
Erste Bank share	+ 121.0 %	+ 108.4 %	+ 40.6 %	+ 52.7 %
ATX	+ 18.4 %	+ 32.2 %	+ 26.7 %	+ 34.4 %
DJ Euro Stoxx Bank Index	- <sup>3</sup>	- 26.0 %	+ 3.5 %	+ 31.0 %

1 Initial Public Offering

2 Secondary Public Offering

3 Comparison since IPO is not applicable as Erste Bank has been included in this index only since 16 January 1998

### Performance of Erste Bank share, DJ Euro Stoxx Bank Index and ATX since start of 2003 (indexed)



# Financial calendar

<b>4 May 2004</b>	>	<b>Annual General Meeting</b>
<b>7 May 2004</b>	>	<b>Ex-dividend date and dividend payment date</b>
<b>10 May 2004<sup>1</sup></b>	>	<b>Release of results for the first quarter of 2004</b>
<b>17 August 2004<sup>1</sup></b>	>	<b>Release of results for the first half of 2004</b>
<b>12 November 2004<sup>1</sup></b>	>	<b>Release of results for the first three quarters of 2004</b>

<sup>1</sup> Preliminary date

# Key financials.

## Overview of 2003 business performance

<b>Excerpt from the Consolidated Balance Sheet (IFRS<sup>1</sup>)</b>	31 Dec 2003 in EUR million	31 Dec 2002 in EUR million	Change in %
<b>Assets</b>			
Cash and balances with central banks	2,549	3,181	(19.9)
Loans and advances to credit institutions	13,140	15,492	(15.2)
Loans and advances to customers	67,766	64,435	5.2
Risk provisions for loans and advances	(2,772)	(2,983)	(7.1)
Trading assets	5,259	3,487	50.8
Investments available for sale	7,379	6,736	9.5
Financial investments	26,455	22,572	17.2
Intangible assets	1,868	1,596	17.1
Tangible assets	1,814	1,866	(2.8)
Other assets	5,117	4,840	5.7
<b>Total assets</b>	<b>128,575</b>	<b>121,222</b>	<b>6.1</b>
<b>Liabilities and shareholders' equity</b>			
Amounts owed to credit institutions	25,704	26,425	(2.7)
Amounts owed to customers	64,839	61,308	5.8
Debts evidenced by certificates	16,944	14,191	19.4
Provisions	6,366	5,488	16.0
Other liabilities	5,514	5,220	5.6
Subordinated capital	3,538	3,386	4.5
Minority interests	2,879	2,723	5.7
Shareholders' equity	2,791	2,481	12.5
<b>Total liabilities and shareholders' equity</b>	<b>128,575</b>	<b>121,222</b>	<b>6.1</b>

Amounts for sub-items and percentage rates of change may differ slightly from those calculated from non-rounded figures.

1 International Financial Reporting Standards (formerly International Accounting Standards - IAS)

The earnings performance for the 2003 financial year smoothly extends the success story of the past six years, during which Erste Bank has continually increased its net earnings. Significantly, over this short span of time Erste Bank succeeded in attaining or even greatly surpassing the goals it set itself on the occasion of the Initial Public Offering in 1997.

- Operating result improved 19.0% from EUR 1,151.2 million to EUR 1,370.1 million.
- The cost-income ratio was drastically reduced and, at 64.2%, is also far better than the previous year's level of 67.9%.
- Net profit after minority interests grew 38.4% from EUR 255.2 million to EUR 353.3 million.
- Return on equity improved markedly in 2003, rising one percentage point to 13.7%.



## Excerpt from the Consolidated Income Statement (IFRS<sup>1</sup>)

	2003 in EUR million	2002 in EUR million	Change in %
Net interest income	2,587	2,463	5.0
Risk provisions for loans and advances	(406)	(406)	0.0
Net commission income	996	944	5.5
Net trading result	214	167	28.2
General administrative expenses	(2,461)	(2,432)	1.2
Result from insurance business	33	8	>100.0
Other operating result	(202)	(80)	>(100.0)
<b>Pre-tax profit for the year</b>	<b>761</b>	<b>664</b>	<b>14.6</b>
Taxes on income	(224)	(151)	48.3
<b>Profit for the year</b>	<b>537</b>	<b>513</b>	<b>4.7</b>
Minority interests	(184)	(258)	(28.6)
<b>Net profit after minority interests</b>	<b>353</b>	<b>255</b>	<b>38.4</b>

### Assets

**Cash and balances with central banks:** Cash and liquid funds on deposit with central banks that can be withdrawn at any time

**Loans and advances to credit institutions:** Amounts loaned to credit institutions primarily on a short-term basis

**Loans and advances to customers:** Amounts loaned to customers, e.g. for investment purposes

**Risk provisions:** Provisions made as a precautionary measure for possible loan default

**Trading assets:** Securities and other financial instruments traded on a continual basis and reported in the balance sheet at their fair value

**Investments available for sale:** Securities which are defined as a liquidity reserve due to business reasons and the Group's internal guidelines and which are measured at fair value

**Financial investments:** In particular securities held as long-term investments and insurance investments

**Intangible assets:** Goodwill and software acquired or developed by the Group

**Tangible assets:** The value of the Group's land and buildings, office furniture and equipment; the value of the fixed assets has a defined lifetime and is consequently written off on a yearly basis, the amount reported reflecting the depreciation taken to date

**Total assets:** Total of the Group's assets and invested funds

### Liabilities and shareholders' equity

**Amounts owed to credit institutions:** Amounts borrowed from other credit institutions and issued to customers in the form of loans or invested in securities or with other credit institutions

**Amounts owed to customers:** Amounts entrusted to the Group by customers in the form of savings or other deposits

**Debts evidenced by certificates:** Securities issued by the Group and offered to customers as an investment alternative to savings deposits

**Shareholders' equity:** Sum of capital made available by the acquisition of shares by shareholders and earnings generated by the Group which are not paid out as dividends but rather used to strengthen the company

**Total liabilities and shareholders' equity:** Sum of borrowed money, capital made available to the Group and earnings generated

### Income statement

**Net interest income:** The difference between the interest that must be paid on all entrusted money and the interest received on all loans issued and other investments

**Risk provisions for loans and advances:** Prudent business practice dictates that provisions must be made for loan default in the event that borrowers do not repay their debt on schedule

**Net commission income:** Amount generated by the procurement of services by customers

**Net trading result:** Result achieved by trading in securities, foreign exchange and other financial products

**General administrative expenses:** Costs incurred by the Group e.g. for personnel and other administrative expenses

**Other operating result:** Income and expenditures from transactions that do not pertain to the business typically conducted by the Group

**Net profit after minority interests:** Net profit after accounting for taxes and minorities; a portion thereof is distributed to shareholders in the form of a dividend while the rest is kept by the Group as retained earnings

## Focus on the customer.

Satisfied clients are the basis of lasting success



**Franz Pammer**, salesman  
Erste Bank customer

## Selection matters: A wealth of payment options for retail customers and SMEs.



**"TASTES DIFFER. AND NOT JUST IN CHEESE, BUT ALSO IN HOW TO PAY FOR IT. NOWADAYS THERE ARE MANY DIFFERENT POSSIBILITIES TO GIVE EACH CUSTOMER EXACTLY WHAT THEY WANT."**

\_\_\_\_\_ All of Erste Bank's activities revolve around the customer. With more than 11 million clients, Erste Bank today is the leading financial services provider in Central Europe. Erste Bank provides complete support to its clients for all their financial needs and takes its cues first and foremost from customers' requirements, expectations and goals. This is the key to providing individualised, custom-tailored services and building long-lasting business relationships. That in turn makes it possible to achieve sustained growth in value for everyone involved – customers, staff and shareholders.

### Needs-driven customer care

\_\_\_\_\_ In serving its customers, Erste Bank strives for maximum flexibility and individual attention, with a strong emphasis on new technologies and mobile communication: Clients can do their banking around the clock by Internet or telephone. The high degree of flexibility also extends to the personal advisory services provided by Erste Bank. Thus, account managers are available to advise on sophisticated financial transactions, even outside normal banking hours. The advanced multi-channel distribution organisation

ensures the optimum assignment of clients with those advisors who can offer them the right services and products and thus act as guides towards the best decisions in financial matters.

### Service quality is constantly monitored

\_\_\_\_\_ In order to assure service of the highest calibre, Erste Bank carries out extensive measurements of customers' satisfaction with the benefits they receive from their bank. At regular intervals, customers are surveyed on the subjects of service quality, professionalism of account managers and processes, and branch facilities. Suggestions for improvement are encouraged. The findings of these polls and other quality assessments – based, for example, on the use of mystery shoppers – are integrated in a customer service index. This CSI detects trends in customer satisfaction over extended periods of time and leads to prompt measures to improve individual factors.

\_\_\_\_\_ The pronounced focus on service is also an internalised reality in the co-operation across departmental boundaries within Erste Bank, and is regularly evaluated in this context as well. The results are used to take concrete steps designed to increase long-term efficiency.

### Market position entails obligations

\_\_\_\_\_ Both in Austria – together with the savings banks – and in the countries of the extended home market in Central Europe, Erste Bank is now the leading retail banking group. This leadership status also extends to the Group's portfolio of services. In the interest of the client – largely retail customers, professionals and small and medium-sized businesses – the bank continually works to expand the scope and quality of its service offering.

# Focus on employees a major success factor.

## An essential element of Erste Bank's corporate culture

\_\_\_\_\_ Since its Initial Public Offering in 1997, Erste Bank has grown into a successful international group with some 2,400 locations in five countries. This has involved a several-fold increase in the size of its staff to 37,650. The Group's dynamic growth has brought far-reaching changes and new experiences for every staff member, and places ever-new demands on the organisational structure. Additionally, the modern workplace is marked by a multitude of innovations that must be accommodated by flexible, judicious action based on a consensus between staff and management. Erste Bank aims to respond to these exigencies from a well-defined enduring system of values that permits an ideal balance between the interests of employees and shareholders.

### Staff Charter of Erste Bank

\_\_\_\_\_ In order to keep pace with changing market conditions and to design the bank's internal environment together, a Staff Charter was developed at Erste Bank. The Charter sets out the corporate guiding principles of Erste Bank and states that the bank's success depends primarily on the performance of its staff. The employee-oriented system of values and the resulting work environment are described in detail. Shared values and goals are a crucial factor in a common identity that transcends national and cultural boundaries. The prerequisite for long-lasting, successful customer relationship is entrepreneurial, team-based, performance-oriented action that never loses sight of the customer as its chief reference point. The equitable balancing of the interests of shareholders and staff is intended to ensure that the efforts of the different stakeholder groups remain focused on results. All activity is based on an open communication structure that, in the event of conflicts, permits constructive and goal-oriented solutions. The Group's watchword "Every relationship is about people" thus represents, in this context, a strong belief in the staff's importance to Erste Bank.

### It's child's play: Mortgages and other personal loans from Erste Bank.

"WITH CHILDREN COMES A WHOLE NEW STAGE IN LIFE. PRIORITIES CHANGE - MONEY SUDDENLY TAKES ON A DIFFERENT MEANING. THAT'S WHY I ALREADY NOW TRY TO PREPARE THE CHILDREN FOR THE FUTURE AND GIVE THEM A FEEL FOR NUMBERS, WHILE EVERYTHING IS STILL A GAME."





**Michaela Peschen**  
kindergarten teacher  
Erste Bank customer



## Investing in the future through training and development

\_\_\_\_\_ Consistent with these values of Erste Bank, training and development are an inseparable part of the bank's everyday practice. They are considered an investment in the future of every single employee and of the whole enterprise. At the heart of these development activities are training programmes with a standardised core content that are adapted to local requirements in the different countries. This includes multi-country initiatives to promote Group-wide mobility and knowledge transfer. As well, personal development is furthered by potential-development programmes and managers are supported with intensive coaching in difficult situations.

\_\_\_\_\_ A holistic view of individuals' life situation and employees' need for a healthy work-life balance prompted Erste Bank to offer opportunities for development and personal growth that go beyond a career focus. In addition to flexible working hours, telework and other family-friendly arrangements, employees have access to the "Erste Bank Consciousness Centre", an institution that encourages alternative ways of seeing and teaches new abilities. Innovative thinking and creativity are stimulated through energy cultivation training and mental training, Feng Shui and many other approaches. The Centre also offers constructive methods of coping with stress and attaining more *joie de vivre*, a greater sense of achievement and better mental health.

\_\_\_\_\_ Additionally, employees of Erste Bank have access to the extensive counselling, available from the bank's Staff and Family Services group, especially in matters of childcare and eldercare. This department offers support 365 days a year.

# Sponsorship activities of Erste Bank.

## Taking responsibility for society

### Central Europe sponsorship initiative

\_\_\_\_\_ In step with Erste Bank's growth into the leading retail bank in Central Europe, its involvement as a sponsor of social, cultural and sports activities has also deepened. A key emphasis of the diverse sponsorship ventures therefore lies in promoting the further coalescence of the Central European region. In this undertaking, Erste Bank acts as an initiator of largely international activities in the areas of culture, science and sports, and also supports social initiatives. The overarching goal is to encourage people and institutions in Austria and Central Europe to think and act independently, thus helping to create and preserve civil societies in Austria and Central Europe that are culturally diverse, tolerant and socially cohesive.

### Commitment to contemporary art

\_\_\_\_\_ With the founding in 2002 of Tranzit, a platform for Central European contemporary art, the Erste Bank Group had already taken a pivotal step. Last year this project was very successfully continued. To artists, curators and theorists in the Czech and Slovak Republics and Austria, Tranzit offers new possibilities for developing artistically and socially relevant strategies and creative approaches. As a multi-faceted, flexible programme, Tranzit makes an active contribution to the continual visionary and quality-conscious development of society and art in Central Europe. Most of all, however, Tranzit provides exposure for artists who are outside the focus of current cultural policy. Under the care of international curators Kathrin Rhomberg and Mária Hlavajová as well as a representative of the respective local arts scene, 2003 already saw

publications, events and the awarding of the first grants. For instance, together with the Kölnischer Kunstverein (Art Association of Cologne), a retrospective was produced about Slovak artist Julius Koller. Brought out by respected publisher Walther König, this volume is the first Slovak book with world-wide distribution. In Prague a workshop was given with Hans Ulrich Obrist, one of the curators of Viennale 2003, and in New York the Tranzit network organised an exhibition on Central European artists at the Austrian Cultural Forum.

\_\_\_\_\_ In an example of strong commitment to the arts, the "Prague – Vienna" exhibition was staged in partnership with the Austrian National Library. With excellent timing, just when the prospective EU countries held their positive referenda on joining the European Union, Erste Bank and Česká spořitelna were thus able to create an eloquent symbol of the ties and closeness between the Czech Republic and Austria.

\_\_\_\_\_ Independence, innovation and the courage to experiment distinguish the programme of Wiener Secession, with which Erste Bank maintains a long-standing partnership. In 2003 their programme – well-received nationally and abroad – was brought to both customers and staff of Erste Bank in numerous pre-openings and special tours. An art appreciation programme called "Art Information" that was developed through this partnership with Erste Bank inspired visitors to think and act creatively by engaging them in direct dialogue with art history students. As another important benefit, this communicates the open and visionary basic stance of Wiener Secession and conveys the sponsorship philosophy of Erste Bank as the institution's foremost donor.



**Bernhard Hofbauer**  
controller  
Erste Bank customer



**It all adds up. Made-to-measure consulting and services for starting new businesses and financing going concerns.**

**"I HAVE REALISED THAT THERE IS NO ONE FORMULA FOR SUCCESS. EVERY FINANCIAL SITUATION CALLS FOR A DISTINCTIVE, VERY INDIVIDUAL SOLUTION. AND FINDING IT TAKES PARTNERS YOU CAN COUNT ON."**

## Setting the stage for contemporary music

\_\_\_\_\_ For almost 15 years now, Erste Bank has commissioned work from young composers by way of the "Erste Bank Music Commission". Through a new and far-reaching partnership with Klangforum Wien (a leading ensemble of soloists for contemporary music) and with the Wien Modern festival, last year the significance of this distinction was greatly enhanced. A premiere is also annually staged at this festival, performed by the Klangforum Wien. With this initiative for avant-garde music in Austria, Erste Bank has established a now-indispensable landmark championing contemporary musical creation and thus helps young, promising composers to gain further recognition and attention from the public. For his commission this year's winner, Clemens Gadenstätter, has created an important, magnificent piece of music titled "comic sense".

\_\_\_\_\_ Erste Bank has long supported the jazz genre, a highly diverse segment of contemporary creative culture that accommodates a wide range of new content and artistic expression. In addition to backing Jazzland, a legendary Vienna club, in 2003 the "Jazz First" initiative was started jointly with the Wiener Konzerthaus. Under this name, Erste Bank together with cultural magazine "jazzzeit" and young label Quinton supports a music project of a new Austrian talent every year. Jazz First focuses on works that make an up-to-date contribution to the body of contemporary music and are considered representative projects with great future potential. Part of Erste Bank's role is to finance the production of a CD and a concert tour. Moreover, all customers and employees of Erste Bank receive discounts on tickets to the jazz concerts of Wiener Konzerthaus.

\_\_\_\_\_ In 2003 the long standing partnership with Wiener Musikverein reached its material culmination in the opening of the so-called "Erste Bank Foyer", a section of the Musikverein's venue. Erste Bank's contribution made it possible to carry out the urgently needed renovation and especially the highly successful underground expansion of this world-renowned Vienna institution.



**Dreams become the foundation of reality – through Erste Bank's complete offering for young people.**

**"AT FIRST I DREAMED OF BECOMING AN ASTRONAUT. THEN A RACE CAR DRIVER. NOW I AM DREAMING OF RECORDING MY OWN CD. AND WHY NOT? DREAMS ARE FREE – AND THEY CAN COME TRUE. SPARK7."**

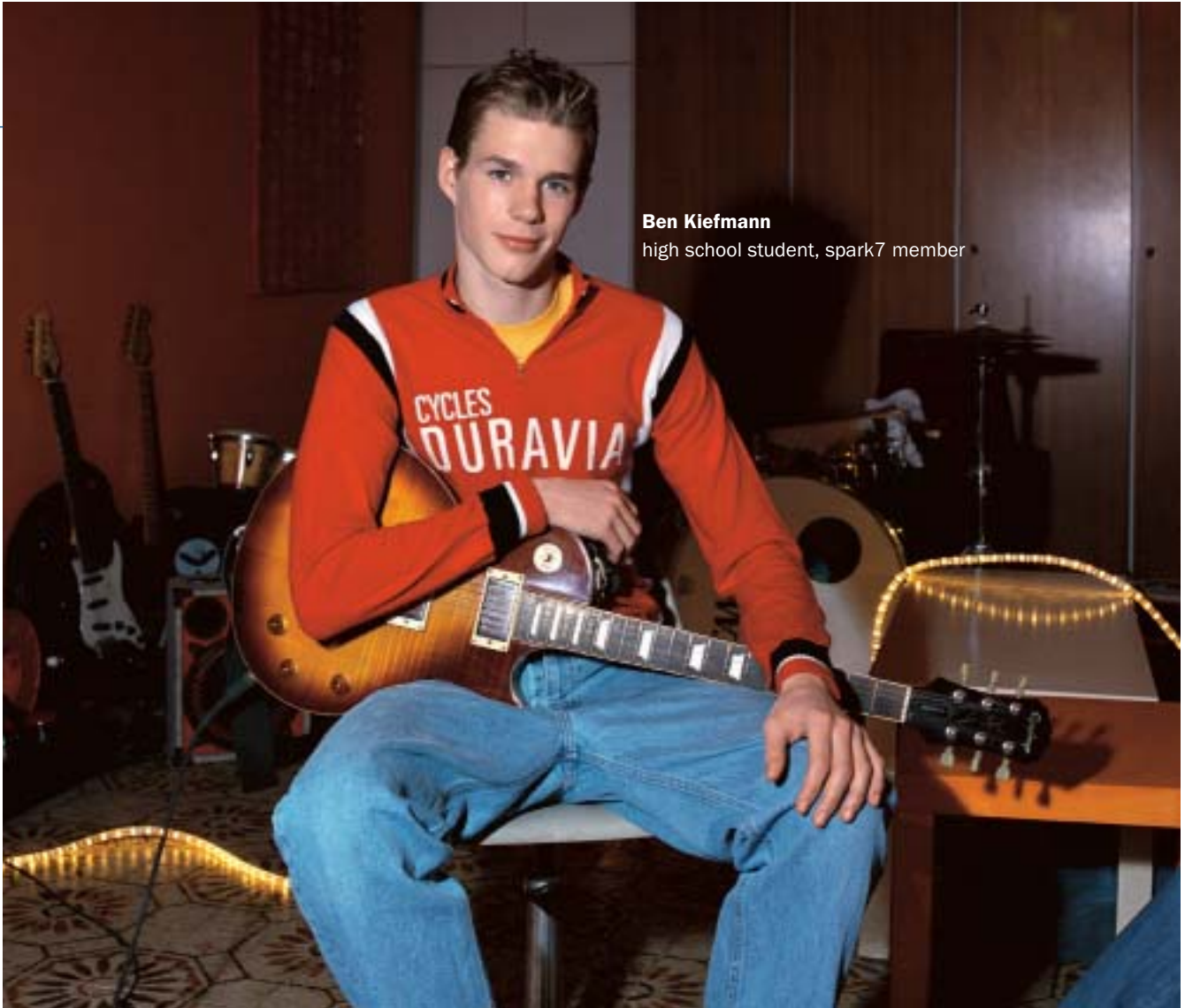
## Funding economic studies

\_\_\_\_\_ For many years now, Erste Bank has collaborated with Wirtschaftsuniversität Wien (WU, Vienna's university of economics and business administration) through numerous programmes, projects and initiatives revolving around business and research in Central Europe. Together with WU's own fund, Erste Bank mainly awards scholarships and research assignments. This included, for instance, "Erste Bank Summer University Danubia", a project which in 2003 gathered about 60 students from five Central European countries for a summer of collective study in the region's capitals.

## Practising social responsibility

\_\_\_\_\_ As long-established partners, Erste Bank and Caritas last year continued their extensive support of disadvantaged social groups in Austria and Central Europe: This comprised both a charity drive that this year was devoted to children in need, and a large-scale Caritas campaign that, by sensitising the public to the difficulties faced by the disabled, sought to improve conditions for handicapped people.

\_\_\_\_\_ An area of particularly intense support in 2003 was the Caritas hospice campaign, whose aim is to enable people to die with dignity and to lift the taboo which cloaks this very touchy social issue. Erste Bank last year joined Österreichisches Hilfswerk, a charity, in a campaign designed to encourage people to prepare ahead for retirement and the opportunities and threats of ageing. This effort helped to focus attention on the subject of population ageing and its challenges for government, society and families and to develop appropriate, constructive solutions.



**Ben Kiefmann**  
high school student, spark7 member

## Sponsoring sports

\_\_\_\_\_ The support which Erste Bank gives to cultural, social and economic endeavours is complemented by focused involvement in the area of sports. The concept of encouraging and celebrating athletic achievement is consonant with Erste Bank's winning expansion strategy and high standards of performance and quality. Last year, Erste Bank thus became the sponsor of the Erste Bank Ice Hockey League. As a dynamic and forward-looking enterprise, Erste Bank embraces this attractive sponsorship opportunity against the backdrop of the ice hockey world championships coming to Austria in 2005.

\_\_\_\_\_ Together with the savings banks, Erste Bank launched a programme known as "Erste Bank Sparkasse Running". Given that running is a growth sport in Austria, and in keeping with the principle of preventive healthcare, a national umbrella structure was thus formed to link the many running-related events supported by Erste Bank and the savings bank group. To promote the effective development of new cadres of young players, school soccer and volleyball leagues have also been sponsored in the name of the savings banks for 28 years. By sponsoring the Austrian snowboard team via the "spark7" youth brand, Erste Bank has an outstanding presence in this ever more popular sport.

**“In 2003 we achieved the highest earnings in the history of Erste Bank. We did this through our tight cost management, which helped to generate a steady increase in profitability both in Austria and Central Europe. After last year’s successful acquisition of Postabank, we are now among the top banks in all those Central European countries where economic expansion in the years ahead will be strongest.”**

**ANDREAS TREICHL, CHAIRMAN OF THE MANAGING BOARD**