

# Erste Bank 2002

The Leading Financial Services Provider in Central Europe

**Leading: More than 10 million customers**

**Successful: Capital increase**

**Majority: Stake in Česká spořitelna increased**

**Expansion: Acquired Riječka banka**

**Share: Gains in a declining market**

## **Our Mission:**

**Based in Austria, we are Central Europe's foremost financial services group. We provide banking, investment, loans and insurance services, and focus on consumers and small to medium-sized companies. We operate successfully in the fastest growing economies in the region, aiming to provide over 10 million customers with a high standard of personal service and a comprehensive range of financial products. We are exploiting the opportunities across existing and new distribution channels – we are online and face to face with our customers.**

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

## Key figures (IFRS)

	2002 <sup>2)</sup> in EUR million	2001 <sup>2)</sup> in EUR million
<b>Balance sheet</b>		
Total assets	121,222	86,033
Loans and advances to credit institutions	15,492	18,913
Loans and advances to customers	64,435	39,210
Risk provisions for loans and advances	(2,983)	(1,875)
Trading assets, other current assets, financial instruments	32,795	21,093
Other assets	11,483	8,692
Total liabilities and shareholders' equity	121,222	86,033
Amounts owed to credit institutions	26,425	28,642
Amounts owed to customers	61,308	37,175
Debts evidenced by certificates, including subordinated capital	17,577	12,707
Other liabilities, provisions	10,708	4,346
Minority interests	2,723	1,259
Shareholders' equity	2,481	1,904
<b>Changes in shareholders' equity</b>		
Risk-weighted assets pursuant to Sec. 22 Banking Act	60,257	37,803
Qualifying consolidated capital pursuant to Sec. 23 & 24 Banking Act	6,983	4,308
of which core capital (Tier 1)	3,800	2,337
Solvency ratio pursuant to Sec. 22 Banking Act (in %)	11.0%	10.7%
of which core capital ratio (in %)	6.3%	6.2%
<b>Income statement</b>		
Net interest income	2,463.0	1,438.9
Risk provisions for loans and advances	(406.4)	(203.6)
Net commission income	944.3	574.6
Net trading result	167.4	152.6
General administrative expenses	(2,432.0)	(1,454.3)
Operating result	1,151.2	711.7
Profit before tax	664.6	405.7
Net profit after minority interests	255.2	223.3
<b>Profitability</b>		
Interest margin in % of average total assets	2.17%	1.78%
Net profit after minority interests in % of average total assets	0.22%	0.28%
Net profit after minority interests in % of risk-weighted assets (RWA)	0.42%	0.59%
Cost-income ratio (in %)	67.9%	67.1%
Return on equity (RoE) (in %)	12.7%	12.4%
Earnings per share (in EUR)	4.73	4.47
<b>Additional information</b>		
Number of employees	36,923	28,222
Number of bank branches	2,285 <sup>3)</sup>	1,540

1) Incl. Česká spořitelna, a.s., Slovenská sporiteľňa, a.s.; Balance sheet figures and equities incl. Tiroler Sparkasse Bank AG

2) First-time consolidation of members of the cross-guarantee system and Riječka banka d.d. plus income statement including Tiroler Sparkasse Bank AG

3) Thereof Austrian savings banks: 754

## Key figures for Erste Bank share

	2002 in EUR	2001 in EUR
<b>Share price</b>		
High	85.83	62.00
Low	53.00	47.00
Closing price	64.15	59.70
<b>Share ratios</b>		
Earnings per share	4.73	4.47
Price-earnings ratio	13.56	13.36
Dividend per share	1.24 <sup>1)</sup>	1.24
Payout ratio (in %)	29.1%	27.7%
Dividend yield (in %)	1.9%	2.1%
Book value per share	41.47	37.80
Operating result per share	19.24	14.13
Price-book value ratio	1.5	1.6
<b>Total Shareholder Return (TSR)</b>		
TSR (in %)	9.35%	26.50%
Avg. TSR (in %)	9.13%	9.10%

### Number of shares

Number of shares outstanding	59,825,114 <sup>2)</sup>	50,362,955
Average number of shares outstanding	53,942,369 <sup>2)</sup>	49,965,944
Market capitalisation (in EUR billion)	3.84	3.01
Trading volume (in EUR billion)	2.85	1.33

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.

## Ratings

### FITCH

Long-term	A
Short-term	F1
Individual	C

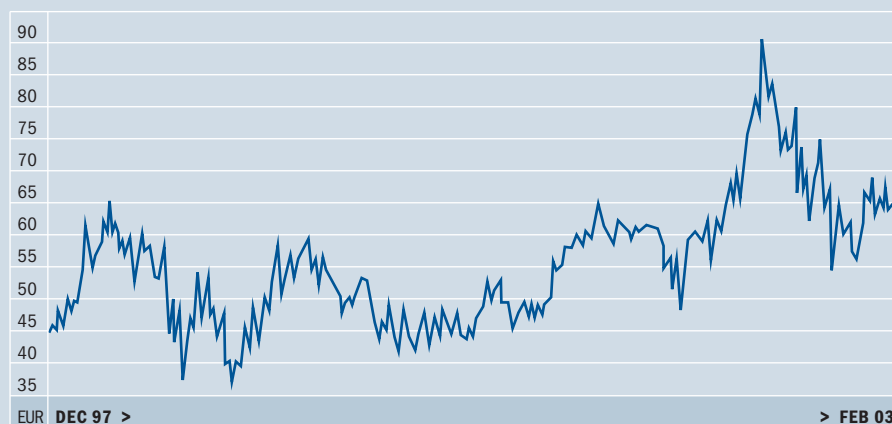
### Moody's Investors Service

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



**Czech Republic**  
Česká spořitelna, a.s.

**Slovak Republic**  
Slovenská sporiteľňa, a.s.

**Austria**  
Erste Bank and  
Savings Banks

**Hungary**  
Erste Bank  
Hungary Rt.

**Croatia**  
Riječka banka d.d.  
Erste & Steiermärkische  
Banka d.d.

## Erste Bank

PHONE: from within Austria 05 0100 - 10100  
international +43 5 0100 - 10100  
INTERNET: www.erstebank.at

## Investor Relations

Erste Bank, Graben 21, 1010 Vienna/Austria  
E-MAIL: investor.relations@erstebank.at  
FAX: from within Austria 05 0100 - 13112  
international +43 5 0100 - 13112  
INTERNET: www.erstebank.com/ir

## Gabriele Semmelrock-Werzer

PHONE: from within Austria 05 0100 - 11286  
international +43 5 0100 - 11286  
E-MAIL: gabriele.werzer@erstebank.at

## Thomas Schmee

PHONE: from within Austria 05 0100 - 17326  
international +43 5 0100 - 17326  
E-MAIL: thomas.schmee@erstebank.at

## Ticker symbols

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

Our strategy works

**The core strategies set when Erste Bank went public in 1997 have succeeded: Measured by number of customers, Erste Bank today is the leading provider of financial services in Central Europe. Erste Bank achieved the targets in 2002 and has ambitious plans for the future.**

## 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

Continue volume and earnings growth in core activities; expand distribution of bancassurance products

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

Consolidated the Austrian savings bank sector; established joint production, unified marketing, cross-guarantee system

Intensify cross-selling in insurance, leasing and real estate; raise efficiency by linking savings banks to common IT platform

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

Market leadership in the Czech Republic and Slovak Republic, with a strong presence in Hungary and Croatia; Erste Bank already serves over 10 million customers in Central Europe making it the region's top retail bank

Consolidate our market shares; enhance position in those countries of the extended home market where share has not yet reached 20%; use the growth potential from convergence of candidates for EU accession; explore establishing presence in countries that could join the EU from 2007

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

Developed an integrated multi-channel distribution model with savings banks; e-business products are more and more popular with customers

Develop the alternative distribution channels in the extended home market based on the model used in Austria

# A stage win on the growth path

## One-on-one with Chairman Andreas Treichl

### **MR. TREICHL, WITH NET PROFIT OF EUR 255.2 MILLION, ERSTE BANK WAS MORE PROFITABLE IN 2002 THAN EVER BEFORE. WHAT MADE IT POSSIBLE?**

\_\_\_\_\_ I believe that this strong business performance was driven by three factors. First, we have consistently stayed true to our strategy since our initial public offering in 1997: We are, and remain, a savings bank that concentrates on serving the economic “middle class”, by which I mean both the retail customers and small to mid-sized businesses. Second, we are one of the first western banks to have positioned ourselves in this same segment in Central Europe as well, where we are now the leading financial services provider with more than 10 million customers. The third and probably most important reason is the high quality of our staff, who truly go the extra mile for their clients.

### **BEYOND THESE FUNDAMENTAL DRIVERS OF YOUR SUCCESS, WHAT WERE SOME OF THE SPECIFIC MILESTONES IN 2002?**

\_\_\_\_\_ The most outstanding achievement last year was clearly the transformation of Česká spořitelna, which is now one of the best retail banks in all of Central Europe. It is no accident that, with better service and new products, this institution has won more than one million new customers since we acquired it. In Croatia, the acquisition of Riječka banka has made us the third largest banking group. And Slovenská sporiteľňa is no longer only the biggest bank in the Slovak Republic, but became the most profitable as well in 2002. In Hungary too we had a genuinely strong year.

\_\_\_\_\_ An essential reason for our success is the smooth co-operation with the Austrian savings banks. It is a model that makes us the envy of Germany's savings banks, among others. Especially last year, our cross-guarantee system – which, unlike other banks, guarantees the full amount of every customer's savings deposits – became another building block that greatly expands the close partnership in functions such as marketing, product development and securities settlement.

\_\_\_\_\_ Evidence that our strategy is a winner comes from the well-received capital increase in 2002. Overcoming the adverse market conditions, we succeeded in raising EUR 642 million (gross) for our continued expansion. Of course, to accomplish this we had to convince shareholders through a clear strategy, compelling earnings potential and rigorous execution. We are also extremely pleased with the listing of our share in Pra-

gue. It shows that, far from merely paying lip service in our strategy to becoming Central European, we have taken root in the region.

### **THE GROWTH FORECASTS FOR CENTRAL EUROPE REMAIN HIGH. HOW CAN ERSTE BANK CONTINUE TO HARNESS THIS POTENTIAL IN THE FUTURE?**

\_\_\_\_\_ By going on doing exactly what we are already practising successfully in Austria: Giving our full attention to the needs of our customers. Don't forget: Central Europe is Europe's only true growth market where economic activity and prosperity are concerned, and this will not change anytime soon. To cite just one telling fact: While every Austrian on average has EUR 12,000 invested in insurance and retirement savings products, in Central Europe the amount is barely EUR 280. Even taking into account the income differential of one to ten, you get an idea of the region's vast potential.

### **FROM 2004 THESE NEIGHBOURING COUNTRIES WILL ALSO FORM PART OF THE EU. WHAT DOES THAT MEAN FOR ERSTE BANK?**

\_\_\_\_\_ It squarely validates our strategy of developing the region as our extended home market. Something that will change markedly with the EU's expansion is Erste Bank's risk profile. While today, 80% of our customers are located outside the EU, by 2004 some 95% will be EU citizens. That makes a huge difference to investors in particular – and thus ensures that the Erste Bank share will remain a highly attractive investment.

\_\_\_\_\_ But we need to think beyond 2004 and position ourselves for the next round of EU expansion in 2007 as well. In order to ensure the profit potential in those countries which plan to join the EU then, we will look very closely at the bank privatisation process in these markets. We will apply several key criteria. For a bank there to be of interest to us, it must give us a dominant national market position in the retail segment. Also, its loan portfolio must be sufficiently transparent, and above all well-secured.



**YOU HAVE HIGHLIGHTED THE BANK'S ACHIEVEMENTS. HOW WILL THIS BUSINESS TREND BENEFIT YOUR SHAREHOLDERS?**

\_\_\_\_\_ Although I cannot venture a specific forecast, there is one thing I can say with complete conviction, in addition to what I have already discussed: At the moment there are few bank shares with as much profit potential as Erste Bank's. A look at our share price shows that investors agree. In the past several years we were one of the very few banks to continually boost the market value of our share.

\_\_\_\_\_ We also have big plans for the future. By 2005 we aim to double our net profit to about EUR 500 million. Through tireless streamlining of all our processes and by continuous cost reduction, we are also confident that we can increase return on equity to 15% and bring down the cost-income ratio to between 60 and 62%. Then there is market capitalisation, which I see as a central success factor: Since going public, we have doubled our value in the stock market to almost EUR 4 billion; by 2005 we want to raise it substantially further. We regard this as critical in giving our shareholders continued good performance as an independent financial services provider.

**YOUR BANKING GROUP IS NOW HOME TO SIX LANGUAGES AND MORE THAN 30,000 EMPLOYEES. HOW HAS ERSTE BANK COPED WITH THIS ENORMOUS GROWTH?**

\_\_\_\_\_ Our expansion strategy is based on a unifying approach: We do not just call ourselves a Central European banking group, but have made this claim an everyday reality in our operations. For our customers it is especially important that decisions are made locally and not in distant financial centres. And for our employees too, this identity is a dominant factor in the process of integration, without which our growth would not be possible. Thus, Česká spořitelna is still a Czech bank today and Slovenská sporiteľňa remains a Slovak institution. In Hungary and Croatia as well, the decisions are made as much at the regional branches as in Austria. The tasks of the Group head office in Vienna consist primarily of strategy development, the setting of clear targets, and group-wide risk control as well as the direction of all major Group functions. Above all, however, we support the transformation processes of our Central European banking subsidiaries to create modern financial services providers that put their clients' needs first.



**THIS ALMOST SOUNDS LIKE A STOCK PHRASE. DOES YOUR STAFF BELIEVE IN IT?**

\_\_\_\_\_ That these principles are actually accepted and practised is proved by our employees' ownership of Erste Bank shares. We are particularly proud of the strong interest shown in Erste Bank shares by our staff in Central Europe. About 900 employees at our Central European banking units bought Erste Bank shares through our most recent employee share ownership plan.

**IN CONTRAST TO THE STRONG BUSINESS IN THE NEIGHBOURING COUNTRIES, MARGINS IN THE AUSTRIAN MARKET ARE DECLINING. HOW IS ERSTE BANK REACTING TO THE INCREASINGLY DIFFICULT SITUATION AT HOME?**

\_\_\_\_\_ What you won't hear me do is to complain about the low margins in Austria. For our customers these margins mean that they are certainly receiving the best banking services at the lowest price, even if some clients probably don't know this. For us it means that, through our co-operation with the savings banks, we will seek to generate additional synergies and lower costs.

\_\_\_\_\_ For instance, we have a programme under way that aims to free employees from processing-tasks and give them more time to serve customers directly. In addition, in Austria as in our other markets, we will bolster income by stepping up cross-selling.

**WHAT DOES THIS MEAN FOR CUSTOMERS?**

\_\_\_\_\_ As in the past, our branches remain a central pillar of our distribution model, because we want to be as close to the customers as possible. But this objective also means that we open up new ways for customers to access our services. We let the customer decide where, when and how to use our offering. As an early step in this direction, last year we standardised the IT system in the savings bank sector. In addition to reducing costs, this allowed us to improve our service noticeably. The customers of every savings bank can now do their banking at any savings bank branch in Austria. We are the only banking group in the country to offer this level of convenience.

**ERSTE BANK TODAY IS THE FINANCIAL SERVICES LEADER IN CENTRAL EUROPE. WHAT DEVELOPMENTS DO YOU EXPECT TO SEE BY 2005?**

\_\_\_\_\_ We went public in 1997 with a strategy that is now beginning to bear fruit. We completed the very successful transformation of Česká spořitelna in 2002. The integration of Slovenská sporiteľňa was concluded early in 2003. By the summer of 2003 we will also have merged our two Croatian banking units.

\_\_\_\_\_ There can be no doubt that competition in the banking sector in Central Europe is intensifying. I am convinced that in 2005 there will be at most four flourishing retail banks in the region. One of them is certain to be Erste Bank, since our position as the largest financial institution in this fast-growing region is very secure, thanks not least to the steady stream of new customers.

## Landmark achievements

Highlights 2002

**Leading: More than 10 million customers**

**Successful: Capital increase**

**Higher: Free float rises to 64.4%**

**Listing: Erste Bank share is traded in Prague**

**Boosted: Net profit grew by 14.3%**

**Majority: Stake in Česká spořitelna increased**

**Expansion: Acquired Riječka banka**

**Share: Gains in a declining market**

**Savings Banks: Established the cross-guarantee system**

**Transformation: Integrated Tiroler Sparkasse and**

**Slovenská sporiteľňa**

# Winning Team

## The Managing Board of Erste Bank

### **Andreas Treichl**

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

**RESPONSIBLE FOR** Group Communication & Corporate Affairs, Savings Banks, Group Strategic Development, Auditing, Legal Services, Group Marketing

### **Elisabeth Bleyleben-Koren**

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

**RESPONSIBLE FOR** Austrian Branches, Corporate Banking, Large Corporate Customers & Project Finance, Human Resources, Marketing Control, Credit Risk Management Austria & Central Europe, Target-Group Management & Transaction Banking, Implementation Management for Sales

### **Reinhard Ortner**

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

**RESPONSIBLE FOR** International Business, Accounting, Equity Investments, Credit Risk Management International Business

### **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 Organisation & IT, Securities & Treasury Operations, Infrastructure & Logistics

### **André P. Horovitz**

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

**RESPONSIBLE FOR** Group Risk Management, Planning & Controlling



ANDREAS TREICHL



FRANZ HOCHSTRASSER



ELISABETH BLEYLEBEN-KOREN



ERWIN ERASIM



REINHARD ORTNER



ANDRE P. HOROVITZ

# Share

## Gains in a declining market

— The bearish sentiment which has plagued international stock markets since the summer of 2000 continued in the 2002 financial year. Alongside telecom and technology shares, financial issues were among the hardest-hit. Last year the DJ Euro Stoxx Bank Index thus lost about 27% of its value, a trend that continued to the end of February 2003.

— With a slightly positive performance for the year, the Vienna stock market more than held its own in the worst year for equities since 1974. One of the best-performing shares in 2002 was that of Erste Bank, rising

against the trend to a significant degree. The capital increase in July represented an impressive vote of confidence from investors for Erste Bank's strategic positioning and the rich growth and earnings potential of the Erste Bank share. Even in the prevailing difficult stock market environment, the issue was significantly oversubscribed amid strong demand from institutional and private investors. On balance, the share rose by 7.5% in 2002, substantially outperforming the sector index for European banks.

### 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	2002
Erste Bank share	+ 44.7%	+ 36.5%	- 8.0%	+ 7.5%
ATX	- 11.9%	- 1.6%	- 5.7%	+ 0.8%
DJ Euro Stoxx Bank Index	- <sup>3)</sup>	- 43.5%	- 21.0%	- 26.6%

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 2002 (indexed)



# Financial calendar

<b>6 May 2003</b>	>	<b>Annual General Meeting</b>
<b>9 May 2003</b>	>	<b>Ex-dividend date and dividend payment date</b>
<b>16 May 2003<sup>1)</sup></b>	>	<b>Release of results for the first quarter of 2003</b>
<b>20 August 2003<sup>1)</sup></b>	>	<b>Release of results for the first half of 2003</b>
<b>13 November 2003<sup>1)</sup></b>	>	<b>Release of results for the first three quarters of 2003</b>

1) Preliminary date

# Putting service first

## Connecting with customers by any medium they choose

\_\_\_\_\_ The most important success factor in a service business are people: customers, shareholders and employees. Many customers and employees now put their trust in Erste Bank as shareholders as well. The underlying concept of walking life's financial paths together offers rewards for all stakeholder groups and has been practised by Erste Bank for years. Openness and fairness are paramount in this relationship and provide the best setting for finding solutions that are tailored to the precise needs of each individual customer.

### Leading market position

\_\_\_\_\_ Together with the Austrian savings banks the staff of the Erste Bank Group in Austria offers one-on-one customer care. The Group staff in the neighbouring countries of Central Europe likewise provides service of the highest quality. Since 1997, the Erste Bank Group has successfully built a complete retail network in this region that fully lives up to the Group's exacting standards of customer care. Thanks to this superior service, the Erste Bank Group already counted more than 10 million customers at the end of the year. Thus, over one-third of all banking customers in Austria and the Czech Republic and about 40% of all customers in the Slovak Republic already choose the quality of advice and service of Erste Bank, the leading financial services provider in Central Europe.

### Personalised customer relationship

\_\_\_\_\_ The comprehensive customer care at Erste Bank by no means ends when banks close their doors at night. Customers can bank whenever and wherever they wish, according to their own individual preference. By personal appointment, the customer service representatives are also there for their clients outside general office hours. When customers do not need to speak to bank staff personally, Erste Bank's complete multi-channel system comes into its own: With automatic banking machines, netbanking, phonebanking and mobilebanking, clients can get their banking done seven days a week, twenty-four hours a day.

"IN 1997 I WANTED MY OWN SALON. NOW I AM PLANNING MY SECOND. FOR THE FINANCING, I DEPEND ON MY ADVISOR AT RIJEČKA BANKA AND HER TEAM."

EVA DRAČIĆ, HAIR STYLIST, ZAGREB

**Erste Bank 1997: Launch in Croatia**

**Erste Bank 2002: Third largest banking group in the country**

### Focus on retail customers

\_\_\_\_\_ Erste Bank's comprehensive customer care both throughout Austria and internationally is centred on retail customers. Erste Bank mainly emphasises personal savings models, as even in comparatively well-developed economies like the Czech Republic and Hungary, the penetration of fund-based and building society-saving is still in its infancy. An important target group for Erste Bank consists of professionals such as physicians, tax consultants and pharmacists. Among commercial accounts, small to medium-sized companies figure prominently, as this segment of the Central European economies is rapidly expanding. Erste Bank and the savings banks have always been conscious of their special responsibility in advancing a country's economic development and will continue this tradition in the EU's new member states.





# Key financials

## Overview of 2002 business performance

### Excerpt from the Consolidated Balance Sheet (IFRS<sup>1)</sup>)

	31 Dec 2002 in EUR million	31 Dec 2001 in EUR million	Change in %
<b>Assets</b>			
Cash and balances with central banks	3,181	2,573	23.6
Loans and advances to credit institutions	15,492	18,913	(18.1)
Loans and advances to customers	64,435	39,210	64.3
Risk provisions for loans and advances	(2,983)	(1,875)	59.1
Trading assets	3,487	3,451	1.0
Investments available for sale	6,736	2,912	> 100.0
Financial investments	22,572	14,730	53.2
Intangible assets	1,596	932	71.2
Tangible assets	1,866	1,318	41.6
Other assets	4,840	3,870	25.1
<b>Total assets</b>	<b>121,222</b>	<b>86,033</b>	<b>40.9</b>
<b>Liabilities and shareholders' equity</b>			
Amounts owed to credit institutions	26,425	28,642	(7.7)
Amounts owed to customers	61,308	37,175	64.9
Debts evidenced by certificates	14,191	9,751	45.5
Provisions	5,488	953	> 100.0
Other liabilities	5,220	3,393	53.9
Subordinated capital	3,387	2,956	14.6
Minority interests	2,723	1,259	> 100.0
Shareholders' equity	2,481	1,904	30.3
<b>Total liabilities and shareholders' equity</b>	<b>121,222</b>	<b>86,033</b>	<b>40.9</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 financial year 2002, despite adverse business conditions, was highly profitable. With growth of 14.3% in net profit after minority interests, Erste Bank demonstrated that the right strategy can win the day even in a poor economic climate. Much of the credit for the good results goes to the Central European subsidiaries, whose transformation was largely completed.

\_\_\_\_\_ Operating profit was pushed up by 61.7% from EUR 711.7 million to EUR 1,151.2 million.

\_\_\_\_\_ Net profit after minority interests grew by 14.3% from EUR 223.3 million to EUR 255.2 million

\_\_\_\_\_ Return on equity reached 12.7%, up from the previous year's 12.4%

\_\_\_\_\_ Earnings per share in 2002 increased from EUR 4.47 to EUR 4.73 in spite of the capital increase

## Excerpt from the Consolidated Income Statement (IFRS<sup>21</sup>)

	2002 in EUR million	2001 in EUR million	Change in %
Net interest income	2,463	1,439	71.2
Risk provisions for loans and advances	(406)	(204)	99.6
Net commission income	944	575	64.3
Net trading result	167	153	9.7
General administrative expenses	(2,432)	(1,454)	67.2
Result from insurance business	8	-	-
Other operating result	(80)	(103)	(21.7)
<b>Pre-tax profit for the year</b>	<b>665</b>	<b>406</b>	<b>63.8</b>
Taxes on income	(151)	(81)	86.2
<b>Profit for the year</b>	<b>513</b>	<b>324</b>	<b>58.2</b>
Minority interests	(258)	(101)	> 100.0
<b>Net profit after minority interests</b>	<b>255</b>	<b>223</b>	<b>14.3</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 on the cutoff date

**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 (mark to market)

**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 make the company stronger

**Total liabilities and shareholders' equity:** Sum total 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

# Employees

## Competent und motivated

**“THREE YEARS AGO I HAD MANY IDEAS. TODAY I HAVE MANY CUSTOMERS. NOW I NEED TO PUT MY BUSINESS ON A SOLID FOOTING WITH NEW INVESTMENT. IN ERSTE BANK I HAVE FOUND THE IDEAL PARTNER.”**

**NIKOLAUS HAUSER, OPTICIAN, VIENNA**

**Erste Bank 1819: Founded as “Spar-Casse“  
Erste Bank 2002: Joint market share of about  
25% with savings banks**

\_\_\_\_\_ Amid the successful expansion in Central Europe over the last five years, the staff of the Erste Bank Group has grown more than six-fold. About three-quarters of all employees already work outside Austria. Managing this rapid international growth places high demands on management and staff. A strategic focus for Erste Bank is therefore the swift integration of its workforce in Central Europe, with the goal of open communication throughout the Group on the basis of a shared corporate culture. With this in mind, more than 80 staff members of Erste Bank Vienna working as expatriates now support the subsidiaries in eight countries and 22 Group financial institutions. Furthermore, over 1,100 employees from the Czech Republic and Slovak Republic have already taken part in the exchange programme between branches, which has greatly speeded up the transfer of know-how within the Group. As well, 170 employees from central departments of Česká spořitelna and Slovenská sporiteľňa taking part in a specialist programme visited their counterpart teams at Erste Bank in Vienna.

### Erste Bank an attractive employer

\_\_\_\_\_ More than an advertising refrain, Erste Bank’s creed “In every relationship, it’s the people that count” aptly describes Erste Bank’s attitude towards its staff. For instance, the flexible-working-hour models place a higher value on results than on nine-to-five attendance and give Erste Bank’s staff considerable freedom. Teleworking is also growing in popularity at Erste Bank. With its exemplary openness to part-time work, Erste Bank was again certified as a “Family-Friendly Company” in Austria in 2002. What is more, in a study by Hewitt<sup>1)</sup> that identified attractive employers in Austria, almost all of the eleven participating businesses of the Erste Bank Group placed in the top third. The high esteem in which Erste Bank is held by its staff is also impressively confirmed by the extensive participation in employee share ownership initiatives. Through a group-wide employee stock ownership programme in 2002, more than 3,700 staff members acquired a total of 252,000 Erste Bank shares.

1) Hewitt Associates is a global consulting firm for human resources management









"I AM GOOD AT HELPING PEOPLE. AND I AM THINKING ABOUT WAYS TO DO IT EVEN BETTER. FOR THE FINANCIAL SIDE, ČESKÁ SPOŘITELNA IS MY TRUSTED ASSISTANT."

HANA PLÍŠKOVÁ, PHARMACIST, PRAGUE

**Erste Bank 2000: Acquisition of majority in Česká spořitelna**

**Erste Bank 2002: Winner of multiple awards for service quality**

## Dynamic staff development

\_\_\_\_\_ Against the backdrop of Erste Bank's dynamic growth, the approach to the professional development of the bank's managers too was adapted to the changing requirements and expanded by adding new development opportunities. These include, for example, a best-practice leadership programme, individual coaching and a group-wide "summer academy" that deals largely with issues of change management. Rounding out the broad human resources development offering is a comprehensive range of training opportunities that increasingly incorporates e-learning.









"TIME, AS YOU KNOW, IS MONEY. WHICH I EARN BY REACTING QUICKLY. THAT'S WHY, IN MY BANKING, I RELY ON NEW MEDIA. THIS WAY, SLOVENSKÁ SPORITELŇA IS ALWAYS WITHIN REACH, EVEN WHEN I AM TRAVELLING."

JURAJ BARTO, PH. D., CONSULTANT, BRATISLAVA

**Erste Bank 2001: Acquisition of Slovenská sporiteľňa**  
**Erste Bank 2002: More than 2.3 million customers**

## Efficient organisational structure

\_\_\_\_\_ A decentralised and flexible organisational structure provides the best conditions for a bank to practice a customer-centred philosophy. Decisions are not made centrally, but locally and with a view to meeting customer needs. This approach simultaneously strengthens the identity of the individual subsidiaries in Austria and other countries and promotes identification with the Group. The Group head office in Vienna concentrates on setting strategic goals and creating the conditions conducive to their attainment. As its other essential function, headquarters supports the transformation of the banking subsidiaries into customer-focused financial services providers. The closeness of its holdings in Austria and Central Europe to the market ensures efficient customer care.



## Dialogue and partnership

\_\_\_\_\_ Erste Bank wholeheartedly embraces the principles of openness and fairness in its relations not only with customers, but also, and especially, with its staff. In an international bank with more than 1,500 branches, open and transparent communication with employees is an indispensable requirement for success. To stay in touch with its people, Erste Bank has been conducting staff surveys at home and abroad in the last several years, giving every employee a voice in fundamental policy issues and thus the opportunity to help shape Erste Bank's culture. Participation in this survey was high at Česká spořitelna and Slovenská sporiteľňa in 2002. In the interest of employees' genuine identification with the corporate goals, this year the survey will be repeated at Erste Bank in Austria as well.



# Corporate responsibility

Erste Bank as sponsor





“IN MONEY MATTERS, I LOOK TO PEOPLE WITH EXPERIENCE. MY SAVINGS ARE WITH ERSTE BANK HUNGARY, BECAUSE I CAN REALLY TRUST THE INVESTMENT ADVICE OF MY ACCOUNT MANAGER THERE. THAT GIVES ME MORE PEACE OF MIND TO ENJOY THE BEAUTIFUL THINGS IN LIFE.”

TIBOR KERTÉSZ, PRIVATE BANKING CLIENT, BUDAPEST

**Erste Bank 1997: Market entry in Hungary**  
**Erste Bank 2002: 79 branches**



\_\_\_\_\_ Taking a broad view in which business success and social responsibility go hand in hand, Erste Bank as the second largest banking group in Austria bears a great deal of responsibility to society. This is reflected in numerous programmes to promote the arts, culture and social activities. In keeping with its position of leadership in Central Europe, Erste Bank sponsors an increasing number of international programmes, thus making a large contribution to the growing integration of the Central European region.

### **Advancing art and culture**

\_\_\_\_\_ Independence, innovation and a focus on the future are the core values of the sponsoring strategy of Erste Bank. Guided by these principles, the sponsorships, including partnerships with renowned Viennese institutions such as “Wiener Secession” and “Wiener Musikverein” (a prominent feature of the city’s musical landscape), concentrate on

supporting contemporary culture and especially the cultural achievements of young people. In this role Erste Bank also acts as general sponsor to the “MuseumsQuartier”, the latest and largest museum project in Austria. In one part of this cultural complex, known as “quartier21”, Erste Bank helps young artists of mainly Central and Eastern European origin to bring their visions to life. Here a number of fine-arts and media studios and a multi-functional event facility provide an experimental platform for tomorrow’s art and culture.

\_\_\_\_\_ In the world of music too, Erste Bank’s sponsorship focuses on the avant-garde. Through its partnership with “Klangforum Wien”, a leading ensemble for contemporary music, Erste Bank is instrumental in advancing Austria’s development as a land of music. Additionally, since 1989 Erste Bank has supported up-and-coming young composers with the annual presentation of the “Erste Bank Anton Webern Composition Commission”.

## Stimulating culture in Central Europe

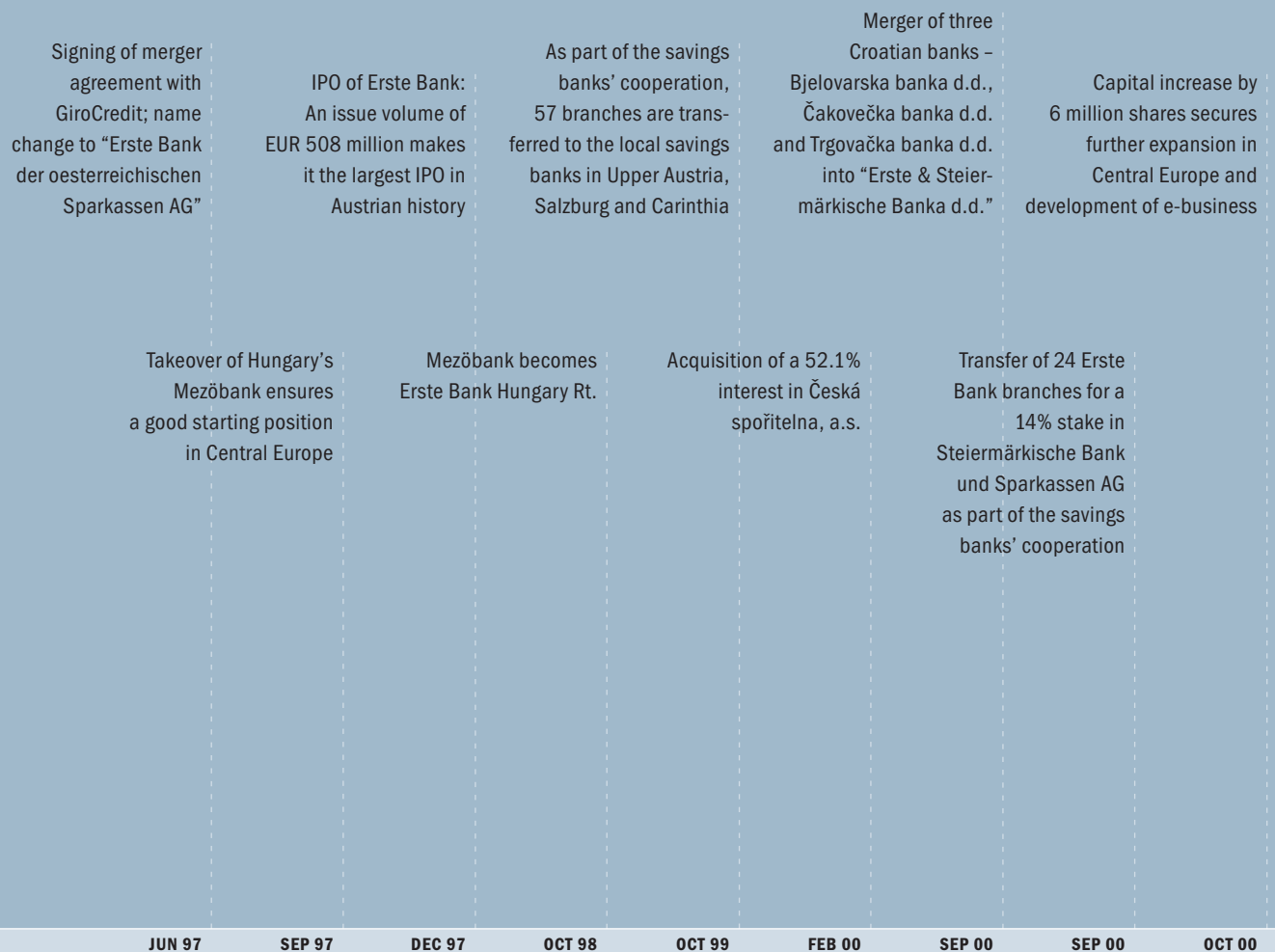
\_\_\_\_\_ Likewise, with its intimate economic ties to Central Europe, Erste Bank sets new standards in this region too for involvement in culture, the arts and society at large. Thus, in 2002 the “Central European Art and Culture Platform” was created as a group-wide priority programme. The purpose of this initiative is to provide opportunities for visionary perspectives in Central Europe and to actively support change processes in public and private life. The “Tranzit” programme is the first framework for dialogue to be set up on this platform. “Tranzit” is dedicated to promoting contemporary art and theory in the regions of Central and Eastern Europe. In its first stage the programme concentrates on the Czech Republic, the Slovak Republic and Austria.

## A social force for good

\_\_\_\_\_ Through an already several-year old partnership with “Caritas”, Erste Bank also fulfils its social responsibility. By supporting the hospice campaign, which aims to raise Austrian awareness of the importance of living with dignity to the very end, Erste Bank also signals its engagement in areas that to date have been much-neglected by the public sector. As well, a charity drive helps the poor in Austria and in the “New Europe”. Needy children in Central and Eastern Europe are supported through an Eastern Europe campaign by Caritas and Erste Bank. In future, opportunities for greater involvement of the international branch network will also be pursued. This has already yielded the first success in the partnering of Caritas with Česká spořitelna in the Czech Republic.

# Timeline of a success story

## Erste Bank 1997 - 2002



Acquisition of a majority interest in Slovenská sporiteľňa, a.s.; Erste Bank becomes the leading financial services provider in Central Europe

Erste Bank acquires majority ownership of Tiroler Sparkasse Bank AG

Erste Bank acquires an 85% stake in Riječka banka d.d.

Erste Bank increases ownership in Česká spořitelna, a.s. by buying shares from AVS. At the end of 2002 Erste Bank holds 94.8%

Erste Bank increases its ownership in Salzburger Sparkasse Bank AG to 95.7%

Erste Bank presents a bid for 70.5% of the preference shares of Česká spořitelna, a.s.

Cross-guarantee system of the savings bank sector takes effect

Capital increase of EUR 642 million secures further growth strategy

NOV 00

JAN 01

OCT 01

DEC 01

JAN 02

APR 02

JUL 02

AUG 02



**“In 2002 we successfully continued our rapid growth. Having already become Central Europe’s leading financial services provider in 2001, we solidified this position in 2002 by a number of initiatives and reinforced our lead for the future. The foremost activities on this front were the increase of the majority stake in Česká spořitelna and the capital increase carried out for this purpose; the purchase of Riječka banka; the transformation of Slovenská sporiteľňa and Tiroler Sparkasse; and the successful implementation of the cross-guarantee system with the Austrian savings banks, which took effect at the beginning of 2002.”**

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

