

A Member of HVB Group

Bank Austria
Creditanstalt

Banking for success.

Annual Report
Bank Austria Creditanstalt

2003



The bank in the heart of Europe:
success without frontiers

heart

Bank Austria Creditanstalt at a Glance

Income statement figures (in € m)	2003	Change	2002	Change	2001
Net interest income after losses on loans and advances	1,709	- 3.4 %	1,770	- 10.1 %	1,969
Net fee and commission income	1,134	+ 5.4 %	1,076	+ 1.4 %	1,061
Net trading result	220	- 4.7 %	231	- 11.4 %	261
General administrative expenses	- 2,479	- 1.0 %	- 2,503	- 9.7 %	- 2,773
Operating profit	602	+ 5.3 %	572	+ 3.7 %	552
Net income before taxes	648	+ 28.5 %	504	- 23.0 %	655
Consolidated net income	442	+ 43.0 %	309	- 36.0 %	483

Balance sheet figures (in € m)	2003	Change	2002	Change	2001
Total assets	137,053	- 7.4 %	147,968	- 7.3 %	159,597
Loans and advances to customers after loan loss provisions	72,541	- 0.4 %	72,826	- 3.3 %	75,325
Primary funds	76,642	- 7.7 %	83,009	- 8.2 %	90,380
Shareholders' equity	5,815	+ 26.2 %	4,610	- 5.4 %	4,875

Key performance indicators (in %)	2003		2002		2001
Return on equity after taxes (ROE)	8.7		6.5		10.2
Return on assets (ROA)	0.31		0.20		0.30
CEE contribution to net income before taxes	23.3		29.4		24.7
Cost/income ratio	69.9		69.3		68.8
Net interest income/avg. risk-weighted assets	3.28		3.32		3.52
Risk/earnings ratio	21.5		23.3		26.3
Credit risk charge/avg. risk-weighted assets	0.70		0.77		0.93
Total capital ratio	13.1		11.2		13.0
Tier 1 capital ratio	7.8		6.8		7.8

Staff	2003	Change	2002	Change	2001
Bank Austria Creditanstalt (full-time equivalent)	30,377	+ 2.0 %	29,767	- 7.5 %	32,164
Austria (BA-CA AG and its Austrian subsidiaries that support its core banking business)	11,410	- 4.2 %	11,916	- 5.7 %	12,636
CEE and other subsidiaries	18,967	+ 6.3 %	17,851	- 8.6 %	19,528
of which: Poland	11,115	- 8.1 %	12,089	- 16.0 %	14,387

Offices	2003	Change	2002	Change	2001
Bank Austria Creditanstalt	1,311	- 2.5 %	1,345	+ 4.8 %	1,284
Austria	413	- 8.0 %	449	- 14.8 %	527
CEE countries and rest of world	898	+ 0.2 %	896	+ 18.4 %	757
of which: Poland	519	- 7.5 %	561	- 13.6 %	649

The Bank Austria Creditanstalt Share

Bank Austria Creditanstalt shares – key data

Share price on 31 December 2003	€ 40.50
High / low (intraday, 9 July 2003 – 31 December 2003)	€ 40.79 / € 26.80
Average daily turnover in Bank Austria Creditanstalt shares on the Vienna Stock Exchange	293,000 shares
Earnings per share in accordance with IAS	€ 3.40
Price / earnings ratio	11.9
Total shareholder return (31 December 2003 as against offering price, excluding dividend)	39.7 %
Market capitalisation on 31 December 2003	€ 6.0 bn

General information

		Vienna Stock Exchange	Warsaw Stock Exchange
Number of shares outstanding	147,031,740	Trading symbol	BACA
Free float	22.47 %	Reuters RIC	BACA.VI
ISIN	AT0000995006	Bloomberg Ticker Code	BACA AV
			BCA
			BCA.WA
			BCA.PW

Ratings

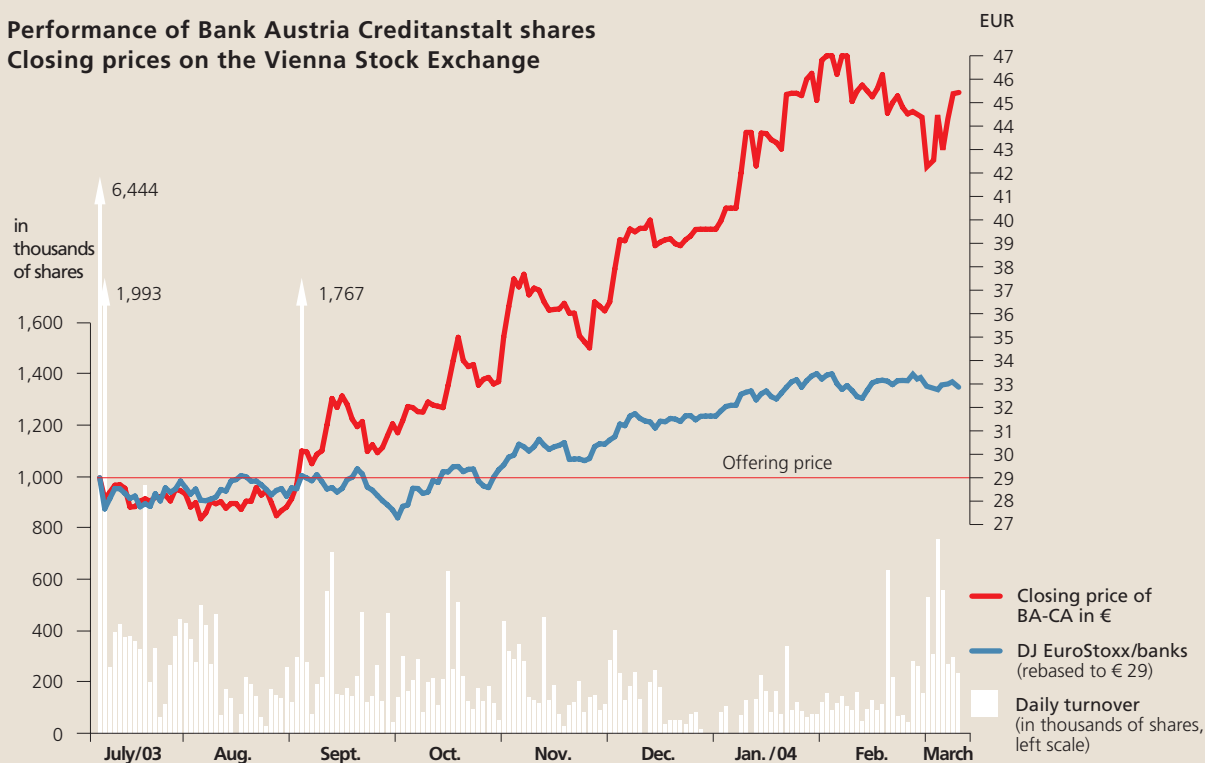
	Long-term	Subordinated liabilities	Short-term
Moody's	A2*	A3*	P-1
Standard & Poor's	A-*	BBB+	A-2

*) Outlook: stable

Coverage

Citigroup, CSFB, Deutsche Bank, Erste Bank, Goldman Sachs, ING, JP Morgan, Merrill Lynch, Raiffeisen Centro Bank, UBS

Performance of Bank Austria Creditanstalt shares
Closing prices on the Vienna Stock Exchange



Success without Frontiers in the Heart of Europe

We are an international bank based in Austria and are responsible for meeting the needs of 5.8 million customers in twelve countries. We see our mission as contributing to the integration of Europe in peace and prosperity, in an area of more than 200 million people in the heart of Europe.

Based on our extensive network, we are the leading international bank in Austria and Central and Eastern Europe, our core markets – as part of the cross-border network of HVB Group. With the combination of a market with future potential and a mature market we can achieve disproportionately strong growth while also increasing efficiency. We benefit from the regional expertise of our local operations and use the manifold talents of the larger Europe.

True to our motto “Bank Austria Creditanstalt, banking for success”, our day-to-day business is geared to helping our customers, both companies and private individuals, to be successful. With our customer business, and as a universal bank, we aim to create sustainable value and generate the return on equity expected by capital markets. We are therefore constantly working on tailoring products and services to the needs of customers, on improving the professionalism and efficiency of our services according to industrial models, and on enhancing our employees’ performance capabilities.

This ensures that the benefits for our customers concur with the interests of our shareholders. Our success is the success of our customers.



Highlights in 2003

20 January	US\$ 320 million bond structured for Termoelectrica, the Romanian electricity company.	11 July	Euromoney, the British financial magazine, names Bank Austria Creditanstalt "Best Bank in CEE" for the fourth time in succession, and "Best Bank in Austria" for the eleventh time in succession; "Best Bank in Poland" and other awards for banking subsidiaries in CEE.
5 March	Global Finance awards Bank Austria Creditanstalt the title "Best Trade Finance Bank in CEE".		
10 March	Opening of a representative office in Skopje, the capital of Macedonia.	4 August	Real estate investments bundled in the new BA-CA ImmoTrust.
17 March	Gerhard Randa becomes Chairman of the Supervisory Board of Bank Austria Creditanstalt with effect from 1 April; Karl Samstag becomes the new Chairman of Bank Austria Creditanstalt's Managing Board.	10 September	The British financial magazine "The Banker" names Bank Austria Creditanstalt "Bank of the Year in Central and Eastern Europe".
9 April	Corporate bond with a volume of € 200 million placed for the Austrian Federal Railways (ÖBB) by Bank Austria Creditanstalt as Joint Lead Manager and Sole Bookrunner.	30 September	Sale of BA-CA Asset Finance Ltd., the UK leasing company of Bank Austria Creditanstalt, to Fortis Lease.
7 May	€ 500 million syndicated loan arranged for Sappi, the paper manufacturing company, with Bank Austria Creditanstalt acting as Mandated Lead Arranger.	7 October	Acquisition of Central profit banka completed. Bank Austria Creditanstalt becomes the third-largest bank in Bosnia and Herzegovina.
20 May	Global Finance names Bank Austria Creditanstalt "Best Bank in CEE".	14 October	Bank Austria Creditanstalt becomes the first foreign company whose shares are listed on the Warsaw Stock Exchange.
30 May	First five-year kuna-denominated Croatian government bond with a volume of 1 billion kuna placed successfully.	15 October	Sale of shares in UNION and CA-Versicherung AG to Wiener Städtische Versicherung. Bank Austria Creditanstalt continues to hold a strategic equity interest of 10 % in both insurance companies.
2 June	"e-Rechnung" becomes standard in Austria for payments in the Internet.	21 November	Launch of "Real Invest Austria", the first open-end real estate fund pursuant to the new Austrian Real Estate Investment Fund Act.
27 June	24h ServiceLine of Bank Austria Creditanstalt named "best telephone and e-mail service of a bank in Austria".	3 December	Transfer of HVB's remaining shares in BPH PBK to Bank Austria Creditanstalt completed. Bank Austria Creditanstalt now holds a 71.03 % interest in BPH PBK.
30 June	OMV corporate bond with a volume of € 250 million successfully placed by Bank Austria Creditanstalt as Sole Lead Manager and Bookrunner.	17 December	Bank Austria Creditanstalt becomes the first Austrian bank to be awarded the European e-commerce quality seal.
1 July	Start of the new Splitska banka. Integration of Splitska banka and HVB Croatia completed.	26 January 2004	Changes in the Managing Board – Erich Hampel becomes the new Chairman of the Managing Board.
4 July	Purchase of CAC Leasing in the Czech Republic and in Slovakia.		
9 July	The Bank Austria Creditanstalt share is listed on the Vienna Stock Exchange.		

Company Profile

Our Identity and Strategy

The leading bank in the heart of Europe

- ▶ 5.8 million customers among 200 million inhabitants
- ▶ Total assets of € 137 bn
- ▶ Market capitalisation of € 6.5 bn

Number 1 in Austria

- ▶ 1.8 million customers among 8.1 million inhabitants
- ▶ Total assets of € 111 bn
- ▶ 11,410 employees and 413 business units
- ▶ Share of customers in Austria: 18 %
- ▶ Share of customers in the Vienna area: over 50 %
- ▶ Share of large corporate customers: 81 %
- ▶ Assets under management: € 14.9 bn

Number 3 in Poland

- ▶ 2.9 million customers among 39 million inhabitants
- ▶ Total assets of € 10 bn, market share of 9.5 %
- ▶ 11,100 employees, 518 business units
- ▶ Number 2 in retail mortgage banking business, volume of € 1.1 bn

Comprehensive network in other CEE countries

- ▶ Operations in 10 other CEE countries
- ▶ 1.1 million customers among 78 million inhabitants
- ▶ Total assets of € 12.8 bn, among the top 5 in key markets
- ▶ 7,800 employees in 379 business units

Leader in international business

- ▶ Volume of syndications business in CEE: € 1.1 bn
- ▶ Share of OeKB export loan volume: 60 %
- ▶ Specialised in corporate finance, trade and investment banking for Austria and CEE
- ▶ Gateway to the world's financial markets
- ▶ Hub for CEE business of HVB customers

Success without frontiers in the heart of Europe

We are an international bank based in Austria and are responsible for meeting the needs of 5.8 million customers in twelve countries. We see our mission as contributing to the integration of Europe in peace and prosperity, in an area of more than 200 million people in the heart of Europe.

Based on our extensive network, we are the leading international bank in Austria and Central and Eastern Europe, our core markets – as part of the cross-border network of HVB Group. With the combination of a market with future potential and a mature market we can achieve disproportionately strong growth while also increasing efficiency. We benefit from the regional expertise of our local operations and use the manifold talents of the larger Europe.

True to our motto “Bank Austria Creditanstalt, banking for success”, our day-to-day business is geared to helping our customers, both companies and private individuals, to be successful. With our customer business, and as a universal bank, we aim to create sustainable value and generate the return on equity expected by capital markets. We are therefore constantly working on tailoring products and services to the needs of customers, on improving the professionalism and efficiency of our services according to industrial models, and on enhancing our employees' performance capabilities.

This ensures that the benefits for our customers concur with the interests of our shareholders. Our success is the success of our customers.

The logic of our corporate goals

► True to our motto “Bank Austria Creditanstalt, banking for success”, the most immediate objective of our day-to-day business is to support the success of our customers with financial products and services. Based on this principle as a provider of financial services we work to strengthen our market position and to effectively enhance the value of our company.

Our success is therefore the success of our customers. And we can provide our customers with substantial support, whether in our capacity as an international bank which assists its customers in every single region of its core markets, or as a local partner with expertise that meets international criteria. Regardless of whether our customer is a private individual or a company, or whether the business at hand is a standard transaction or a solution to meet a customer’s specific needs: we see our customers as individuals, not as target groups, and our prime objective is to provide services efficiently, in line with the benchmarks. We can achieve customer satisfaction on a sustainable basis only if we regularly adapt our services to customers’ needs. This is our business, and this is how we want to earn money.

► Our second goal is equally important: to achieve a return on equity – i.e., on capital invested by BA-CA shareholders in our company – in line with market conditions. This is entirely in our own interest: profitability is the yardstick of our efficiency, feedback from the market, and therefore serves as the guiding principle for our further development.

Our thoughts and actions in every business segment, every subsidiary company and at all corporate levels are therefore based on profitability considerations. We are convinced that the quality of our customer services can be improved only by serving the market in accordance with industrial models, by a performance chain based on the division of tasks, and by the efficient employment of resources. We see the continuous adjustment process as a prerequisite for long-term success.

► Our third goal relates to the development and cultivation of our human resources. We want to provide our employees with training and career development opportunities, and we want to acknowledge their performance, with a view to enabling them to realise both the goals of our company and their own personal goals. For this purpose we will create uniform guidelines in a multi-phase process as a basis for the personal development of employees through flexibility, mobility and performance. In time, we want to grow from a banking group into a company without frontiers.

Our bank is now stronger than it has ever been before. This is due to the confidence placed in us by our customers, and to the commitment of our employees. We have the capital resources for further growth together with our customers. We want to further increase the efficiency of our services and our profitability. Because success means exceeding expectations.



Erich Hampel began his career at Citibank and then changed to the PSK Group, of which he was Governor as from 1996. In 1997 he was appointed Chairman of the Managing Board of Creditanstalt. Erich Hampel became a member of the Managing Board of Bank Austria in November 2000, with responsibility for operations in CEE and risk management. In January 2004 he was appointed Chairman of the Managing Board of Bank Austria Creditanstalt AG.

► Fourth, in the spirit of sustainability our efforts are focused not only on short-term success but on a permanent increase in value and qualitative growth. As an international bank, we want to promote open cultural exchanges while preserving people’s creative diversity – not only within the bank. With our services, and as a responsible citizen in twelve countries, we want to help toward enhancing the opportunities of the inhabitants in our markets.

Our financial targets 2003 to 2006

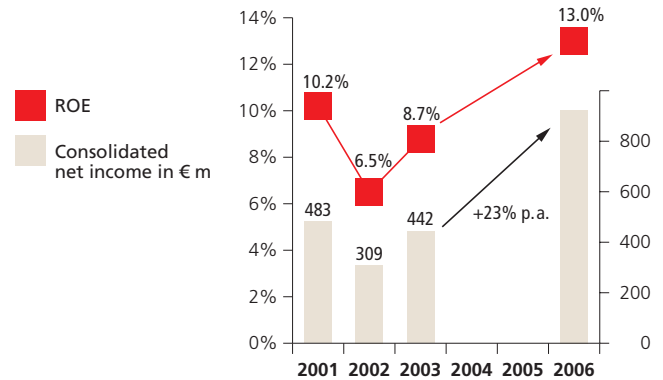
With its Initial Public Offering (IPO) in 2003, as part of the medium-term planning process, Bank Austria Creditanstalt defined financial targets for 2006, which the bank also disclosed to the capital market. These ambitious targets reflect the role of Bank Austria Creditanstalt within HVB Group: the bank is responsible for Austria and CEE. The combination of a mature banking market and a growth market is expected to generate business growth, synergies in revenues and improved productivity. The capital increase of € 923 m has created the basis for this expansion.

Our goal is to achieve a return on equity of 13 % after taxes in 2006. Based on the performance data for 2003, this represents an annual increase in profits of over 20 %. Our plans envisage that from a regional perspective, the most important contribution is to be provided by operations in the growth market of CEE. We are aiming to achieve a contribution of 38 % to net income before taxes in 2006.

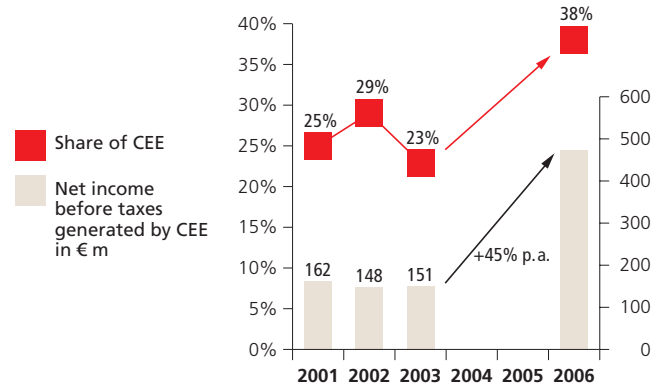
Growth and related risks are sufficiently underpinned by the bank's capital resources. Bank Austria Creditanstalt is Austria's best capitalised bank. Moreover, it is our intention to further reduce risk-weighted assets in the balance sheet, and consequently also the capital required to be allocated to operations in Austria, without an impact on customer business, and we want to support credit demand in CEE in ways that reduce the capital allocation requirement (syndications, capital market instruments). In the course of the expansion process, the Tier 1 capital ratio will decline from a current 7.8 %, but it is planned to remain stable at just over 7 % on account of retained profits. In this connection efforts will focus on further reducing the risk/earnings ratio (net charge for losses on loans and advances as a percentage of net interest income) to under 20 %.

The continued rationalisation of business operations will significantly help us to realise our earnings targets. Our plans call for a reduction of the cost/income ratio (general administrative expenses as a percentage of operating revenues) from just under 70 % in 2003 to 63 % in 2006.

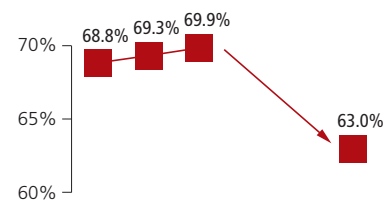
Return on equity (ROE after taxes)



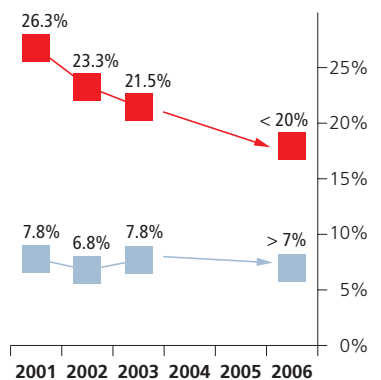
Contribution by CEE to net income before taxes



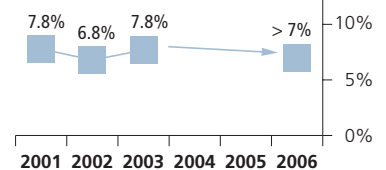
Cost/income ratio



Risk/earnings ratio



Tier 1 capital ratio



Strategic phases in the bank's development

The financial targets serve as a yardstick for the bank's performance in the next few years. In its recent history, Bank Austria Creditanstalt has already passed through two major phases and is now facing a third: the transition from a banking group to an international bank with its core markets in Austria and Central and Eastern Europe. Looking back, this has been a logical development accompanied by constant change, and the many decisions that were taken were in line with the strategic requirements at the time. In this way we managed to avoid any upheavals or disruptions in the bank's development.

1997 to 2000: consolidation

The first phase, from about 1997 to 2000, began with Bank Austria's acquisition of Creditanstalt-Bankverein and can be entitled "Consolidation". It was

characterised by Austria's accession to the EU a few years earlier and the consequent changes in the regulatory framework.

The process of integrating Austria's two leading banks went hand in hand with the focus on the core business of a universal bank. The new banking group concentrated its efforts on customer business and amalgamated its networks in CEE. The group also gradually sold its industrial equity interests – holdings in numerous companies which had belonged to the banks through historical developments – while protecting the interests of the companies concerned.

Moreover, the integration of the two banks provided the opportunity to implement modernisation processes. This in particular applied to control and management tools, which involved the transition to IAS, transparent controlling, an awareness of profitability requirements across the bank, the elimination of cross-subsidisation, and spinning off the bulk of the bank's pension plans for employees. This increased productivity by more than one-third (operating profit per employee in 2001 compared with 1996).

Driving force behind consolidation in response to the Single Market

The end of this phase was characterised by the almost unanimous decision of the shareholders at the time to integrate the bank within the HVB Group. This also represents one of the most important milestones in the history of regional banking. With this step the bank was ahead of its time, and even today it has remained one of the few cross-border mergers in Europe of large banks in neighbouring countries, where each is a market leader. The merger was based on the "Bank of the Regions" concept, which is still valid today and provides a convincing argument: decentralised customer responsibility in the regions, regional development guided by a uniform strategy, coordinated activities on the international capital market and a pragmatic approach to the creation of a common infrastructure.

2000 to 2003:

Adjustments and synergies

The second phase – from about 2000 to 2003 – took place under the motto "adjustments and synergies": out of the previous group of banks, we developed a banking group with HVB which was characterised by a clear division of tasks. Part of this involved the rapid implementation of the agreed "transfer of regional operations" and Bank Austria Creditanstalt's focus on its core competency "A+CEE". Bank Austria Creditanstalt's equity interests in companies which operated outside its core markets, and the bank's foreign branches, (with a few exceptions) became part of the international network of HVB within only one year of the integration. This significantly improved Bank Austria Creditanstalt's risk-bearing capacity. Conversely, HVB brought its subsidiaries in CEE into Bank Austria Creditanstalt (through sales made at arm's length). At a stroke, this doubled the CEE network. In this way we finally achieved the focus on our core business.

The second part of the agenda was the fine-tuning of the new structures to create effective customer service units. The subsidiaries in CEE were merged, country by country. Progress was also made in the

Focus of business portfolio on core markets within HVB Group

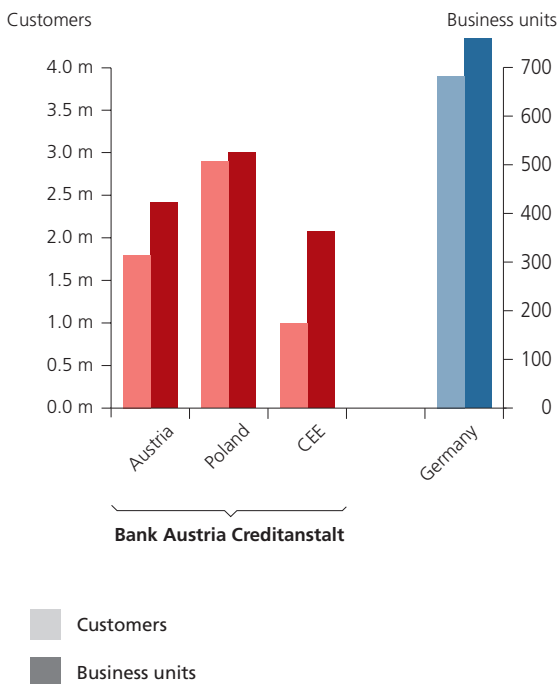
integration process in Austria: after the harmonisation of product catalogues, control systems and IT systems (through the "heureka!" project in 2001), we completed the merger of Bank Austria and Creditanstalt in the middle of 2002 ("Bank zum Erfolg" project). Since 2001 we have realised synergies in excess of € 600 m and have therefore kept our promise made to the capital market. Staffing levels in Austria and Poland were adjusted to the new conditions. Productivity increased by a further 14 % from 2000 to 2003.

Synergies of € 600 m realised through integration in Austria and individual CEE countries

2003 to 2006: Networking and industrialisation

Bank Austria Creditanstalt entered the third phase in the period 2003/2004. This phase could be entitled "broadly based networking and industrialisation". At the beginning of this new phase the bank is very well placed to realise its ambitious goals and meet its targets for 2006.

10 million customers and 2,000 business units



Some of the key items on the strategic agenda of a modern universal bank have been dealt with: the bank has taken the major consolidation measures on the domestic markets; in Austria, this was another field where Bank Austria Creditanstalt set the pace and was ahead of its competitors.

And the fundamental business model is in place: the bank is focusing on its core markets of Austria and CEE, where it is among the market leaders. Customer business constitutes the heart of a universal bank's activities. The bank is "lean", not burdened by any peripheral activities. Its business is built on a local customer base in each of the twelve countries, where customers are served by regional banks with a sound knowledge of local conditions. As a member of HVB Group, Bank Austria Creditanstalt operates with the status of a major international bank. And, most importantly, it has growth potential.

2003 was a particularly difficult year for the banking sector. As such, it impressively showed that a broad-based business portfolio, flexibility, and an ability to adjust to new conditions are necessary for sustainable growth in revenues. In this connection, our strategic goals are growth and profitability, but also to protect ourselves from economic downturns and difficult market conditions, to be open to structural development, to limit the probability of risk shocks, and to take advantage of ad hoc acquisition opportunities.

Less dependence on economic cycles, greater flexibility to respond quickly

Bank Austria Creditanstalt has been working on its regional approach – as one of the pioneers in Central and Eastern Europe – for over a decade. The visibility of the bank's approach is being enhanced by the forthcoming first wave of the European Union's eastward enlargement. Large company groups and also medium-sized companies in Western Europe are now including the entire region of Central and Eastern Europe in their production and sales planning. The leading companies in CEE are already integrated in the European division of labour, and their export activities have been crowned with success.

Bank Austria Creditanstalt's IPO in July 2003 was therefore well-timed as it drew the market's attention to the available opportunities: Bank Austria Creditanstalt's competitive advantage – its unique selling proposition – lies in the bank's ability to combine its market position and the proven restructuring expertise on a mature market with the opening up of the neighbouring growth markets. The bank does this within a banking group whose catchment area still includes the core components of Europe's industrial landscape.

Strategic future development of Bank Austria Creditanstalt

In 2003/2004 Bank Austria Creditanstalt therefore embarked with vigour on the third phase of its development. We clearly defined the basic strategy and reorganised the responsibilities of Managing Board members in the first quarter of 2004.

Growth

The bank's expansion in CEE remains one of our top priorities. Rather than merely going along with the market, we want to expand over and beyond the rate of economic growth and growing financial intermediation in CEE. We are continuing to enhance our business with **international** corporate customers and our capital market activities – from trading to investment banking – by means of a universal strategic approach. But for our **local** business we are pursuing our well-proven, step-by-step strategy toward becoming a retail bank. This means that we adopt a pragmatic approach in taking into account the markets' different sizes and maturity levels while making optimum use of our initial position in the respective markets. This strategy has in the last few years enabled the bank to steadily enhance its performance in line with growth experienced in the regions. In South-East Europe – in the countries which have not yet completed the reconstruction process, but are making intensive preparations for joining the European Union – markets are still being opened up through organic growth. In those accession countries where we are not yet operating as a universal bank we are

targeting the retail banking sector via market niches where we enjoy competitive advantages. Our products are either "door openers", like the bank's card business, or they are services with a higher value added such as asset management, from mutual fund business to private banking.

With the networking of our operations in the next few years, our international customers will no longer be aware of national borders. What is decisive is what our customers need, not where they come from. Supra-regional core products can – as in the automotive industry – contain country-specific components. We are at home in every country.



Regina Prehofer first worked at Oesterreichische Kontrollbank before changing to Creditanstalt in 1987. Always active in the area of wholesale banking, she was in 2000 appointed Head of Division for Multi-national Corporates, Corporate Finance and Trade Finance. In April 2002 she also assumed responsibility for corporate customers. A year later Regina Prehofer was appointed to the Managing Board of Bank Austria Creditanstalt. Since January 2004 she has been responsible for CEE, one of the bank's two core markets, and for international corporate business.

Apart from countries like Poland, where we have already merged two large banks, the step to a leading universal bank with broad-based business can only be taken via acquisitions. In those countries where privatisations have not yet been completed we will make bids; moreover, opportunities can be seized in the course of a reorganisation of holdings of foreign banks. The funds raised by Bank Austria Creditanstalt through the capital increase are available for acquisitions. Bank Austria Creditanstalt will however commit the funds only if the acquired banks make a positive contribution to results within a few years over and beyond the cost of acquisition, and increase the profitability of Bank Austria Creditanstalt as a whole.

Networking of both core markets

Our **networking** activities will link up our decentralised customer business **across Austria and CEE** with a view to more efficiently unlocking the available potential in CEE. We will carefully implement this objective in a step-by-step process and – on account of the related matrix requirements – by means of functional cooperation models. This, to a varying degree, affects all of the bank's business segments and working levels (see the diagram below). The networking process will most directly relate to the bank's corporate customer business. The International Markets segment was organised on supra-regional lines some time ago; there is only **one** financial market without frontiers. In the area of retail banking, asset management activities are already conducted as a network through the relevant subsidiaries; supra-regional product initiatives however currently still encounter differing practices and regulatory rules. In such a case networking cannot take place as a quick rollout, but rather as a long-term process. In the course of time, however, we will harmonise and streamline our range of products.



Finally, activities in the areas of organisation and information technology provide the basis for harmonisation and cross-border structures in customer business. In this context, production and settlement are themselves part of international management, with the bank using advantages offered by different locations (see below).

- ▶ The starting point for networking activities is customer services. Multinational groups of companies are already being served on a group-wide basis. As the division of labour in the industrial sector has reached a more advanced stage, however, the networking of business already covers medium-sized companies. And we bring these together wherever they are located on the markets of the entire HVB Group (cross-border selling). The industrial regions in CEE with modern locations and equipment are already integrated as equal partners in the European division of labour. Austrian companies are active to a disproportionately high degree in CEE, and Bank Austria Creditanstalt is their main bank. Moreover, Austria is the location of many multinational companies' headquarters for Central and Eastern Europe. And HVB is, in particular, a partner for many German companies.

This is where our cross-selling activities come into play. Our coordinated, yet decentralised, customer services enable us to realise substantial earnings synergies. In an attempt to draw attention to our expertise, we launched a customer initiative – supported by advertising and roadshows – in the HVB Group network in Germany in 2003.

- ▶ A further consideration is that corporate customers who are active in CEE, or are planning to open up the market, analyse and deal with the market of Central and Eastern Europe as a whole – either as a sales market, procurement market or as a production site. They therefore need a bank which is at home in the entire region but which can be easily addressed. In an effort to promote this **one-stop shop** principle we have established uniform customer relationship management for cross-border clients. The interaction of local and cross-border account managers is regulated by cooperation

models. This also applies to the allocation of earnings, which is generally done on a decentralised basis. In line with the Bank of the Regions concept, regional management is responsible for local customer services and is the first contact partner; the needs of international corporate customers require a separate management mechanism.

- ▶ In our business with international corporate customers – especially in the areas of cash management, Treasury services and corporate finance – we are therefore developing our teams into **supra-regional competence centres** with functional responsibility.

Supra-regional competence centres for international corporate business

The large number of respectable transactions (also by international standards) in 2003 has prompted us to step up our future activities. We are market leader in the entire region in the areas of leasing business and real estate financing, the EBRD's most important partner, a top arranger of syndicated loans, and "Best Trade Finance Bank".

What matters to us is what the customer does, not where he is located. Customers from similar sectors have similar needs, and these are bundled into supra-regional customer groups. The bank then draws up a **catalogue of standardised network products** which can be used throughout the region. Network products are supra-regional products like trade finance, where we want to become one of the top three providers in each CEE country. Or they can be payment transaction and cash management products for corporates and financial institutions. The accession date 1 May 2004 will see the introduction of "FlashPayment" within the entire HVB Group. With this new payment transactions product, payments will be executed within two days with value D+1. Network products also incorporate the bank's specific competitive advantages, such as in business with professional real estate customers and leasing, where the targeted employment of capital, know-how transfer through consulting, market position and refinancing opportunities are of paramount importance. Integrated corporate finance activities, which are managed at a supra-

regional level, help to move away from unstructured business, usually with low-margin volume products, to structured solutions reducing the capital allocation requirement. Overall, networking can significantly speed up the convergence process.

As a bank which leads the field in proprietary trading in our core markets, we are applying our experience in customer business, and to a growing extent also in the mid-market segment. New issue business, structured transactions and corporate solutions to protect against risk provide us with additional stable revenue components which help us to maintain earnings at the high level of previous years.



Wilhelm Hemetsberger completed international studies and joined GiroCredit as fund manager in 1988. He was subsequently put in charge of the bank's equities trading and sales operations. From 1994 to 1998 he worked at Citibank in London, where he was responsible for structured derivative products and emerging markets equity derivatives. In 1998 he was appointed Chief Executive Officer of CA IB Investmentbank. Wilhelm Hemetsberger has been a member of the Managing Board of Bank Austria Creditanstalt since February 2001 with responsibility for the bank's international capital market operations (INM).

Customer orientation in money market and capital market business

In the International Markets segment we are pursuing a two-pronged strategy across our markets with the objective of strengthening stable revenue components:

- ▶ We want to maintain the high level of results from **proprietary trading** activities achieved in previous years. We will limit the inherent volatility of results by continuing our policy of diversification, and business will at the same time be shifted from classic spot transactions such as foreign exchange trading, which carry greater risk, to structured transactions.
- ▶ We also want to promote the know-how and ideas associated with proprietary trading in our **business with customers**. We are very well positioned in

money market and capital market business for our core markets in regard to trading, Treasury advisory services, investment banking, as well as research and custody services. And we are today the leading provider of risk management services for corporate customers. Bank Austria Creditanstalt is involved in almost every major issue that is launched in Austria, whether bonds or shares. We have also become one of the leading issuing houses for bonds denominated in CEE currencies, especially on account of our structuring capabilities and our placement power. We will enhance our sales activities. Bank Austria Creditanstalt offers companies in Austria and CEE

Industrialisation of retail banking business

Our strategy for retail banking operations in Austria – in view of the overcrowded market – is geared to unlocking the available customer potential. A large number of pragmatic individual measures are in the process of being implemented. Their purpose is to improve the productivity of the bank's sales operations and back office procedures through the division of tasks **in line with industrial models**. This will enable the bank to devote more time and resources to targeted customer service; employ modern techniques to identify customer preferences; offer standardised products for the swift settlement of routine business, and individual solutions for major transactions; emphasise its **competence in securities business** and conduct "upselling" activities; and, above all, increase the efficiency of settlement and administrative procedures.

In April 2003 our **sales units** were reorganised to cover all socially and economically defined target groups. That is, private customer sales and corporate customer sales were combined. This reflects our customer-centred strategy. Instead of trying to serve customers with stereotyped competence patterns based on extreme divisional thinking, we want to cover the entire spectrum of customer needs and increase the cross-selling ratio.

We will further streamline **back office and settlement processes** which support customer business, with a view to freeing resources and devoting more time to intensive personal service.

This requires products used in routine financial transactions to be **standardised**. Product standardisation facilitates process management. Moreover, customer satisfaction increasingly depends on efficiency, speed and reliability.

Our comprehensive sales and advisory initiative in autumn 2003 was based on the model of **modern**

The needs of private customers cover both day-to-day banking transactions and major decisions at the different stages of their lives. We meet these needs with a combination of standardised products and individual advice. Efficient procedures and rationalisation allow more time for personal contact, and ultimately benefit the customer.

Willibald Cernko was for many years active in sales and corporate customer business at Creditanstalt and Bank Austria in a managerial capacity. In the period 2000 to 2002 he was responsible for Bank Austria's corporate customer business, and later for the bank's CEE segment. In April 2003 he was appointed to the Managing Board of Bank Austria Creditanstalt, and he has since then been responsible for retail banking operations (private and corporate customers/Austria, asset management).



Sales based on customer-centred strategy instead of divisional barriers

corporate solutions, i. e., individual solutions with which they can protect themselves against interest and exchange rate risks. The bank also intends to familiarise small and medium-sized companies with derivative and structured products; these companies are often still not sufficiently aware of such risks. Together with subsidiary companies in London and CEE, and through HVB Group, we support "networked" companies wherever they are.

campaign management. This involved the data-mining-supported selection of target customers on the basis of their activities, addressing customers via direct mailing, subsequently contacting each customer with the help of the call centre, and finally evaluating the success of the initiative. This procedure proved to be very effective: we addressed 396,000 customers, made 187,000 appointments and concluded 123,000 transactions.

In offering our products and know-how we are taking a marketing-oriented approach, which takes account of the concrete needs of customers. By pre-selecting and structuring a coordinated range of products, and providing sales units with the necessary advice and information, we eliminate all superfluous information, i. e. **complexity is reduced.** The approach leaves sufficient scope, despite the related typification and standardisation. This means that the entire product range on the liabilities side – from savings books, direct securities investments and mutual funds to insurance products, i. e., from margin products to fee-based services – is managed and prioritised on a centralised basis. This is designed to prevent damaging internal competition between different products, e. g. savings books versus mutual funds.

While the division of tasks is reflected in the separation of production from sales activities, we are again strengthening the links between product development and sales in an effort to increase the value added.

Personnel management plays a key role. We will, through greater recognition of performance and more performance **incentives**, motivate our employees active in Austria-based retail banking to take initiatives. Ongoing performance tracking has become a regular feature in our branches. It serves to monitor the progress achieved in reaching the goals.

Process reengineering and optimisation of vertical production

In 2003, we complemented our business model with an **operating model** so that more time and resources can be devoted to serving customers, increasing the efficiency and quality of processes supporting customer services, and maintaining our position as lowest-cost provider by structuring the entire value added chain.

Contact with customers and advisory services must be separated from settlement activities wherever possible. The rationalisation of back office procedures lowers costs and increases the efficiency, speed and reliability of our services.



Wolfgang Haller was a member of the Managing Board of Sparkasse Oberösterreich before being appointed to the Managing Board of Bank Austria in 1997. In this capacity he was responsible for Organisation/IT, and later for retail banking. He was appointed Chief Operating Officer (COO) of Bank Austria Creditanstalt in spring 2003, a function which he also performs at the first executive management level at HypoVereinsbank. In January 2004 Wolfgang Haller was appointed Deputy Chairman of the Managing Board, and in February 2004 he assumed responsibility for Human Resources.

The appropriate functions for all markets come together at the Managing Board level in the newly-created position of Chief Operating Officer (COO). We are **benchmarking** our entire processes and subjecting them to an **end-to-end** reengineering procedure. Sales operations were freed from back office and administrative functions more than a year ago with the regional implementation of support functions as an initial step. This will now be followed by the more comprehensive “back office and settlement processes” project.

This will involve reducing **vertical production**. Besides lowering production costs, the objective of the targeted production centres is to convert fixed costs into variable costs.

This too, is nothing new for the bank. The sale of TSG – a company responsible for maintaining and servicing the decentralised IT infrastructure – to Siemens in 2003 is the most recent example of the bank reducing vertical production (see the chapter “Organisation/IT” on pages 131 ff.); all employees were transferred to Siemens. While the services offered by Siemens are of the same quality, these are available to the bank at about 30 % less than before on account of a volume rebate.

Outsourcing is however not a dogma for us. The objective is quite simple: to identify the provider who offers his services at the most reasonable cost in the longer term, regardless of whether this be outside or within the banking group.

The convergence of credit and capital markets leads to a transparent market-based evaluation of risk. Our approach is to accept and profitably manage risks, rather than merely avoiding them. Moreover, with active portfolio management, we are making credit risk a tradable asset.

Johann Strobl joined Creditanstalt in 1989 after working as a university assistant for a number of years. At Creditanstalt he was first active in asset/liability management, and as from 1997 in market risk management, in both instances in a managerial capacity. Thereafter: in 1998 Division Head of Group Risk Management of the BA-CA Group, a year later Division Head of Group Treasury and Financial Markets. In 2003 Chief Market Risk Officer at HVB and BA-CA, and Head of Risk Control. In January 2004 Johann Strobl joined the Managing Board of Bank Austria Creditanstalt as Chief Risk Officer (CRO).



A perfect example of the outsourcing of activities, even on a cross-sectoral basis, is the bundling of **central data processing services** within iT-Austria. This involved services for our bank, the entire savings bank sector, and a number of other customers, and resulted in significant cost savings for our bank from year to year, despite a massive increase in work volume.

We will bundle **settlement functions** across all our markets in order to achieve a critical mass, using all the advantages offered by different locations. But we are also continuing to pursue our goal of improving cost structures in **payment transactions and securities settlement**. The installation of the GEOS securities settlement system in March 2004 will represent an important basis for this project. The system standardises the former, fragmented systems landscape and creates a real-time process chain from securities orders and trading to securities settlement and back to the customer. It furthermore represents an important starting-point for cooperation arrangements.

The bundling of back office functions at a supra-regional level is reflected in a successful example within the Group: the processing centre for credit card business in Prague also encompasses Slovakia and Hungary. A similar competence centre is planned to be established in Split for South-East Europe. The processing of large business volumes will thus take place in a single location, which results in cost savings through economies of scale.

Over and beyond this, our long-term goal is to create a harmonised IT infrastructure for A+CEE through convergence of structures that have grown over time.

Using the convergence of credit and capital markets

As in the last two years, we will promote the convergence of loan and capital market financings with our customers. We will also use such convergence to achieve risk-adjusted pricing, enhance our customers' financing structure, improve our balance sheet data, and reduce the capital required to be allocated. In this field Bank Austria Creditanstalt can take advantage of its lead over its competitors (see “Risk Exposure in the Bank Austria Creditanstalt Group”, pages 120 ff.). We want to further reduce the net charge for losses on loans and advances and maintain it at a low level. A major target we have set ourselves in this regard is to lower the risk/

earnings ratio to under 20 % by 2006, and to reduce the ratio of the net charge for losses on loans and advances to risk-weighted lending volume to under 0.6 %.

In the next few years we will therefore focus on achieving stronger growth in business with companies with good to very good creditworthiness, on further reducing concentration risk, gradually reducing unsecured exposures in lower rating classes, and on developing credit scoring processes to support our retail banking operations. We want to significantly increase efficiency by integrating the credit processes between Austria and CEE. The creation of uniform risk management standards does not for us imply centralisation. On the contrary, we see this as a prerequisite for further decentralisation.

An important focus of our loan restructuring activities will be on the loan portfolio taken over from the Private Customers segment in 2003. A streamlining of internal processes, the reorganisation of interfaces and the further refining of the watchlist process will ensure an efficient restructuring process and provide evidence of the division's expertise in the area of loan restructuring.

We will, independently of customer business, continue to structure our loan exposure through active portfolio management while taking advantage of the secondary market. New risk management tools will be employed with a view to turning credit risk into a tradable asset with which we can generate additional earnings. Our actions will be guided by the principle of accepting and successfully and profitably managing risks, rather than merely avoiding them.

An important component of our strategic risk management activities is to prepare the Bank Austria Creditanstalt Group for economic risk/earnings management, and for the requirements of the New Basel Capital Accord. We are aiming to create a uniform management system by viewing credit risk more in the context of market risk. In this context, "risk" is a resource which is given a key role in this management system, with potential for contributing to successful business developments.

Management based on transparency of results

The implementation of our medium-term goals requires an awareness of profitability requirements in all sub-sectors and at all regional levels of the bank. Efficient controlling activities bring together transparent target requirements that can be operationalised and daily performance measurement.

The stock exchange listing gives us direct feedback as to how the capital markets assess the bank in comparison with its competitors. Conversely, we will employ our strategic and operative controlling instruments more on the lines of value-based management. The transparency of results, down to the value added by each transaction to these results, is an indispensable component of business management.



Stefan Ermisch began his career in 1993 as an investment analyst at the private bank Merck, Finck & Co. He then worked for Trinkaus & Burkhardt before joining WestLB, where he was chief analyst for European financials. At HVB he headed Investor Relations, the Group Strategy and Development Division, and Group Communications. In January 2004 the capital markets expert was appointed to the Managing Board of Bank Austria Creditanstalt as Chief Financial Officer (CFO).

Value-based management will therefore become of greater relevance for our reporting system and our management information system, especially in regard to strategic decisions that concern our business portfolio. We also provide all employees involved in our sales operations with information on the value added by each transaction.

Investor Relations has two functions for our bank: with an open and professional information policy we seek to gain the confidence of investors, and through the objective feedback from the market we know where we stand and how we are assessed in relation to our competitors.

Organisation Chart of Bank Austria Creditanstalt

Responsibilities at Managing Board level

Support Services	Organisation, IT and Human Resources	Group Finance
Erich Hampel Chief Executive Officer	Wolfgang Haller Deputy Chief Executive Officer	Stefan Ermisch
Corporate Secretariat	ORG/IT Management	Group Finance and Controlling
Group Marketing & Communications	Operations Management CEE	Financial Relations and Strategic Planning
Group Economics and Market Analysis	Operations	Equity Interest Management
Group Market Research	Group Payment Transactions	
Legal Affairs	Treasury & Securities Services	
Group Internal Audit (reporting to full Managing Board)	Human Resources BA-CA Group	
	Subsidiaries supporting the core banking business	

Business segments in the core market Austria

Business segments as reflected in segment reporting

Private Customers / Austria	Corporate Customers / Austria
Private Customers Austria	Corporate Customers Austria
Private Customers/ Business Customers – Sales	Corporate Customers – Sales
Asset Management	Multinational Corporates, Corporate Finance and Trade Finance
BA-CA Finanzservice	Real Estate Customers
Capital Invest Asset Management GmbH BANKPRIVAT	BA-CA Leasing BA-CA Wohnbaubank BA-CA ImmoTrust
Schoellerbank	CABET-Holding
DATA AUSTRIA VISA-SERVICE	BA-CA Private Equity CA IB Corporate Finance

As at 1 March 2004

Risk Management	Retail Banking	Central and Eastern Europe (CEE) International Corporate Business	International Markets
Johann Strobl	Willibald Cernko	Regina Prehofer	Willi Hemetsberger
Group Credit Management	Private and Corporate Customers/Austria – Sales	Subsidiaries in CEE	Markets Risk Management
Special Accounts Management	Sales Coordination	Multinational Corporates	EEMEA Markets & Subsidiaries
Strategic Risk Management	Asset Management	Corporate Finance & Public Sector	
		International Trade Finance & Financial Institutions	
		Real Estate Finance and Real Estate Customers	
		Leasing	

Core market CEE

Corporate Center

International Markets	Central and Eastern Europe	Corporate Center
Markets Risk Management	Region 1 Bank BPH HVB Bank Czech Republic HVB Bank Slovakia HVB Bank Hungary	Equity Interest Management BACA Export Finance Limited Bank Austria Cayman Islands
EEMEA Markets & Subsidiaries	Region 2 Splitska banka Bank Austria Creditanstalt Ljubljana HVB Bank Romania CB Biochim AD HVB Bank Jugoslavija HVB-Bank Bosna i Hercegovina Macedonia Representative Office	Subsidiaries supporting the core banking business WAVE Solutions IT iT-Austria DOMUS Facility Management
CA IB Securities	Multinational Corporates, Corporate Finance and Trade Finance Real Estate Customers	Holdings in banks Adria Bank AG A & B Banken-Holding GmbH

Report of the Supervisory Board

In 2003, the Supervisory Board of Bank Austria Creditanstalt AG and its credit committee held five meetings. The committee for the audit of the financial statements and for the preparation of their adoption and the strategy committee each held one meeting. In addition, several resolutions were passed by written circular votes. The Supervisory Board was regularly informed by the bank's Managing Board of the progress and status of the company. In its meetings, the Supervisory Board performed all its duties as defined by the law and the bye-laws.

The major topic in the reporting year was the Initial Public Offering and the listing on the Warsaw Stock Exchange, with the related resolutions passed by the Supervisory Board and at the Annual General Meeting. Changes in the bye-laws and in the internal rules of the Supervisory Board and of the Managing Board were made on the basis of these resolutions. Apart from various portfolio reports in the credit committee, special reports focused on information regarding the duties of members of the Supervisory Board and Managing Board of listed companies, Polish corporate governance rules and the development of net interest income and net fee and commission income from business in Austria as well as a package of measures to improve earnings.

In the reporting period, Albrecht Schmidt (Chairman), Adolf Franke, Paul Hassler and Dieter Rampl resigned from the Supervisory Board as at 17 March 2003. By resolution passed at the Annual General Meeting on 17 March 2003, the following persons were elected as new members of the Supervisory Board as at the same date: Armin Gebhard Fehle, Michael Mendel and Franz Rauch and, as from 1 April 2003, Gerhard Randa. At the constituent meeting of the Supervisory Board on 17 March 2003, Gerhard Randa was elected Chairman (as from 1 April 2003) and Rudolf Humer was confirmed in his function as Deputy Chairman. The members of the credit committee were appointed at the same meeting, with Michael Mendel as chairman, Rudolf Humer as deputy chairman and Stefan Jentzsch and Gerhard Randa as members. Also appointed at the same meeting were the members of the balance sheet committee, with Gerhard Randa as chairman, Rudolf Humer as deputy chairman and Wolfgang Sprissler as a member. Moreover, at the constituent meeting of the Supervisory Board, Karl Samstag was appointed Chairman of the Managing Board and Friedrich Kadrnoska was appointed Deputy Chairman of the Managing Board with effect from 1 April 2003. Regina Prehofer, Helmut Gropper and Willibald Cernko were appointed members of the Managing Board with effect from 1 April 2003. In the reporting year, the following persons resigned from the Managing Board: Gerhard Randa, Chairman of the Managing Board, and Jochen-Michael Speek as at 31 March 2003, and Helmut Gropper as at 31 December 2003. By resolution passed by the Supervisory Board on 12 December 2003, Stefan Ermisch was appointed to the Managing Board with effect from 1 January 2004.

Karl Samstag, Chairman of the Managing Board, and Friedrich Kadrnoska, Deputy Chairman of the Managing Board, resigned from the Managing Board as at 26 January 2004. At the



extraordinary meeting of the Supervisory Board on 26 January 2004, Erich Hampel was appointed Chairman of the Managing Board and Wolfgang Haller was appointed Deputy Chairman of the Managing Board, both with effect from 27 January 2004. Johann Strobl was appointed to the Managing Board with effect from the same date.

The accounting records, the financial statements for 2003 and the management report were audited by the Auditing Board of the Savings Bank Auditing Association, by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft and by Österreichische Wirtschaftsberatung GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft. As the audit did not result in any objections and the legal requirements were fully complied with, the auditors' report was expressed without qualification.

The Supervisory Board has endorsed the findings of the audit, agrees with the financial statements and the management report, including the proposal for the appropriation of profits, presented by the Managing Board, and approves the 2003 financial statements, which are thereby adopted pursuant to Section 125 (2) of the Austrian Joint Stock Companies Act.

The 2003 consolidated financial statements, including the notes, prepared in accordance with International Financial Reporting Standards (IFRS/IAS) and the management report of the Group were audited by the Auditing Board of the Savings Bank Auditing Association, by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft and by Österreichische Wirtschaftsberatung GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft. The audit did not result in any objections and the legal requirements were fully complied with. In the opinion of the auditors, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2003 and as at 31 December 2002, and of the results of its operations and its cash flows for the financial year beginning on 1 January 2003 and ending on 31 December 2003, and for the financial year beginning on 1 January 2002 and ending on 31 December 2002, in accordance with International Financial Reporting Standards (IFRS/IAS).

The auditors certify that the management report of the Group is consistent with the consolidated financial statements, and that the legal requirements for exemption from the obligation to prepare consolidated financial statements pursuant to Austrian law are met.

The Supervisory Board has endorsed the findings of the audit.

Vienna, 1 March 2004

The Supervisory Board

Gerhard RANDA
Chairman of the Supervisory Board

Supervisory Board and Managing Board of Bank Austria Creditanstalt AG

Supervisory Board

Chairman

Gerhard Randa

Member of the Board of Managing Directors, Bayerische Hypo- und Vereinsbank AG (from 1 April 2003)

Albrecht Schmidt

Chairman of the Supervisory Board, Bayerische Hypo- und Vereinsbank AG (until 17 March 2003)

Deputy Chairman

Rudolf Humer

Managing Director, P Vermögensverwaltung AG

Members

Erich Becker

Chairman of the Managing Board, VA Technologie AG

Alberto Crippa

IntesaBci SpA

Armin Gebhard Fehle

Communications consultant (from 17 March 2003)

Adolf Franke

Member of the Managing Board, WestLB AG (until 17 March 2003)

Paul Hassler

Certified Public Accountant (until 17 March 2003)

Stefan Jentzsch

Member of the Board of Managing Directors, Bayerische Hypo- und Vereinsbank AG

Gerhard Mayr

Executive Vice-President Pharmaceutical Operations, Eli Lilly & Company

Michael Mendel

Member of the Board of Managing Directors, Bayerische Hypo- und Vereinsbank AG (from 17 March 2003)

Dieter Rampl

Spokesman of the Board of Managing Directors, Bayerische Hypo- und Vereinsbank AG (until 17 March 2003)

Franz Rauch

Managing partner, Rauch Fruchtsäfte Ges.m.b.H. (from 17 March 2003)

Veit Sorger

Chairman of the Managing Board, Frantschach AG

Wolfgang Sprissler

Member of the Board of Managing Directors, Bayerische Hypo- und Vereinsbank AG

Appointed by the
Employees' Council

Hedwig Fuhrmann

Chairman of the Employees' Council

Thomas Schlager

Third Deputy Chairman of the Employees' Council

Wolfgang Heinzl

First Deputy Chairman of the Employees' Council

Heribert Kruschik

Member of the Employees' Council

Adolf Lehner

Second Deputy Chairman of the Employees' Council

Wolfgang Lang

Member of the Employees' Council

Representatives of the Supervisory Authorities

Commissioner

Doris Radl

Deputy Commissioner

Josef Kramhöller

State Cover Fund Controller

Alfred Katterl

Deputy State Cover Fund Controller

Christian Wenth

Trustee pursuant to
Mortgage Bank Act

Martin Mareich
(from 1 June 2003)

Deputy Trustee pursuant to
Mortgage Bank Act

Gerhard Reicher

Managing Board

Chairman and Chief Executive Officer

Erich Hampel

(from 27 January 2004)
Member of the Managing Board (until 26 January 2004)

Deputy Chairman and
Deputy Chief Executive Officer

Wolfgang Haller

(from 27 January 2004)
Member of the Managing Board (until 26 January 2004)

Members

Willibald Cernko

(from 1 April 2003)

Stefan Ermisch

(from 1 January 2004)

Wilhelm Hemetsberger

Regina Prehofer

(from 1 April 2003)

Johann Strobl

(from 27 January 2004)

Helmut Gropper

(from 1 April 2003 until 31 December 2003)

Friedrich Kadrnoska

Deputy Chairman and Deputy Chief Executive Officer
(from 1 April 2003 until 26 January 2004)
Member of the Managing Board (until 31 March 2003)

Gerhard Randa

Chairman and Chief Executive Officer (until 31 March 2003)

Karl Samstag

Chairman and Chief Executive Officer (from 1 April 2003 until 26 January 2004)
Deputy Chairman and Deputy Chief Executive Officer (until 31 March 2003)

Jochen-Michael Speck

(until 31 March 2003)

Income statement of the Bank Austria Creditanstalt Group 2001–2003

€ m	2003	Change on 2002	2002	Change on 2001	2001
Interest income	4,802	–17.6 %	5,825	–28.9 %	8,190
Interest expenses	–2,626	–25.4 %	–3,519	–36.2 %	–5,518
Net interest income	2,176	–5.7 %	2,307	–13.7 %	2,672
Losses on loans and advances	–467	–13.0 %	–537	–23.7 %	–703
Net interest income after losses on loans and advances	1,709	–3.4 %	1,770	–10.1 %	1,969
Fee and commission income	1,412	4.0 %	1,358	–1.4 %	1,376
Fee and commission expenses	–278	–1.4 %	–282	–10.8 %	–316
Net fee and commission income	1,134	5.4 %	1,076	1.4 %	1,061
Net trading result	220	–4.7 %	231	–11.4 %	261
General administrative expenses	–2,479	–1.0 %	–2,503	–9.7 %	–2,773
Balance of other operating income and expenses	18	>100 %	–1	>–100 %	34
Operating profit	602	5.3 %	572	3.7 %	552
Net income from investments	120	>100 %	28	–84.8 %	187
Amortisation of goodwill	–67	–24.1 %	–88	19.7 %	–73
Balance of other income and expenses	–8	–6.8 %	–8	–18.4 %	–10
Net income before taxes	648	28.5 %	504	–23.0 %	655
Taxes on income	–155	39.6 %	–111	13.4 %	–98
Net income	493	25.4 %	393	–29.4 %	557
Minority interests	–51	–39.5 %	–84	14.2 %	–74
Consolidated net income	442	43.0 %	309	–36.0 %	483

Key figures

	2003		2002		2001
Earnings per share in €	3.40		2.71		4.24
Return on equity before taxes	12.8 %		10.6 %		13.8 %
Return on equity after taxes	8.7 %		6.5 %		10.2 %
Return on equity after taxes before amortisation of goodwill	12.4 %		10.2 %		13.6 %
Cost/income ratio	69.9 %		69.3 %		68.8 %
Risk/earnings ratio	21.5 %		23.3 %		26.3 %

Balance sheet of the Bank Austria Creditanstalt Group 2001–2003

Assets € m	31 Dec. 2003	Change on 31 Dec. 2002	31 Dec. 2002	Change on 31 Dec. 2001	31 Dec. 2001
Cash and balances with central banks	2,286	25.3 %	1,824	–46.8 %	3,428
Trading assets	16,140	–14.8 %	18,954	38.0 %	13,735
Loans and advances to, and placements with, banks	25,130	–15.0 %	29,558	–30.6 %	42,596
Loans and advances to customers	75,997	–0.5 %	76,354	–2.8 %	78,583
– Loan loss provisions	–3,490	–3.6 %	–3,622	5.8 %	–3,425
Investments	15,910	–11.5 %	17,976	0.9 %	17,819
Property and equipment	1,120	–4.9 %	1,177	–10.0 %	1,308
Intangible assets	1,288	10.8 %	1,162	11.2 %	1,045
Other assets	2,674	–41.7 %	4,586	1.7 %	4,508
TOTAL ASSETS	137,053	–7.4 %	147,968	–7.3 %	159,597

Liabilities and shareholders' equity € m	31 Dec. 2003	Change on 31 Dec. 2002	31 Dec. 2002	Change on 31 Dec. 2001	31 Dec. 2001
Amounts owed to banks	39,133	–4.6 %	41,033	–15.1 %	48,352
Amounts owed to customers	53,824	–4.8 %	56,562	–5.7 %	59,962
Liabilities evidenced by certificates	17,399	–13.0 %	19,992	–13.8 %	23,186
Trading liabilities	8,560	–18.5 %	10,504	47.5 %	7,122
Provisions	3,422	–1.9 %	3,490	7.3 %	3,251
Other liabilities	3,118	–33.3 %	4,673	5.7 %	4,420
Subordinated capital	5,419	–16.1 %	6,455	–10.7 %	7,232
Minority interests	362	–44.3 %	650	–45.6 %	1,196
Shareholders' equity	5,815	26.2 %	4,610	–5.4 %	4,875
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	137,053	–7.4 %	147,968	–7.3 %	159,597

Income statement of our consolidated banking subsidiaries in CEE

Income statement

€ m	Poland			Hungary			Czech Rep.		
	2003	2002	2001	2003	2002	2001	2003	2002	2001
Net interest income	302	448	579	66	74	76	76	90	97
Losses on loans and advances	-63	-125	-190	-7	-6	-4	4	-9	-3
Net fee and commission income	202	201	169	42	37	33	54	54	47
Net trading result	20	8	75	12	7	5	2	2	12
General administrative expenses	-351	-443	-536	-61	-69	-67	-71	-72	-87
Balance of other operating income and expenses	7	0	-6	0	0	-1	-4	-3	-8
Operating profit	116	89	91	52	43	43	60	62	58
Net income from investments	17	24	-16	-1	-0	-0	0	-0	-0
Amortisation of goodwill	-3	-5	-6	0	0	0	0	0	0
Balance of other income and expenses	-1	-1	-3	-1	0	0	-0	-0	-0
Net income before taxes	129	108	66	49	42	43	61	61	58
Average risk-weighted assets	4,962	5,417	7,166	1,739	1,494	1,713	2,417	2,232	2,168
Average equity	1,103	1,250	1,440	276	253	211	358	381	350
Cost/income ratio (in %)	66.1	67.5	65.6	50.7	58.5	58.9	56.0	50.2	59.0
Return on equity before taxes (in %)²⁾	11.7	8.7	4.6	17.9	16.8	20.2	17.0	16.1	16.5
Exchange rate at year-end (units of local currency per euro)	4.702	4.021	3.495	262.500	236.290	245.180	32.410	31.577	31.962
Appreciation/depreciation against the euro	-14 %	-13 %		-10 %	+4 %		-3 %	+1 %	

Income statement in local currency

	Poland (PLN m)			Hungary (HUF m)			Czech Rep. (CZK m)		
	2003	2002	2001	2003	2002	2001	2003	2002	2001
Net interest income	1,418	1,800	2,025	17,240	17,392	18,625	2,462	2,832	3,100
Losses on loans and advances	-297	-501	-665	-1,783	-1,391	-998	144	-296	-90
Net fee and commission income	950	808	591	11,045	8,627	8,073	1,742	1,692	1,508
Net trading result	92	33	262	3,155	1,701	1,328	55	68	371
General administrative expenses	-1,648	-1,783	-1,872	-15,953	-16,226	-16,405	-2,310	-2,263	-2,785
Balance of other operating income and expenses	32	2	-22	50	10	-157	-132	-83	-258
Operating profit	548	359	318	13,755	10,113	10,466	1,960	1,950	1,846
Net income from investments	78	98	-55	-382	-106	-6	10	-16	-5
Amortisation of goodwill	-16	-19	-21	0	0	0	0	0	0
Balance of other income and expenses	-4	-3	-9	-392	0	0	-0	-0	-1
Net income before taxes	605	436	232	12,980	10,007	10,460	1,970	1,934	1,840
Average risk-weighted assets	23,333	21,780	25,046	456,505	353,107	420,036	78,324	70,468	69,296
Average equity	5,187	5,027	5,033	72,425	59,704	51,833	11,603	12,028	11,183

1) 2001: HVB Croatia; 2002: HVB Croatia + Splitska banka on a pro-rata basis
2) Return on equity before taxes based on actual average equity

Financial information relating to subsidiaries corresponds to the financial statements prepared in accordance with IFRS/IAS as used for preparing the consolidated financial statements of the Bank Austria Creditanstalt Group. Any differences are due to rounding off.

Slovakia			Slovenia			Croatia ¹⁾			Romania			Bulgaria	Total CEE		
2003	2002	2001	2003	2002	2001	2003	2002	2001	2003	2002	2001	2003	2003	2002	2001
29	32	29	24	20	19	66	46	13	16	14	11	26	604	724	823
-2	-3	-2	-2	-2	1	-8	-4	3	-4	-1	-2	-6	-87	-150	-197
9	9	6	9	8	6	19	17	4	9	5	3	11	355	330	269
2	2	3	-1	3	2	9	4	4	4	2	1	8	55	29	101
-22	-20	-20	-19	-17	-18	-54	-33	-13	-12	-9	-8	-29	-618	-663	-748
0	0	0	-0	0	-0	-6	-3	-0	-1	-0	0	0	-4	-6	-16
17	20	17	11	13	10	26	27	11	12	10	5	10	306	263	234
2	0	0	-0	-0	-0	2	-1	0	1	0	0	1	21	23	-16
0	0	0	0	0	-0	0	0	0	0	0	0	0	-3	-5	-6
0	0	0	0	-0	-0	-0	0	0	0	0	0	0	-2	-1	-3
19	20	17	11	13	10	28	26	11	13	10	5	11	321	281	209
695	551	342	729	616	508	1,563	1,312	240	273	165	94	394	12,773	11,787	12,230
149	131	111	70	62	57	181	169	45	27	20	13	67	2,229	2,266	2,228
53.2	45.7	52.0	59.6	53.7	68.2	61.0	52.4	59.4	42.7	45.3	51.7	64.4	61.1	61.6	63.4
12.5	15.1	14.9	15.7	20.3	16.8	15.7	15.5	24.8	47.2	51.6	34.4	17.2	14.4	12.4	9.4
41.170	41.503	42.780	236.700	230.158	218.836	7.630	7.485	7.350	41,158	35,135	27,817	1.956			
+1%	+3%		-3%	-5%		-2%	-2%		-15%	-21%					

Slovakia (SKK m)			Slovenia (SIT m)			Croatia ¹ (HRK m)			Romania (ROL bn)			Bulgaria (BGN m)	
2003	2002	2001	2003	2002	2001	2003	2002	2001	2003	2002	2001	2003	
1,191	1,338	1,228	5,687	4,718	4,111	502	342	94	647	502	293	52	
-87	-144	-69	-427	-455	263	-61	-27	20	-152	-50	-69	-11	
391	361	252	2,134	1,801	1,409	145	131	32	354	162	97	22	
83	78	135	-258	757	366	72	30	31	162	80	17	15	
-886	-813	-841	-4,489	-3,918	-3,988	-411	-250	-92	-482	-329	-211	-57	
0	2	2	-29	21	-39	-45	-26	-2	-34	-17	1	0	
692	822	706	2,618	2,925	2,122	201	201	83	495	348	128	20	
72	0	0	-12	-20	-7	15	-4	0	22	14	0	2	
0	0	0	0	0	-1	0	0	0	0	0	0	0	
0	0	0	0	-25	-8	-0	0	0	0	0	0	0	
764	822	706	2,606	2,880	2,105	216	196	83	517	362	128	22	
28,629	22,884	14,615	172,611	141,841	111,083	11,928	9,819	1,763	11,234	5,801	2,618	770	
6,116	5,448	4,743	16,548	14,192	12,517	1,378	1,269	333	1,096	701	372	130	