

> Savings Banks Sector Cooperation

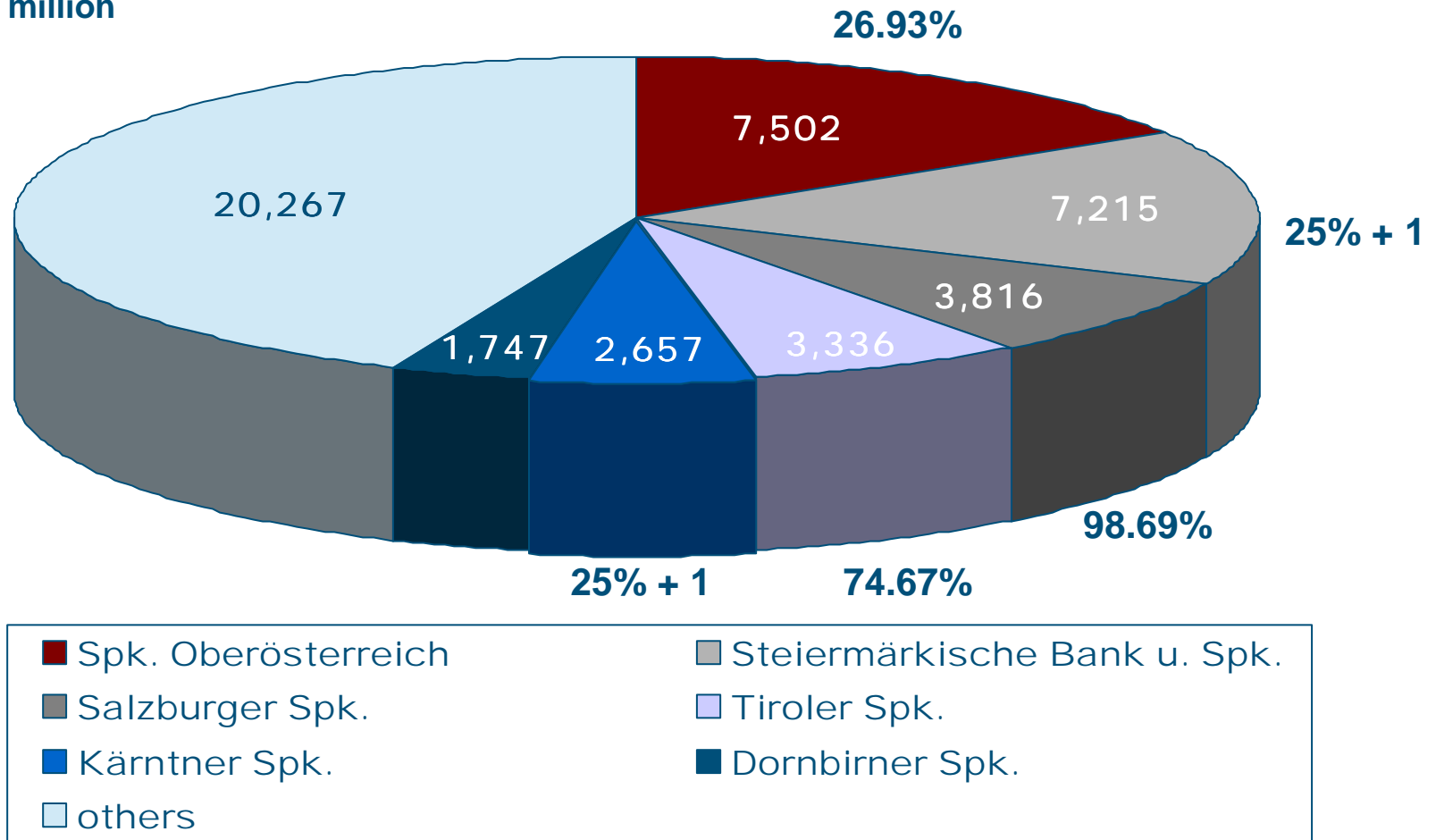
> **Andreas Treichl, CEO
Erste Bank**

> **17 September 2003**

> Austrian savings banks

Total Assets / Erste Bank share

EUR million



> Austrian savings banks - Total assets

EUR million 06/2003

» Sparkasse Oberösterreich	7,502
» Steiermärkische Bank und Sparkasse	7,215
» Salzburger Sparkasse	3,816
» Tiroler Sparkasse	3,336
» Kärntner Sparkasse	2,657
» Dornbirner Sparkasse	1,747
» Sparkasse Niederösterreich	1,516
» Sparkasse Kufstein	905
» Wiener Neustädter Sparkasse	889
» Sparkasse Feldkirch	867

26 Savings Banks	EUR 300 m – EUR 835 m
25 Savings Banks	EUR 47 m – EUR 300 m

> Savings Banks – ownership structure

EUR million

Balance Sheet - 06/2003

Different from German System

» 24 Vereinssparkassen 94,473

- Established by benevolent association
- “Anteilsverwaltungssparkasse” holds shares of operating entity

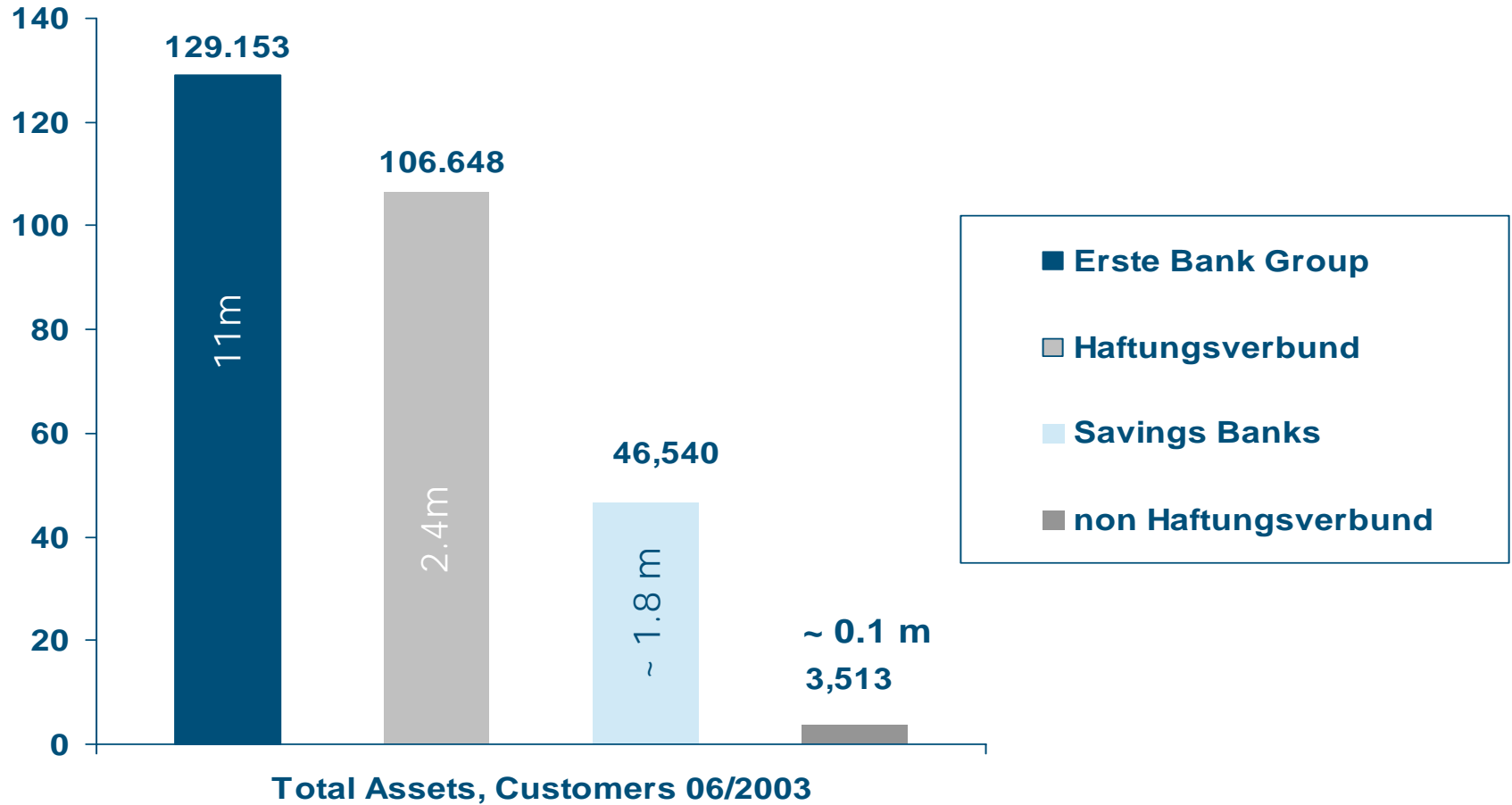
» 38 Gemeindesparkassen 15,688

- Established by community
- No impact from the loss of deficiency guarantee after Sept. 2004 with a transition period until 2017, Sparkasse Kitzbühel largest with €515.6 m total assets

Thereof ownership has since been changed into foundations

» 23 Foundations

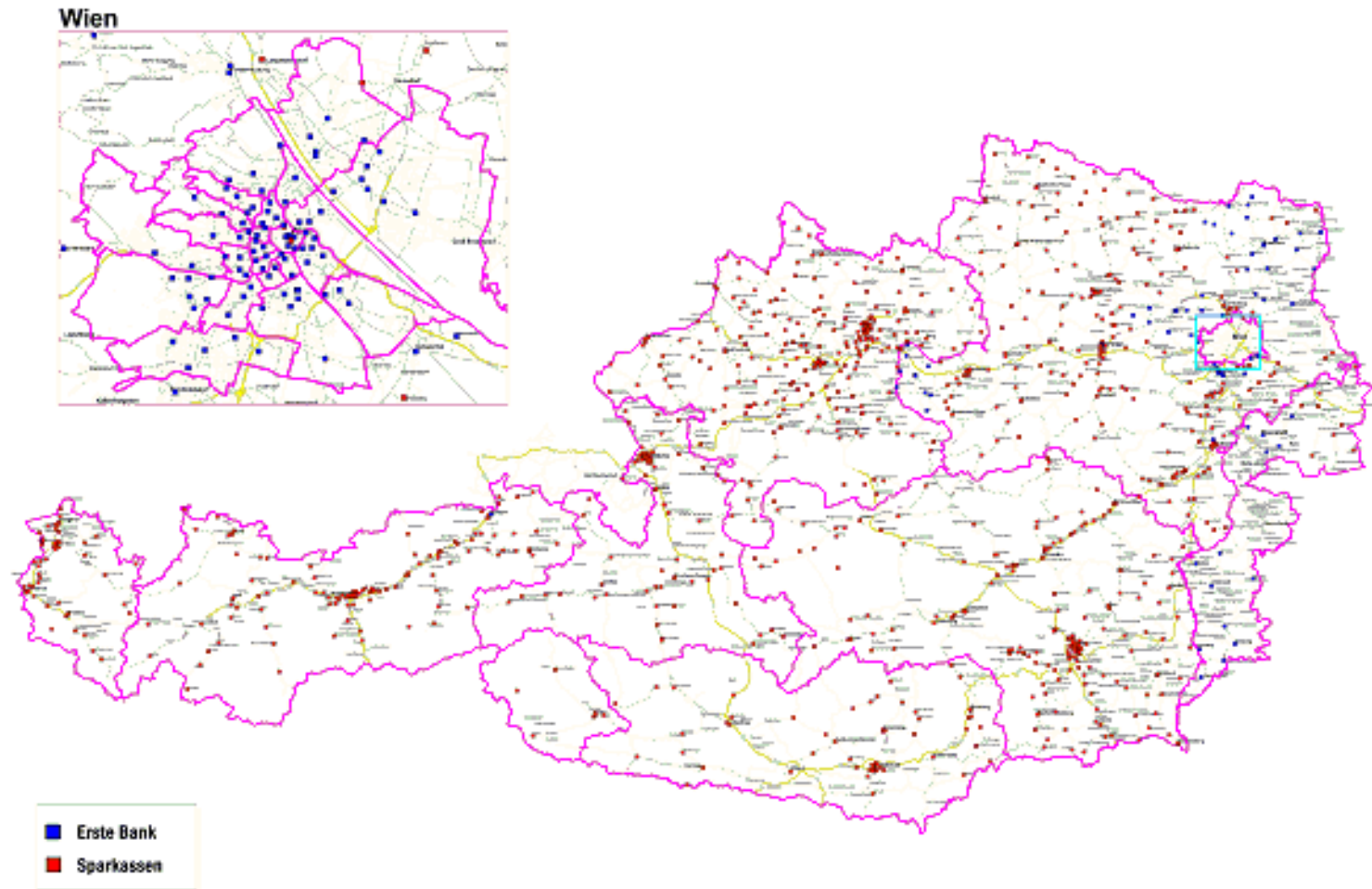
- Having a charitable purpose
- Savings Banks as operating entities are profit oriented
- Further reorganizations will follow later in 2003



> Branch network

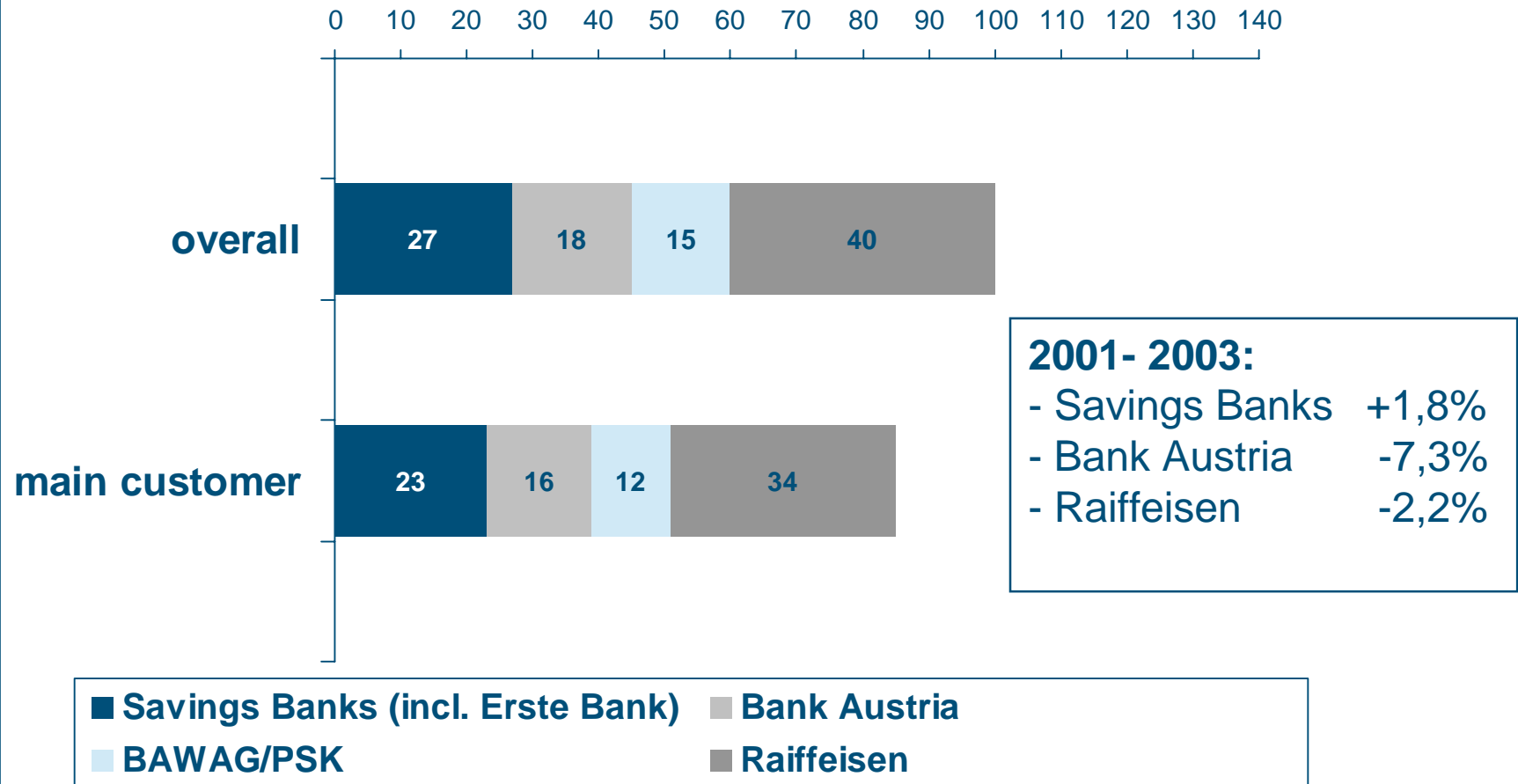
» Total	1,068
Erste Bank	166
Savings Banks (majority Erste Bank owned)	148
Savings Banks (minority Erste Bank owned)	326
Savings Banks	428
» Streamlining of branch network: -5% since 1999, further reductions planned	
» Since 1998, branch transfer from Erste Bank to Savings Banks	
» avoids local competition	
» precondition for centralized production	
Clients	145,000
Employees	730
Total Assets	2.7 bn EUR
Branches	108

> Savings Banks in Austria



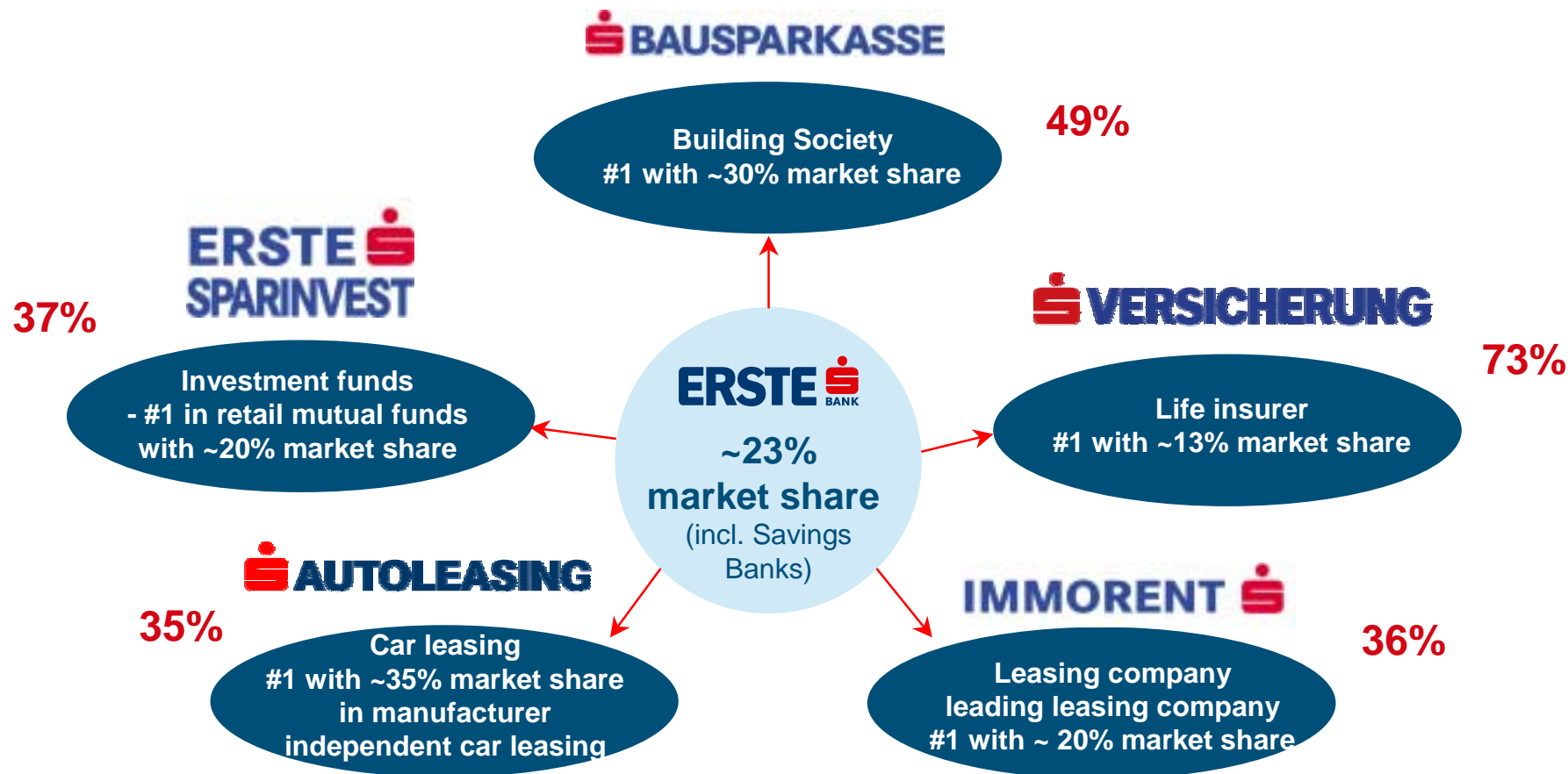
> Market Share

% as at 30.6.03



> Erste Bank - a market leader in Austria

Savings Banks: share of distribution



» **Build strong franchise with legally independent Savings Banks**

- » Local market expertise, close customer relations.

» **Main areas of cooperation:**

- » Harmonized IT platform and systems.

- » Standardised business and marketing strategies for retail and corporate banking.

- » Standardisation of risk management process.

- » Joint product and service development.

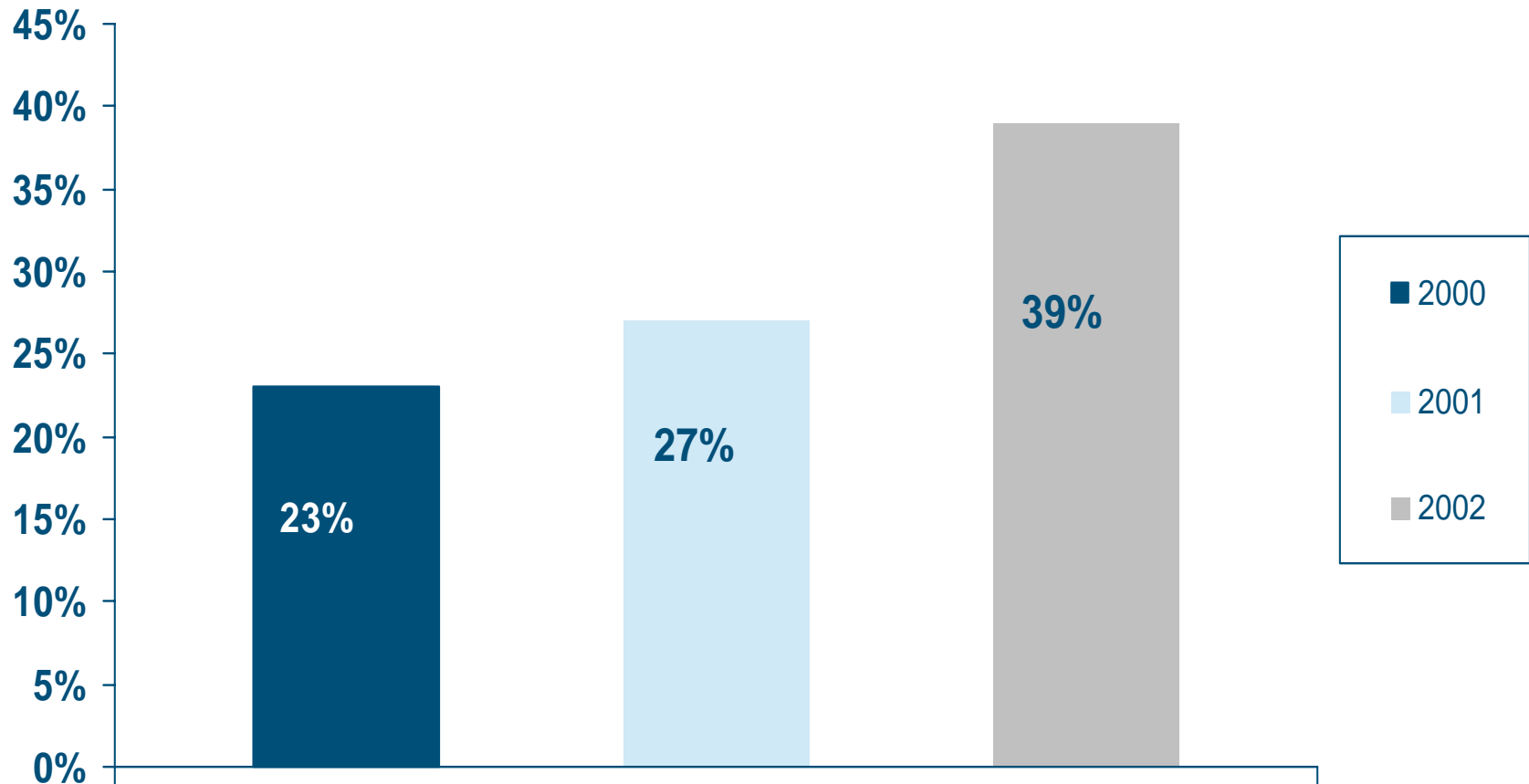
- » Common management information and control systems.

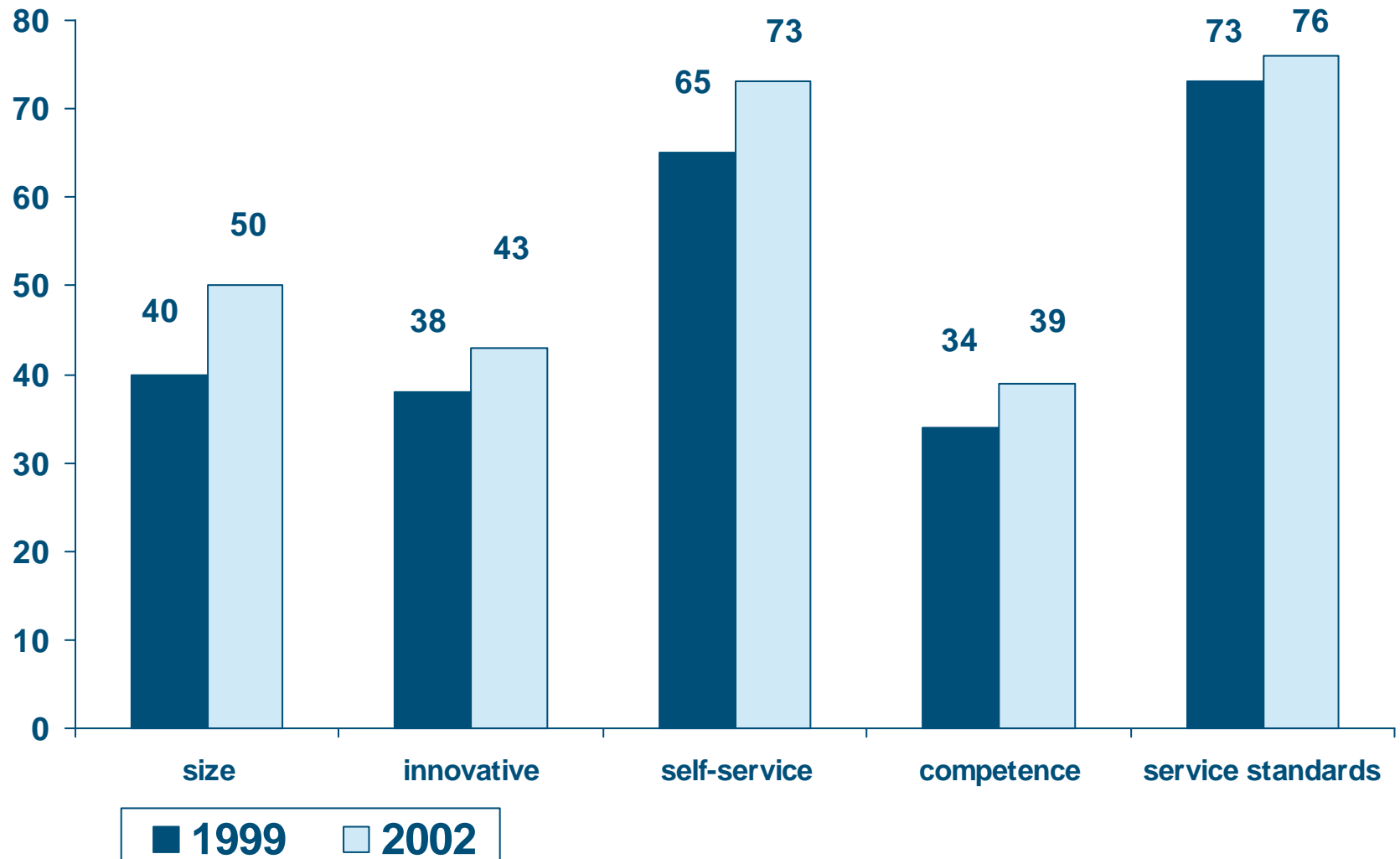
- » Joint settlement activities.

- » **Common branding**
- » **Co-ordinated marketing and media plan**
- » **Higher efficiency through partly centralized budget – doubled since 2000**
- » **Common website**

> Brand recognition 2000 - 2002

Savings Banks/Erste Bank





> Common IT platform and applications

» **Final phase Q3 2003**

» **Basis for**

- » **product standardisation, common channel policy**
- » **standardised settlement**
- » **controlling standards**
- » **monitoring distribution channels**
- » **common risk management**

» **25% Reduction of operating IT costs by 2006
including all Basel II requirements and amendments**

» **Customers can use services and foyers of all entities**

> Standard Multi Channel Management Strategy

Revenue Increase

Intensification of Customer Relationships →
reinforcement of customer ties

Increase of quality through
Concentration of CRM Know-how →
positioning as quality leader

Support for account officers through
Sales and Analytical Tools →
systematic identification and exploiting of
customer potentials



Decrease of Costs

Accelerated Shift of standard
business/transactions into more cost
efficient, additional distribution channels
→ reduction of distribution costs

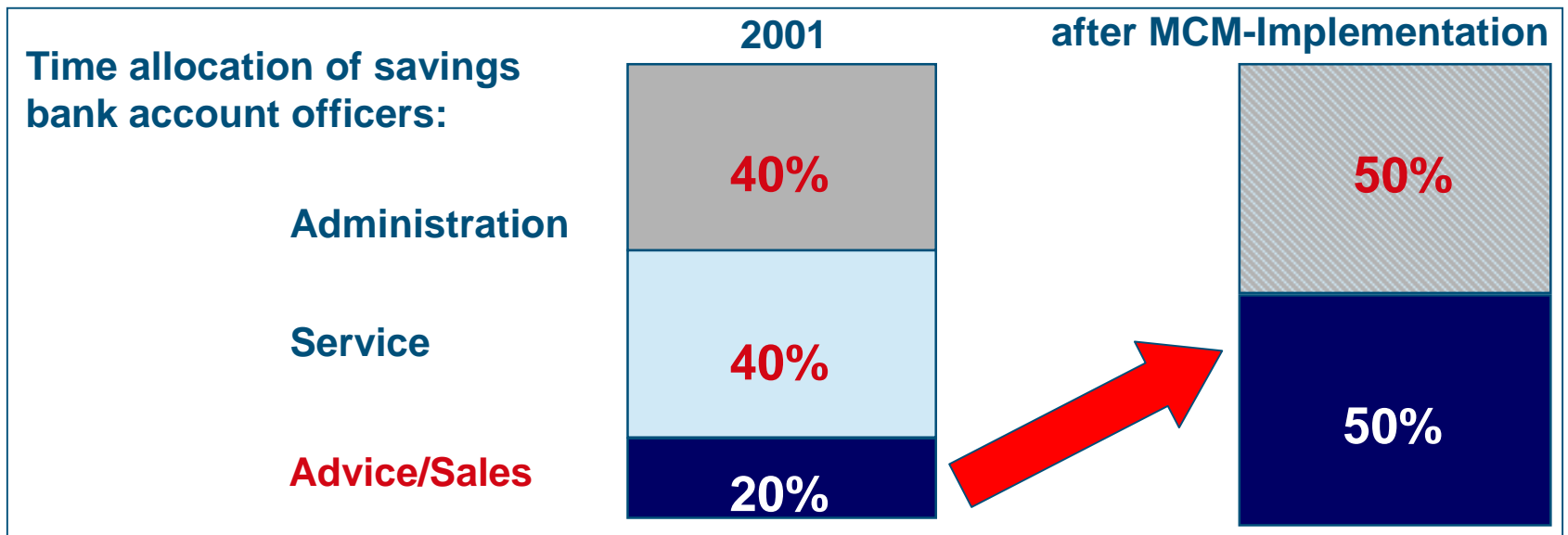
Focus on customers with sufficient
potential

**Harmonized Distribution Concept for
the whole Savings Banks group** →
concepts, implementation and further
development synergies

> Effects of MCM implementation

SIMPLY - GAINING MORE TIME FOR ADVICE AND SALES !

- » MCM aims at the **integration of all distribution channels** – branches, electronic, mobile, telephone → **customers can reach us wherever, whenever and how they choose** – in and outside our branches
- » **Standard transactions are to be shifted into the additional distribution channels**, reducing administration and service time in order to **enable more advisory and sales activities**:



Main Functions

- » Provides phonebanking helpdesk functions for netbanking and nettrading as well as emergency services for lost bank cards and credit cards.
- » Key service is “**Vertriebsservice**”, a telephone service launched in mid 2002, with the following goals:
 - » **Transfer of transaction services from the branch network to the s ServiceCenter**
 - » payment transfers, account information, security transactions, etc.
 - » **Assistance for the account officer**
 - » handling telephone calls when the account officer is not available
 - » **24/7 Telephone availability**
 - » **Increase of advisory time**
 - » Through the s ServiceCenter, account officer has a “personal assistant” and can concentrate on consulting and selling
- » **s ServiceCenter currently handles up to 6,000 calls per day**

» Analysis

- » Development of balance sheet, market value impacts of shifts in the Yield Curve, NII simulations, anonymous comparisons to other Savings Banks in the group ...
- » ALM analysis and methods applied in line with Erste Bank Group Standards
- » Suggestions regarding balance sheet optimisation are discussed in the ALCO
- » **ALM coverage of Savings Banks in the cross guarantee system:
Balance Sheet 92%**

> Standardised Controls

- » **Standardized calculation method for client, product, risk costs and profit center**
- » **Transition from margin accounting into P&L logic**
- » **Basis for planning process on profit center and account manager level**
- » **Benchmarking**
- » **Final technical implementation August 2003**

> Outsourcing - Securities settlement

25 Savings Banks have already outsourced their settlement

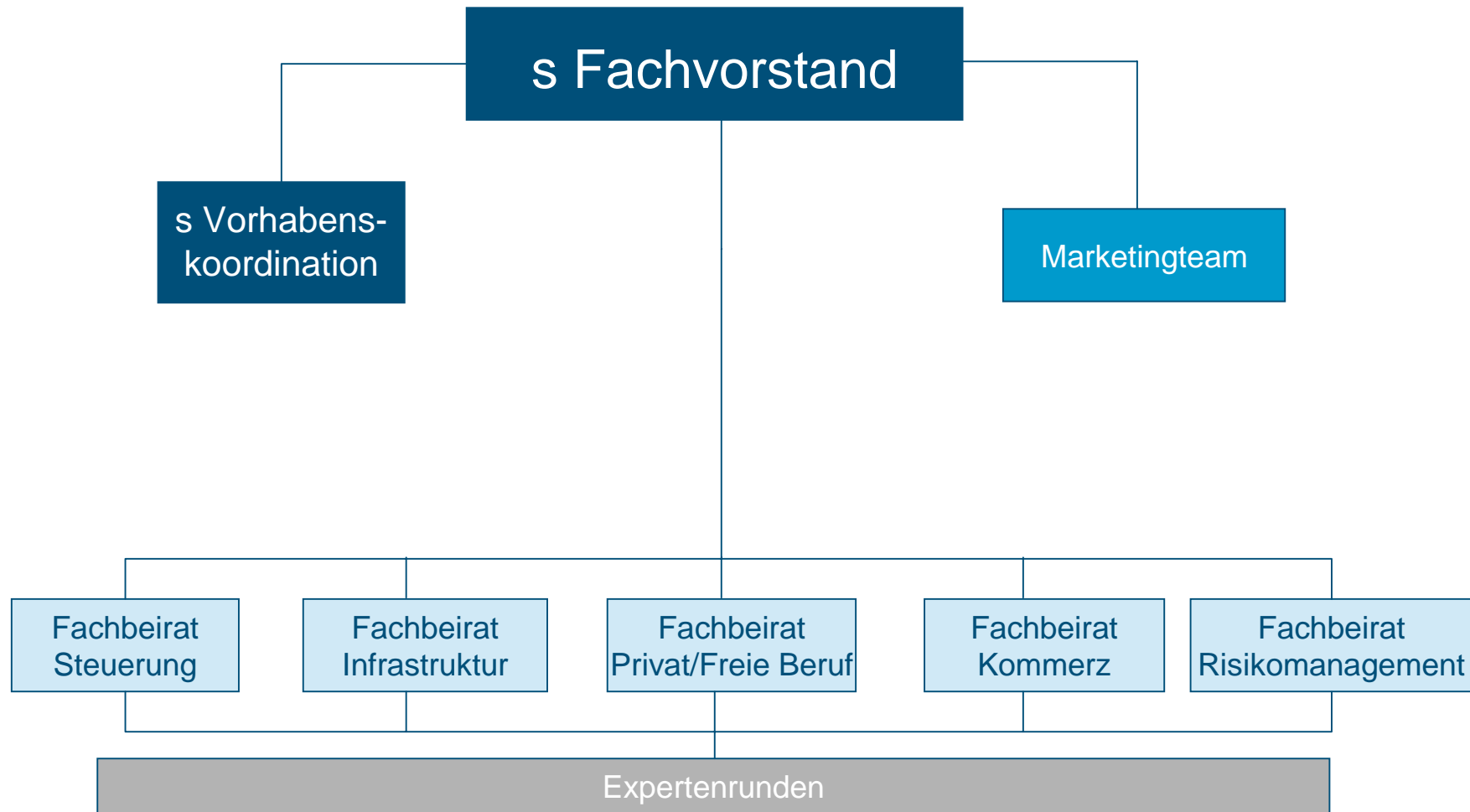
Main activities

- » **Order-routing**
- » **Clearing and settlement of securities transactions**
- » **Custody business and securities administration**

Advantages

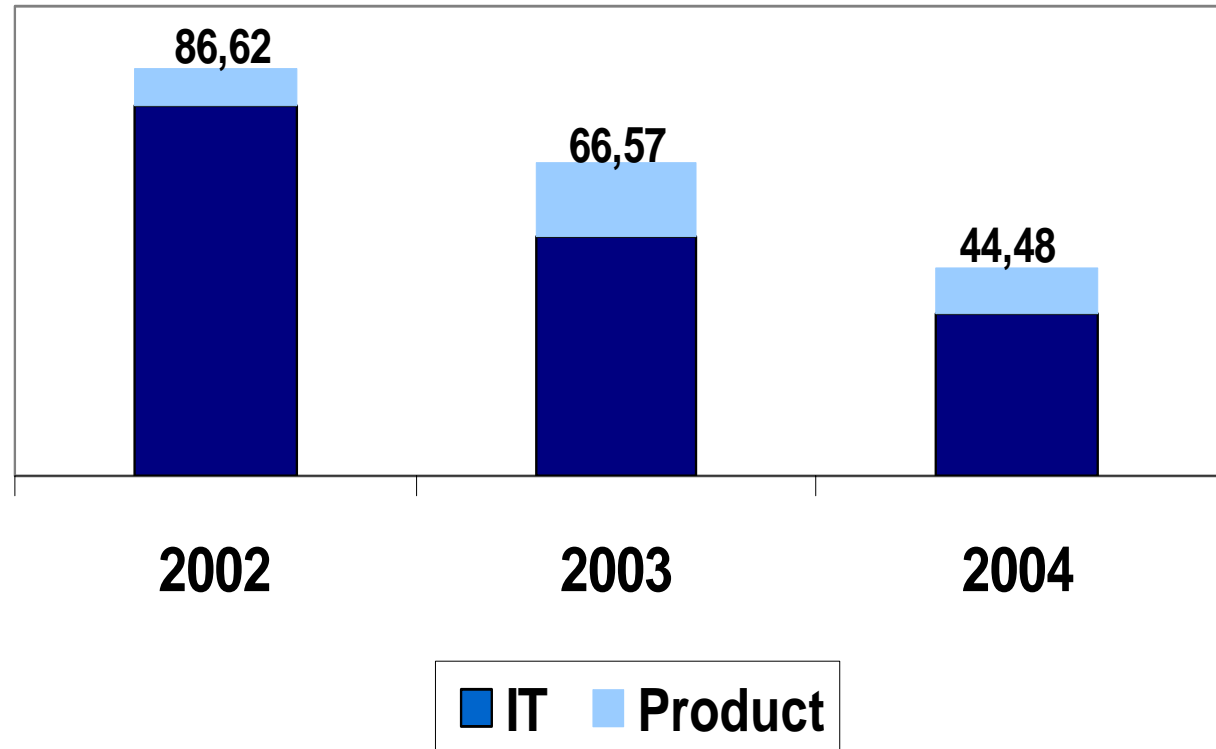
- » **Standardization of workflows**
- » **Cost reduction – 30%**
- » **Compliance with legal requirements**

> Decision making process streamlined



Costs for Implementation 2002 – 2004

EUR million



- » **R + D costs, expenses for implementation**
- » **Clearing ratio**
 - **Savings Banks 63%**
 - **Erste Bank 37%**
- » **Quarterly payments**
- » **Complete transparency for group members**

> Important soft facts for cooperation

- » **Group wide intranet since April 2002**
- » **Common telephone network - rollout**
- » **Savings Banks Award - 2003**
- » **Employee stock option programme - 2004**
- » **Employee journal**

> Haftungsverbund – cross guarantee system

Agreed in September 2001 and effective from January 2002

- » **Covers 96% of the deposits of the Savings Bank Group in Austria**
- » **Based on three key pillars**
 - » commitment to close cooperation and unified risk policy (standardised risk classification, coordinated liquidity management, common controlling standards)
 - » early warning system with agreed triggers to avoid financial difficulties, backed by agreed support mechanism. Triggers include core capital, total capital, customer deposits and ROE
 - » customer deposits guaranteed
- » **Consolidated under to IAS since January 1, 2002, and under Austrian Banking Act since 30 September, 2002**

1. Business and Market Policy

- » **Interrelated production**
- » **Unified market appearance**
- » **Harmonization of business concepts and programmes**
- » **Implementing performance-oriented management and control systems, common risk management**
- » **Bundling of critical handling functions**
- » **Close cooperation with Treasury**
- » **Profitability-oriented division of labour; goal of reinforcing earnings power and optimizing costs for each member**

2. Early warning system

» Close monitoring

» Criteria for intervention

- Capital base
- P+L
- Market share
- ROE

» Support Tools

- Agreement on reorganization
- Involving external advisers to provide support
- Guaranteed temporary injection of liquidity
- Injection of equity capital
- Changes to the Managing Board

3. Secure client deposits

- » No default case in the history of Savings Banks group
- » Haftungs GmbH acts as trustee on behalf of the group
- » Haftungs GmbH Erste Bank 51%/Savings Banks 49%
- » Funds raised in relation to risk-weighted assets and profits
- » Obligation to pay without delay

Goals / Next steps

» Target ratios for 2005

- » CIR 63%
 - » ROE 10%
-

» Next steps

- » Intensify benchmarking within the group
- » Increase cross-selling rate
- » Better transparency on targets for branch and account manager