

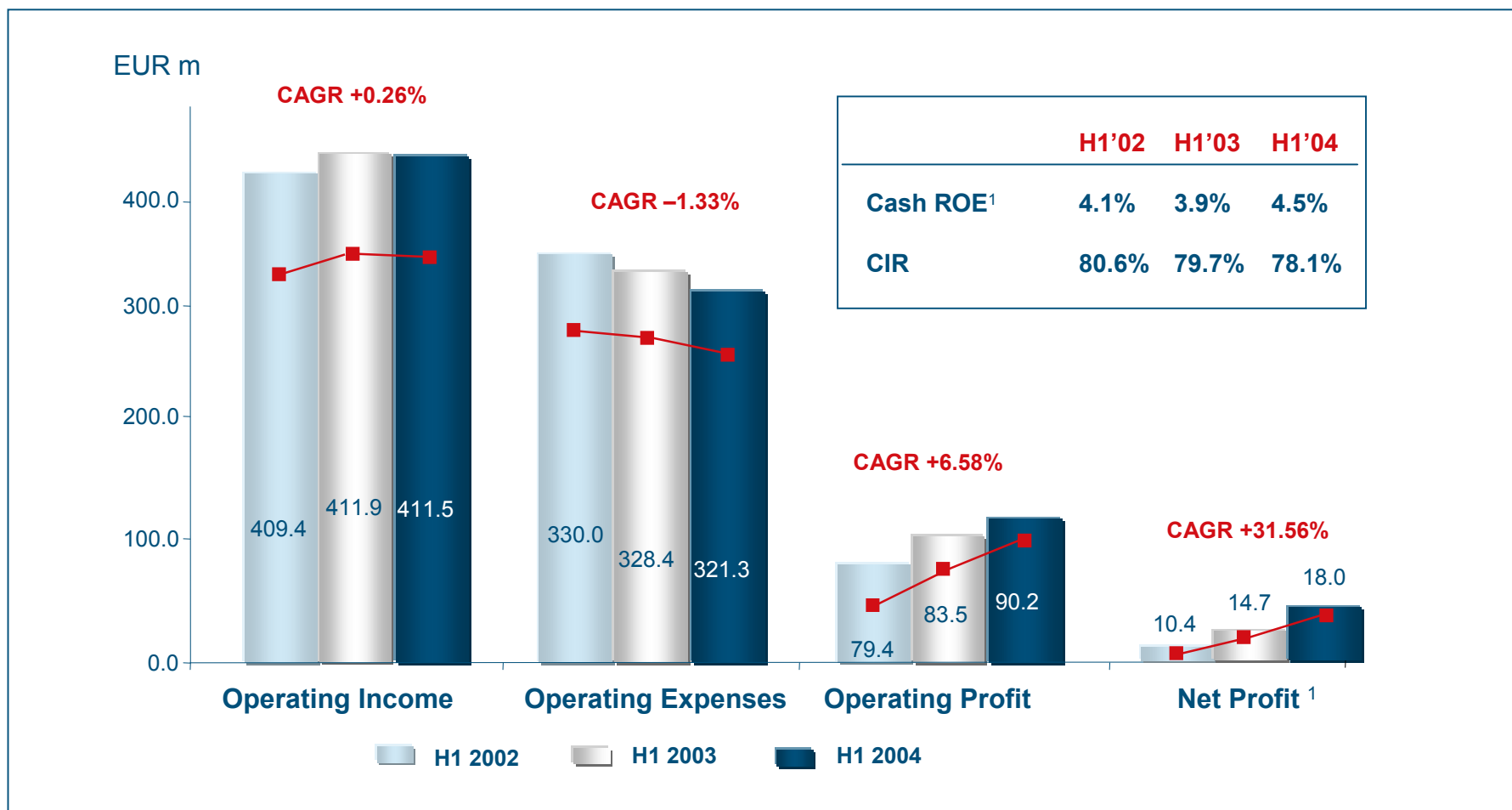
## **> Erste Bank – Austria**

### **Where will retail go?**

- > 2<sup>nd</sup> Capital Markets Day
- > Budapest  
24 September 2004
- > Andreas Treichl, CEO Erste Bank
- > Peter Bosek, Head of Retail, Erste Bank

## > Retail & Mortgage segment - Status at H1 2004

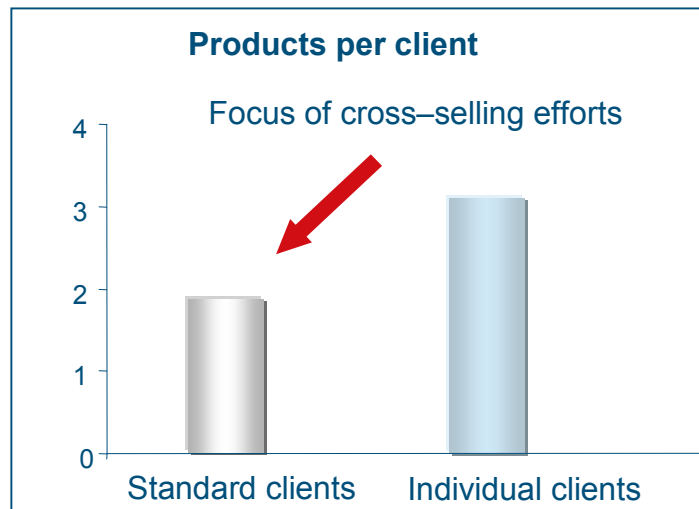
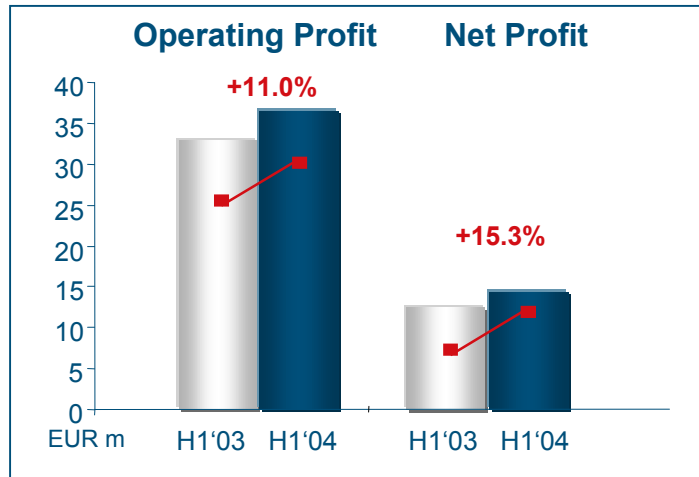
**Stable profitability and cost control support double digit net profit growth**



<sup>1</sup> Net profit and ROE have been adjusted for goodwill depreciation in 2002 and 2003 for better comparison:

## > Update retail branches

### Operating performance improves by 11% y-o-y



### Based on initiatives started in 2003

#### » Cost reduction:

- » Reduction of branch network by 14 branches
- » Reduction of retail headcount by 3%
- » Reduction of retail other administrative expenses by 4.5%

### Going forward

#### » Revenue enhancement:

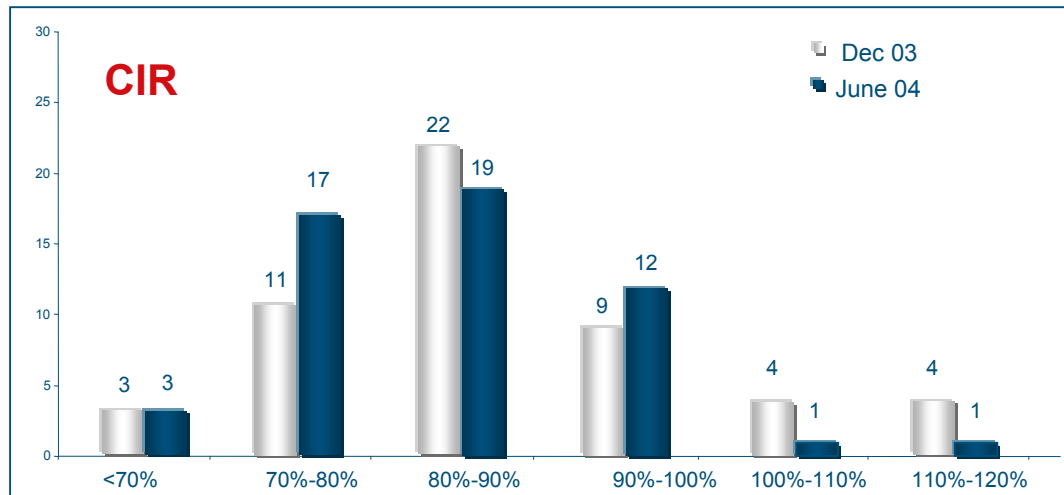
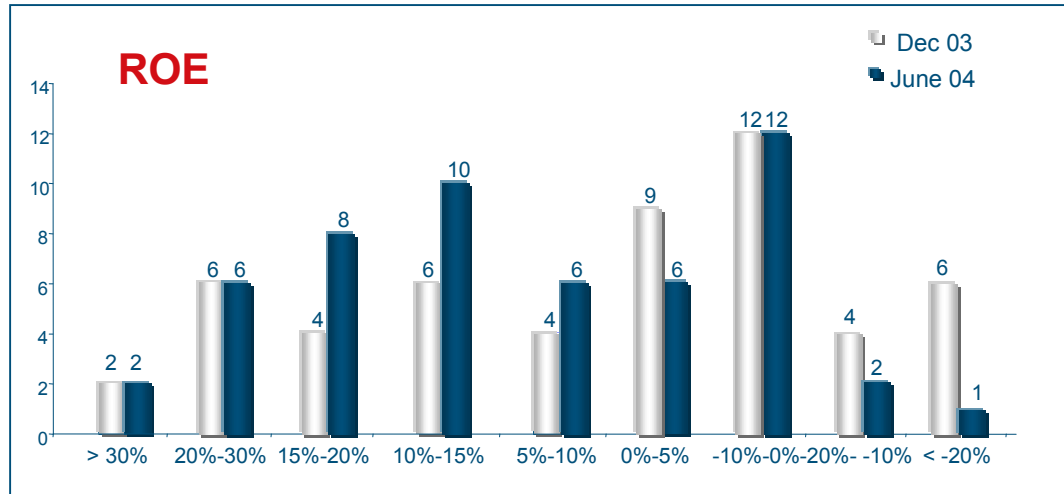
- » MCM (Multi Channel Management) concept implemented throughout entire Austrian retail network
- » Concentrate on under-penetrated standard client segment:
  - » 420,000 “standard clients” – EUR 220 average revenue per client in 2003 to be increased to EUR 250 in 2005
  - » 110,000 “individual clients” – EUR 1,540 average revenue per client to be improved to 1,660 in 2005

#### » Outlook 2004 / 2005:

- » Double digit net profit increase in 2004 and strong double digit net profit growth in 2005

# > Efficiency of Austrian branch network

## ROE and CIR comparison of Distribution Centers



### » Multi-Channel Management

- » 149 branches integrated into 53 local “Distribution Centers” at YE 2003
- » Distribution Centers consist on average of 3 specialised branches
- » Not all services are offered per branch

### » ROE

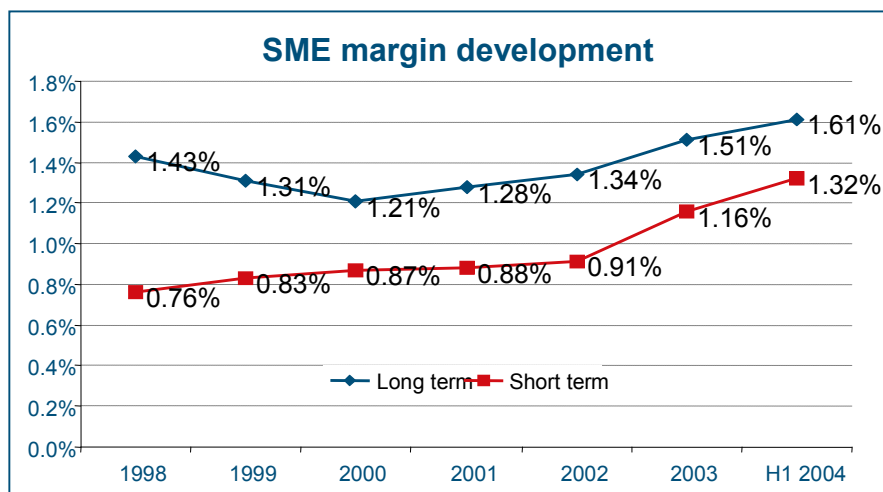
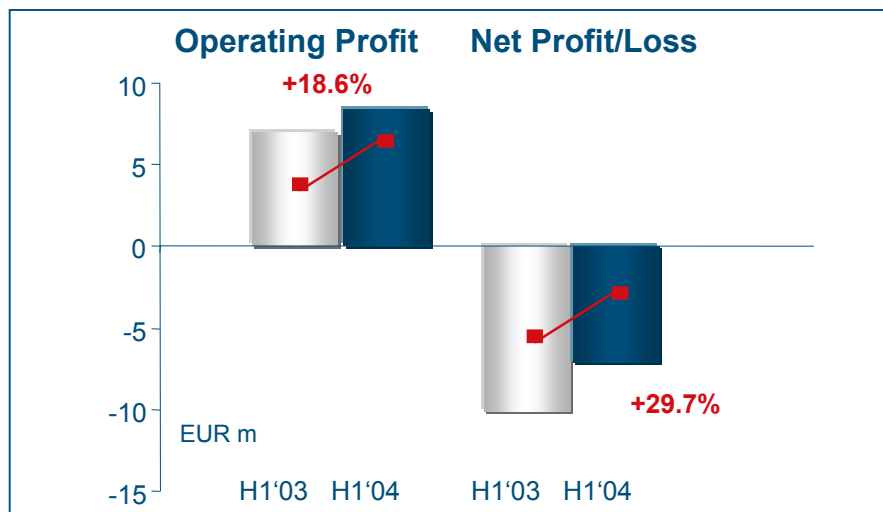
- » ROE < -20% includes 1 newly opened branch
- » ROE -10 to -20% will be closed / transferred to SBs in 2004
- » ROE 0 to -10% mainly centers located outside Vienna – tougher competitive environment main focus of mgmt. attention

### » CIR

- » Branches in the range of 90% – 120% are the same as described above

# > Small and medium sized enterprises

## On track to break even in 2005



### Progress on 2002/2003 initiatives

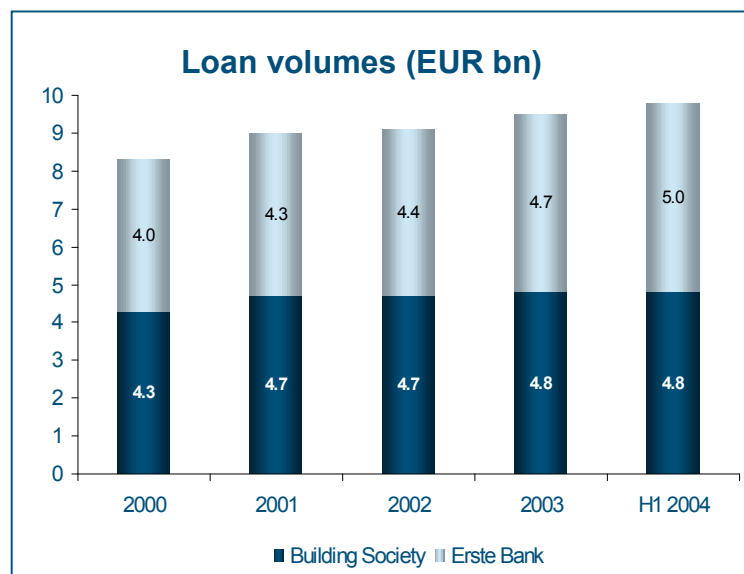
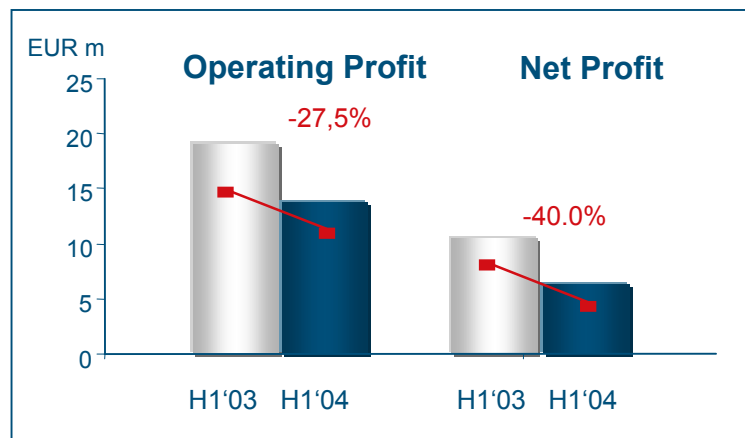
- » Successful decrease of SME loan book from EUR 2.1bn at end 2002 to present EUR 1.5bn
  - » Improvement in portfolio structure
  - » No plans to increase volumes
- » Tight cost control leads to reduction of CIR from 76% at YE 2002 to 67% in H1 2004

### Going forward

- » Steady margin improvement since YE 2000
  - » Supported by structural improvement of loan book
  - » Cautious outlook for further margin improvement
- » Risk cost expected to further decrease in 2004
- » Outlook 2004 and 2005:
  - » Further reduction of negative Group contribution in 2004 according to plan
  - » Break-even in 2005

## > Mortgage Business

### Profitability depressed by administered rates on loans



#### » Total consumer mortgages

- » EUR 3.26bn (+ 9.8% from YE 2003)
- » Average margin stable at 1.32%

#### » Commercial social housing finance

- » EUR 1.77bn (- 0.6% from YE 2003)
- » Average margin at 1.0%

#### » Loan volumes at building society unchanged at EUR 4.82bn

- » NII affected by unfavourable fixed rate on deposits and adjustment to lower base rate for subsidised lending

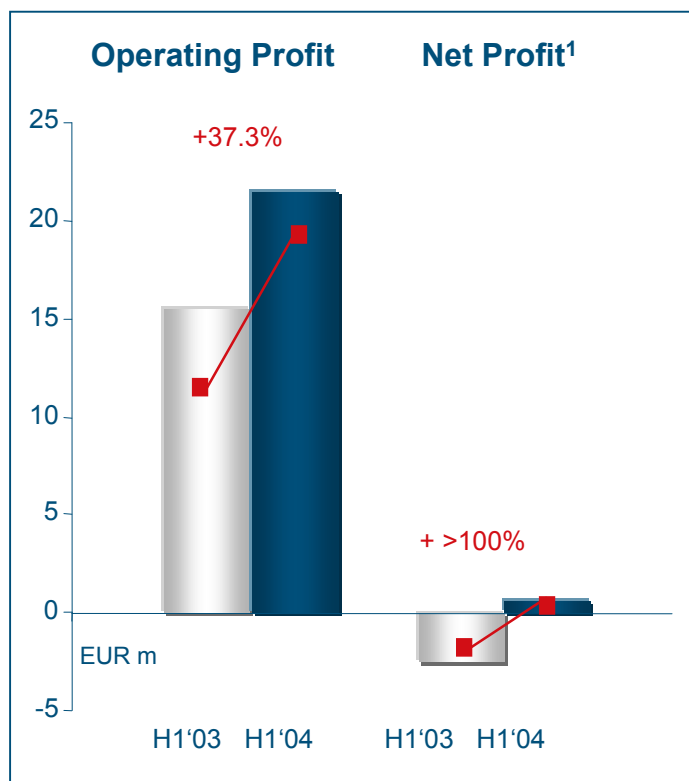
### Going forward

#### » Outlook 2004 and 2005:

- » Expected decrease in profitability in 2004
- » Double digit growth in 2005 but below 2003 levels due to base rate adjustment

## > Own savings banks

### Improving operating performance



#### Based on initiative started in 2002/2003

##### » Operating profit shows marked improvement

- » Decrease of administrative expenses yoy (-3%)
- » Double digit commission income growth based on increasing volumes and successful marketing initiatives

##### » Improved asset quality leading to substantial decline in risk provisions

##### » Net profit at TISPA affected by tax write-off in Q1'04

- » Due to change in Austrian Corporate Tax rate
- » Adjusted for one-off ROE at local entity would be around 11% compared to present 5%

#### Going forward

- » New management team in SSK since September 04
- » Ongoing tight cost control will lead to further decrease in expenses at both TISPA and SSK
- » Focus on broadening the retail client base

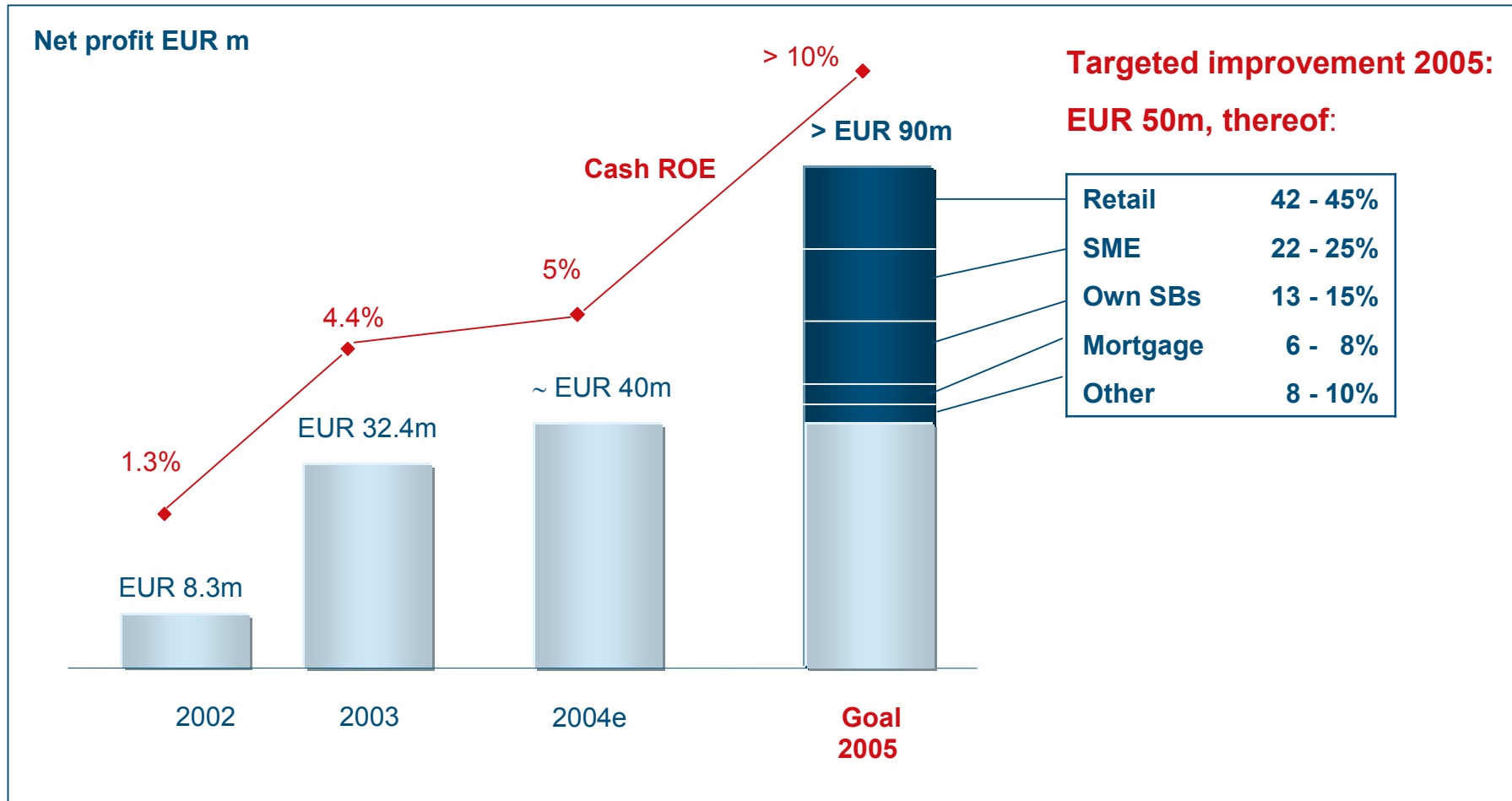
##### » Outlook 2004 and 2005:

- » Positive group contribution based on single digit ROE at local entity confirmed for 2004
- » Double digit ROE at TISPA and high single digit ROE at SSK in 2005

<sup>1</sup> Net profit has adjusted for goodwill in 2003 for better comparison:

## > Retail & Mortgage segment - Outlook 2004 and goal 2005

**EB is confident of achieving 10% ROE in 2005**



<sup>1</sup> Net profit and ROE have been adjusted for goodwill depreciation in 2002 and 2003 for better comparison:



## **> AUSTRIA**

### **> The true value (burden?) of the savings bank cooperation**

- > 2nd Capital Markets Day
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## > Evaluation of the savings banks contribution

### Savings banks segment in itself creates reasonable value

EURm	H1 2004	Q1 2004	Q2 2004	Change
<b>Pretax profit of Savings banks stand alone</b>	<b>119.0</b> —→	73.3	45.7	-27.6
- Funding costs	-8.2	-4.1	-4.1	
- Holding costs	-9.2	-4.5	-4.7	
<b>Pretax profit EB Savings Bank segment</b>	<b>101.6</b>	<b>64.7</b>	<b>36.9</b>	-27.8
- Taxes	-28.2	-18.5	-9.6	
- Minorities	-63.5	-40.6	22.8	
<b>Net profit Savings Bank segment</b>	<b>10.0</b> —→	5.5	4.5	-1.0
- attributed equity	211.5			
<b>ROE</b>	<b>9.5%</b>			

- » Volatility of savings banks pre-tax results (mainly due to mark-to-market valuation of securities portfolio) does not impact EB Group bottom line

## > Evaluation of the savings banks contribution

### Additional income streams

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» Increased co-operation with the savings banks leads to additional fee income:

» Contribution by savings banks to other segments H1 2004: EUR 15.2m

- thereof in Retail & Mortgage segment: EUR 8.2m
- Treasury & Inv.Banking EUR 4.3m
- Large Corporates EUR 2.7m

In addition, fees are paid for services delivered by Erste Bank (Payment, Consultancy, HR ...)

### Relief for Erste Bank cost base

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» Expenses for specified EB Group projects and investment are shared with the savings banks:

Project	Total Budget	Savings bank contribution
BIS II Implementation	EUR 33.3m	EUR 19.8m
Netbanking	EUR 10.3m	EUR 6.2m
CRM	EUR 9.6m	EUR 5.7m

» All common ORG/IT projects and investments are shared with the savings bank

» Cost split 60% savings banks – 40% Erste Bank

## > Evaluation of the savings banks contribution

### Savings banks contribute to the Group's marketing efforts

#### » Benefits of common Erste Bank & savings banks marketing

- » Lower costs - unified advertising allows centralized development and production of materials
- » Higher profile - optimises the use of national media
- » Reduced spending - savings banks contribute 50% to Austrian marketing budget

#### » Significant increase in brand awareness since joint marketing

- » 4 years to 2000 (pre-budget merge): +9%; 4 years to 2004 (post-budget merge): + 64%

#### » Improved client share of Erste Bank and Savings Banks

- » Reversing the negative trend (6 years to budget merge; -12%; 4 years post budget merge; +2%)

