

# **Erste Bank Austria**

## **Successful turnaround**

- > 3rd Capital Markets Day
- > Prague, 16 September 2005
- > Peter Bosek  
Head of Retail Austria

## > **Presentation topics**

**1. Austrian banking market - overview**

2. Loan growth potential

3. Erste Bank in Austria - key areas of focus

4. Outlook

## > Banking sector overview

### General trend: slow but steady growth

- » Total asset growth in HY 05 almost as high as in full year 2004
- » Total deposits constantly exceed total loans by approx. 10 %
- » Growth of domestic assets, loans and deposits above GDP growth

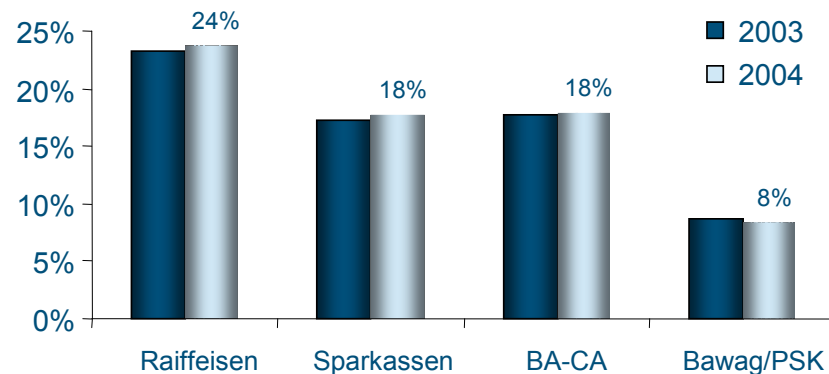
<b>Austrian Bank*</b> (EUR bn)	YE03	YE04	$\Delta$ 04/03	HY05	$\Delta$ H1 05/04
Total assets	605	653	7.9%	698	6.9%
Total loans	405	432	6.7%	463	7.2%
Total deposits	448	477	6.5%	506	6.1%

\* According to Austrian National Bank including international business

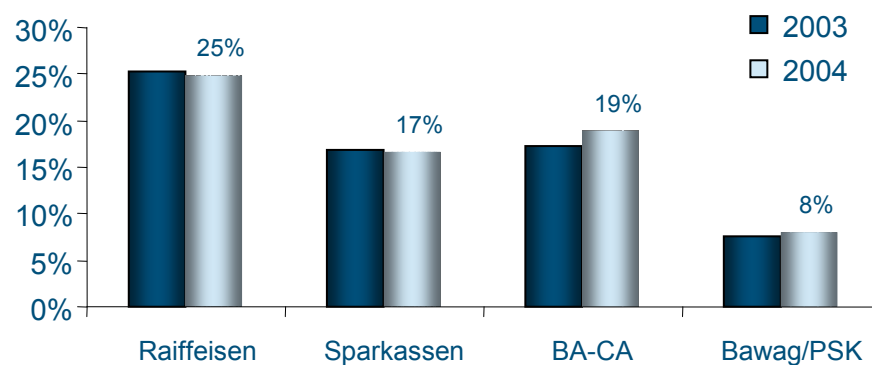
## > Competitive environment

- » **Raiffeisen Sector** – market leader in almost all categories by volume within Austria. Especially strong position in rural areas.
- » **Bank Austria Creditanstalt** – largest single bank in Austria but only with a slightly bigger market share than the Sparkassen Group.
- » **Bawag-PSK** – increased market share in recent years through acquisition of PSK and clearly established itself as the fourth largest bank by assets.

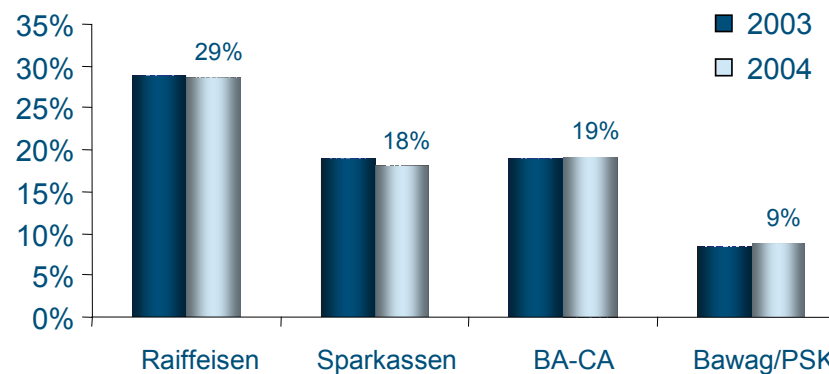
**Total Assets (market share)**



**Total Loans (market share)**



**Total Deposits (market share)**



## > Market position

### A mature market with stable market shares

	Market share	Movement	Position
Total assets <sup>1)</sup>	17.0%	↓	3
Loans to clients <sup>1)</sup>	16.5%	↑	3
Client deposits <sup>1)</sup>	16.2%	→	2/3
Retail loans <sup>2)</sup>	19.6%	→	2
Retail deposits <sup>2)</sup>	24.4%	→	2
Corporate loans <sup>3)</sup>	9.0%	→	4
Corporate deposits <sup>3)</sup>	10.0%	→	6
Asset Management	17.4%	→	2

#### » Stable markets

» Erste Bank's focus on profitability rather than market share

#### » New internet-based competitors on deposit side

» despite aggressive pricing less pressure than in Germany

1) Austrian National Bank & Annual reports 2) FMDS 3) Schwabe Ley & Greiner

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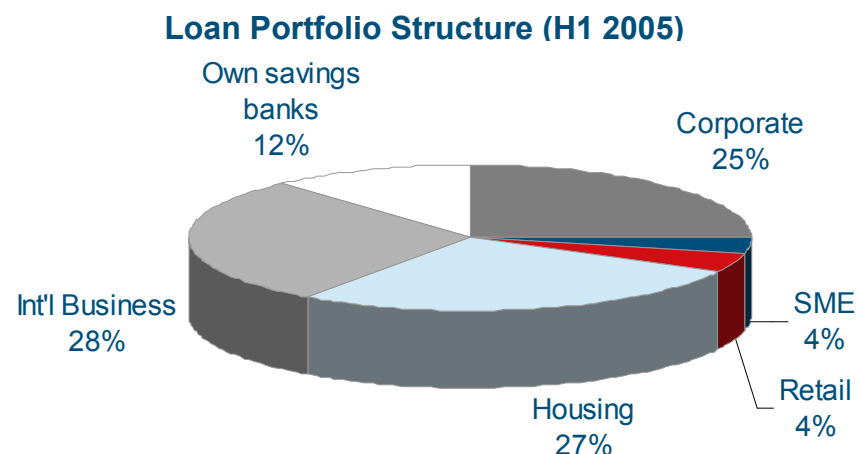
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## > Loan portfolio structure

### Loan portfolio of Erste Bank AG (Vienna) and Building Society

EUR m	H1 2004	H1 2005	YoY Growth
<b>EB AG &amp; Building Society</b>	<b>34 098</b>	<b>35 526</b>	<b>4.2%</b>
Corporate	10 198	9 961	-2.3%
SME	1 544	1 549	0.3%
Retail	1 661	1 678	1.0%
Housing Loans (inc. Bldg Soc)	9 859	10 826	9.8%
Int'l Business	10 836	11 512	6.2%
Own savings banks	4 591	4 766	3.8%
<b>Total Loans</b>	<b>38 689</b>	<b>40 292</b>	<b>4.1%</b>



» Overall loan growth in Austria slightly above GDP growth - up 3.7%

» Housing loans increase nearly 10% supported by low interest rates

» Driven by very strong demand for retail mortgages – up 18% yoy

» SME loans portfolio unchanged at targeted EUR 1.5bn

» Focus on risk adequate pricing

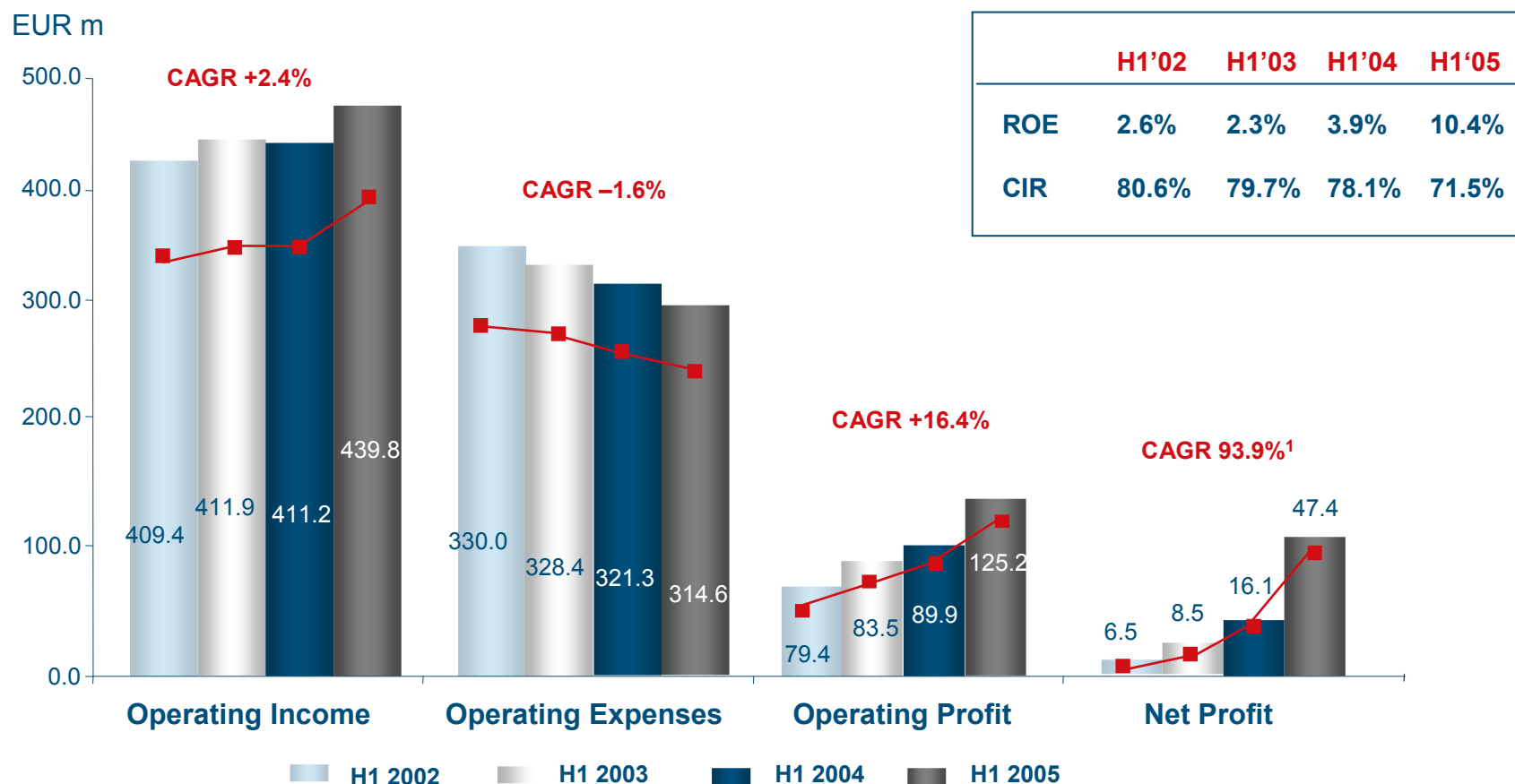
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## > Retail & Mortgage segment - Targets reached

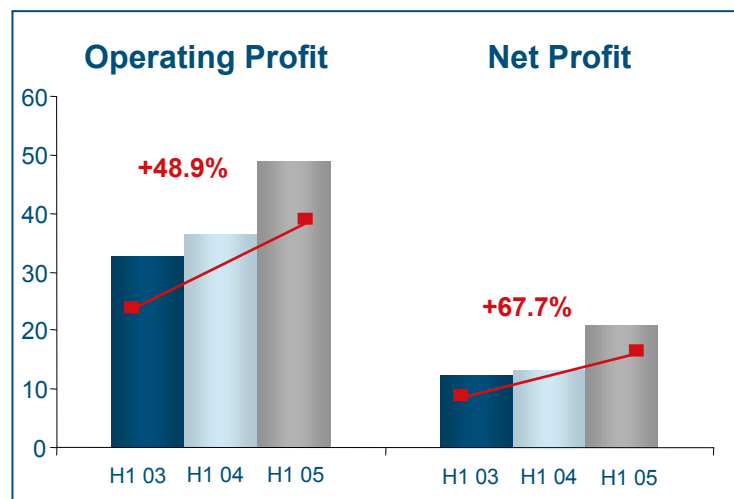
**Net profit soars in H1 2005 based on strong operating performance**



<sup>1</sup> Net profit H1 2005 Including valuation gains from S-Versicherung bond portfolio

## > Update retail branches

### Branch network continues to show improved performance



» **Initiatives started in 2003 have been successful**

» **Cost reduction:**

- » Administrative expenses decline by 4.2% for the second year
- » Further substantial reduction will be mainly driven by Group Procurement and Group IT initiatives

» **Revenue enhancement:**

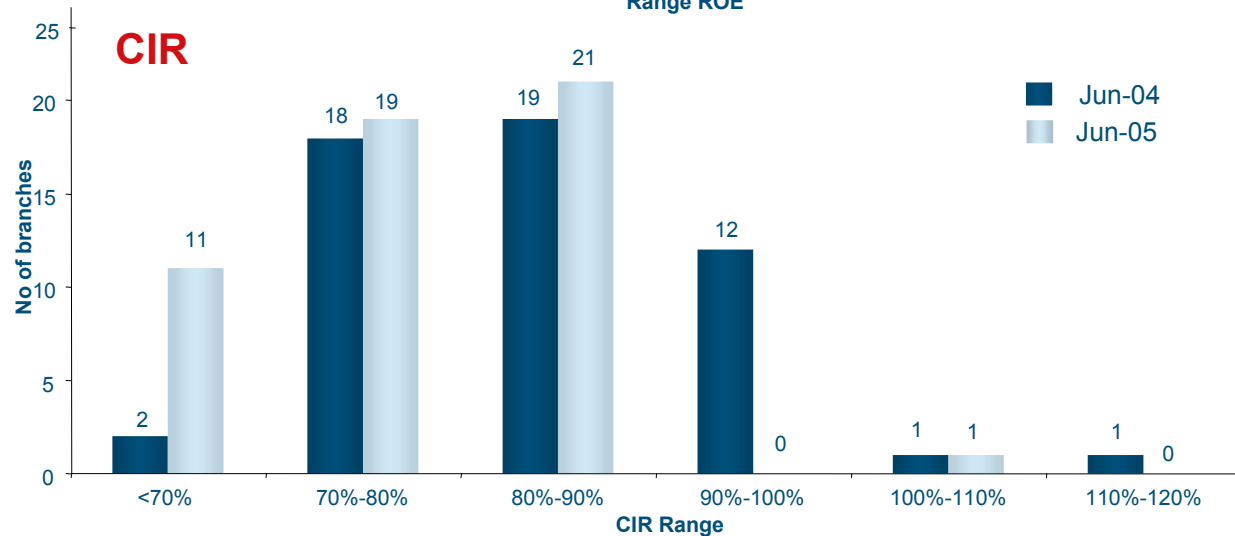
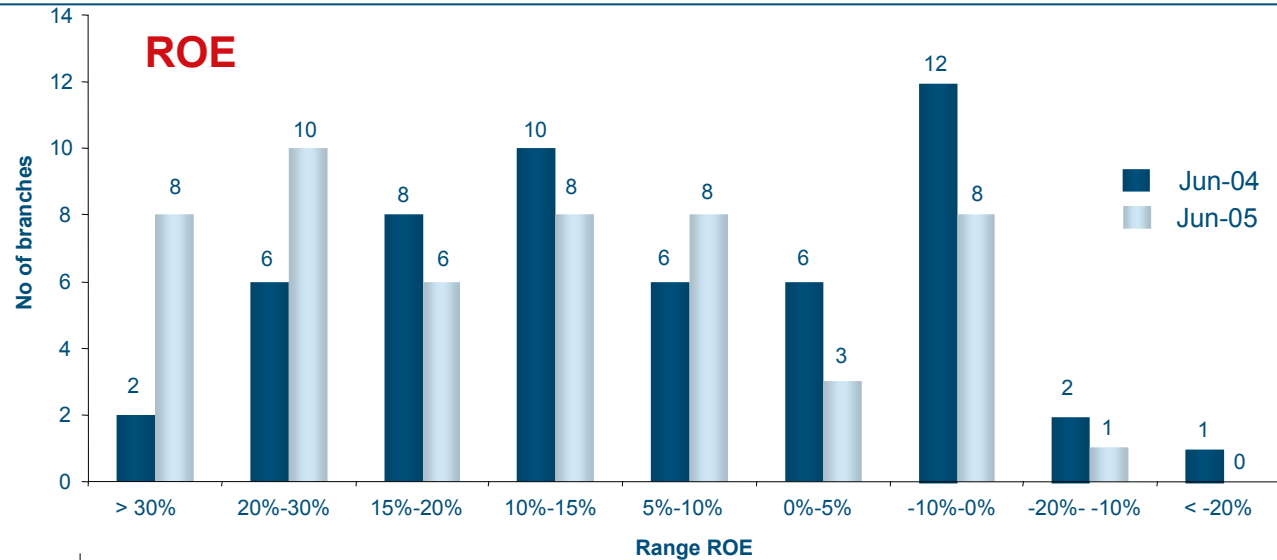
- » Commission income up 13% yoy
- » Supported by strong securities business (+23%) lending fees (+36%) and insurance business (+12%)
- » Structured Investment Products (SIPs) in Austria as a pilot for Group initiative

» **Outlook:**

- » 2005 target confirmed aiming to further improve profitability

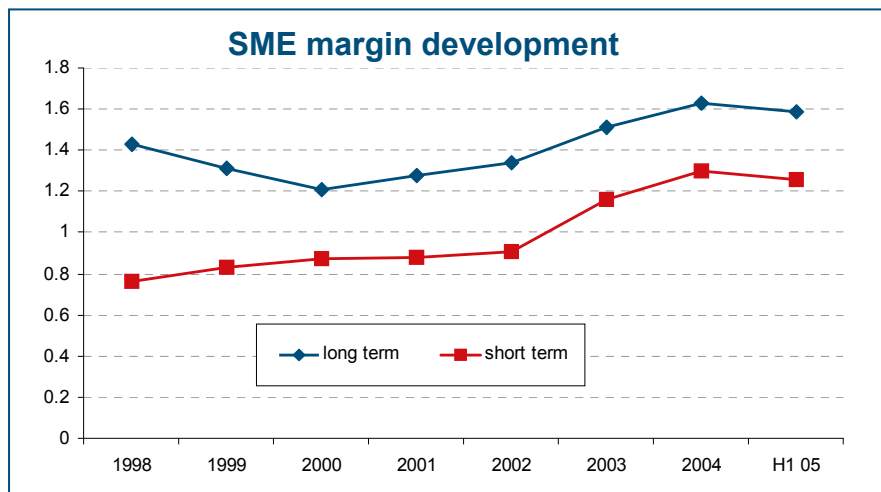
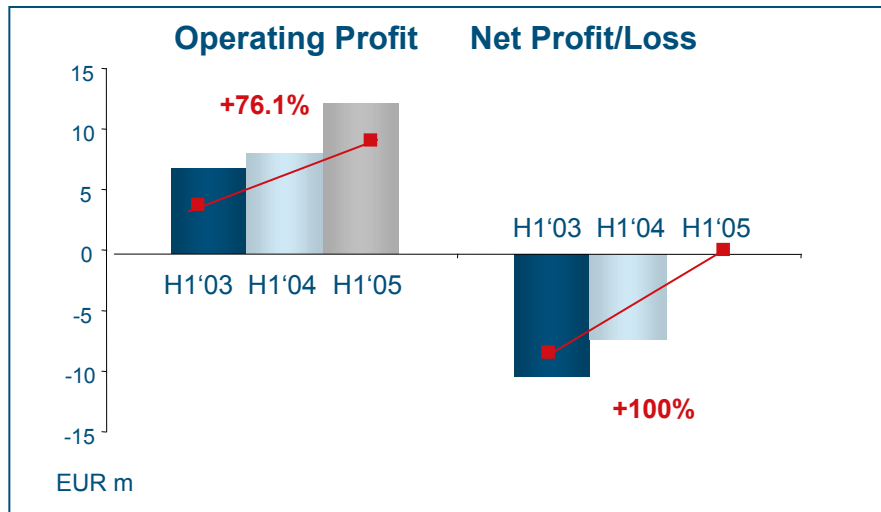
## > Efficiency of Austrian branch network

### ROE and CIR comparison of Distribution Centers



## > Small and medium sized enterprises

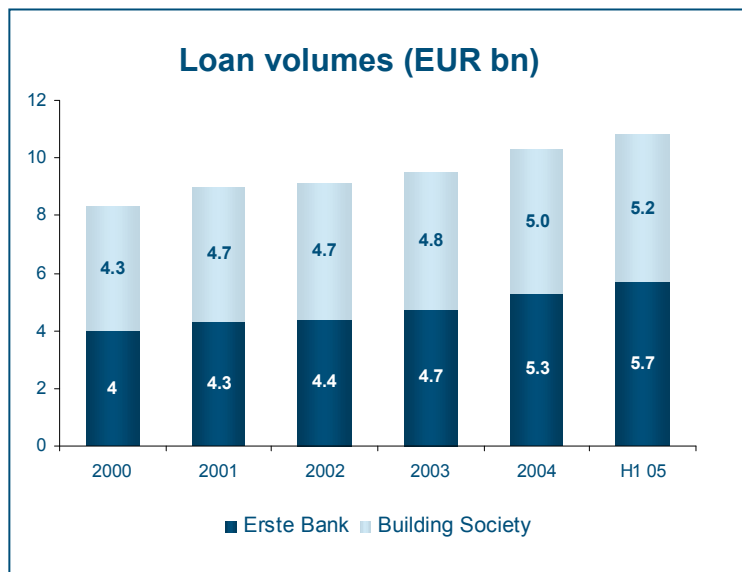
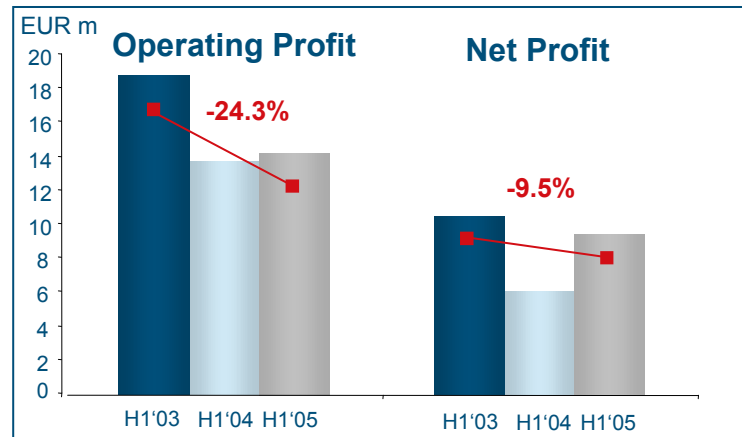
### SME business did reach break-even in Q1 2005



- » **Loan portfolio stable at EUR 1.5bn**
  - » Further improvement of portfolio structure
- » **Margins for new business have slightly declined**
  - » Overall portfolio margin remains stable
- » **Risk costs continue to decrease in 2005**
- » **CIR continued to improve from 67% in H1 2004 to 55.4% in H1 2005**
- » **Outlook:**
  - » Break-even in 2005 has been achieved
  - » Current business model should lead to a small positive net profit contribution going forward

# > Mortgage Business

## Improved profitability on strong volume growth



### » Total consumer mortgages grow strongly

» EUR 3.86bn (+ 18.3% from yoy / + 10.9% ytd)

### » Commercial social housing finance show above average growth in H1 2005

» EUR 1.812bn (+ 2.3% yoy / + 5.2% ytd)

### » Loan volumes at building society increased strongly

» Demand supported by low interest rate environment

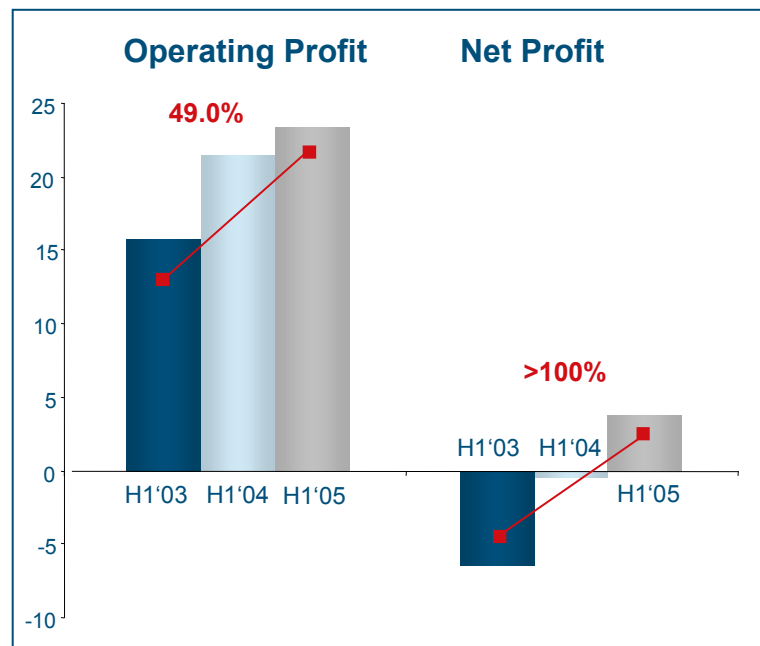
» EUR 5.15bn (+ 6.6% yoy / + 3.2% ytd)

### » Outlook:

» Double digit net profit growth in 2005 confirmed

## > Own savings banks

### Operating performance continues to improve



- » Operating profit steadily improves mainly supported by tight cost management
- » Revenue improvement continues despite challenging local market environment
- » Risk provisions continue to decline on improved asset quality
- » Focus remains on improving operating efficiency
- » Outlook:
  - » Double digit ROE at TISPA and high single digit ROE at SSK in 2005

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## > Outlook - Retail & Mortgage segment

**Ambitious targets for 2005 will be achieved**

	2005	2006
» Net Profit after Taxes:	> 100%	10%
» ROE:	> 10%	11%
» Cost/Income ratio:	< 72%	70%