

> Group Synergies

Update on the
New Group Architecture Programme

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STATEMENTS REGARDING ANY CONTRIBUTION OF BCR TO ERSTE BANK STRATEGY AND RESULTS ARE SUBJECT TO COMPLETION OF THE ACQUISITION OF 61.88% OF BCR BY ERSTE BANK. COMPLETION IS CURRENTLY EXPECTED IN OCTOBER 2006 SUBJECT TO A POSITIVE DECISION OF THE CONSTITUTIONAL COURT IN ROMANIA.

New Group Architecture (NGA) – A Group transformation effort

- » **NGA Programme was initiated by the Erste Bank Group Steering Committee (GSC) in mid 2004 and is now two years into implementation**
 - » Objective: “Transform from a federation of banks to a ‘real’ Group”
- » **NGA is a joint effort by major Erste Bank Group banks in five key markets**
 - » Participants: EBV, CSAS, SLSP, EBH and EBCR
 - » All NGA financial targets only apply to these five core EBG banks
- » **New Group banks to participate on a selective, case-by-case basis**
 - » BCR – selected NGA initiatives part of the BCR integration programme
 - » Bank Prestige – NGA participation after first successful expansion steps
 - » EB Serbia – full NGA participation after turnaround

Main NGA initiatives

Revenue enhancement

- (1) Group Large Corporates
- (2) Group Cards Synergy Project
- (3) Retail 2008
 - » Structured Investment Products
 - » Sales Management Techniques
 - » Consumer Finance
 - » Wealth Creation (New)

Cost reduction & efficiency improvement

- (4) Information Technology
 - » Software Development
 - » Group IT Operations
 - » Decentralised Computing
- (5) Group Procurement

(6) Group Performance Model

> (1) Group Large Corporates

Good progress and encouraging first results

Rationale

- » Targeted effort to improve service offering to Large Corporate customers
 - » State-of-the-art portfolio of products / services
- » Improved relationship management across all countries of our home market
 - » Parent Account and Local Account Managers with clearly defined, shared responsibilities

Financial targets:

- » Targeted ROE 2008: 16%
- » Pre-tax profit enhancement target 2008 increased by EUR 30m to EUR 55m
- » Increase relative share of RWA in CEE to 45% in 2008

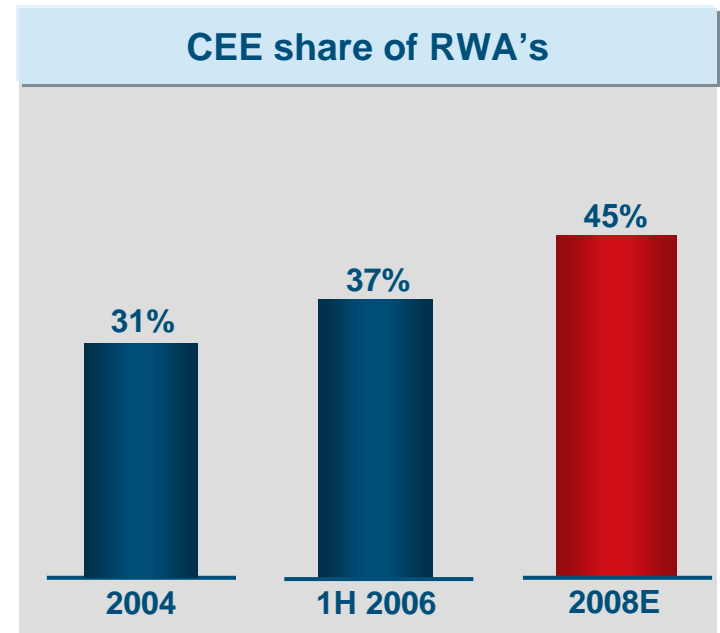
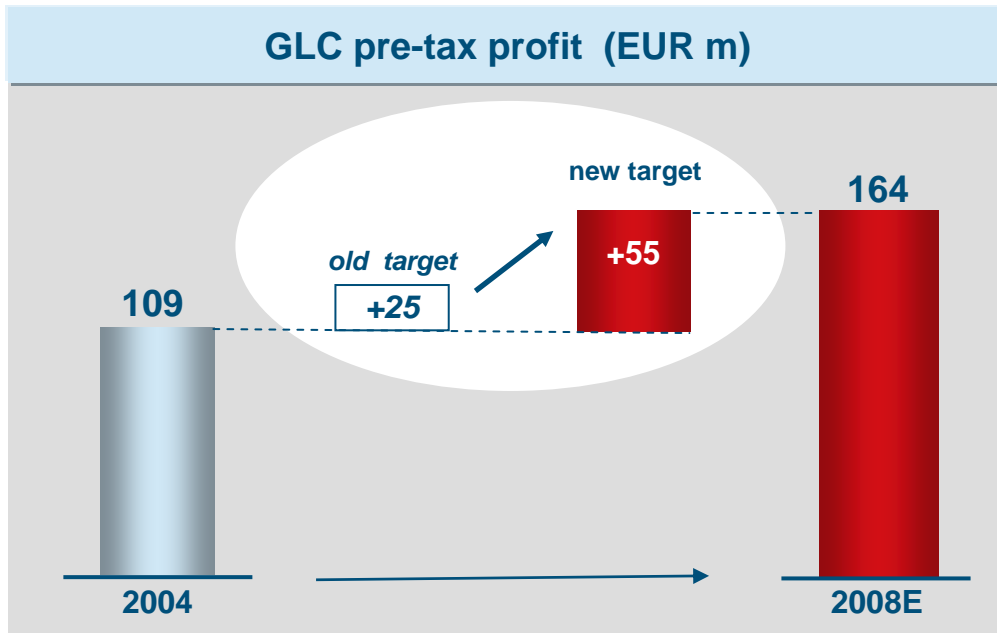
Achievements & next steps

- ✓ **Group Large Corporates (GLC) unit established and fully operational since start 2006**
 - » Upgraded product/service portfolio
 - » Unified credit policy and credit processes
 - » Streamlined operations and processes
- ✓ **Enlargement of the original GLC portfolio**
 - » Addition of further selected accounts (eg Immorent)
 - » New target reflects this optimised portfolio composition
- ✓ **Encouraging first results**
 - » see next slide
- » **Further targeted improvement of the products / services portfolio**
- » **Establishment of a Group-wide Merchant Acquiring model together with the Card business**

> (1) Group Large Corporates (cont)

New 2008 target to reflect convincing business performance

- » Old target (EUR +25m) will be already achieved in 2006
 - » Main drivers:
 - Focus on solution oriented relationship banking leads to new business opportunities
 - Close cooperation between real estate leasing and project finance
 - Strongly improved market position in ECM business (No 1 in Austria); favourable capital markets environment
- » Continuously rising relative share of CEE RWA's to 37% as of 1H 2006



Note: GLC numbers aggregate Austria and CEE and are not comparable with the reported Large Corporates segment

> (2) Group Cards Synergy Project

Leverage EBG's strong CEE presence in the Card business

Rationale

- » Develop Card brands and strengthen the presence in the existing credit card business in all EBG markets
- » Extend profitable debit card issuing and increase card usage through selected loyalty programmes
- » Leverage the merchant relationship and increase profits from merchant acquiring

Financial targets:

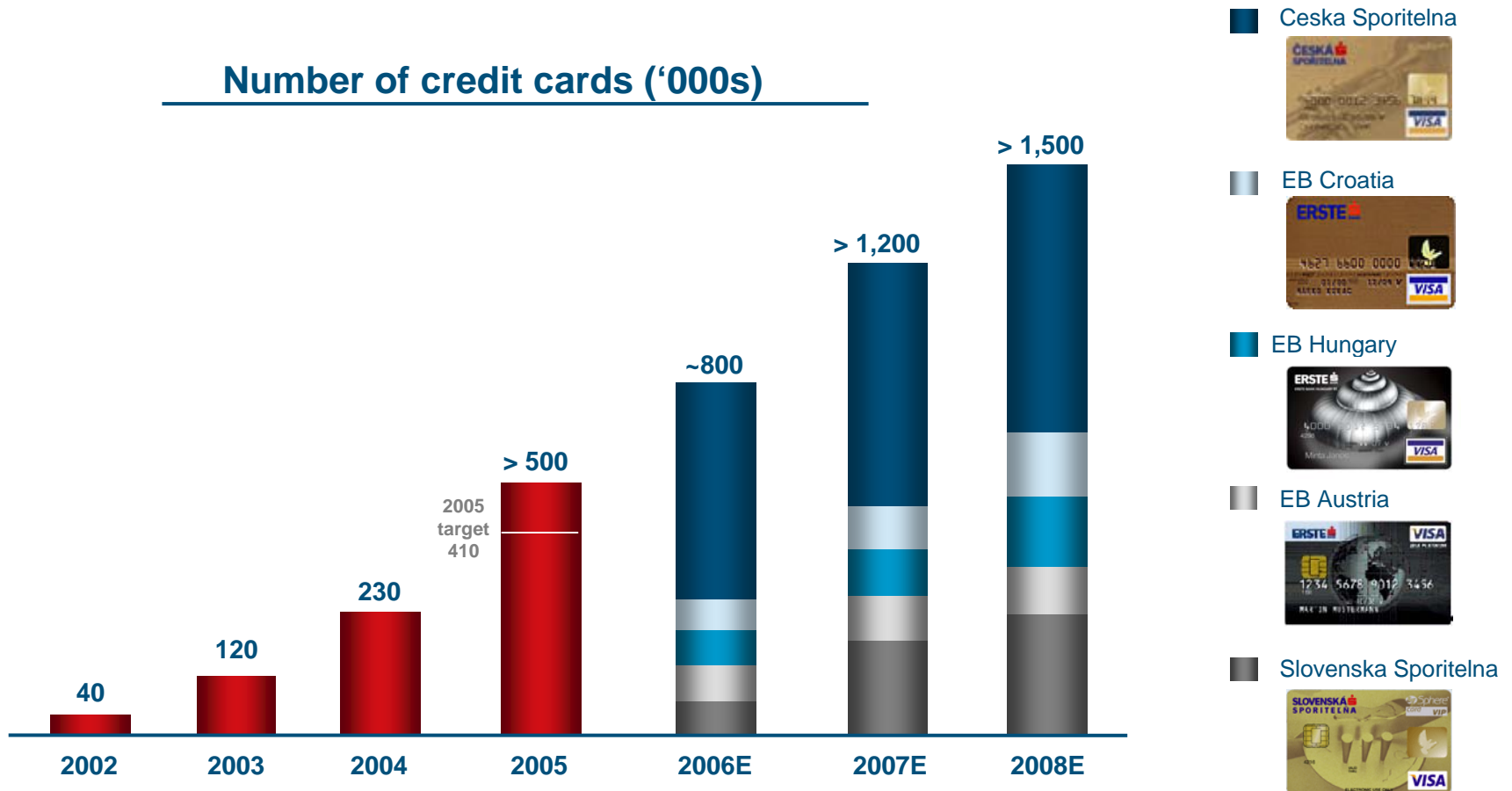
- » Yearly pre-tax profit enhancement of approx. EUR 45m from 2008 onwards

Achievements & next steps

- ✓ **Set-up of a Group-wide Card team completed**
 - » Responsible for coordination of the local market approaches and harmonisation of Group-wide card processing
- ✓ **Successful roll-out of Revolving Credit Cards in all markets of our Group**
 - » Successful market launches in HU, SK and AT
- ✓ **Direct issuing of Visa cards in Austria**
- » **Card Processing: Definition of a future Group-wide card processing platform**
 - » Feasibility study and detailed Business Case under way
- » **Implementation of Group responsibility to leverage POS business (cross-border merchants)**

> (2) Group Cards Synergy Project (cont)

Rapid growth of EB Group credit card base



> (3) Retail 2008 Initiatives

Further promising steps towards convergence in the Retail area

Rationale

- » **Exploit synergies by leveraging product and market experience across the Group**
 - » Structured Investment Products (SIPs)
- » **Targeted sharing of best practices within the Group**
 - » Sales Management Techniques (SMT) tools to facilitate cross-selling at branch level
- » **Investigation of business opportunities that are complementary to the current approach**
 - » Consumer Finance as an “add-on” business

Financial targets:

- » **Pre-tax profit enhancement of EUR 75m from 2008 onwards**
 - » New high-impact Wealth Creation initiative to add to Retail 2008 targets (EUR +30m pre-tax profit by 2008)
 - » Structured Investment Products: approx. EUR 20m
 - » Sales Management Techniques: approx. EUR 25m

Achievements & next steps

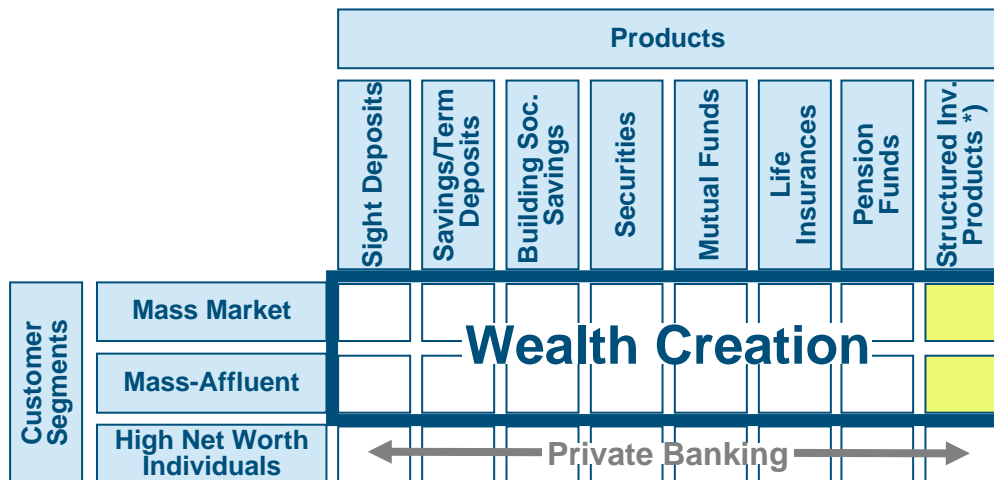
- ✓ **SIPs: Successful rollout throughout the Group, expectations exceeded**
 - » Volumes sold in 1H 2006 significantly exceed expectations and corresponding volumes sold in 2005
- ✓ **SMT: Group toolkit developed and in rollout**
 - » Very positive feedback from branch-level users
 - » Majority of tools to be rolled-out by end of 2006
- ✓ **Consumer Finance: Group decision to drive the business locally through individual entities**
 - » Considerable share of the bankable population in some of our key markets are already EBG clients
- » **Wealth Creation: New high-impact initiative started to strengthen Erste Bank's positioning, business initiatives, and performance in fee products**
 - » Disposable income increases will continuously shift from consumption to Wealth Creation
 - » Leverage strong market positions

> (3) Retail 2008 Initiatives (cont)

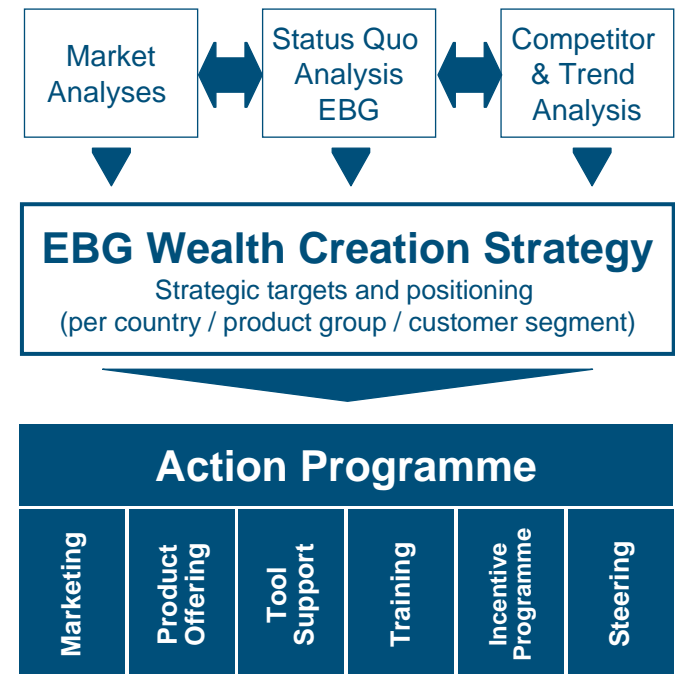
Wealth Creation – New initiative to boost fee income products

Rationale & Scope

- » Increasing demand for Wealth Creation solutions in CEE
- » Utilising fee and commission revenue potential more efficiently



Approach



*) Project for the roll-out of Structured Investment Products already started in 2004 as the first “quick-win” initiative in Retail 2008

> (4) Information Technology Initiatives

Focus on cost containment and further IT harmonisation

Rationale

- » IT infrastructure is the largest single cost item in EBG (> EUR 400m in 2004)
- » First priority of IT initiatives therefore is on cost containment and Group synergies
- » Key elements of the project approach
 - » Group-wide coordination of requirements
 - » Further harmonisation of IT infrastructure / systems
 - » Organisational alignment and bundling of functions in Group-wide competence centers

Financial targets:

- » Minimum of EUR 40m sustainable yearly cost reduction from 2008 onwards

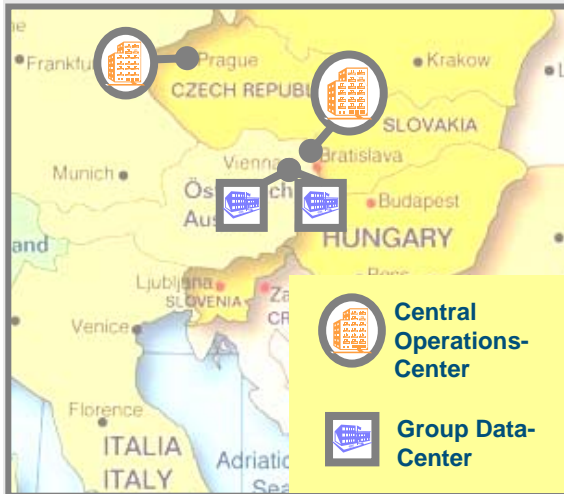
Achievements & next steps

- ✓ New Group IT structure established, transformation into the new structure well in progress
 - » Software Development ("s IT Solutions")
 - » Decentralised Computing
 - » Group IT Operations (GITO)
- ✓ Preparation of IT Operations alignment started, Group-wide IT Operations company to be founded
 - » Group Data Centers to be concentrated in Vienna
 - » Central Operations Centers in Prague and Bratislava
- ✓ Decision on SYMBOLS (System Access) as EBG's target Core Banking System
 - » SLSP migration project started (until end of 2008)
 - » CSAS and Bank Prestige to follow
 - » Systematic migration master plan for other Group banks
- » Ensure momentum in the three big transformation streams, in particular IT Operations alignment (GITO)
- » Successfully drive SYMBOLS rollout in the Group

> (4) Information Technology Initiatives (cont)

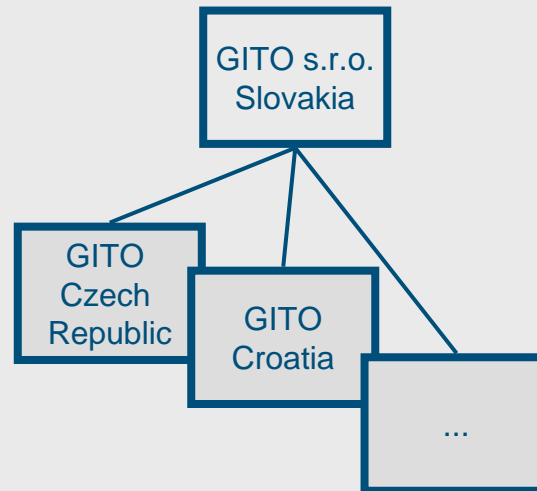
Key elements of the GITO⁽¹⁾ concept have been defined

Strategic blueprint



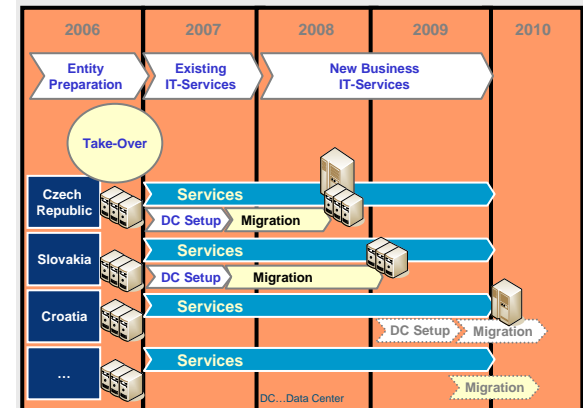
- Group Data Centers to be located in Vienna
- Central Operations Centers in Prague and Bratislava

Company set-up (YE 2006)



- GITO to be headquartered in Bratislava
- Subsidiaries to be set-up in CEE countries

Migration plan

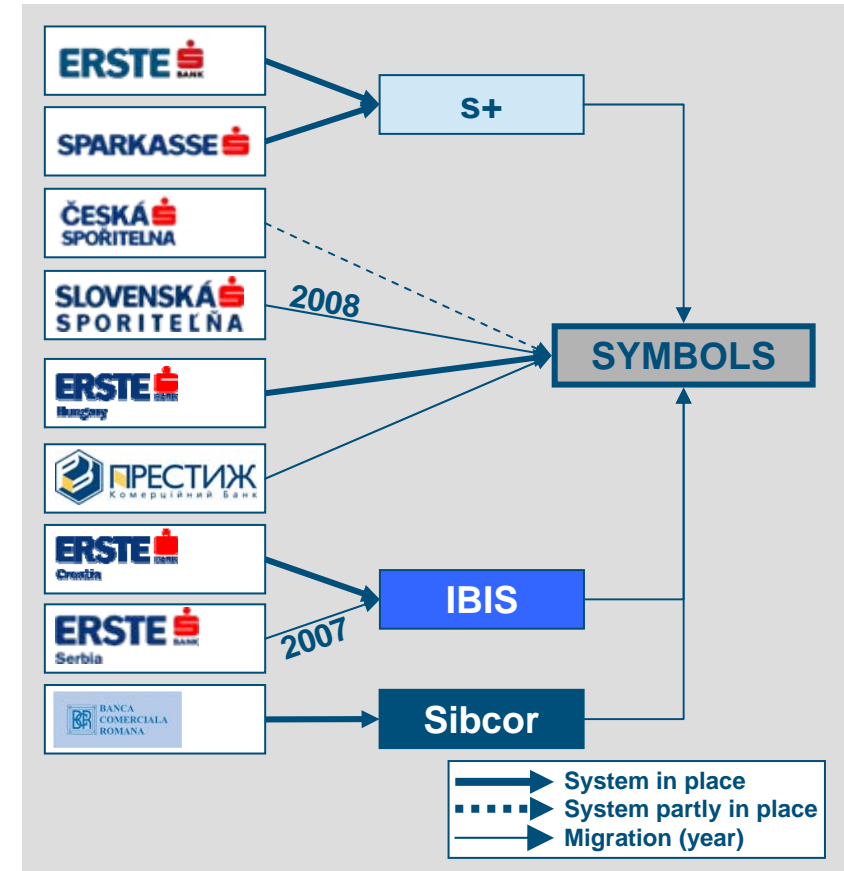


- Take-over of infrastructure responsibility (servers etc.) by YE 2006
- Phased migration of all IT systems until YE 2010

(1) Group IT Operations

> (4) Information Technology Initiatives (cont)

Core Banking System's migration paths towards SYMBOLS



- » **Starting Point:** System decision for Bank Prestige and EURO requirements in CSAS and SLSP
- » **Aim:** Avoidance of EURO investments in old systems, more homogeneous IT-landscape
- » **Approach:** Systematic migration path to ensure business advantages, Group synergies and process harmonisation

> (5) Group Procurement

New Procurement structure to ensure discipline and sustainability

Rationale

- » Gain transparency on total Group spending – independent of the individual “buying unit”
- » Leverage the Group’s purchasing power to achieve sustainable cash savings
 - » Introduce a joint management responsibility across the individual “buying units” in the Group
- » Reduce procurement-related operating costs and improve service excellence
 - » Introduction of state-of-the-art procurement processes across the Group

Financial targets:

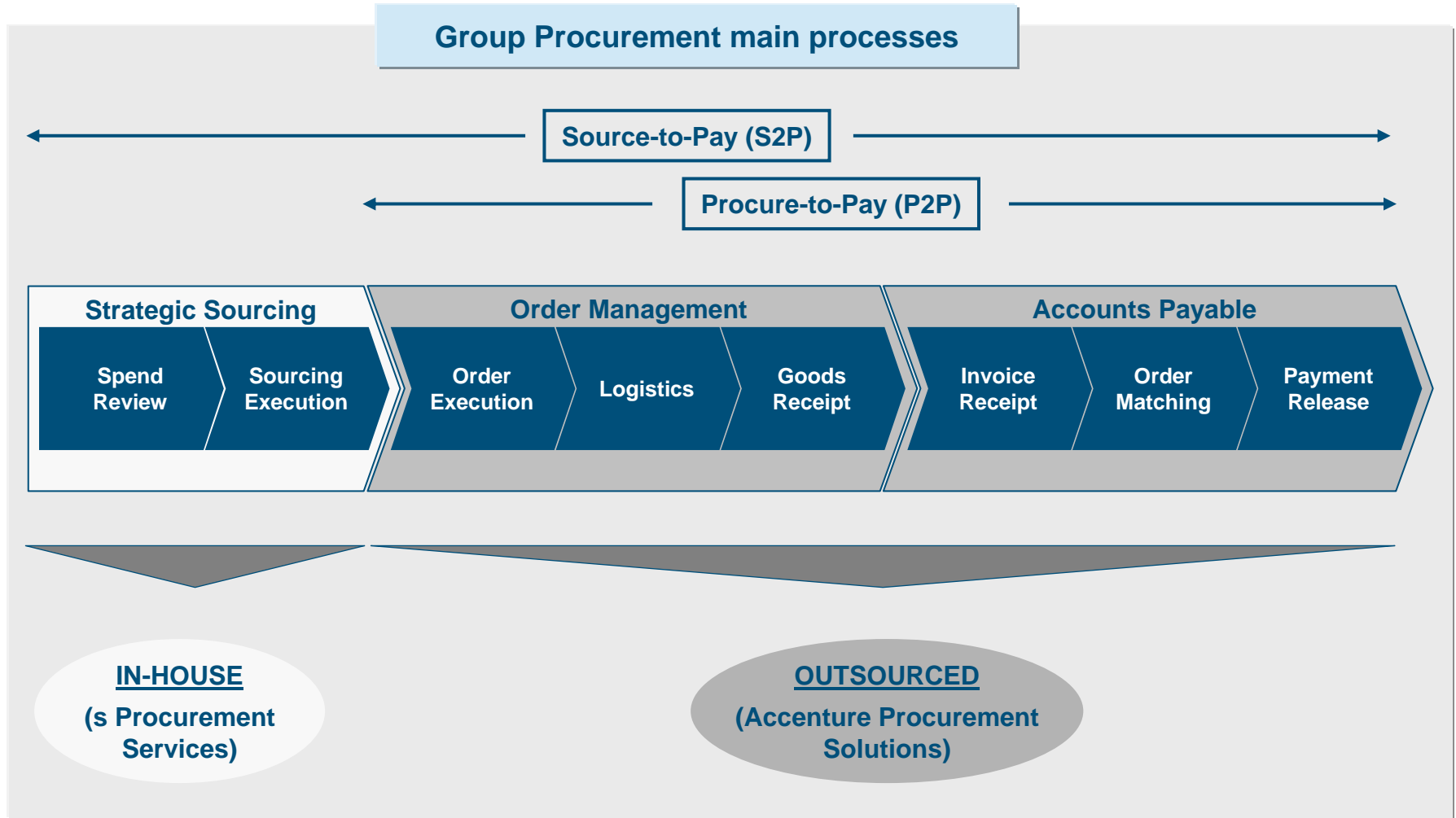
- » Minimum of 10% cash savings on directly influenceable purchasing volume
 - » Resulting in EUR 80m cash-savings effect by 2008
- » Positive and sustainable pre-tax P/L-effect by 2008: approx. EUR 55m

Achievements & next steps

- ✓ Improved transparency and “tight grip” on overall Group spending through Group-wide unified processes and systems
 - » EUR 46m positive and sustainable pre-tax P/L effect by 1H 2006
- ✓ Decision for a Group-wide procurement company (“s Procurement Services”) as a Shared Service Centre for Procurement and Facility Management
 - » Accelerating realisation of the targeted cash savings
 - » Further enhancing transparency and discipline
 - » Enabling scalability of the procurement approach
- » Company set-up for Austria has been completed, further migration in CEE until mid 2007
- » Procurement back-office functions (order management, accounts payable) to be outsourced
 - » Ten-year cooperation agreement with Accenture has been signed in July 2006
 - » First implementation steps have started in August 2006
 - » SLSP is the first bank to complete outsourcing by mid 2007

> (5) Group Procurement (cont)

Non-strategic Procure-to-Pay (P2P) functions to be outsourced



> (6) Group Performance Model

Harmonisation of steering methodology and corresponding systems

Rationale

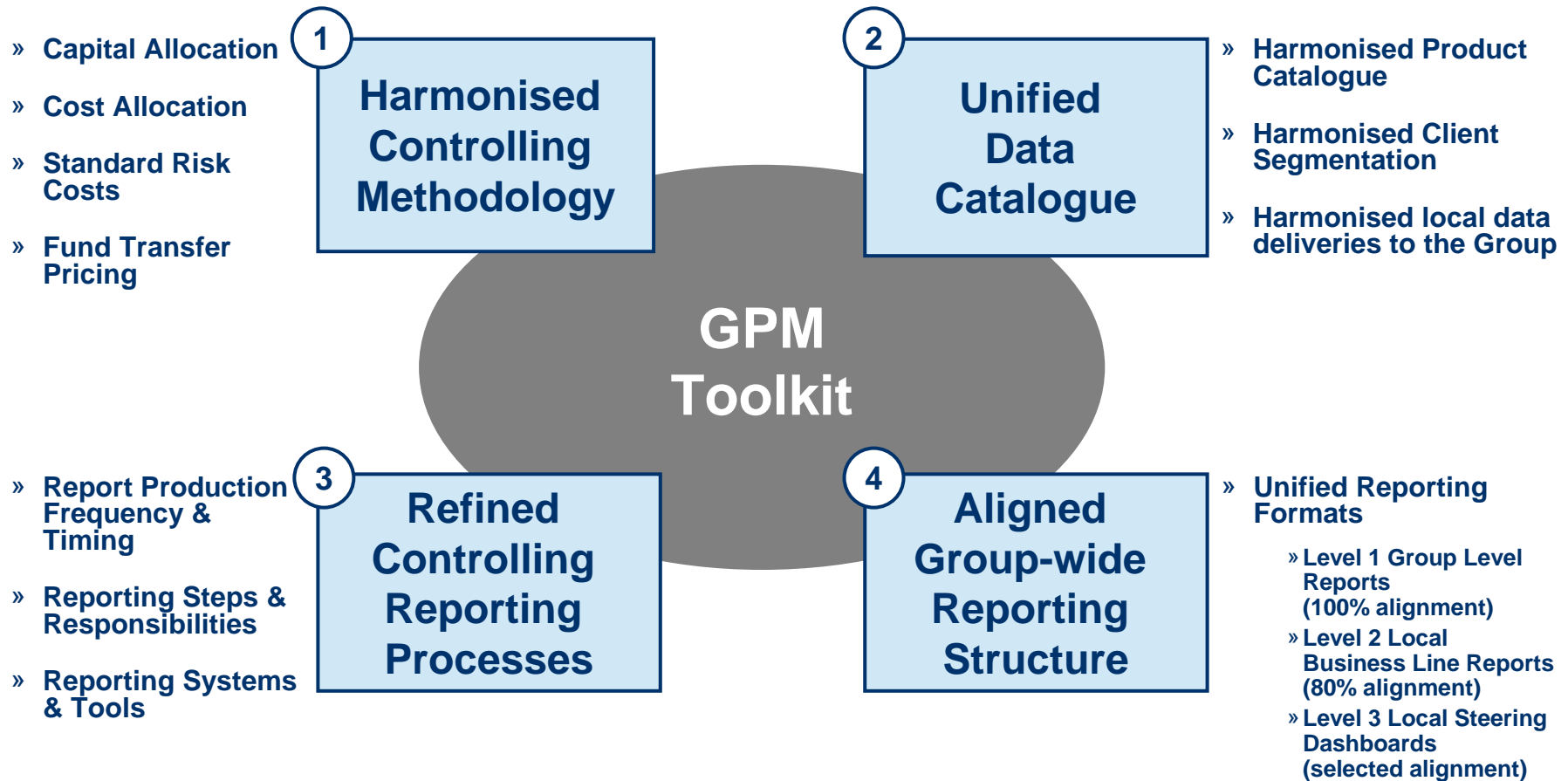
- » **Group-wide standardisation of controlling processes and performance benchmarks (“common language”)**
 - » Creating uniform standards for recognition and allocation of income and costs
 - » Function content, resource allocation and convergence to common business models
 - » Defining Key Performance Indicators (KPIs) to allow harmonised business steering
- » **Implementation of a Group-wide IT tool with unified data flows as Group Performance Model (GPM) “backbone”**
 - » Group-wide roll-out until YE 2006

Achievements & next steps

- ✓ **GPM Rulebook agreed and implemented**
 - » Contains methodology, definitions of KPIs and reporting procedures
- ✓ **Unified “Funds transfer pricing” methodology and procedure agreed and rolled out**
- ✓ **Work on Group-wide IT tool (GPM “backbone”) far advanced**
 - » Basis for GPM reporting, Basel II calculations and statutory reporting
- » **GPM production “go live” (1Q 2007)**
 - » Extensive Testing
 - » User Training

> (6) Group Performance Model (cont)

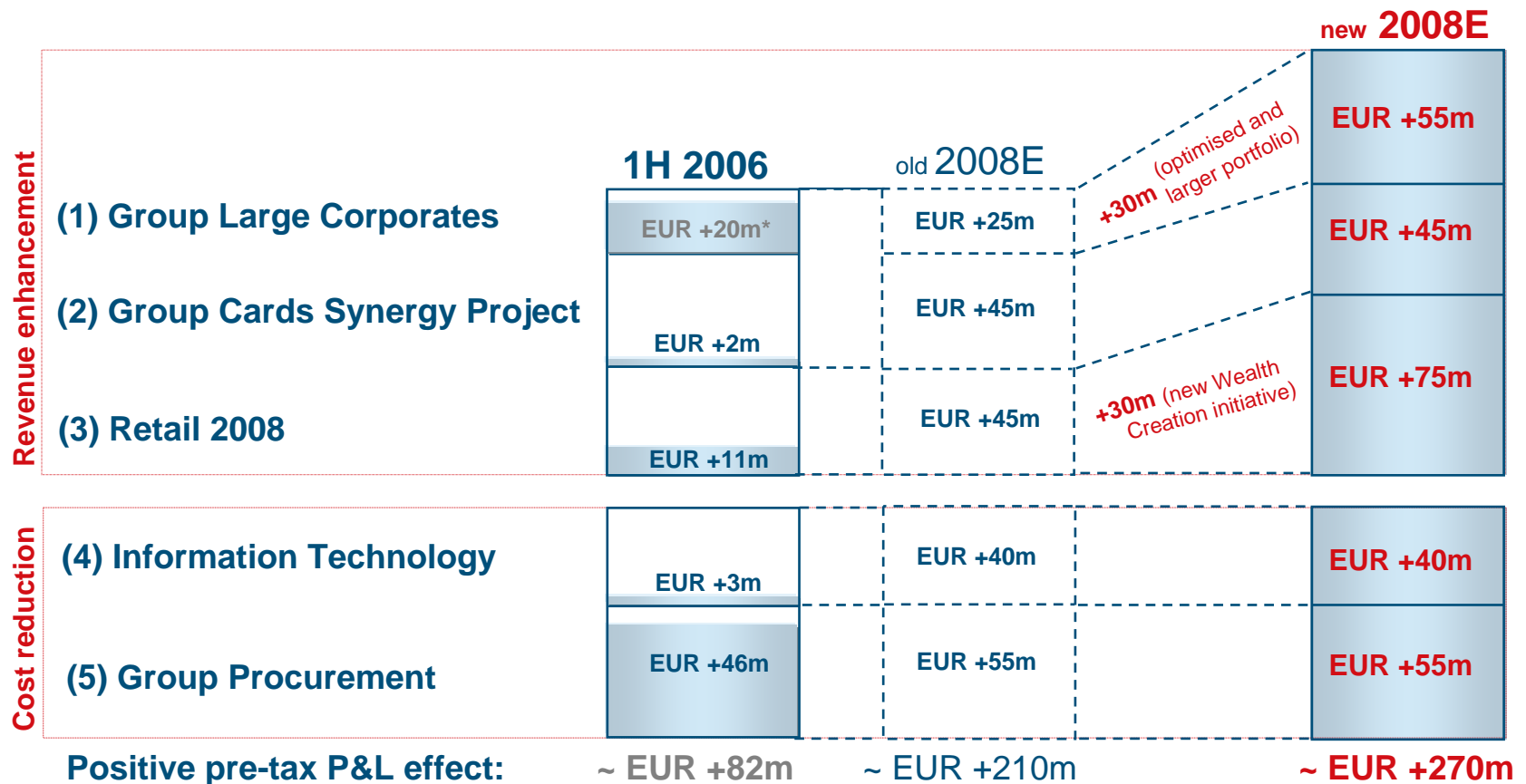
GPM toolkit comprises a harmonised Group approach in four areas



> NGA financial achievements and targets

Increased 2008 targets reflect continued future opportunities

- » Previous 2008 pre-tax profit target of EUR 210m raised to EUR 270m
- » Revised 1H 2006 results include first-time profit contribution from GLC



*GLC performance above expectations, but based on a different portfolio structure

Promising start to a long-term transformation challenge

- » **Two years into the programme, NGA projects are well on track and have already produced encouraging results**
 - » The transformation into a 'real' Group is progressing in line with the NGA master plan developed in mid-2004
- » **Over time, there will be a shift in focus of the NGA programme from strategic development to Group-wide roll-out of agreed initiatives**
 - » Most initiatives are in advanced stages of local implementation or are under Line Manager responsibility
- » **The BCR Integration & Development Programme (IDP) builds on the Group-wide NGA platform (standards, expert networks, etc.)**
 - » Approx. 10 IDP projects (4 "early birds") to be sponsored and supported by the NGA framework