

7th Capital Markets Day –

4 October 2010, Dubrovnik, Croatia

Erste Retail –
Preparing for the future

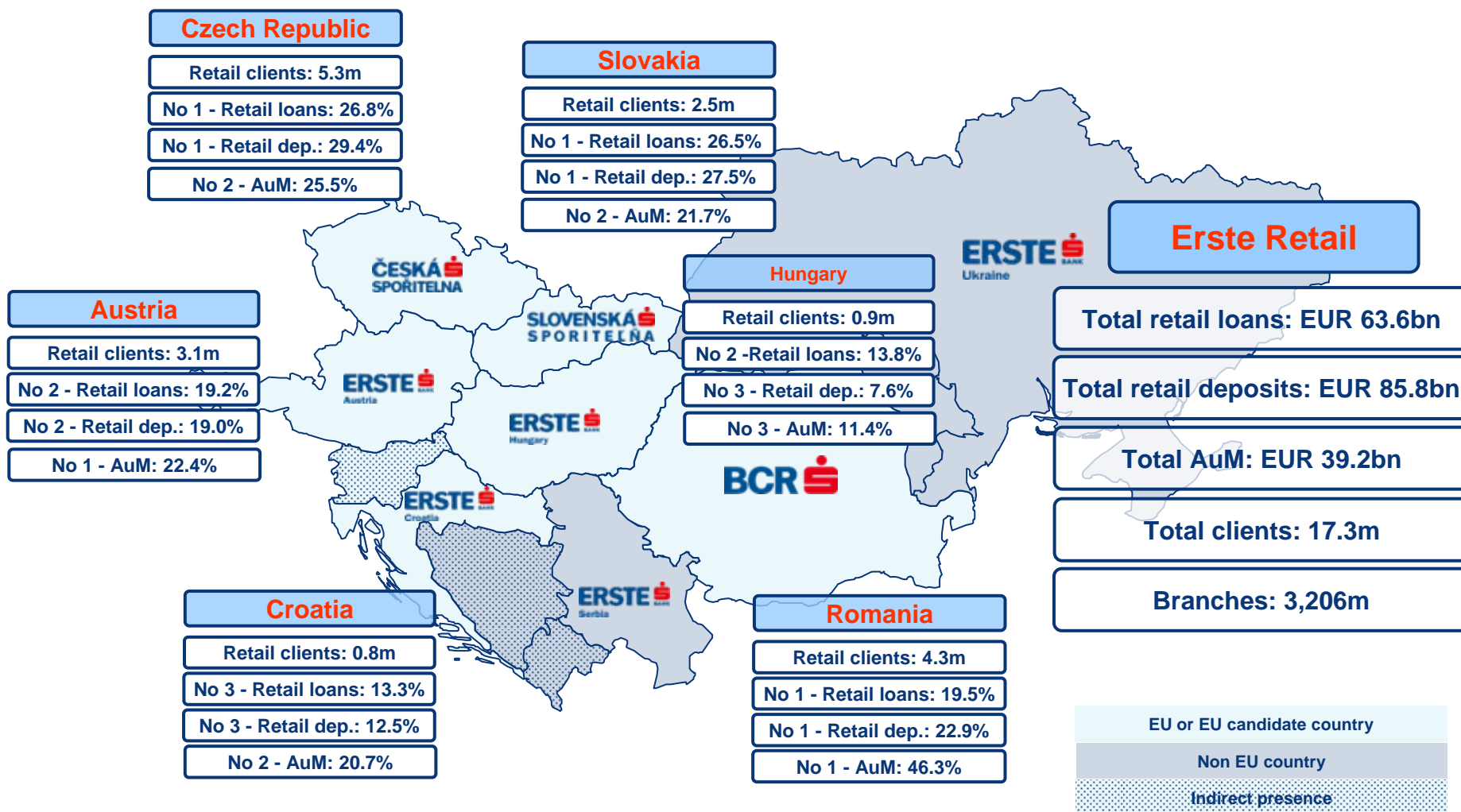
Martin Škopek,
Member of the Management Board, Erste Group



- **Erste Retail in brief**
- **Martin Skopek, Board Member for Group Retail Business**
- **The “Erste way” in retail : Operating Model Equilibrium**
- **Real life examples**
- **Conclusion**

Erste Retail in brief –

Among top 3 in retail business segments in core markets

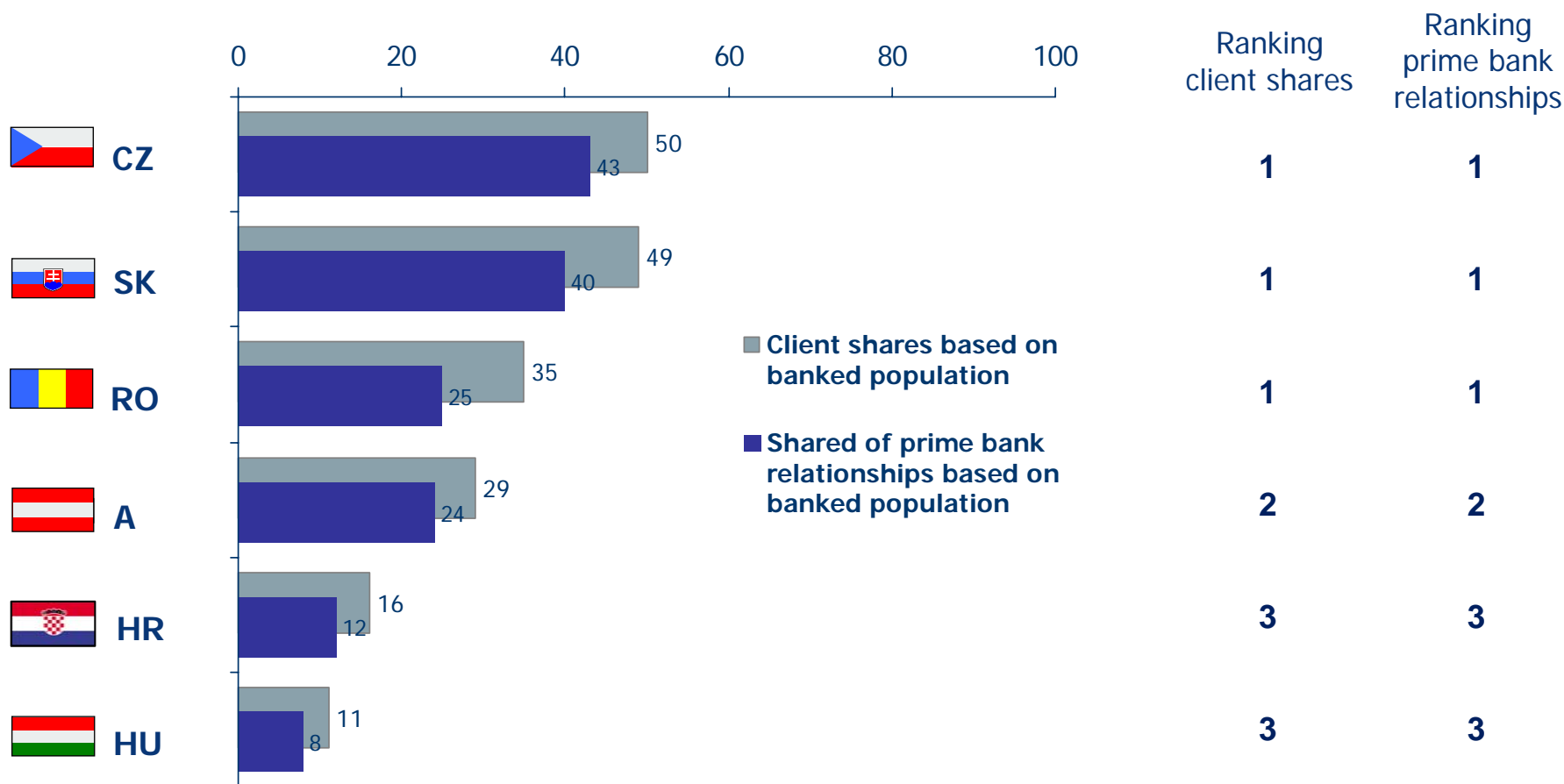


Percentage numbers refer to market shares as of June 2010. Austria includes EB Oesterreich and the savings banks. AuM market shares in Romania based on local investment funds.

Erste Retail in brief –

Retail leadership based on strong client market shares

- Strong position in CEE with market leadership in 3 countries
- Among top 3 retail banks in all core markets



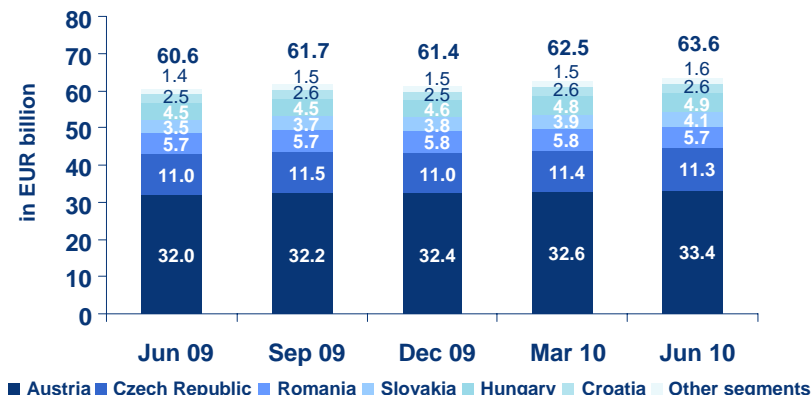
Source: FMDS, "banked population" refers to individuals older than 15 years

Erste Retail in brief –

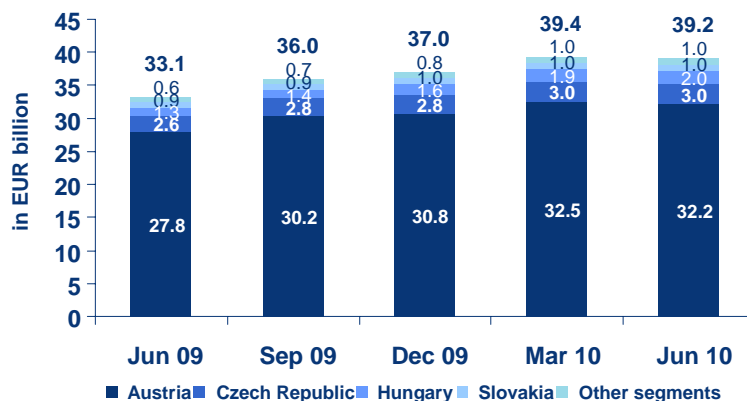
Quantifying the 3 main pillars of Erste Group's retail business

- Austria, the Czech Republic and Slovakia account for 77% of Erste Group's retail loans
- Strong retail deposit base translating into low 70% loan/deposit ratio in core retail business
- Austria and the Czech Republic make up for close to 90% of total assets under management
 - CEE markets are still small: AuM in Romania and Croatia are EUR 500m each – pointing to growth opportunities

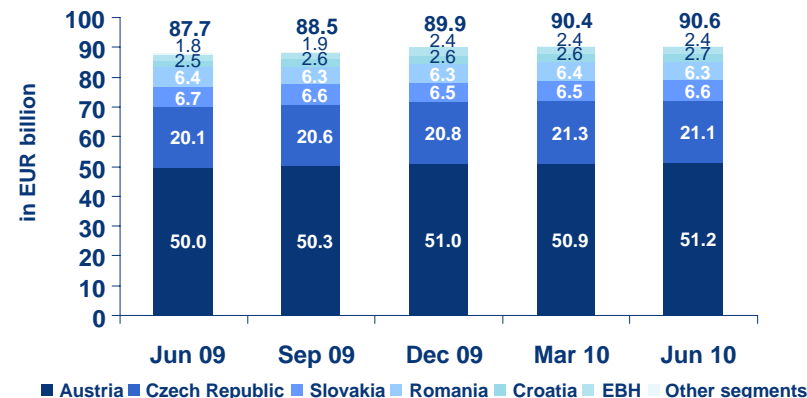
Loans to private individuals & micro corporates



Assets under management



Deposits from private individuals & micro corporates



* Loan and deposit volumes differ from figures published in Erste segment reporting (including savings banks and all subsidiaries, excluding SME and local corporates).

– Motto:

“Retail is about an emotional commitment to helping our customers achieve their aspirations and dreams. There is no silver bullet to shoot to succeed. It involves systematic and long term work on many fronts at the same time”

- Started banking career in 1990 at a branch of Komerční banka in Pilsen, Czech Republic
- Joined Česka spořitelna in October 1999 as Board Member responsible for retail business
- Moved to BCR in September 2006 to become Board Member responsible for retail business
- Board Member of Erste Group responsible for Group retail business since July 2010

The „Erste Way“ in retail – Operating model equilibrium

- Erste has evolved in its quest for an „Erste way“
 - Moving from a Group of Banks to a true Banking Group
 - Improving our business model and the way we conduct retail business in our core markets
 - Striving for a model of “operational equilibrium”
 - Achieving the right balance between local responsibility and Group support
 - Doing the right things (business model) in the right way (operating model)

Operating Model Equilibrium – Selective use of Group support

- Initiatives undertaken jointly with the Group, led by local or Group management include:
 - Developing frameworks for “Sales Force Effectiveness” Programs
 - Implementing a commonly agreed set of sales standards for both business segments (Private Individuals and Micro Business) and using these to measure performance
 - Innovation and best practice sharing (e.g. in “client activation”)
- **Some activities, such as strategic marketing and sales, are always managed locally**

Real life examples:

Sales force effectiveness programs

☑ Successfully implemented

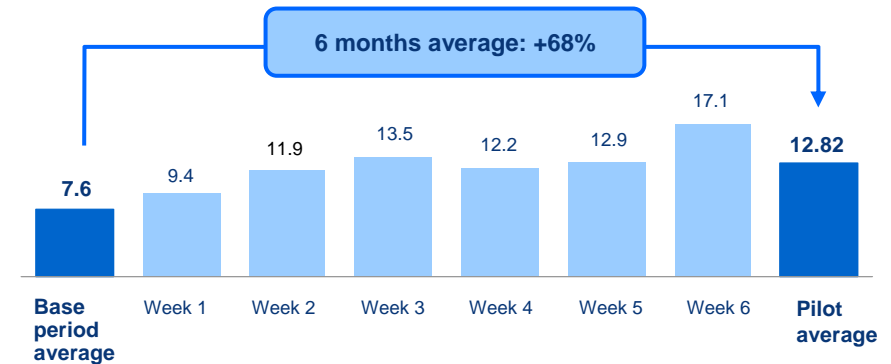
-The **introduction of new sales tools and methods**, has led to a significantly higher sales performance at the branches

-**Lessons from implementation** in one country lead to faster and more seamless implementation in other countries

-**Customers satisfaction increased** as a result of an innovative sales approach focused on customer needs

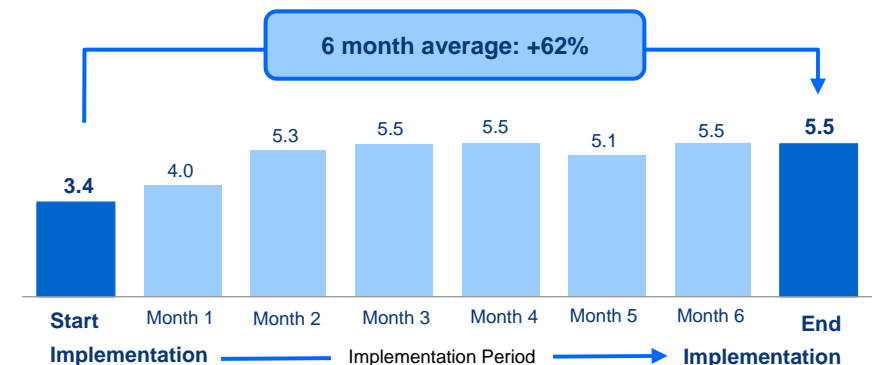
Project result in EB Hungary:

Average number of products sold by advisor weekly



Project result in BCR:

Average number of products sold by advisor weekly



Real life examples:

Sales standards for micro business

☑ Successfully implemented

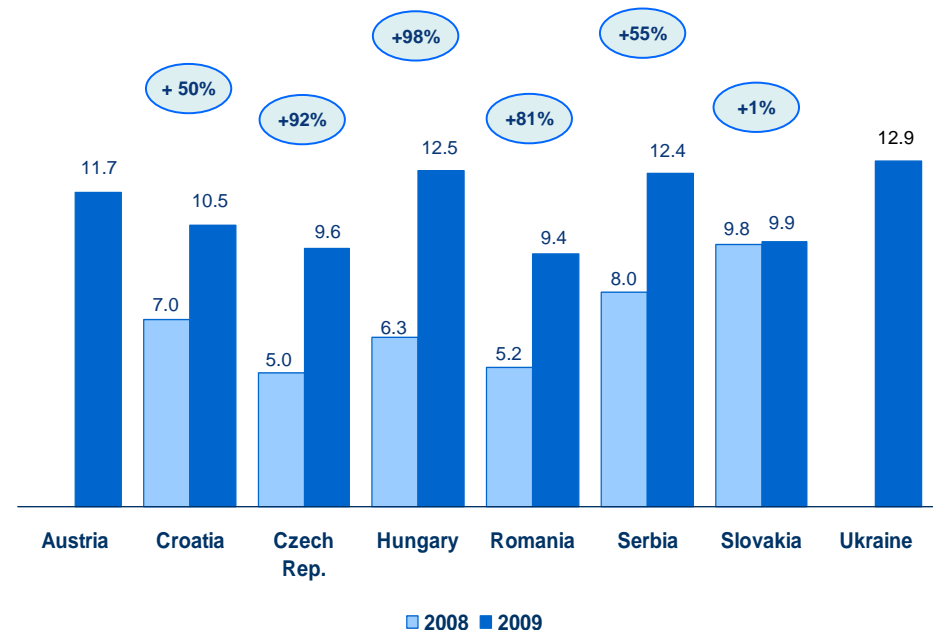
-**Group-wide standards for the micro segment** provide a framework for permanent, local improvement of micro business, forming a basis for a long-term profitable relationship

-**Activity management** (which coordinates customer contacts, meetings, sales targeting and monitoring) is among these standards

-The introduction of the **commonly defined** standards for activity management has resulted in a significant increase in the **frequency of customer contacts across Erste Group**

Project result in ERSTE Group:

% increase in customer meetings per Micro Advisor per week



Real life examples:

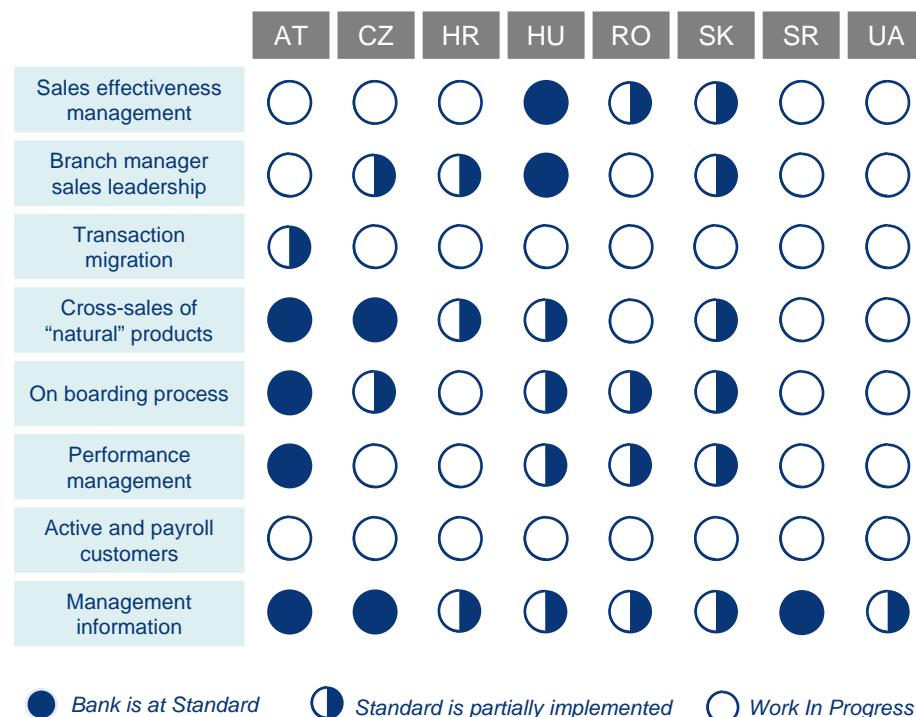
Sales standards for private individuals

 Work in progress

-Based on the findings of a group-wide sales productivity benchmarking study, we have defined a **commonly agreed set of sales standards for private individuals** in 2010

-Following completion of group-wide implementation in 2011 we **expect an increase in sales efficiency and sales productivity** across the Group

Rollout plan for implementation of sales standards for private individuals:



Real life examples:

Co-ordinating innovation & best practice sharing

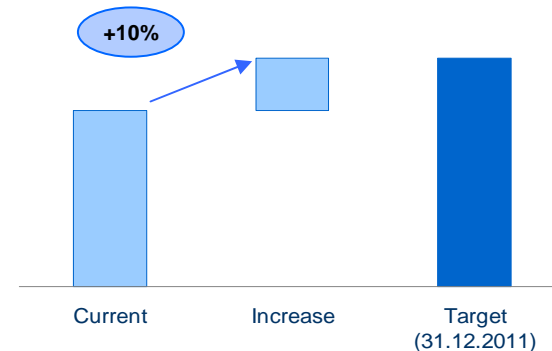
Work in progress

-Co-ordinating innovation and sharing of best practices across our Group aimed at “**client activation**”

- **Increase the number of active retail clients** through identification of the most effective measures (i.e. product innovation, new services, marketing campaigns), which are shared with other countries with the aim of agreeing on targets based on group-wide standardized process

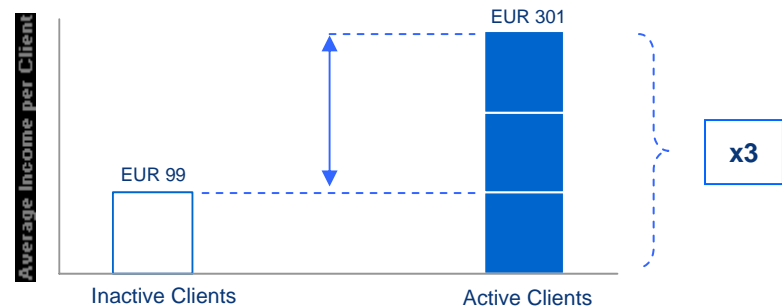
Targeted result for Erste Group:

Increase number of active clients by 10% until end 2011



Income per active client:

Average annual income per client - calculated for inactive and active clients *, using Ceska sporitelna as an example



* Active Client defined as a client who is actively using a current account
(+3 transactions per month including at least one credit transaction)

Conclusion –

The “Erste Way” forward

- **Local responsibilities for the business will remain the core principle for Erste Group**
 - Continued work on joint initiatives which add value at Group level – **innovation co-ordination piloting the outcomes, standardisation of selected high volume processes (e.g. retail lending and card processing)**
 - We do not want to think about new ideas from an ivory tower perspective, **but we work together identifying and sharing best (and bad) practice, with findings supported and justified by our performance measurement system**
 - We work together on developing the “ideal” business model for retail **defining optimal roadmaps with individual countries to provide a common target despite different starting positions**
 - Group-wide initiatives have different implications for different countries – **for some countries it could mean an improvement of current practices whilst others could require implementation of a brand new business model**
 - Managing Retail Business based on aligned KPIs **is key to having a clear understanding of our growth potential and opportunities**