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Erste Bank sets its sights on market leadership in Austria

Since July 2007 Erste Bank's domestic activities have been handled by two companies: Erste Holding and Erste Bank Austria. Because of Erste Bank's growth in recent years – the bank has ten times as many employees as it had a decade ago – the decision was made to restructure the company. The bank's business in Austria will be rolled into an independent legal entity in the summer of 2008. The goal is to become the overall number one in banking with Erste Bank Austria and the savings banks – and the group has already achieved market leadership in several sectors. At a press conference, the new management under the leadership of Elisabeth Bleyleben-Koren introduced the new plans and explained the organisational changes.

"Austria is a growth market, not a consolidation market," said the designated chairwoman of the board, summarising Erste Bank Austria's playing field. "Austria is and will remain an interesting market for us. In the future we plan to use our profitable footing to intensify our efforts on the market," said Bleyleben-Koren. Erste Bank has adopted a new organisational structure in recent months: Erste Bank Holding is responsible for the central management functions, capital market business and investment banking, while Erste Bank Austria is in charge of private and corporate banking and the collaboration with the savings banks. "Our organisational structure reflects our philosophy: the strong belief in local markets and the needs of local customers. Customers cannot be 'divisonalised' over multiple countries," said the company's new chairwoman for Austria. From summer 2008 Erste Bank Austria will also be an independent legal entity. The company will be a wholly owned subsidiary of Erste Bank Holding and will be responsible for all domestic customers.

New target groups for private banking

In the private banking segment, for which board member Peter Bosek is responsible, Erste Bank plans to increase its customer share to 25 per cent (currently 21 per cent) by the end of 2010. This means that the bank must acquire 20,000 new customers each year. In order to achieve this, the bank is exploring new paths, including new cooperative sales and distribution projects. One of these projects is a joint venture with Vienna Insurance Group. The venture will be called *Finanzpartner GmbH* and will facilitate improved cross-selling between the two companies and provide more convenience for customers. The target group is employees, who are to be served in close cooperation with employee councils. Another newly defined target group are elderly people. One of the first products to be introduced by *s Versicherung*, Erste Bank Austria's insurance subsidiary, is a supplementary nursing care insurance plan with a 24-hour nursing care hotline. In contrast to the trend set by its competitors, Erste Bank will be dispatching eighty service managers to the bank's branches who starting January will help customers personally with all their banking needs.

Corporate banking is the bank's core business

Erste Bank Austria also plans to make a mark in the corporate banking segment, for which board member Thomas Uher is responsible. A separate division for small and mid-sized enterprises will be established in the next few months. The bank sees a lot of leverage potential in its cooperation with the savings banks. "In the next three years, we plan to invest around EUR 1 billion in the domestic middle market. This will allow us to achieve double-digit growth in the corporate banking segment," announced Bleyleben-Koren. In comparison, the domestic loan market is currently growing at around 4 per cent.

Savings banks: "From a joint liability agreement to a production and sales collective"

Elisabeth Bleyleben-Koren describes the *Haftungsverbund Neu* (new joint liability agreement) as "a milestone on our mutual course with the savings banks". Fifty-one of the fifty-three regional savings banks have already decided to join the *Haftungsverbund Neu*. The operational association with thirty-four savings banks has "already been legally approved". "Before we continue along this path, we want to wait for the second wave," says Bleyleben-Koren. The exact nature of the group's course "will be determined together with the savings banks," adds Bleyleben-Koren. "But one thing is already clear: Together with the savings banks, we want to become the market leader, Austria's first choice in banking. We intend to transform ourselves from a group working under a joint liability agreement to a production and sales collective. In the future, every savings bank customer will have access to the products offered by a major international bank while still being served by the regionally-focused savings banks," says Elisabeth Bleyleben-Koren, head of Erste Bank Austria, the leading bank of the Savings Banks Group,.

The bank closer to the customers, the customers closer to the bank: establishment of a customer forum

In the future, Erste Bank Austria plans to distinguish itself from the competition even more with high-quality advice and customer service. In order to do so, the bank intends to "bring the bank closer to the customers and the customers closer to the bank." A customer forum will enable private and corporate banking customers to participate in the bank's decision-making process.

"Before the customers show us what they think by walking out on us, they should be given a chance to tell us what they think. Our trademark will be great customer service and high-quality advice," says Bleyleben-Koren.

Erste Bank und Sparkassen is the second-largest provider of financial services in **Austria**. Some 15,000 employees serve 2.8 million customers in nearly 1,000 branches. The bank's market share in retail domestic banking is around 20 per cent.

Erste Group is one of the leading financial services providers in **Central Europe**. Over 52,000 employees service almost 16 million customers in 2,700 branches in eight countries.

The balance sheet total of Erste Group was EUR 201 billion as of 30 September 2007. The bank achieved a net profit of EUR 838 million in the first three months of 2007 at a ROE of 13.5 per cent.

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