

> Erste Bank – Acquisition of Postabank

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- > Analyst Conference Call
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> Capturing the potential of EU accession

11.6 million customers - critical mass in a homogenous region



> Acquisition of Postabank

Details and timeline of the transaction

- » **Shares acquired:** **99.97%**
- » **Purchase price:** **HUF 101.3bn / EUR 394.1m**
- » **Price/book multiple:** **2.7 x**
 - » Based on the audited IFRS YE 2002 book value of Postabank of HUF 37bn / EUR 143.9m
- » **Signing:** **20 October 2003**
 - » EB will appoint one observer to the Board of Directors
- » **Closing:** **End of December 2003**
 - » Subject to regulatory approvals in Hungary and Austria
- » **EB will announce new management team for Postabank until end of October 2003**
 - » Appraisal of 2nd and 3rd tier management will start in November 2003

Exchange rate 1 EUR = 257.06 HUF

> Protection under the SPA

APV indemnity for threatened and unknown litigation risks

- » **Protection is valid for all litigation cases relating to the time before closing which are brought forward within 5 years after closing**

- » **Threatened litigation claims**
 - » EB will receive compensation for
 - 50% of the first HUF 4bn (EUR 15.56m)
 - 100% of any amount in excess of HUF 4bn

- » **Currently unknown litigation claims against Postabank**
 - » EB will receive compensation for
 - 90% of the first HUF 10bn (EUR 38.90m)
 - 100% of any amount in excess of HUF 10bn

- » **Erste Bank's aggregate risk for threatened and unknown litigation is limited to HUF 3bn (EUR 12m)**

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> Retail banking in Hungary

Market overview

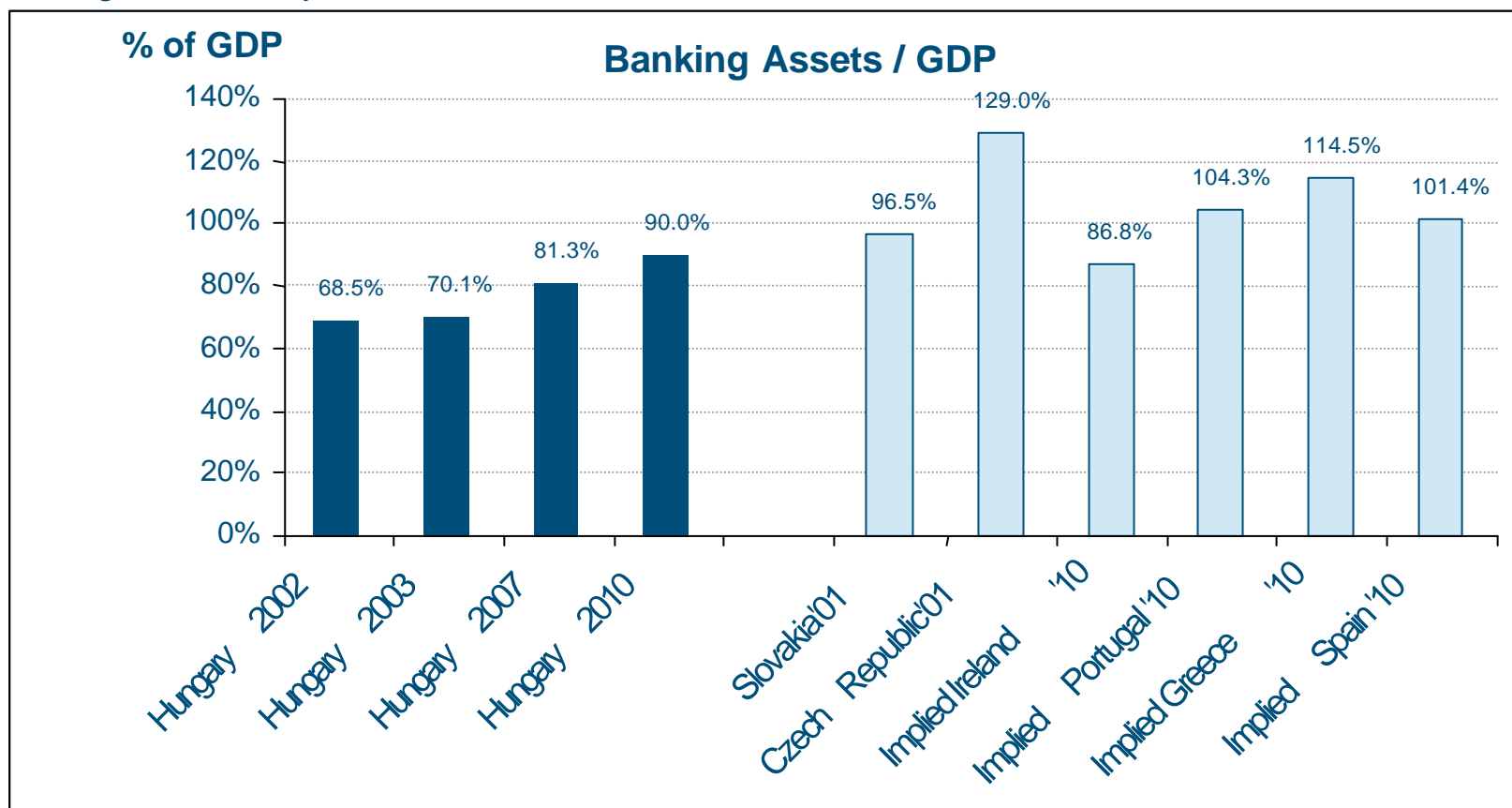
- » **Population: 10.3 million inhabitants**
- » **GDP per capita in 2002: EUR 6,876 EUR**
- » **Total banking assets /GDP: 68.5% - below CE average of 98.5%**
- » **Corporate loans /GDP: 21.7% - developed market**
- » **Retail loans /GDP: 8.6% - high growth potential**
- » **Total deposits /GDP: 36.2% - stable market**
- » **Investment funds /GDP: 5.5% - rapidly growing market**
- » **Relatively high banking penetration (80%)**
 - » Average banking relation 1.7, above CE average of 1.3
- » **Further consolidation of banking sector is expected**

> Financial intermediation in Hungary

Growth assumptions

Banking assets/GDP expected to reach 90% in 2010

» below Czech & Slovak levels in 2001 and below forecast levels for Portugal, Greece & Spain based on regression analysis



Source: Erste Bank Research

> Company profiles

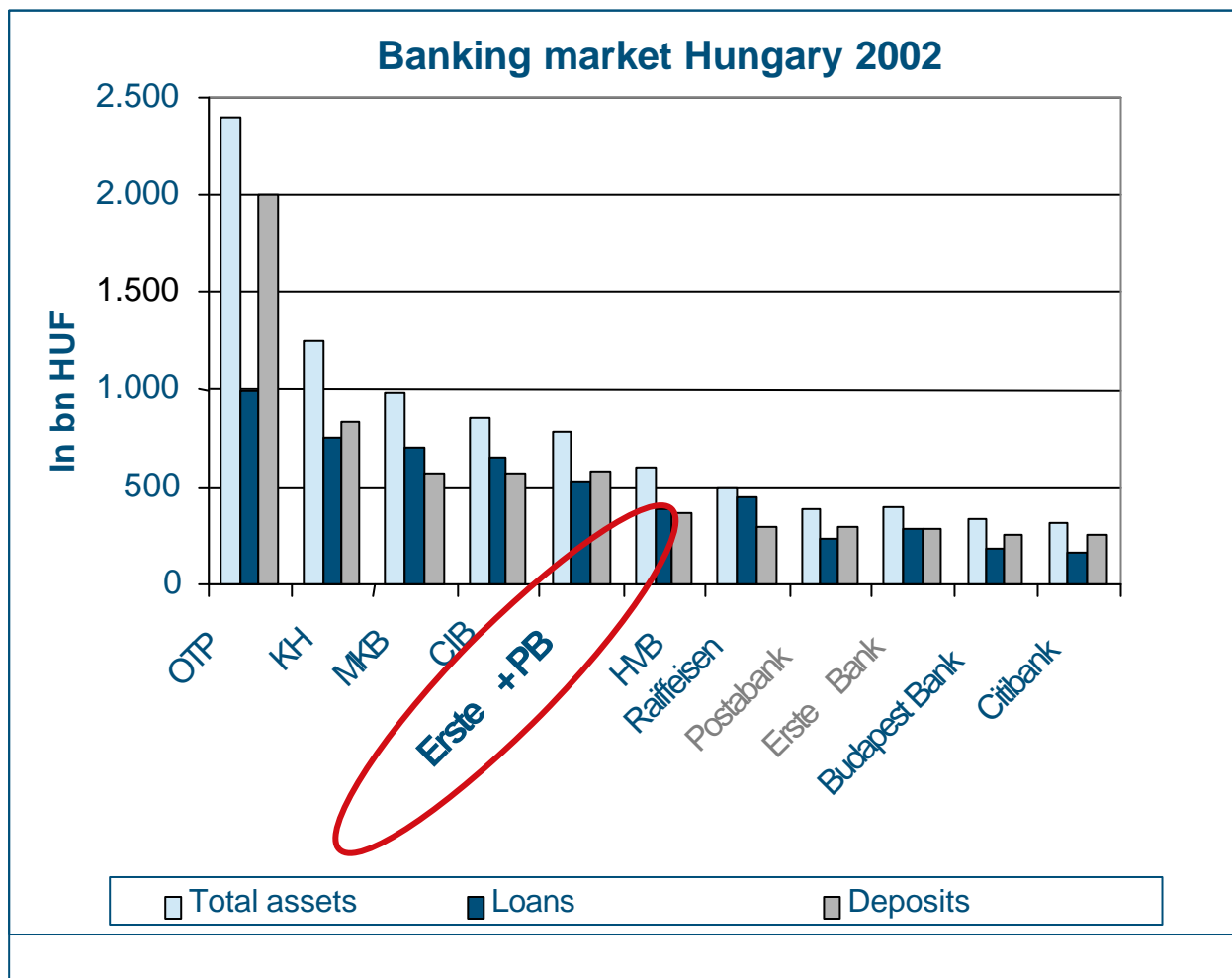
Postabank and Erste Bank Hungary represent an excellent fit

As at YE 2002	Postabank	Erste Bank Hungary
Financial highlights (in bn HUF): *		
- Total assets	408	429
- Customer deposits	315	283
- Customer loans	185	269
- Net income	(2.2)	1.7
Market shares:		
- Total assets	3.6%	3.6%
- Retail - loans	2.3%	4.4%
- Retail - deposits	5.7%	4.1%
- Corporate - loans	4.1%	5.2%
- Corporate - deposits	3.3%	2.6%
Number of customers	500,000	400,000
Retail network:		
- branches	113	82
- access to postal offices	3,200	
Employees (Bank)	1,600	1,200

* IFRS 2002, consolidated:

> Market positions in Hungary

Erste Bank becomes number 2 retail bank in Hungary



Market position of Erste Bank after Postabank acquisition:

- » Number 2 in retail loans
- » Number 3 in retail deposits
- » 3rd largest branch network
- » Number 5 in total assets

> Clear business plan – earnings growth

Key assumptions for the merged bank 2004 - 2010

» EBH and Postabank operate as separate entities under a common management in 2004

- » Legal merger completed at end of 2004

» Retail

- » Build on position as second largest retail bank
- » Increased cross-selling to Postabank's app 410,000 retail clients
 - Compensating for forecast decrease in NIM¹ from 3.3% in 2004 to 2.0% in 2010
 - Ratio of commission income/operating income to increase from 25% in 2004 to 40% in 2010
- » Strong focus on investment fund business (CAGR of funds under management '04-'10: 40.5%)
 - Leading to an overall market share of 12% in 2010 up from 4% in 2004
- » Emphasis on retail mortgage loans (CAGR '04-'10: 24%) and consumer loans (CAGR '04-'10: 34%)
- » Build on the existing cooperation with the Postal network and establish a real strategic partnership with Magyar Posta
 - Share of retail deposits generated through Postal network to increase from 17% in 2004 to 30% of total in 2010

» Corporate

- » Retain market share in key segments of corporate lending:
 - SME (CAGR '04 – '10: 12.4%) and large corporates (CAGR '04 – '10: 6.5%)
- » Strong focus on corporate deposits through value added services to corporate clients (CAGR '04 – '10: 19%)
- » Increased emphasis on municipalities

¹ NIM is calculated on average interest bearing assets (IBA)

> Clear business plan – cost synergies

Key assumptions – integration costs

» Branches

» Rationalization of branch network 2004/2005 leading to a target size of app 160 branches

» Headcount

» Branch network optimisation and integration of head office functions mainly in 2004/2005 will lead to target headcount of app 2,000 in 2005

» IT integration

» Migration to core system of Erste Bank Hungary
» 80% of IT integration will be accomplished by end 2004

Integration related items In EUR m	2004	2005	2006
Total integration costs	(20.5)	(6.6)	-
Capital expenditures			
<i>Total IT investments</i>	<i>(10.4)</i>	<i>(5.4)</i>	<i>(5.9)</i>
<i>Total Property investments</i>	<i>(4.0)</i>	<i>(2.0)</i>	
<i>Other</i>	-	<i>(2.5)</i>	<i>(2.2)</i>
Total capital expenditures	(14.4)	(9.9)	(8.1)

> Financial rationale of transaction

Acquisition of Postabank is earnings accretive in 2006

- » Transaction will be earnings dilutive for EB Group in 2004 due to integration and merger costs, earnings neutral in 2005 and accretive from 2006 onwards
 - » After deduction of goodwill depreciation and funding cost
- » ROE of merged bank should be in the 25 – 30% range from 2006 onwards
- » Cost / income ratio of merged bank should decrease to below 55% after 2006

Key ratios	2004	2005	2006
Cost / income ratio	86%	65%	< 60%
Return on equity	negative	> 15%	> 25%

- » Calculation of return on investment:
 - » Based investments and return assumptions for merged entity

Return on investment	2004	2005	2006	2010
Excluding funding costs	-3.2%	7.1%	13.7%	21.2%
Including funding costs	-6.0%	4.3%	10.9%	18.1%

> Outlook and targets for Erste Bank Group

Outlook 2003

- » **Increase in net profit of at least 25% at YE 2003**
- » **Plan to propose a dividend of EUR 1.5 per share to 2004 AGM**
- » **Tier 1 ratio at YE 2003 expected at 6.2% – 6.3%**
 - » Including effect of acquisitions (Postabank and SLSP)

Reconfirming 2005 targets

- » **Erste Bank reiterates doubling of 2002 Group net profit to approx. EUR 500m in 2005**
 - » ROE of at least 15%
 - » Cost/income ratio of 60% - 62%

> Appendix

> Financials Postabank and EBH

> Financials - Postabank

Balance Sheet (IFRS)

HUF m	31.12.2002	31.12.2001	% Change
Cash	6,926	10,622	(34.8)
Due from the National Bank	58,218	33,514	73.7
Due from banks	10,769	19,856	(45.8)
Trading investments	21,040	30,355	(30.7)
Loans and advances to customers	184,534	146,989	25.5
Non-trading investments	100,688	95,113	5.9
Accrued income	4,751	5,723	(17.0)
Property and equipment	15,123	16,027	(5.6)
Other assets	5,500	5,444	1.0
Total assets	407,548	363,642	12.1
HUF m	31.12.2002	31.12.2001	% Change
Due to banks	36,892	18,040	104.5
Customer deposits	314,483	281,742	11.6
Certificates of deposits	424	7,593	(94.4)
Refinancing credits	5,205	4,803	8.4
Accrued expenses	5,746	5,579	3.0
Deferred tax liability	0	137	-
Other liabilities	7,795	7,758	0.5
Subordinated debt	0	100	-
Total liabilities	37,023	37,890	(2.3)
Total Liabilities	407,568	363,642	12.1

Exchange rate 1 EUR = 257.06 HUF

> Financials - Postabank

P & L (IFRS)

HUF m	2002	2001	% Change
Net interest income	18,930.1	16,391.9	15.5
Charges on loans and other assets	(1,899.6)	(2,754.4)	(31.0)
Net commission income	2,731.6	3,003.2	(9.0)
Net trading result	1,245.5	2,494.4	(50.1)
Net gains from investments	78.0	17.2	353.5
Dividends from investment securities	43.9	68.3	(35.7)
General administrative expenses	(23,040.0)	(22,743.1)	1.3
Recoveries payable to State	(647.6)	-	-
Other operating result	461.5	(394.3)	217.0
Pre-tax loss	(2,096.5)	(3,916.8)	(46.5)
Taxes on income	(45.4)	(219.8)	(79.3)
Net loss	(2,141.9)	(3,696.9)	(42.1)

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> Financials – Erste Bank Hungary

Balance Sheet (IFRS)

HUF m	31.12.2002	31.12.2001	% Change
Cash and balances with central banks	36,100	14,220	153.9
Loans and advances to credit institutions	27,606	26,479	4.3
Loans and advances to customers	268,983	168,929	59.2
Risk provisions for loans and advances	(4,955)	(5,149)	(3.8)
Trading assets	48,134	15,692	206.8
Investments available for sale	0	0	-
Financial investments	35,157	38,003	(7.5)
Other assets	17,932	14,711	21.9
Total assets	428,957	272,885	57.2
HUF m	31.12.2002	31.12.2001	% Change
Amounts owed to credit institutions	98,155	53,449	83.6
Amounts owed to customers	263,792	154,954	70.2
Debts evidenced by certificates	19,348	36,041	(46.3)
Other liabilities	23,831	10,298	131.4
Subordinated capital	5,899	3,923	50.4
Equity	17,932	14,220	26.1
Total Liabilities	428,957	272,885	57.2

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> Financials – Erste Bank Hungary

P & L (IFRS)

HUF m	2002	2001	% Change
Net interest income	11,658.7	9,657.2	20.7
Risk provisions for loans and advances	(1,991.7)	(1,027.4)	93.9
Net commission income	4,202.0	2,619.8	60.4
Net trading result	1,530.2	1,489.7	2.7
General administrative expenses	(13,188.9)	(11,455.1)	15.1
Other operating result	(218.6)	51.4	525.6
Pre-tax profit	1,991.7	1,335.6	49.1
Taxes on income	(242.9)	(256.8)	(5.4)
Minority interests	72.9	0.0	-
Net profit after minority interests	1,797.4	1,078.7	66.6

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