ERSTE GROUP

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Amidst global turmoil, CEE retail is still the place to be

Andreas Treichl, CEO, Erste Group

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Erste Group in CEE –
The region of choice in a tough environment

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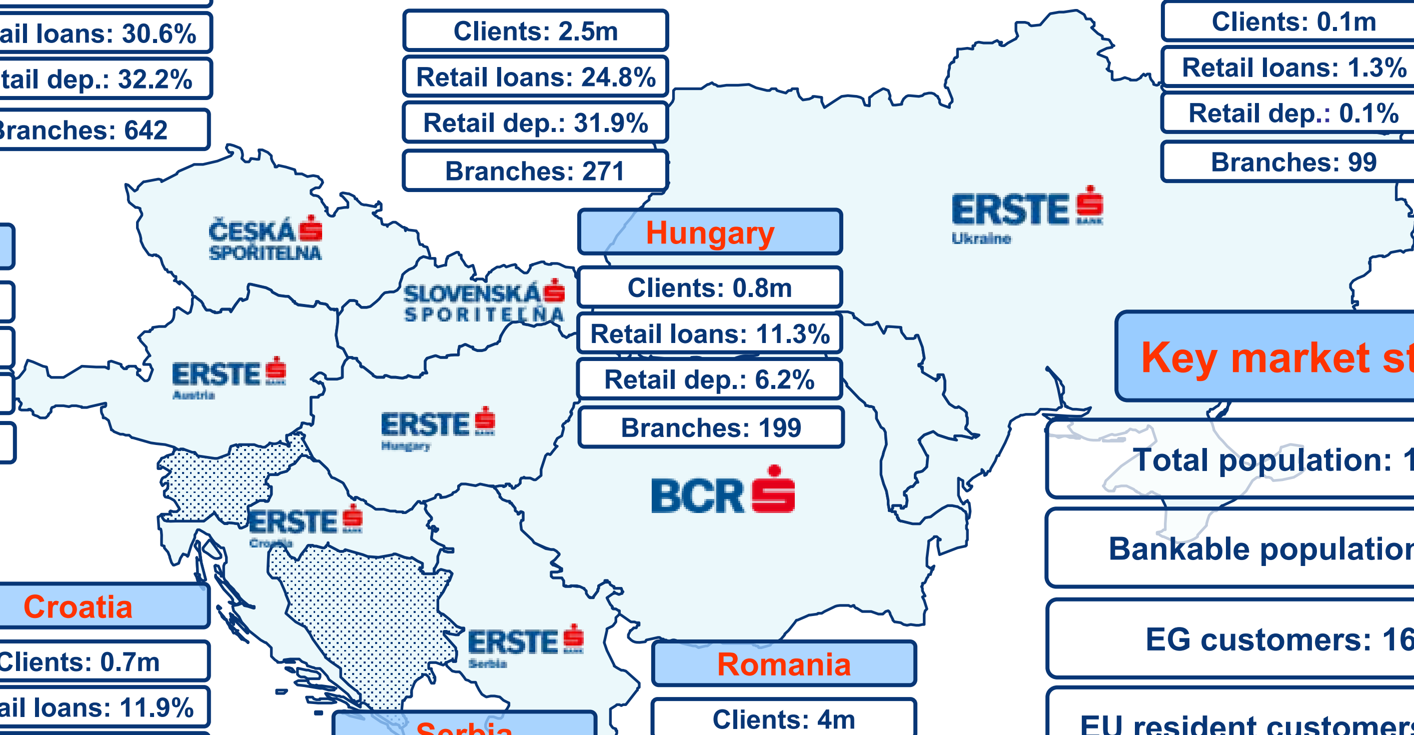

Czech Republic
- Clients: 5.3m
- Retail loans: 30.6%
- Retail dep.: 32.2%
- Branches: 642

Slovakia
- Clients: 2.5m
- Retail loans: 24.8%
- Retail dep.: 31.9%
- Branches: 271

Ukraine
- Clients: 0.1m
- Retail loans: 1.3%
- Retail dep.: 0.1%
- Branches: 99

Austria
- Clients: 2.8m
- Retail loans: 19.6%
- Retail dep.: 19.3%
- Branches: 993

Hungary
- Clients: 0.8m
- Retail loans: 11.3%
- Retail dep.: 6.2%
- Branches: 199

Croatia
- Clients: 0.7m
- Retail loans: 11.9%
- Retail dep.: 12.1%
- Branches: 116

Serbia
- Clients: 0.2m
- Retail loans: 2.8%
- Retail dep.: 2.5%
- Branches: 62

Romania
- Clients: 4m
- Retail loans: 22.1%
- Retail dep.: 26.9%
- Branches: 588

Key market stats
- Total population: 120m
- Bankable population: 92m
- EG customers: 16.4m
- EU resident customers: 15.4m

Indirect presence

Assessing the current situation – What are the major issues in 2008 and 2009?

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- **Liquidity and funding position**
  - Strength of deposit franchise and access to retail funding will determine growth potential…
  - … as will funding costs
- **Capital and balance sheet strength**
  - Capital and balance sheet strength will be other key growth determinants
  - Ability to cope with pro-cyclicality of Basel II will be another issue in 2009
- **Proactive risk management**
  - Prudent and forward-looking management of counterparty risks
  - Maintenance of conservative lending standards
  - Seizing opportunities: better risk quality at more attractive margins
- **Managing ABS/CDO exposure**
  - ABS/CDO: continuous widening of spreads and deterioration of market sentiment
- **CEE macro outlook**
  - Deceleration in CEE is a realistic scenario, while – based on current expectations – a severe recession is unlikely, in contrast to Western Europe
  - Inflation will turn out to be less of an issue, while growth will be the focus of attention
- **CEE banking market impact**
  - Banks with an undiversified funding base will find it tough to compete
  - Corporate and investment banking opportunities will decline while…
  - …retail business will do comparatively well

Liquidity and funding –
Proactive liquidity and funding management

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- **2008 funding plan successfully executed by Sept 2008**
  - EUR 5 billion in long term funding raised at around 35bps above EURIBOR
    - EUR 3.7 bn senior unsecured (private placements), EUR 800m senior secured funding (Pfandbriefe), EUR 500m lower & upper Tier 2 capital
  - 2009 prefunding to start, depending on market conditions, similar volume as in 2008; ability to issue additional EUR 2bn of Pfandbriefe within next 12 months
- **Improved liquidity position**
  - Interbank deposit base remained stable throughout the year
  - Balance sheet optimisation will lead to even better liquidity position at YE2008
- **Strong deposit inflows throughout the year**
  - Large, well-diversified retail customer base of over 16 million is a distinct advantage
  - Special focus on customer liabilities in performance measurement of subsidiaries
  - Customer loan growth fully financed by customer deposit growth
  - Switch from funds to deposits in Austria
  - Acceleration of inflows in recent weeks in CEE

Liquidity and funding –
Retail funding supports sustainable growth

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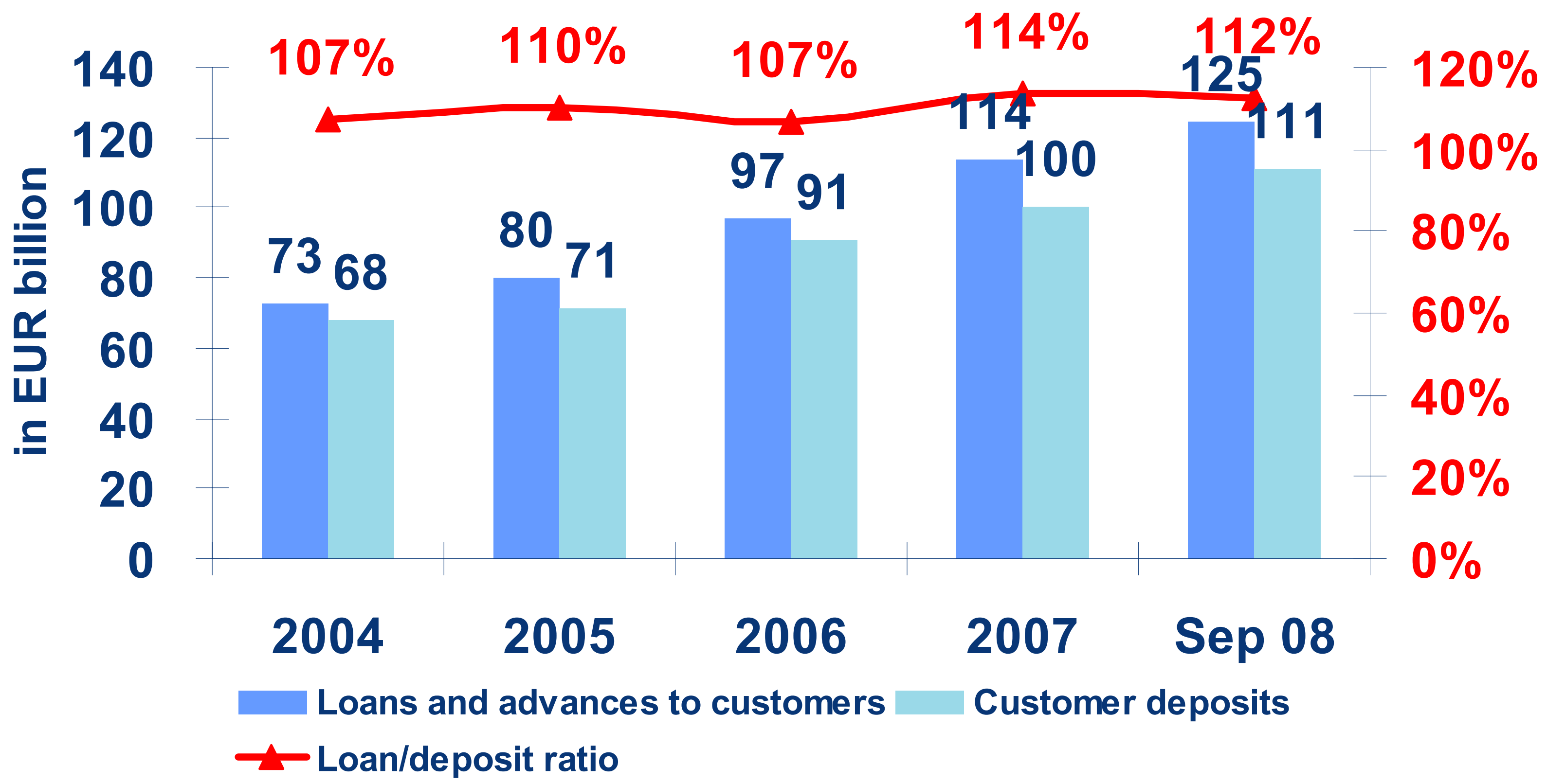
Loan vs deposit development



Capital & balance sheet strength – Strong capital position, improving tangible equity

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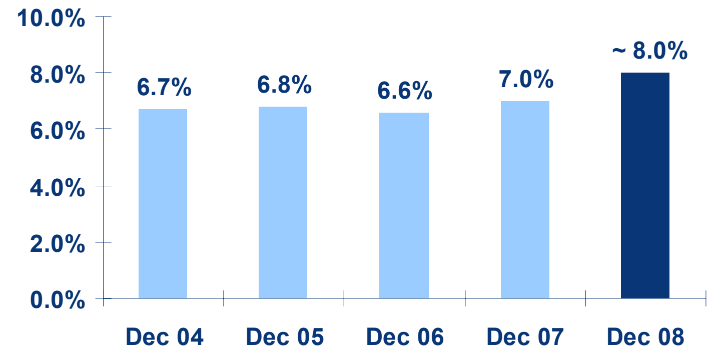
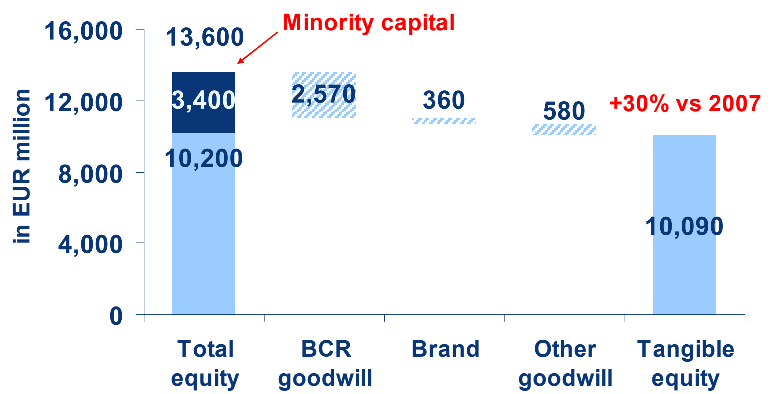
- **Erste Group enjoys strongest capital position since going public in 1997**
  - Supported by continued record profitability and sale of insurance operations
  - Without any asset firesale or capital increase
- **Addressing pro-cyclicality of Basel II**
  - Growth in tough economic times will lead to higher risk-weighted asset growth
  - Focus on business with lower capital consumption: mainly retail
- **Improving tangible equity position**
  - Further positive development due to retained earnings and proceeds from insurance sale

Tier 1 ratio development



Reconciliation - total/tangible equity (2008e)



Proactive risk management, managing ABS/CDO exposure

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- **Impact of recent bank failures**
  - So far negligible thanks to close monitoring of situation, proactive management of exposure
- **Credit risk costs under control**
  - Risk costs confirmed at max 70 bps of average customer loans
- **ABS/CDO update for Q3 08:**
  - Portfolio quality continues to be sound: no impairments in 2008 expected
  - Limited, but increasingly noticeable impact on financial results (IFRS fair value accounting)
  - Q3 08 P&L impact: about EUR -30 million
- **ABS/CDO valuation and strategy**
  - All assets bought with aim to hold to maturity
  - All securities are marked-to-market

ABS/CDO portfolio by region (June 2008)*

in EUR m	Face Value	Market Value	+/-%	% of total (market value)
USA	835	718	(14.1%)	26.7%
Continental Western Europe	1,179	1,057	(10.4%)	39.3%
UK & Ireland	639	552	(13.6%)	20.5%
Far East and Australia	198	188	(5.0%)	7.0%
Other (i.e. CEE) and Global	190	173	(9.0%)	6.4%
Total	3,040	2,687	(11.6%)	100.0%

ABS/CDO portfolio by products (June 2008)*

in EUR m	Face Value	Market Value	+/-%	% of total (market value)
European prime RMBS	899	824	(8.3%)	30.7%
European CMBS	394	331	(15.9%)	12.3%
SME ABS	107	96	(9.8%)	3.6%
Leasing ABS	100	91	(8.7%)	3.4%
Other ABS	257	245	(4.4%)	9.1%
CLOs	1,103	934	(15.4%)	34.7%
Other CDOs	182	165	(8.9%)	6.2%
Total	3,040	2,687	(11.6%)	100.0%

CEE macro outlook –
Czech Republic enjoys positive fundamentals

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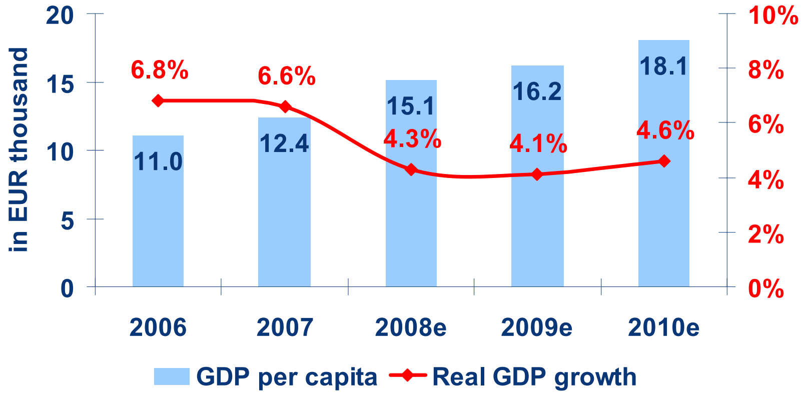
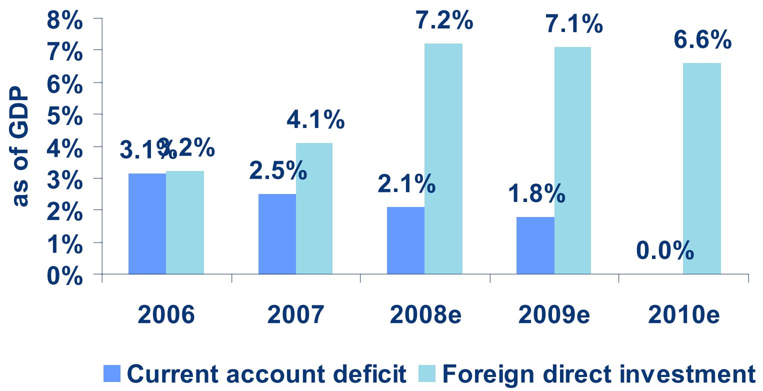
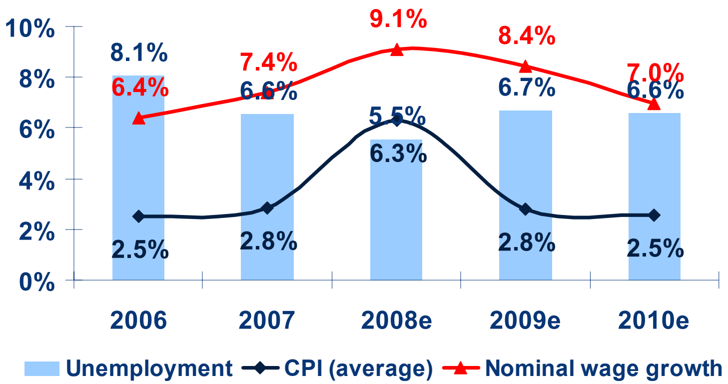
Key economic indicators



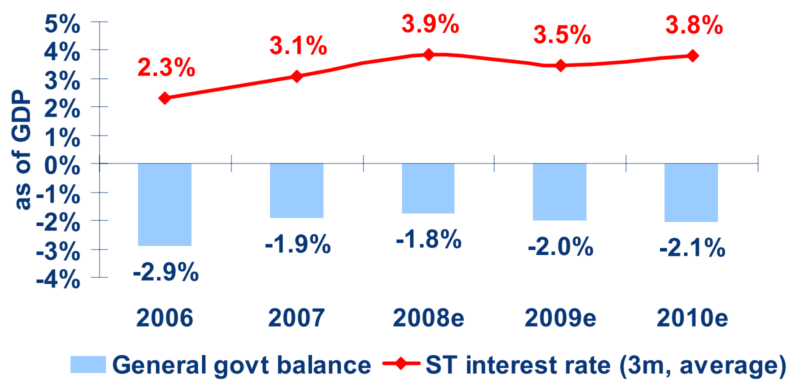
FDI inflows vs current account deficit



Unemployment vs inflation vs wage growth



Interest rates vs government balance



Česká spořitelna – Benefiting from a strong deposit franchise

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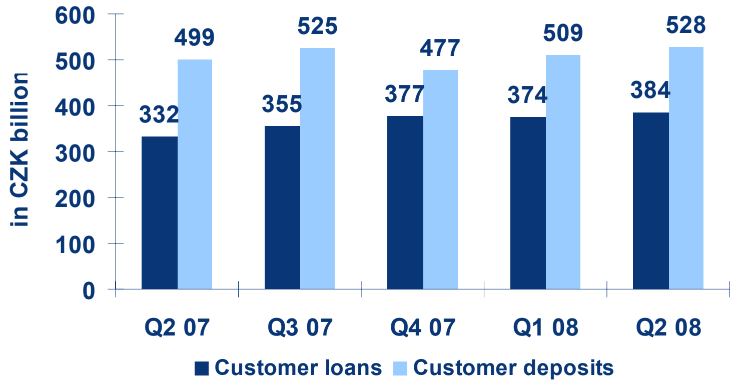
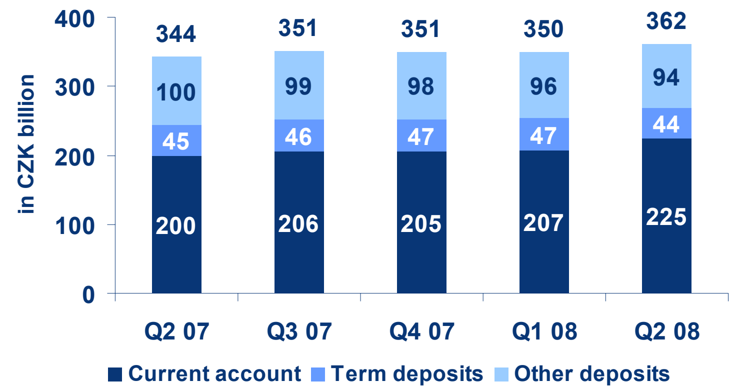
- **Unique deposit franchise**
  - Market leader with 30%+ market share
  - Very high share of sight deposits
  - Continued strong inflows
- **Reinvigorated fee growth in H1 08**
  - Attributable to lending business, payment transactions and account maintenance
  - Net fee income from lending rose by 17% (makes up 20% of total net fee income)
  - Net fee income from payment transactions and account maintenance grew by 11%
  - Net fee income from securities business was stable
  - Main contributor was income from mutual funds business and asset management

Loans vs deposits



Focus: retail deposits



CEE macro outlook –
Romania is moving in the right direction

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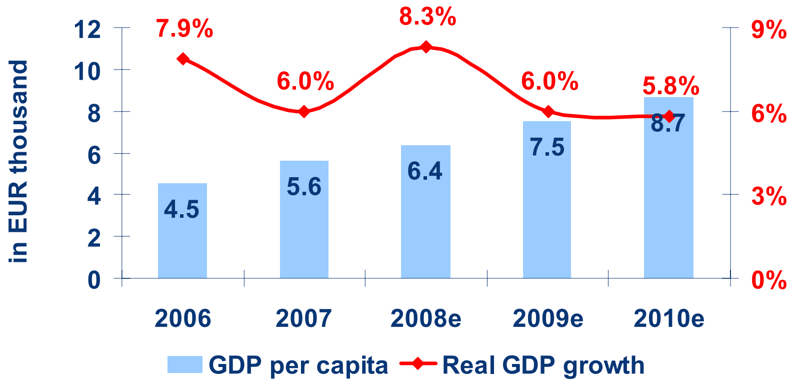
Key economic indicators



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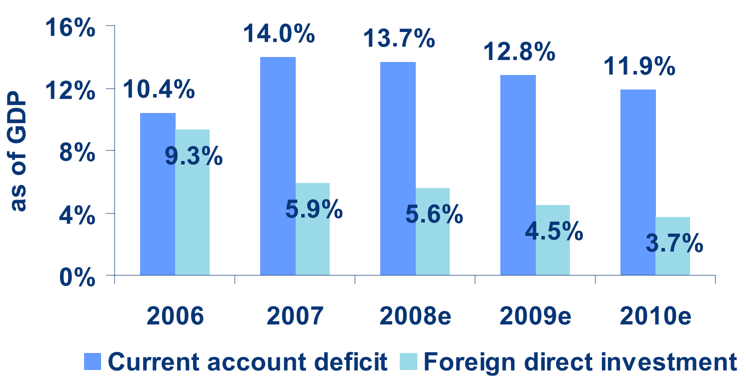
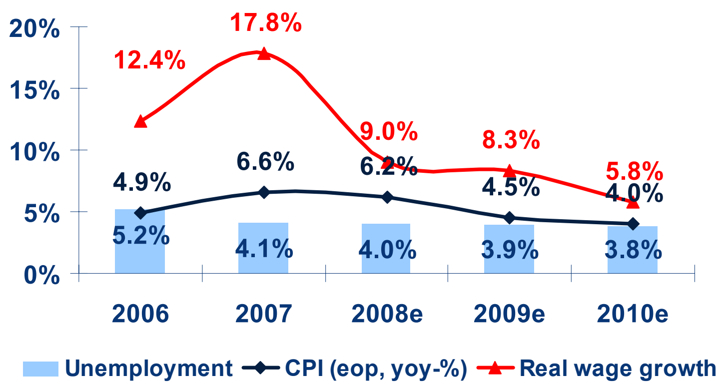


Unemployment vs inflation vs wage growth



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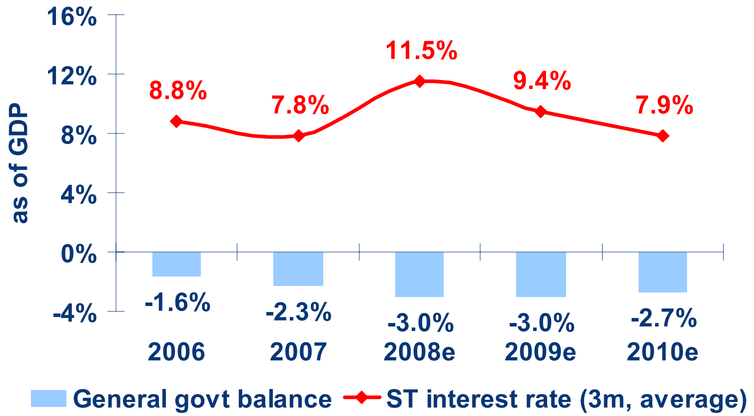
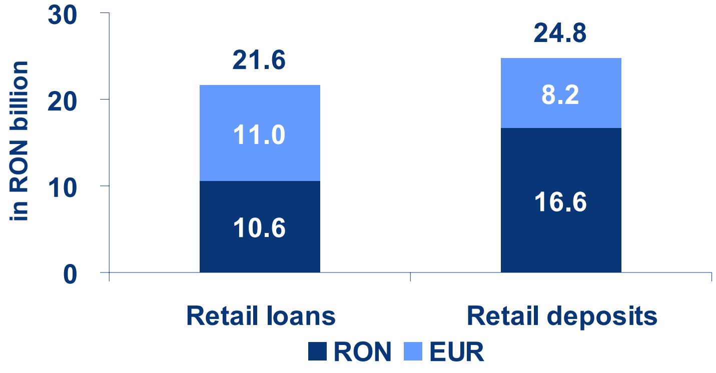


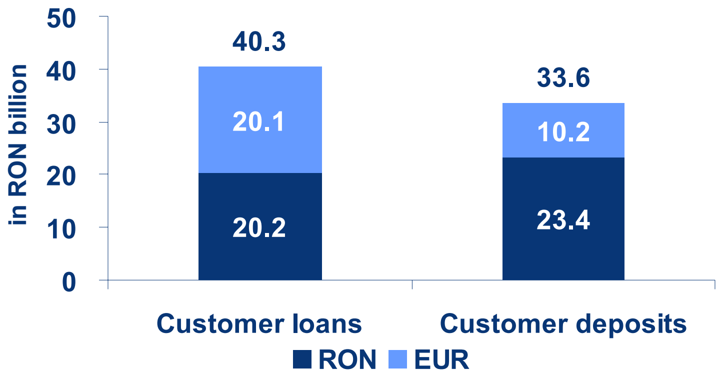
Banca Comercială Română – Balanced retail business mix, strong margins

- **Retail business is self-funded**
  - Retail loan/deposit ratio below 100%
  - Retail FX lending is partly covered by FX deposits → excellent risk mitigation
- **Shift in retail customer deposits from term to sight deposits**
  - Continuously increasing share of sight deposits support margins (>30% at H1 08)
- **NIM expanded to 6.7% in H1 08**
  - Benefiting from higher local interest rates and changing liability mix
  - Adjusted for reclassification of interest- like commissions from fee income to NII: 6.0%
- **Stable underlying risk costs**
  - Risk cost guidance of 120 bps
  - Higher risk provision compared to other CEE countries is due to higher share of consumer loans (~65% of retail book)

Retail loan vs deposit structure by currency



Loan vs deposit structure by currency



Outlook – Adjusting 2008 net profit guidance

- **New guidance reflects impacts of current financial market environment**
  - Weaker contributions from trading and securities commissions
  - Approx EUR 30 million negative P&L impact from ABS/CDO portfolio
  - Continued and balanced growth of CEE retail
- **Risk cost guidance for 2008 confirmed at max 70 bps**
- **Capital ratio to reach historic high at YE 2008**
  - Tier 1 ratio expected to be at about 8% in 2008 after 6.9% at H1 2008

Operating profit growth	**2008: ~15%** **2009: further details at Q3 08 and CMD 08**
Net profit growth	**2008: >50% incl. sale of insurance business** **2009: further details at Q3 08 and CMD 08**

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