

# 16th Annual General Meeting of Erste Group Bank AG

12 May 2009  
Austria Center  
Vienna

# Heinz Kessler

President of the Supervisory Board



**Presentation of the approved financial statements and the status reports of the Management Board as well as the report of the Supervisory Board for the financial year 2008, and presentation of the Group financial statements and the Group status report for the financial year 2008**

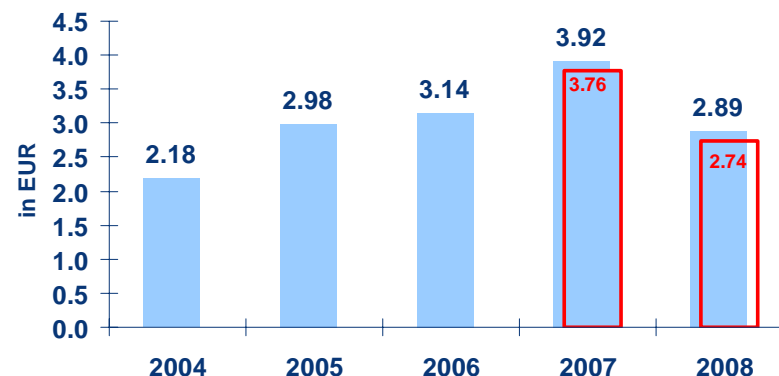
# Report on the financial year 2008 for Erste Group Bank AG (consolidated)

Andreas Treichl  
Chairman of the Management Board

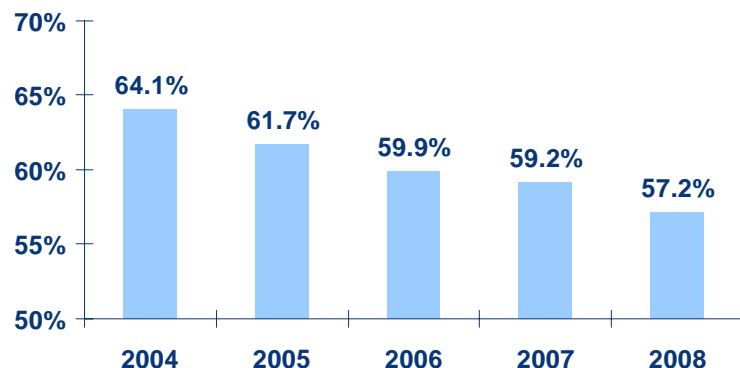
# FY 08 financial highlights – Solid capital ratios, improved margins

- Net profit declined by 26.8% to EUR 859.6m including write down of goodwill in Q4 08 offsetting the positive impact of the insurance sale
  - Adjusted for the goodwill write down net profit was up 14.1% (EUR 1,340.1m)
- NIM on interest bearing assets (IBA) at 2.8% up from 2.5% at FY 07
  - Based on increasing margins in CEE (up to 4.6%) and Austria (NIM up to 1.8%)
- Total assets unchanged: +0.5% to EUR 201.4bn
  - Adjusted for sale of insurance business increase +4.7%
- Tier 1 ratio reached 7.2% (7.0% at FY 07)

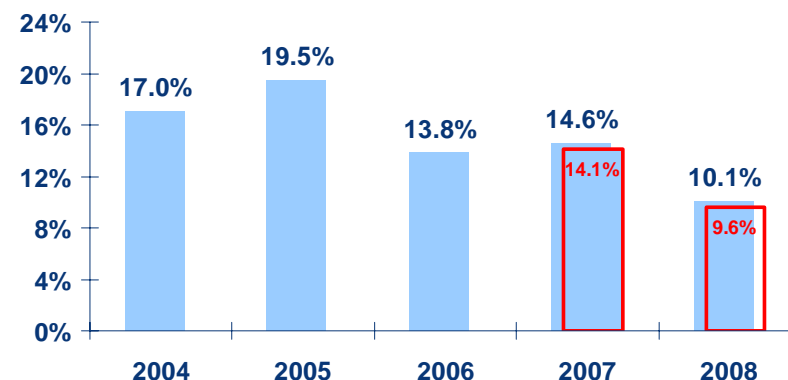
Cash earnings per share \*



Cost/income ratio



Cash return on equity \*



\*) Red bars for FY 08 denote reported EPS and ROE respectively. Cash EPS and EPS are adjusted for non cash items amounting to EUR 75.7m in 2009 (linear depreciation of customer relationship value)  
EPS calculation based on average number of shares for the period (ex treasury shares and shares owned by savings banks with EB participations).

# FY 2008 Group income statement (IFRS) – Record operating result driven by NII growth

in EUR million	2008	2007	Change
Net interest income	4,913.1	3,945.8	24.5%
Risk provisions for loans and advances	(1,071.4)	(454.7)	>100.0%
Net fee and commission income	1,971.1	1,857.9	6.1%
Net trading result	114.7	351.1	(67.3%)
General administrative expenses	(4,001.9)	(3,642.1)	9.9%
Other operating result	(778.8)	(169.3)	na
Result from financial assets - FV	(295.6)	(47.8)	na
Result from financial assets - AfS	(213.8)	51.0	na
Result from financial assets - HtM	(61.2)	0.7	na
<b>Pre-tax profit from continuing operations</b>	<b>576.2</b>	<b>1,892.6</b>	<b>(69.6%)</b>
Taxes on income	(177.3)	(371.0)	(52.2%)
Post-tax profit from discontinued ops	639.7	28.4	>100.0%
Minority interests	(179.0)	(375.3)	(52.3%)
<b>Net profit after minorities</b>	<b>859.6</b>	<b>1,174.7</b>	<b>(26.8%)</b>
Operating income	6,998.9	6,154.8	13.7%
Operating expenses	(4,001.9)	(3,642.1)	9.9%
<b>Operating result</b>	<b>2,997.0</b>	<b>2,512.7</b>	<b>19.3%</b>
Cost/income ratio	57.2%	59.2%	
Cash return on equity	10.1%	14.6%	
Return on equity	9.6%	14.1%	

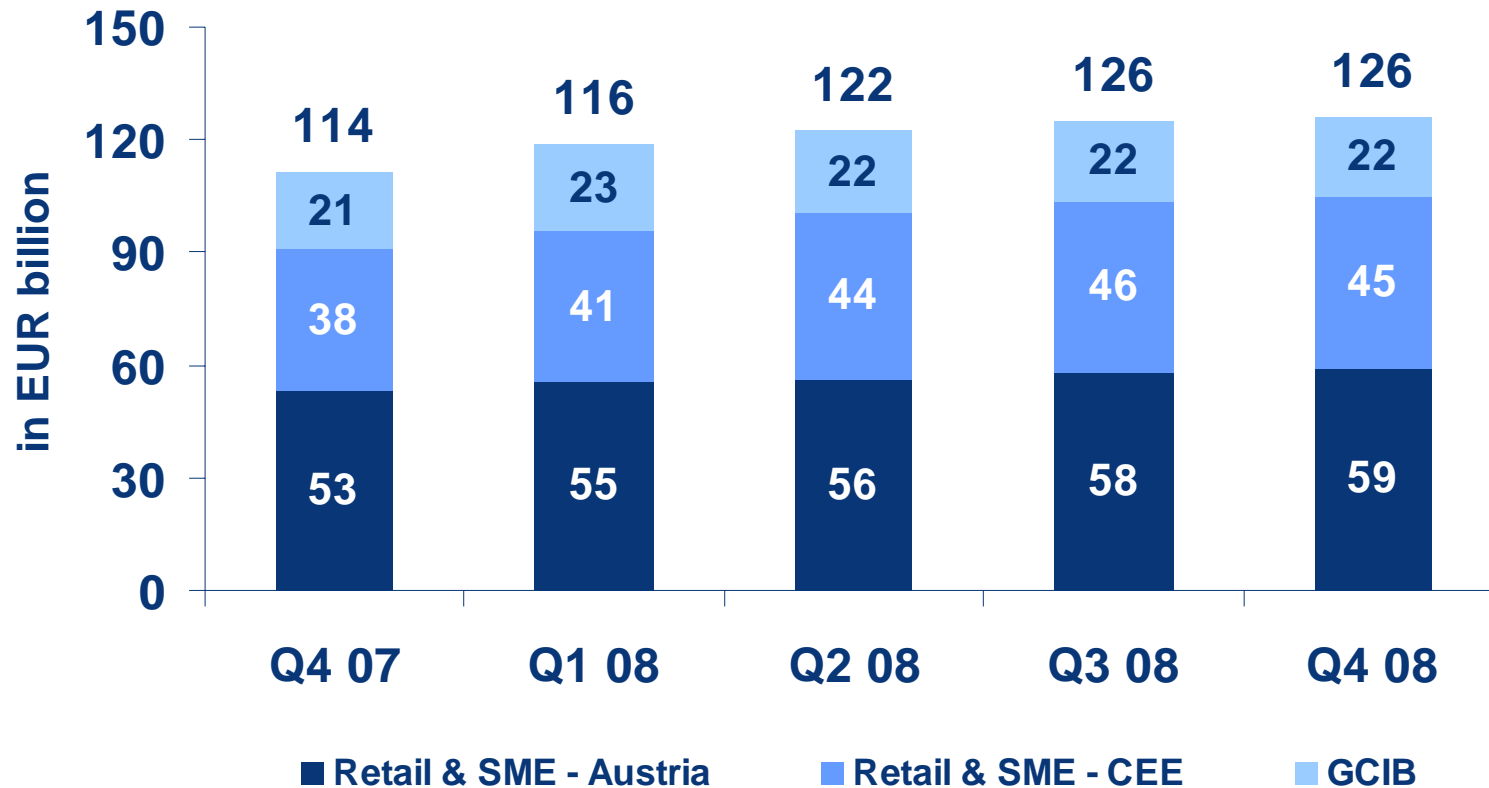
# FY 2008 Group balance sheet (IFRS)\* – Customer business grows fastest

in EUR million	Dec 08	Dec 07	Change
Cash and balances with central banks	7,556	7,615	(0.8%)
Loans and advances to credit institutions	14,344	14,937	(4.0%)
Loans and advances to customers	126,185	113,956	10.7%
Risk provisions for loans and advances	(3,783)	(3,296)	14.8%
Trading assets	7,534	6,637	13.5%
Financial assets - FV	4,058	4,534	(10.5%)
Financial assets - AfS	16,033	16,200	(1.0%)
Financial assets - HtM	14,145	16,843	(16.0%)
Investments of insurance companies	0	8,054	na
At-equity holdings	260	285	(8.8%)
Intangible assets	4,805	5,962	(19.4%)
Property and equipment	2,386	2,289	4.2%
Tax assets	859	446	92.6%
Assets - discontinued operations	526	0	na
Other assets	6,533	6,057	7.9%
<b>Total assets</b>	<b>201,441</b>	<b>200,519</b>	<b>0.5%</b>
<b>Risk-weighted assets</b>	<b>103,663</b>	<b>95,091</b>	<b>9.0%</b>

\*) Risk-weighted assets calculated according to Basel II methodology.

# FY 2008 Group balance sheet (IFRS) – Loan growth exceeds 10% in 2008

## Customer loans by main segments \*



\*) Segments do not exactly add up to total due to consolidation effects.



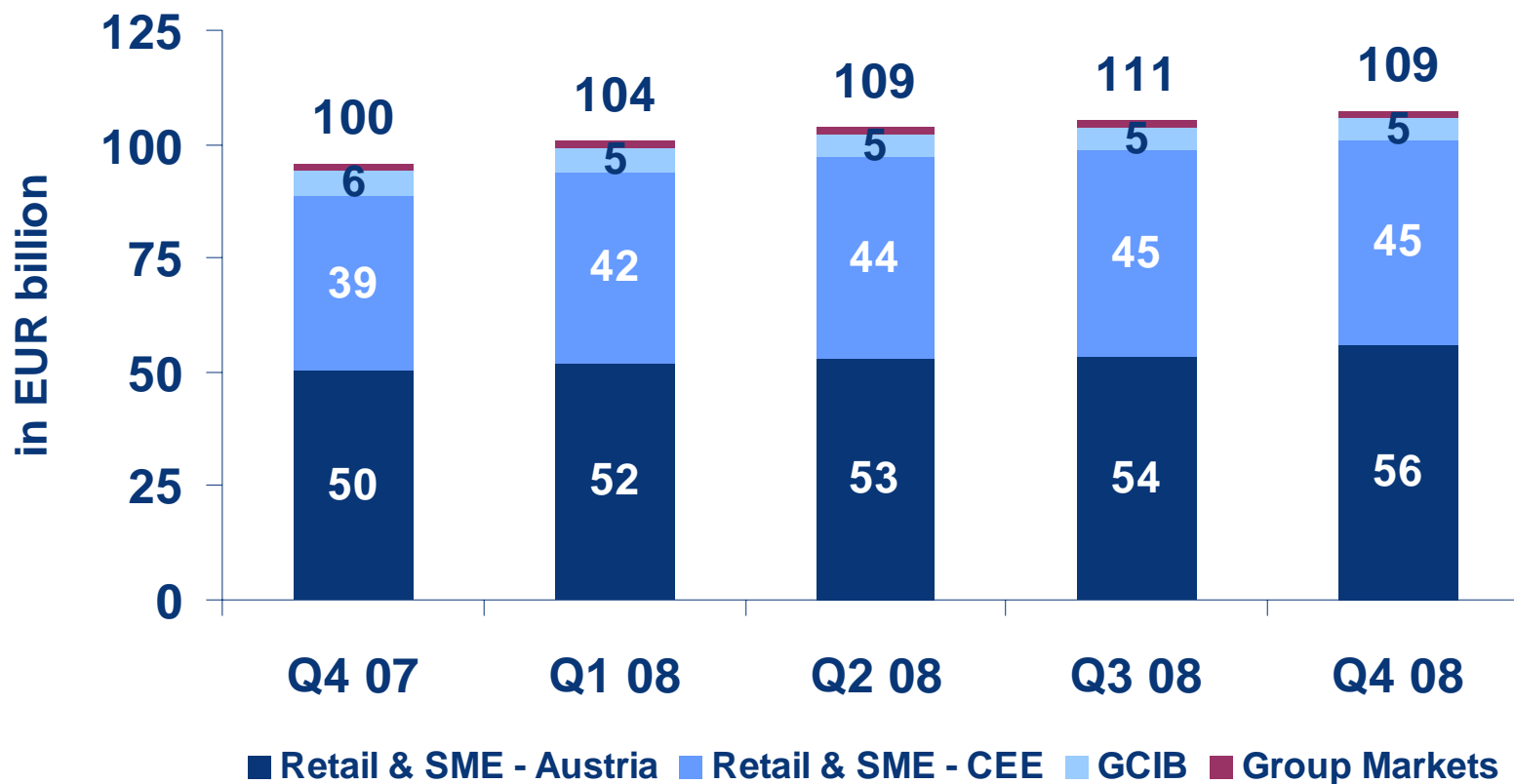
# FY 2008 Group Balance Sheet (IFRS)\* – Improved liability structure

in EUR million	Dec 08	Dec 07	Change
Deposits by banks	34,672	35,165	(1.4%)
Customer deposits	109,305	100,116	9.2%
Debt securities in issue	30,483	31,078	(1.9%)
Trading liabilities	2,519	1,756	43.5%
Underwriting provisions	0	8,638	na
Other provisions	1,620	1,792	(9.6%)
Tax liabilities	389	329	18.2%
Liabilities - discontinued operations	343	0	na
Other liabilities	4,968	4,653	6.8%
Subordinated liabilities	6,047	5,589	8.2%
Total equity	11,095	11,403	(2.7%)
Shareholders' equity	8,079	8,452	(4.4%)
Minority interests	3,016	2,951	2.2%
<b>Total liabilities and equity</b>	<b>201,441</b>	<b>200,519</b>	<b>0.5%</b>
<b>Tier 1 ratio</b>	<b>7.2%</b>	<b>7.0%</b>	
<b>Solvency ratio</b>	<b>10.1%</b>	<b>10.5%</b>	

\*) Tier 1 and solvency ratio calculated according to Basel II methodology as of 1 January 2007

# FY 2008 Group Balance Sheet (IFRS) – Rising deposit base throughout 2008

## Customer deposit trends by main segments \*



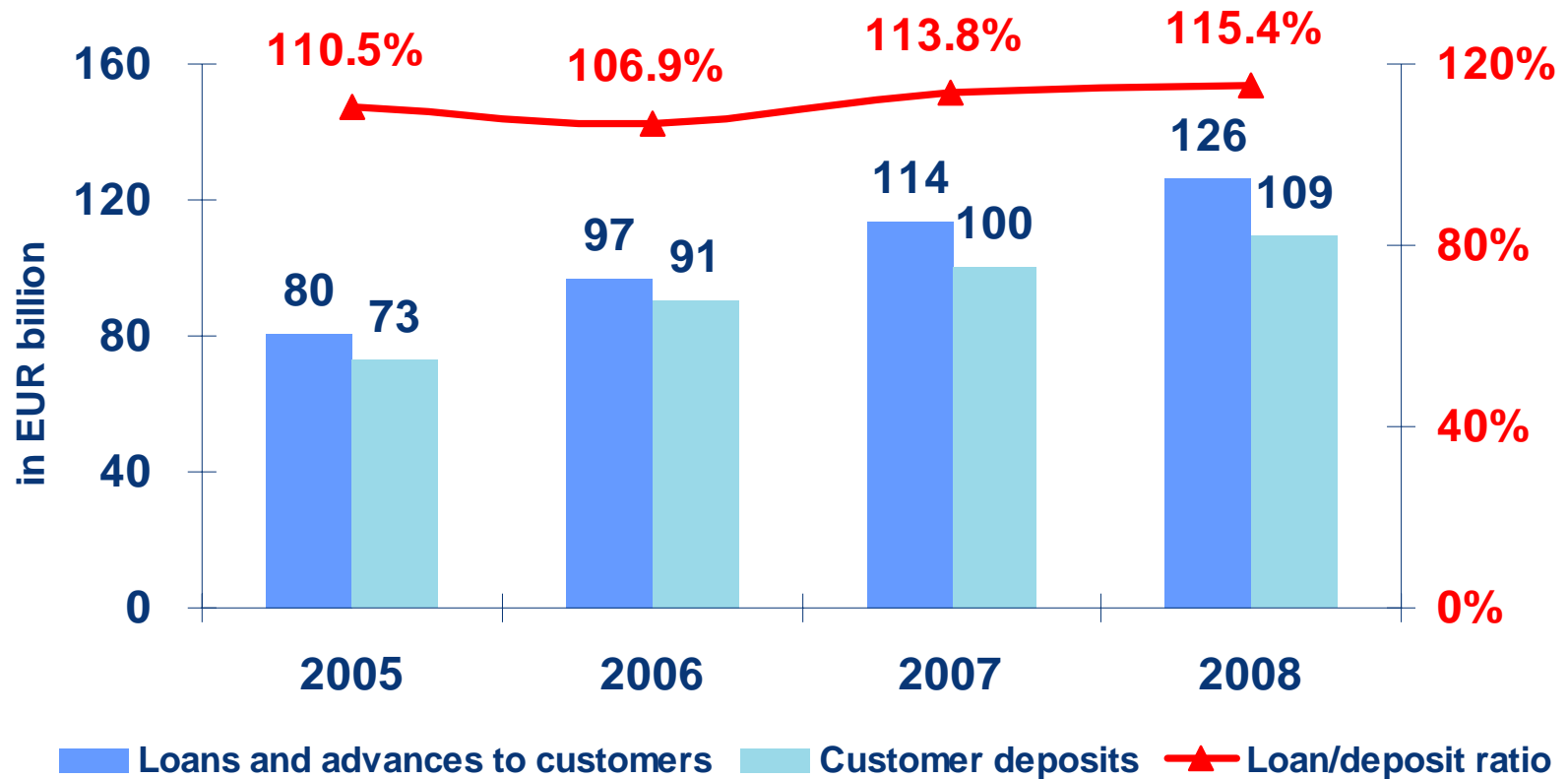
\*) Segments do not exactly add up to total due to consolidation effects.

- 1 Growing customer business**
- 2 Manageable asset quality and risk costs**
- 3 Improving capital position –  
successful issue of participation capital**
- 4 Funding – 2009 funding almost completed**
- 5 Q1 2009 update –  
CEE continues to trade profitably**
- 6 Current business environment –  
Financial markets vs real economy**

# Topic 1: Growing customer business

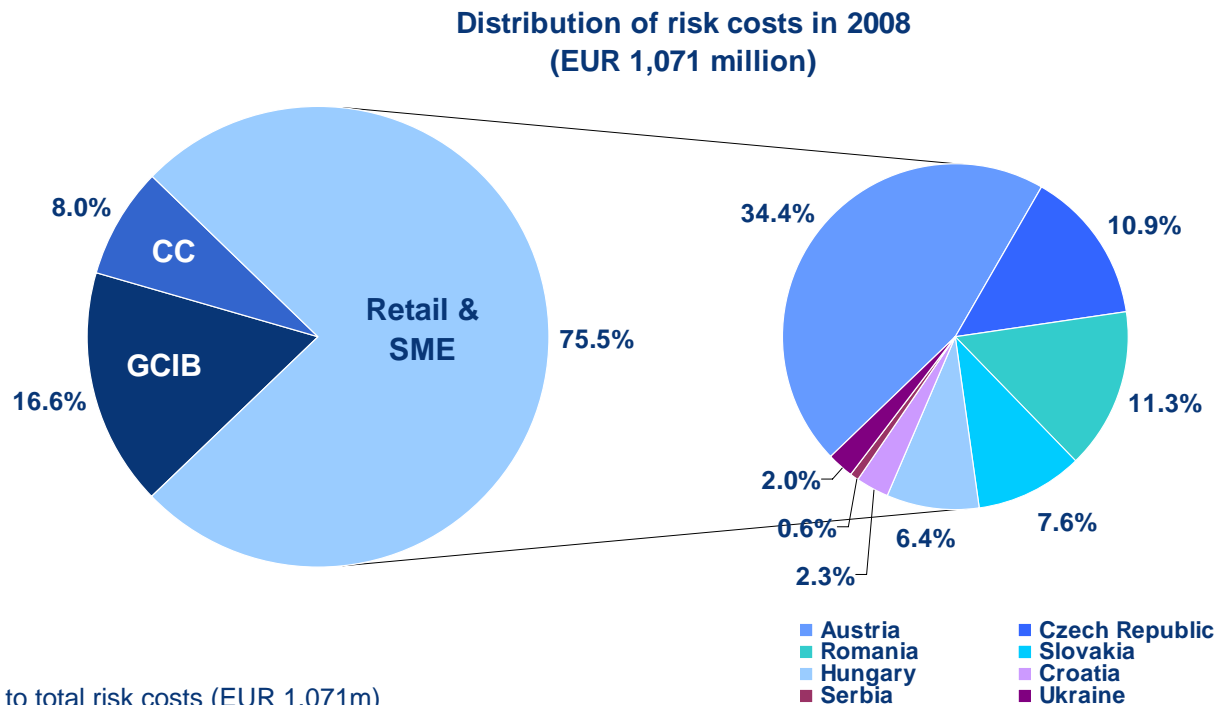
## Stable loan-to-deposit ratio

### Loan vs deposit development



# Topic 2: Manageable risk costs – FY 2008 risk cost composition (segment view)

- Risk costs rose to EUR 1,071m (2007: EUR 455m) and 88 bps (2007: 43 bps)
  - Absence of extraordinary releases at the Austrian savings banks and in Romania in 2008
  - Higher provisioning levels across all geographies due to deterioration in economic outlook
  - Extraordinary negative effects, e.g. write-down of exposure to defaulted Icelandic banks (EUR 66m)
- CEE Retail & SME was responsible for 41% of risk costs booked



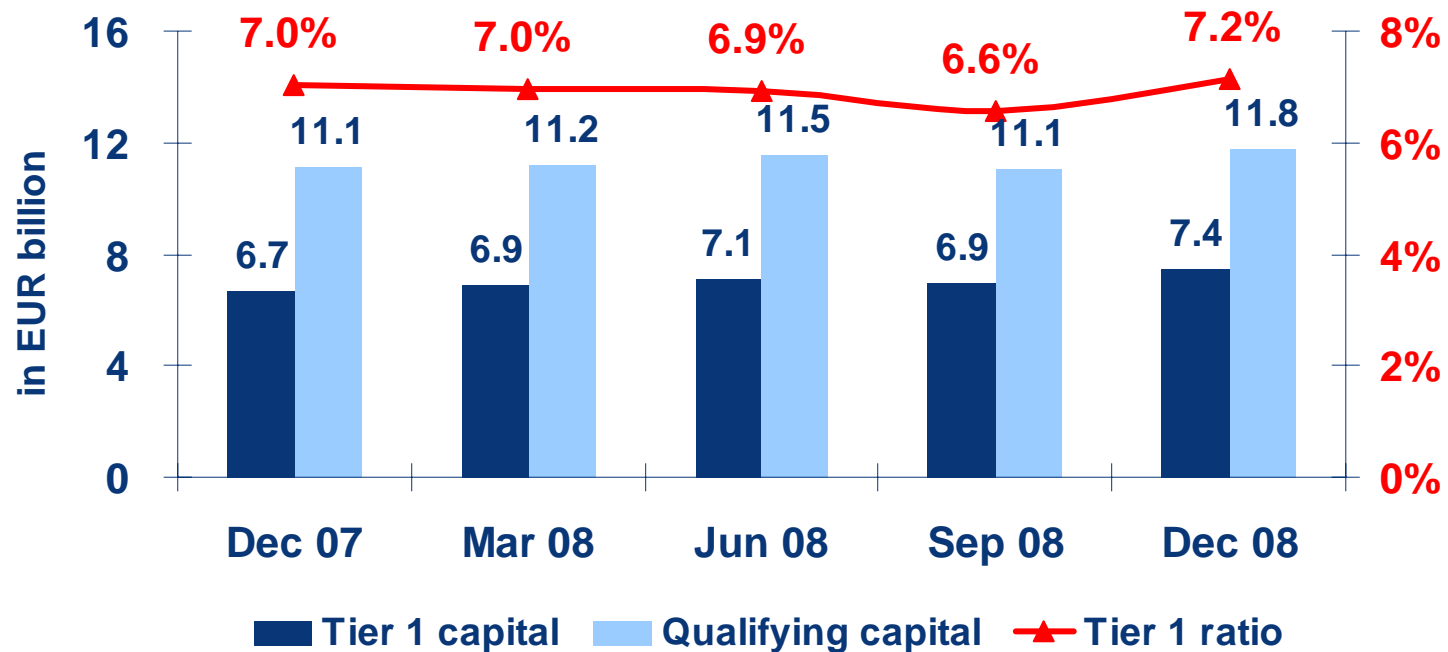
All percentages relate to total risk costs (EUR 1,071m)

## Topic 2: Manageable asset quality – FY 2008 highlights

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- **Total exposure increased by 1.7% to EUR 215.7bn (2007: EUR 212.0 bn)**
    - Decline in low risk exposure mainly due to sale of insurance assets and reduction in interbank exposure
    - Rise in management attention exposure mainly driven by methodological change (switch from National Bank classification to IRB approach) in the Czech Republic
    - Substandard and non-performing categories rose as a result of seasoning of portfolio
    - Industry distribution of exposure remained well diversified with households and finance/insurance holding the largest shares
  
  - **NPL ratio increased to 2.9% (2007: 2.2%) due to 33% rise in NPLs – NPL ratio based on customer loans equalled 5.0%**
    - NPL ratio remained highest in Austria, due to application of stricter Basle II classifications at savings banks
    - Rise in CEE NPL ratios during 2008, mainly due to growth in consumer lending at BCR, Ceska sporitelna and Erste Bank Hungary as well as general seasoning of portfolio
  
  - **Risk provisions increased by 16.3% to EUR 3,911m in 2008**
  
  - **NPL coverage (excluding collateral) declined to 61.6%, down from 70.6% in 2007**
    - Decrease in NPL coverage mainly driven by savings banks' historically lower coverage ratio (52.6% in 2008 down from 54.4% in 2007) as well as by Ceska sporitelna, Erste Bank Hungary and BCR
    - NPL coverage in CEE still on comfortable level of 81% despite decrease compared to 2007

# Topic 3: Improving capital position – Tier 1 ratio reaches new high

## Regulatory capital development (ABA)



# Topic 3: Improving capital position – Successful issue of participation capital

- 
- **Erste Group Bank AG has signed an agreement with the Austrian government allowing it to issue participation capital and hybrid capital totalling up to EUR 2.7bn**
    - Participation capital (acc §23 Para 4&5 of Austrian Banking Act) is non-voting, non-dilutive, non-cumulative and non-convertible.
    - It ranks pari passu with ordinary shares in case of liquidation, dissolution and insolvency or proceedings for the avoidance of insolvency
  - **Erste Group Bank AG has offered the participation capital to shareholders, private and institutional investors**
    - Republic of Austria already subscribed for EUR 1bn of participation capital in March 2009
    - Erste Group Bank AG has successfully placed EUR 540m in the offer period (15th to 29th April 2009)
    - Republic of Austria will subscribe for further participation capital
    - Total participation capital to reach approx. EUR 1.75bn at completion of transaction
  - **Terms of the agreement state that as a result of take-up in the public placement**
    - Dividend for the participation capital will be 8% p.a. if covered by the annual profits of the previous business year
    - No restriction on dividend pay-out on ordinary shares
  - **Dividend for the participation capital will increase after 5 full business years**
    - By 0.5% in the 6th and 7th year; by 0.75% in the 8th year; by 1% every following year
    - Capped at 12m-Euribor +10% p.a.
  - **Package also allows for an issue of hybrid capital by Erste Bank Oesterreich**
    - Details of the transaction will be determined in the coming months



# Topic 4: Funding – 2009 funding almost completed

## Long Term Funding YTD 2009

- **Total funding needs for 2009 expected to be maximum EUR 5-7bn**
  - Total of EUR 5.5bn already raised in 2009
- **Possibility of issuing up to EUR 6bn of Government guaranteed bonds**
  - EUR 4bn already issued at around EURIBOR + 53-65bps and 90bps guarantee fee
- **Cover pools for Pfandbrief issues will reach EUR 6bn by year end 2009**

Funding structure 2008

in € mn	Amounts	Total issues	Ave. Maturity
Senior	5,073	186	2.7
Pfandbrief	770	26	4.7
LT2	577	10	11.4
UT2	97	1	8.5
T1	3	1	6.0
<b>TOTAL</b>	<b>6,519</b>	<b>224</b>	<b>3.8</b>

Funding structure YTD 2009

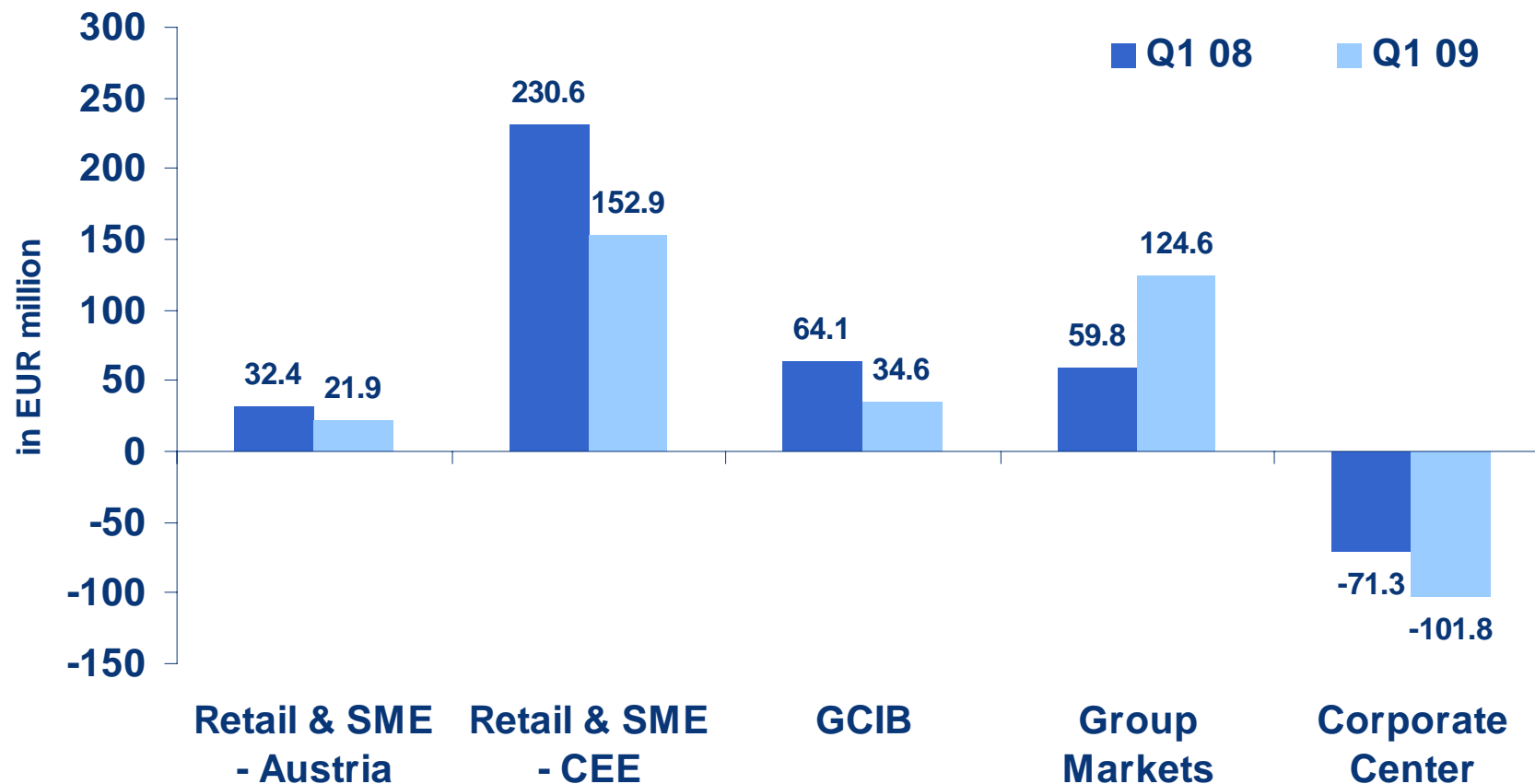
in € mn	Amounts	Total issues	Ave. Maturity
Senior	1,179	77	5.7
Pfandbrief	163	16	10.7
GGB	4,000	3	3.1
LT2	113	2	12.0
UT2	-	-	-
T1	-	-	-
<b>TOTAL</b>	<b>5,455</b>	<b>98</b>	<b>4.1</b>

# Topic 5: Q1 2009 update – Q1 09 highlights

- 
- **Net interest income +6.5% to EUR 1,226.0 mn (EUR 1,151.1 mn in Q1 08)**
  - **Net fee and commission income -9.6% to EUR 444.6 mn (EUR 491.9 mn in Q1 08)**
  - **Net trading result +74.7% to EUR 143.8 mn (EUR 82.3 mn in Q1 08)**
  - **Operating expenses +5.2% to EUR 1,814.4 mn (EUR 1,725.3 mn in Q1 08)**
  - **Operating result +10.3 % to EUR 838.5 mn (EUR 760.5 mn in Q1 08)**
  - **Risk costs +127% to EUR 370.2 mn (EUR 163.1 mn in Q1 08)**
  - **Net profit after minorities -26.5% to EUR 232.1 mn (EUR 315.6 mn in Q1 08)**
  - **Cost/income ratio 53.8% after 57.2% at YE 2008**
  - **ROE 11.4% against 9.6% at YE 2008**
  - **Total assets -1.2% to EUR 199.1 bn after EUR 201.4 bn at YE 2008**
  - **Tier 1 ratio at 7.8% after 7.2% at YE 2008**
  - **Quarterly EPS EUR 0.69 after EUR 1.01 (Q1 08)**

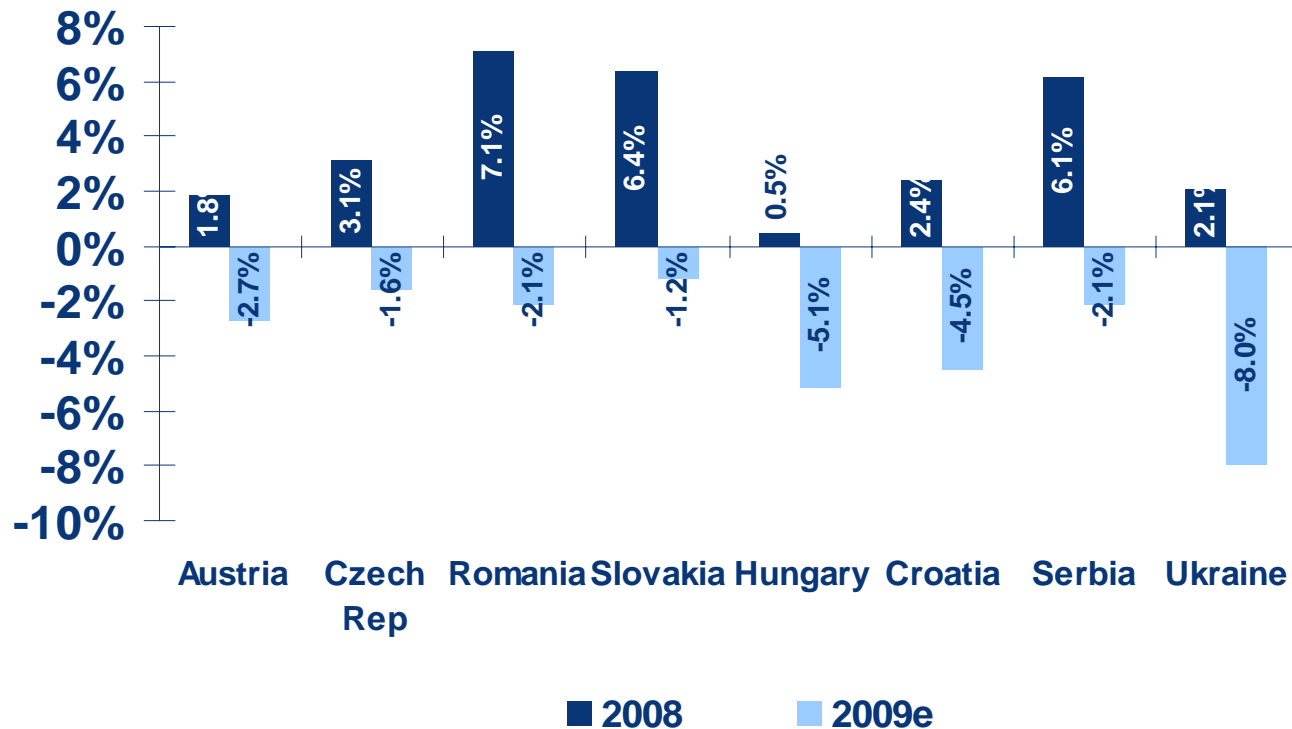
# Topic 5: Q1 2009 update – CEE continues to trade profitably

### Net profit contribution by segment in Q1 09



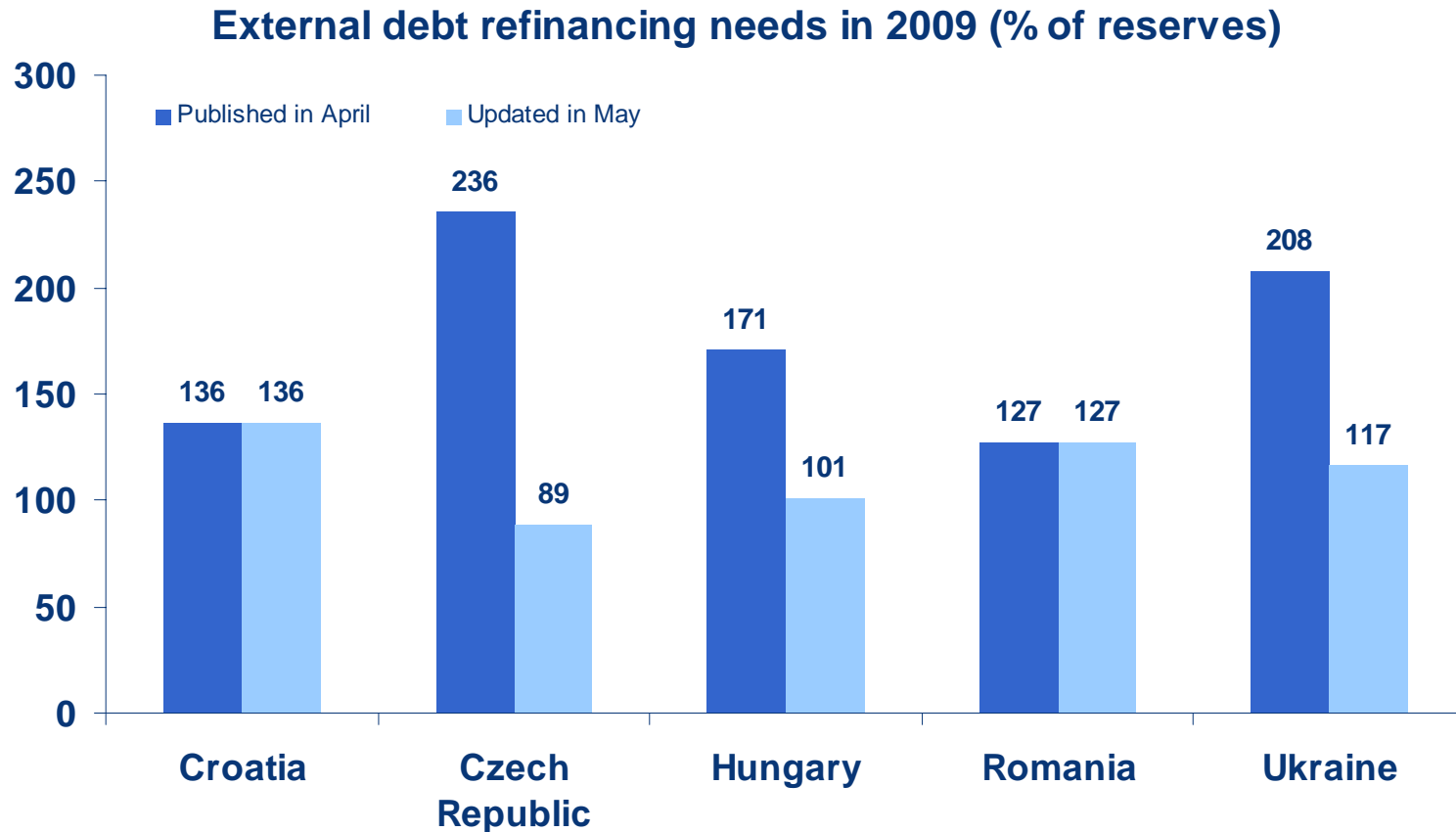
# Topic 6: Current business environment – Core markets to experience less severe recession

## Real GDP growth outlook for CEE



Source: Erste Group Research

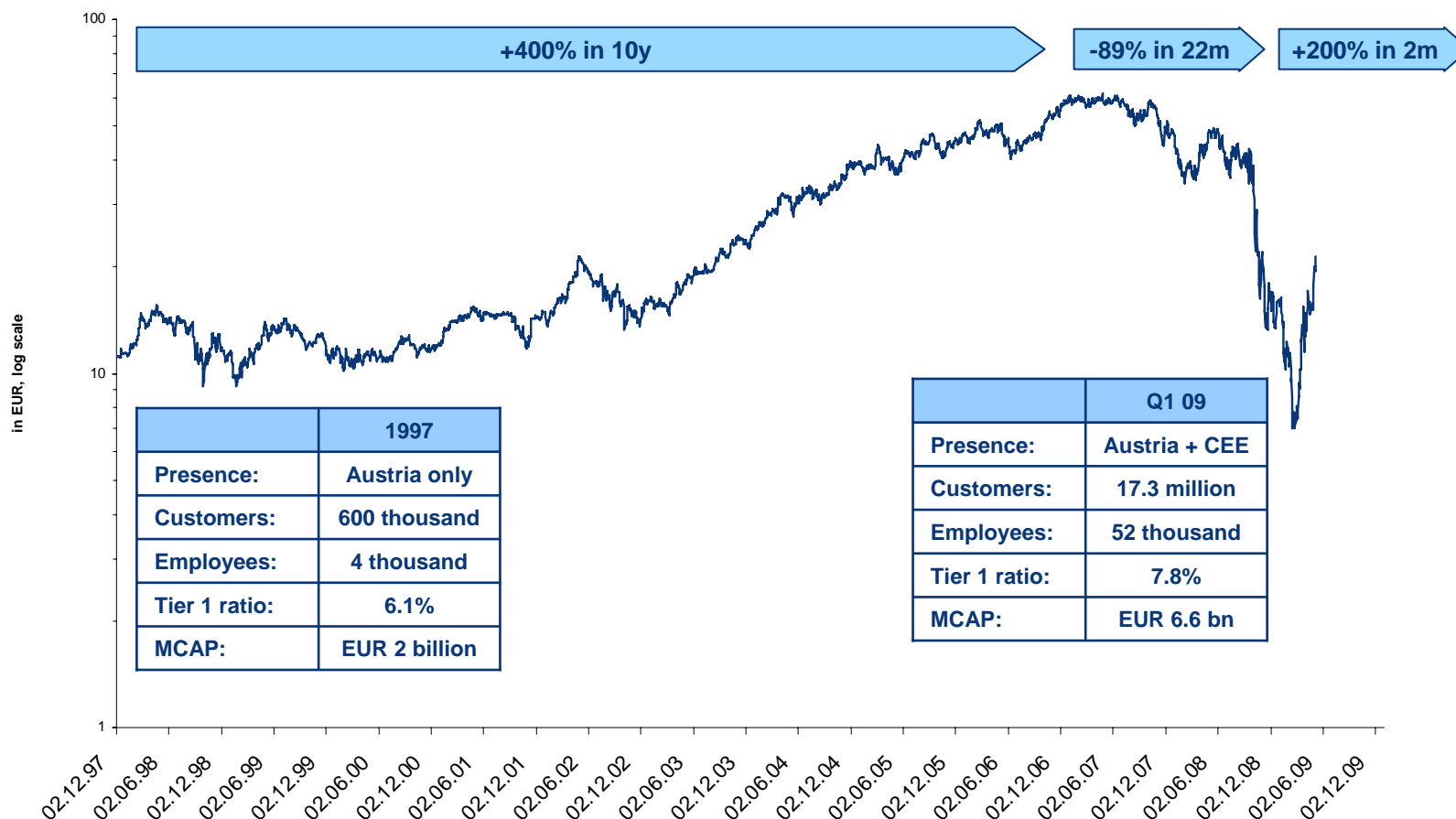
# Topic 6: Current business environment – Corrected IMF figures



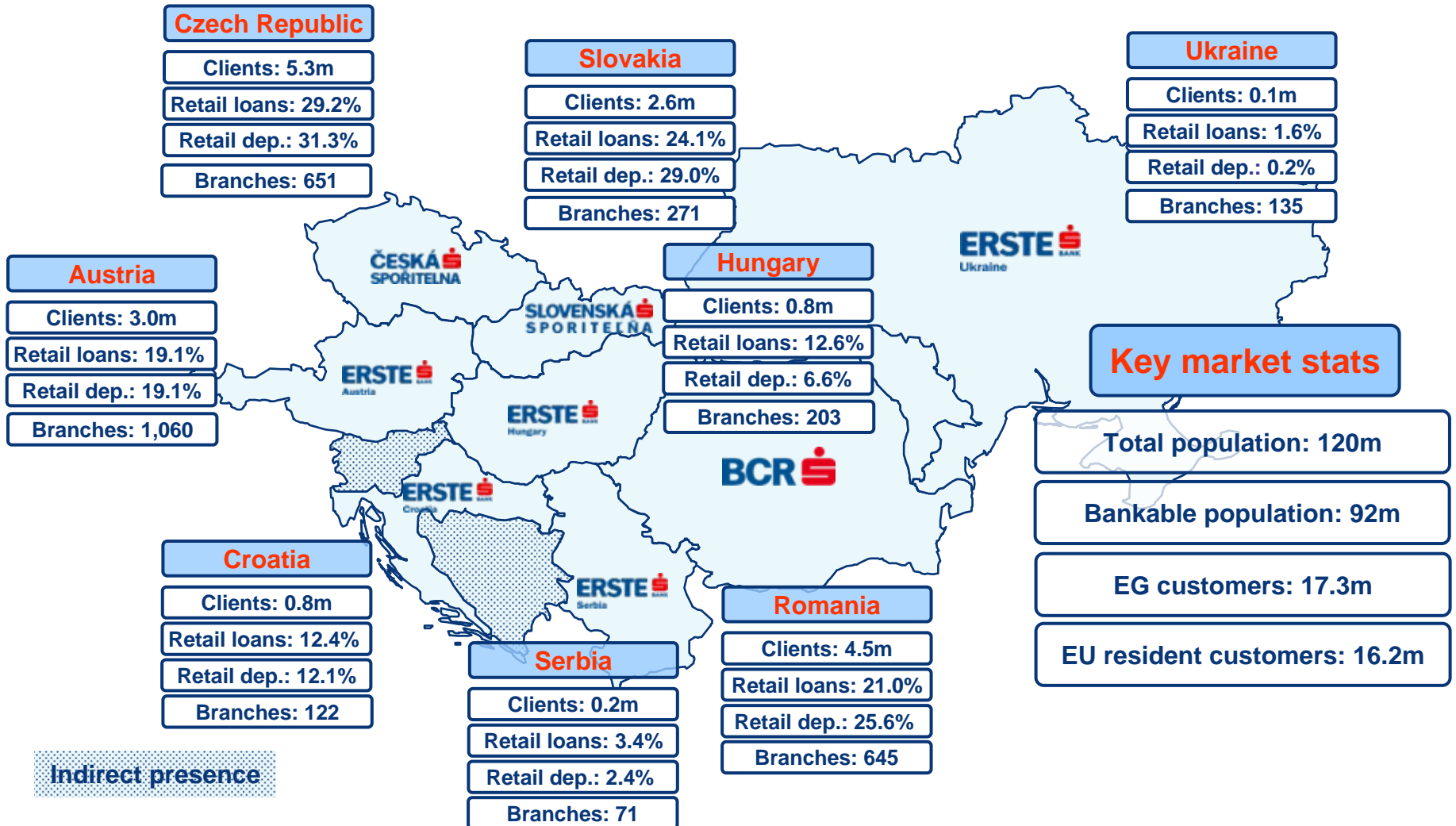
Source: IMF

# Topic 6: Current business environment – Stock market volatility is here to stay

EBS Price History (IPO - 2009)



# Maintaining our conviction – CEE is the region of choice for Erste Group



# Heinz Kessler

President of the Supervisory Board





## Resolution on the distribution of profits

### Proposition:

**Distribution of EUR 0.65 per share**

## **Grant of discharge to the members of**

- a) the Management Board**
- b) the Supervisory Board**

**with regard to the financial year 2008**

## On agenda items 1, 2 and 3:

- **Report on the financial year 2008**
- **Resolution on the distribution of profits**
- **Grant of discharge to the members of the Management Board and Supervisory Board**

## Resolution on the remuneration of the members of the Supervisory Board

### Proposition:

Remuneration of EUR 325,000 for Supervisory Board as a whole.

## Election to the Supervisory Board

### Proposition:

**Bettina Breiteneder**

**Jan Homan**

**Juan María Nin Génova**

**Friedrich Rödler**

**Appointment of an additional auditor and group auditor for the financial year 2010 in addition to the Savings Banks Auditors Association (Sparkassen-Prüfungsverband) as the statutory auditor**

**Proposition:**

**Ernst & Young Wirtschaftsprüfungsgesellschaft mbH**

## **Approval of the acquisition by Erste Bank of own shares for the purpose of securities trading**

**Authorisation for the acquisition of own shares for no designated purpose subject to the exclusion of trading in own shares as purpose of the acquisition, and the authorisation to divest acquired shares as consideration for the acquisition or the financing of the acquisition of companies, businesses, business divisions or holdings in one or more corporations domestically or abroad, hence other than by sale via the stock exchange or via a public offering**



**Approval of the acquisition of own participation certificates for the purpose of securities trading, and the authorisation to divest acquired participation certificates other than by sale via the stock exchange or via a public offering and by analogous application of the provisions concerning the exclusion of subscription rights**

**Authorisation for the acquisition of own participation certificates for no designated purpose subject to the exclusion of trading in own participation certificates as purpose of the acquisition, and the authorisation to divest acquired participation certificates other than by sale via the stock exchange or via a public offering and by analogous application of the provisions concerning  
the exclusion of subscription rights**

**Authorization of the Management Board, with the consent of the Supervisory Board, for a period of five years after the registration of the amendment of the articles of association, to issue convertible bonds which have a conversion or subscription right into shares of the Company, also in several tranches, observing the subscription rights of the shareholders. The issuance of convertible bonds is limited to the extent that all conversion and subscription rights are covered by conditional capital. The terms and conditions of the issue of convertible bonds will be determined by the Management Board with the consent of the Supervisory Board. This resolution shall be included into the articles of association as Paragraph 8.4.**

**Resolution of the conditional increase of the registered capital of the Company by an amount of up to EUR 124,700,000 by issuing up to 62,350,000 ordinary bearer shares for the purpose of granting conversion or subscription rights to holders of convertible bonds. This resolution shall be included into the articles of association as restated Paragraph 6.2. The current Paragraphs 6.2 to 6.10 will be renumbered to 6.1.1 to 6.1.9. Paragraph 6.1 of the articles of association will be amended to clarify the purpose of the existing conditional capital.**

## Resolution on amendments of the articles of association

# 16th Annual General Meeting

Erste Group Bank AG

**Thank you for your  
Attention!**

