

# **Morgan Stanley – European Financials Conference**

**31 March – 2 April 2009, London**

**Continuing to do what we do best**

**Andreas Treichl, CEO**

**Gabriele Werzer, Head of Investor Relations**



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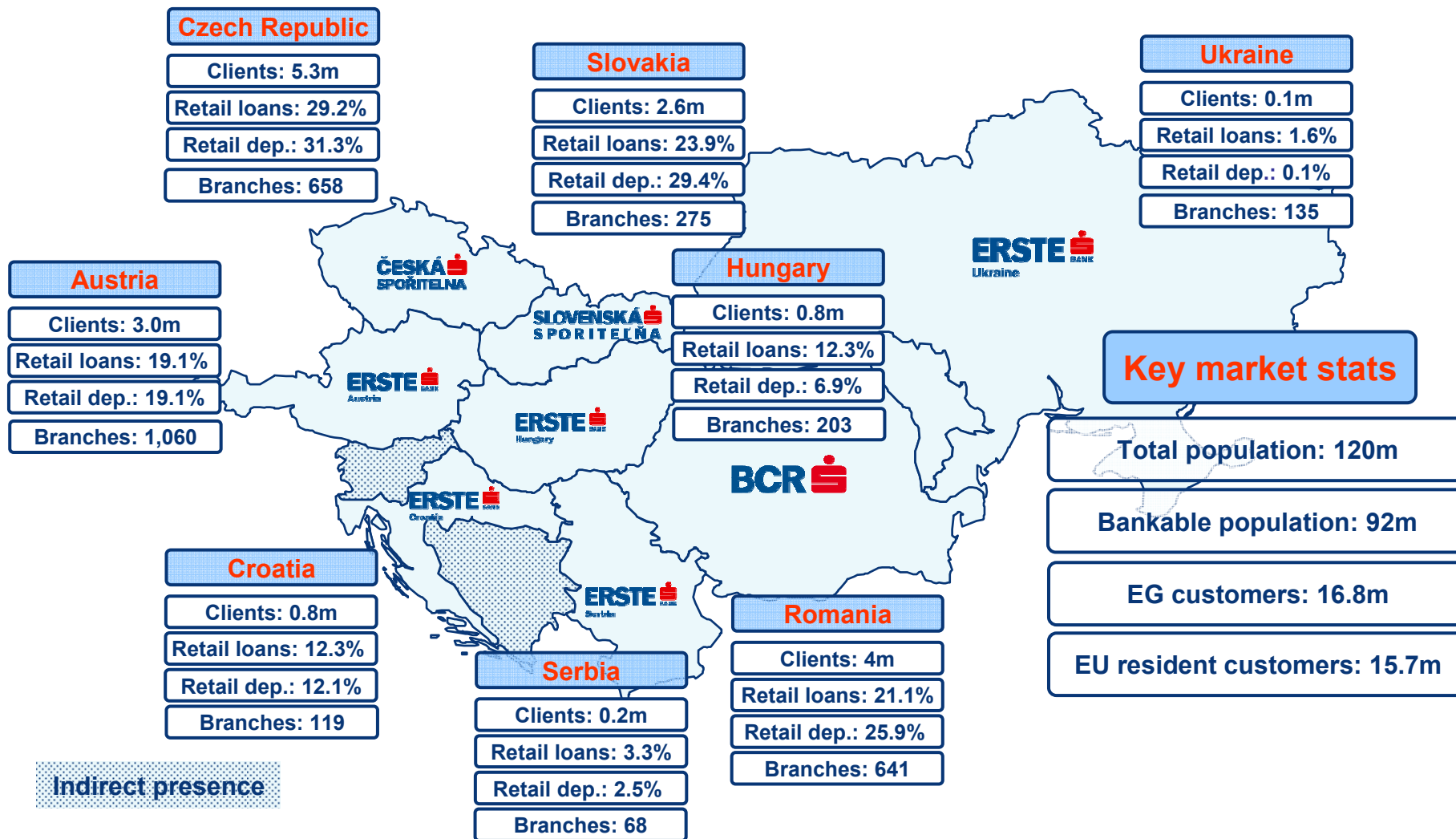
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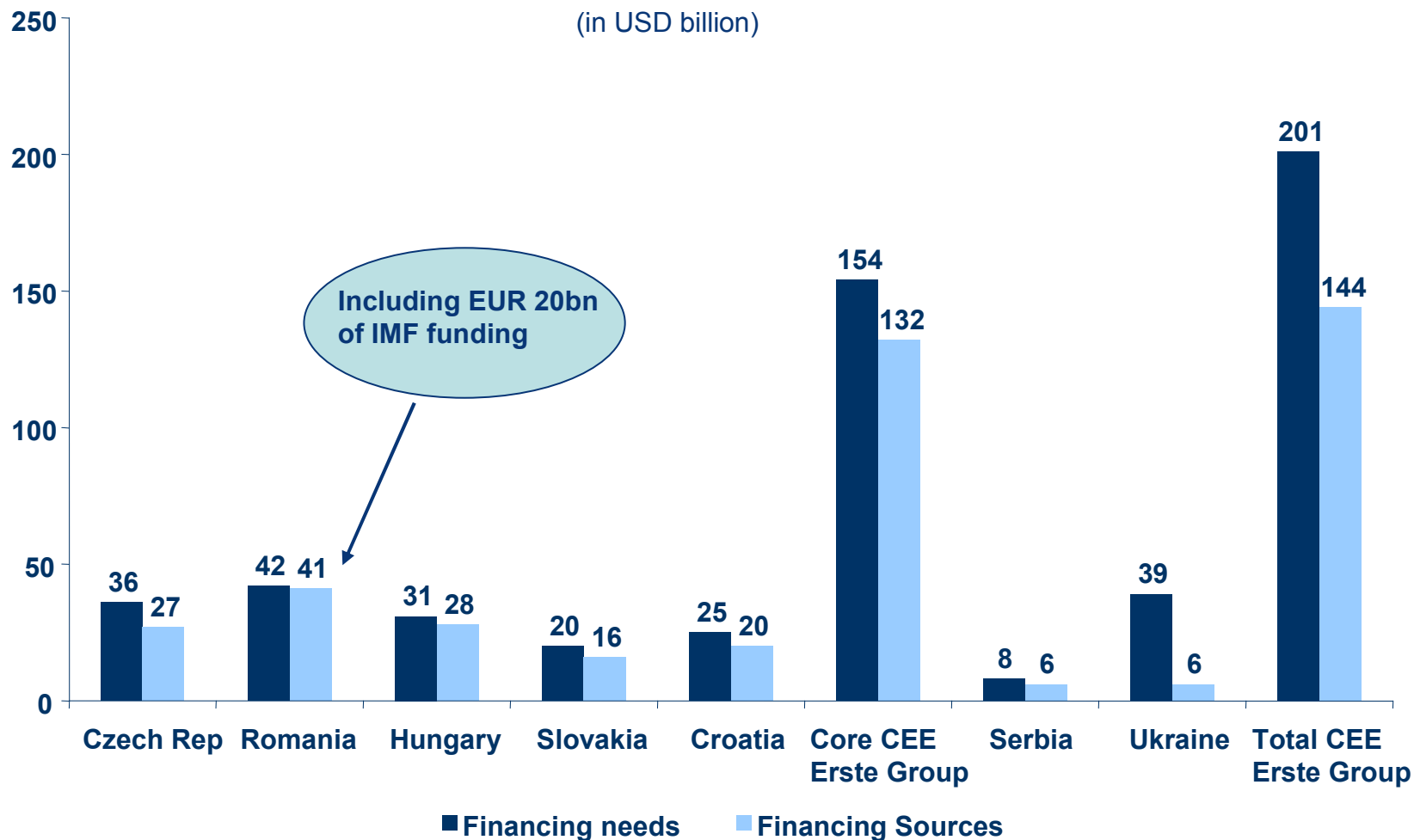
# Maintaining our conviction – CEE is the region of choice for Erste Group



# CEE fact finding – Putting things into perspective

## Financing external debts - tough but manageable

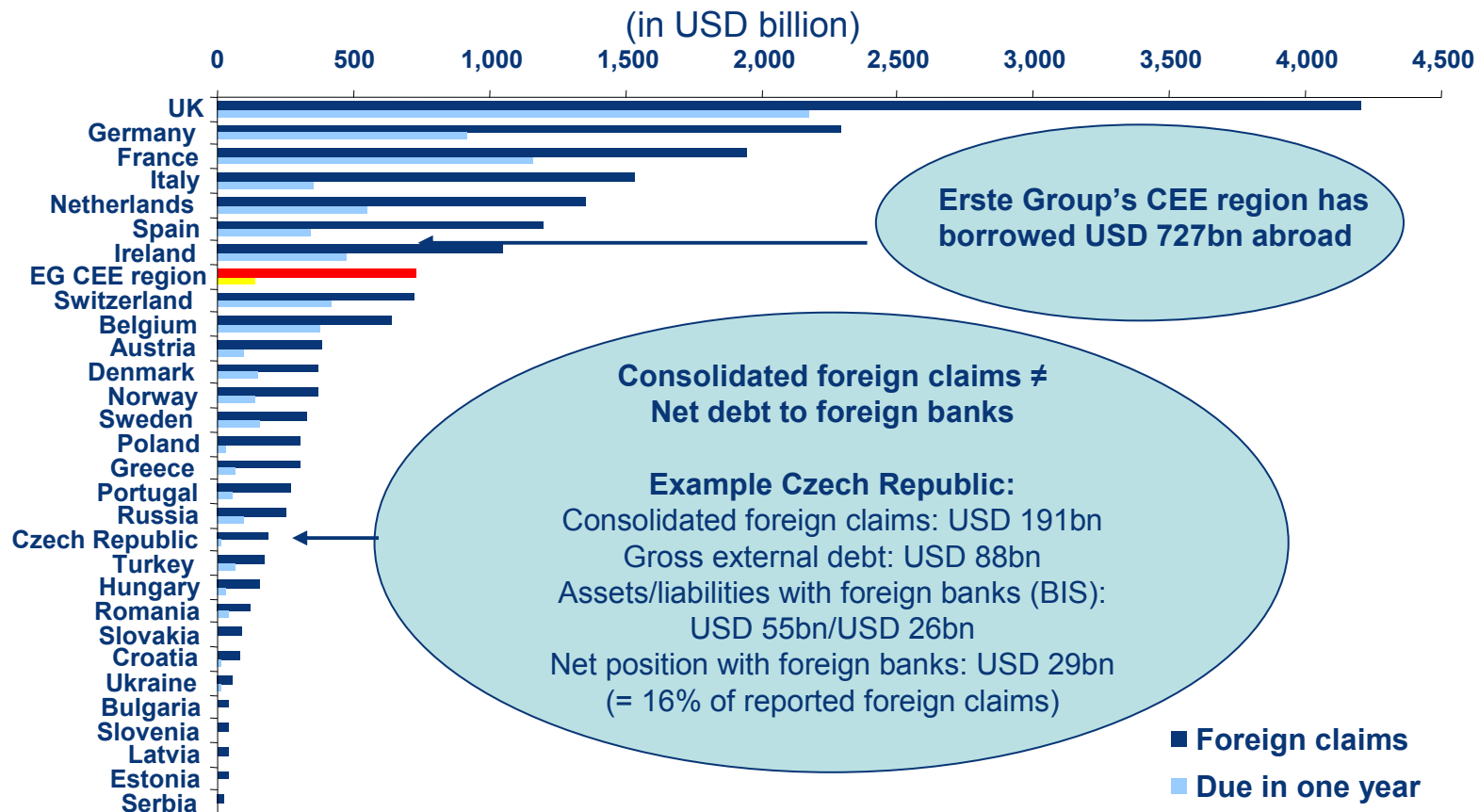
(in USD billion)



# CEE fact finding – Putting things into perspective

## Consolidated foreign claims

– total borrowings in EG's CEE countries are in line with those of Switzerland

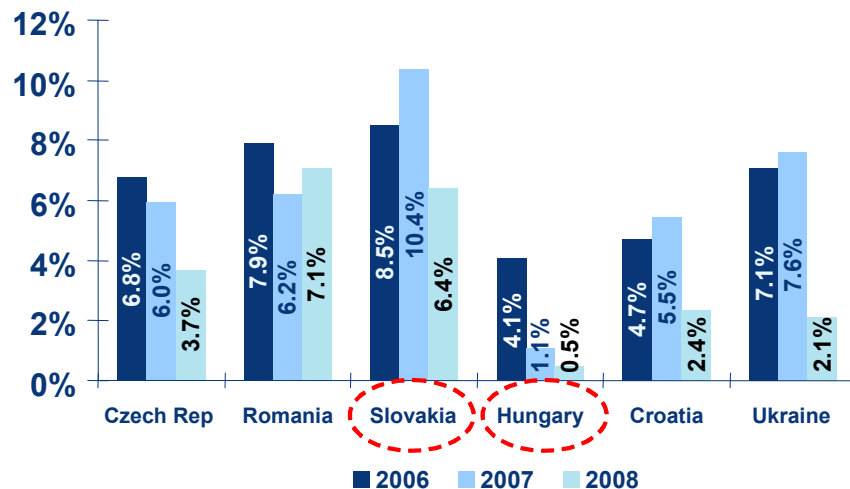


Source: Erste Group Research, BIS

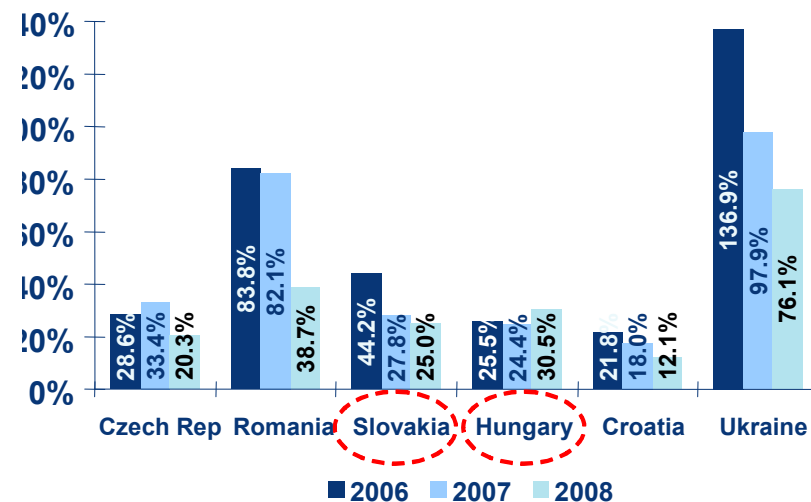
# CEE fact finding – Putting things into perspective

- **Diverse region with significant differences between countries**
  - Example: GDP/Capita in Czech Republic is 5 times higher than in the Ukraine
- **Retail banking in underpenetrated markets does not fully correlate with GDP growth**
- **Case study: Hungary vs Slovakia**
  - HU: GDP underperformance but solid demand for retail loans and stable asset quality (NPL: 2.3%)
  - SK: strong GDP growth but retails loans did not grow significantly faster than in HU (NPL: 2.2%)

**Real GDP growth in CEE**



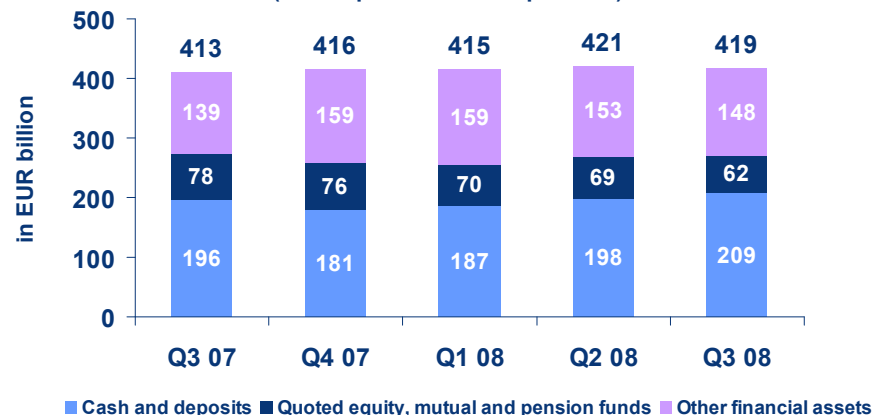
**Retail loan growth in CEE**



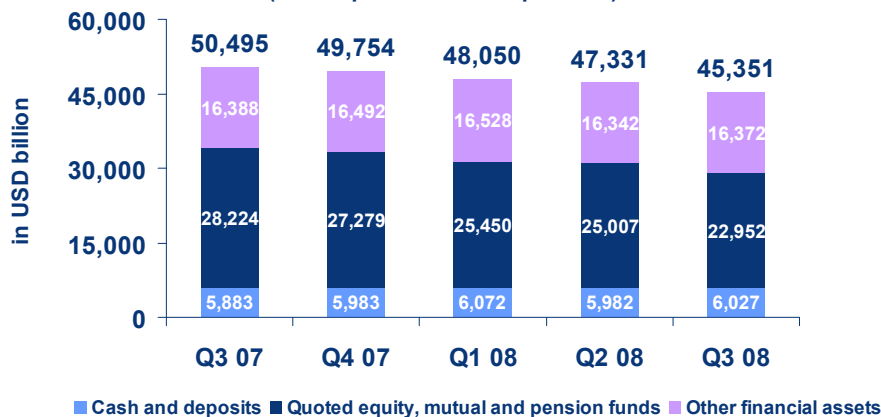
# Retail banking in CEE – Cautious investment attitude mitigates impact of crisis

- Financial asset-based wealth creation insignificant in CEE
- Wealth creation was mainly driven by the privatisation of formerly state-owned property at below market rates
- Collapse in global stock markets has only a limited effect on the personal wealth of the average central European
- Other financial assets include life insurance, investment certificates etc

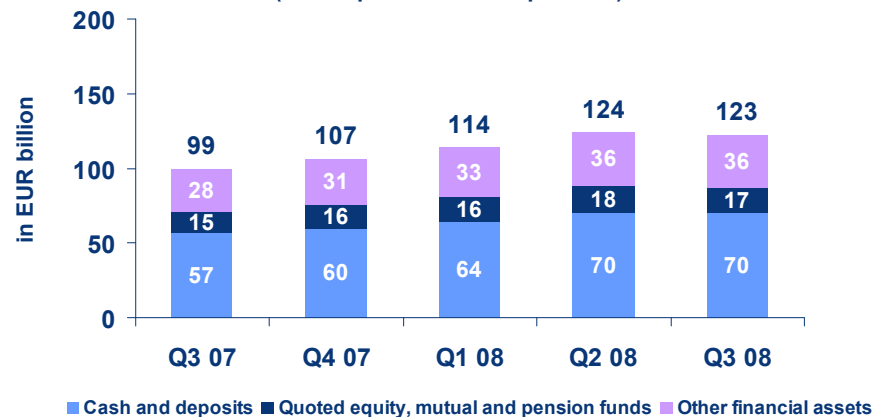
**Financial assets of Austrian households**  
(Development and composition)



**Financial assets of US households**  
(Development and composition)

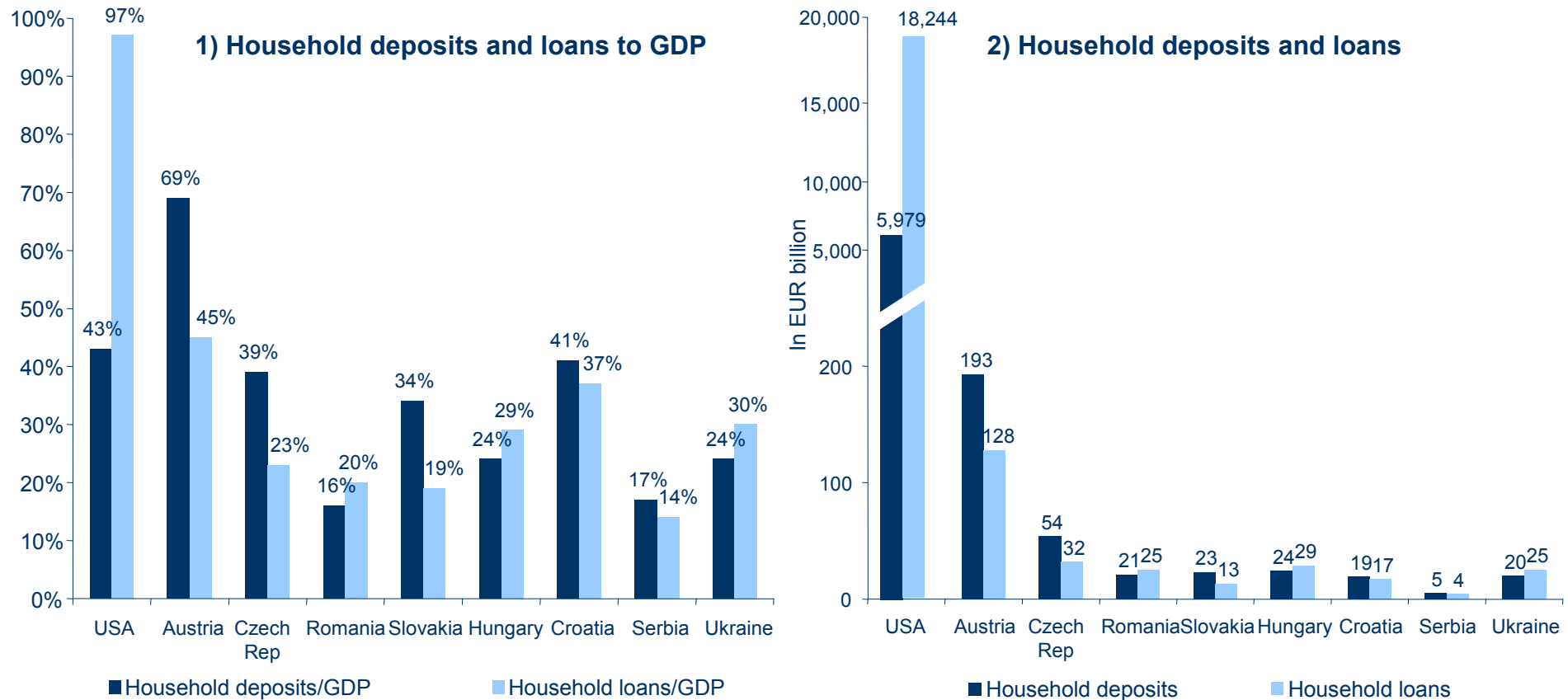


**Financial assets of Czech households**  
(Development and composition)



# Retail banking in CEE – Well balanced despite strong loan growth

## Financial intermediation in the US and CEE (2008)



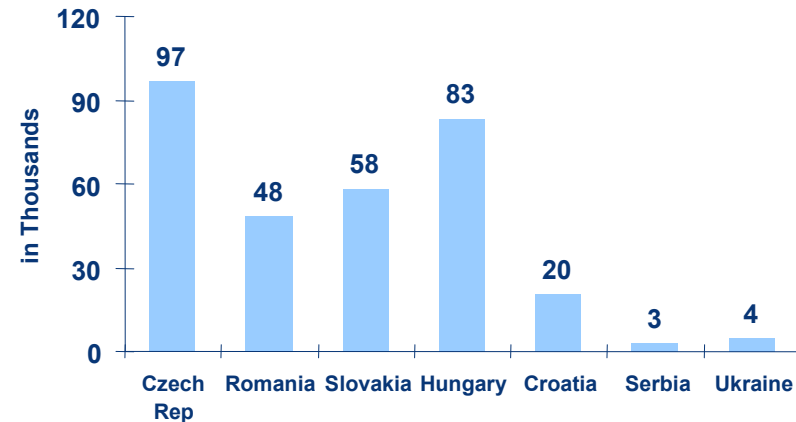
USA figures do not include money market funds;  
including these, deposit penetration would be 54%



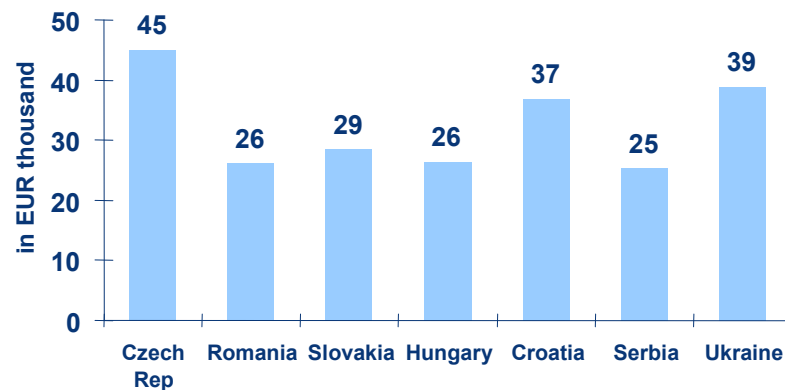
# Erste Group's retail business in CEE – Showing the region from a different viewpoint

- Growth rates in the CEE were not a sign of excess, but rather the result of the complete absence of any retail banking services as little as 5 or 10 years ago
- Of the 14.2 million customers Erste services in CEE only 314,000 have a housing loan
- Average housing loan size in CEE: EUR 33,000

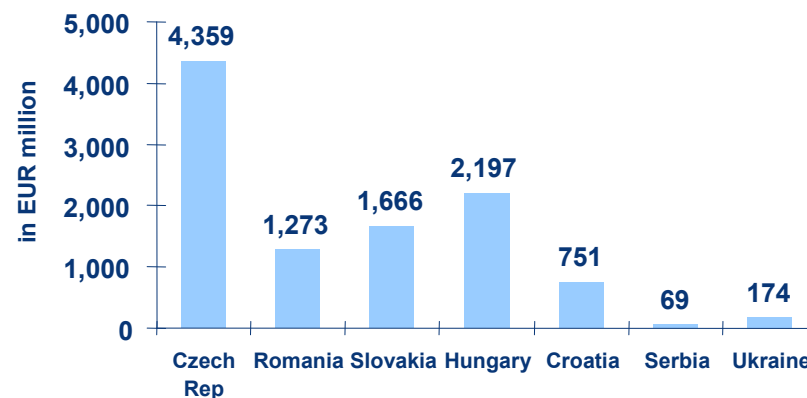
Erste Group: number of housing contracts (2008)



Erste Group: Avg. housing loan size (2008)



Erste Group: housing loan volumes (2008)



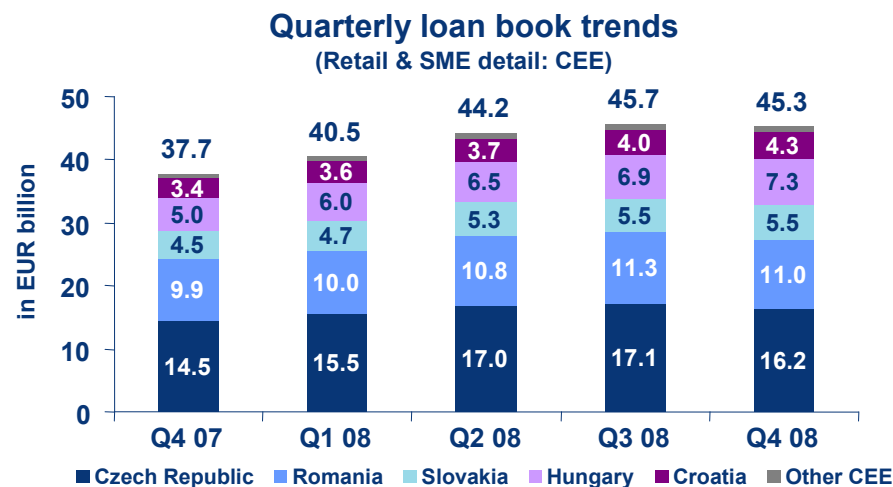
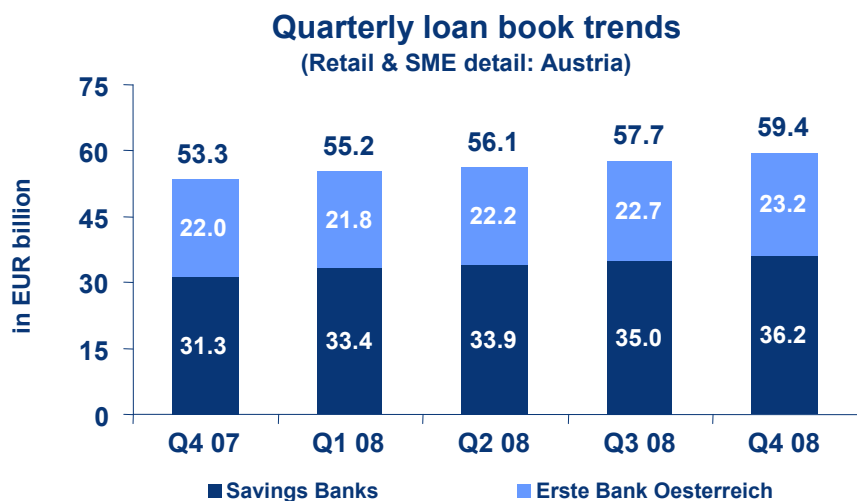
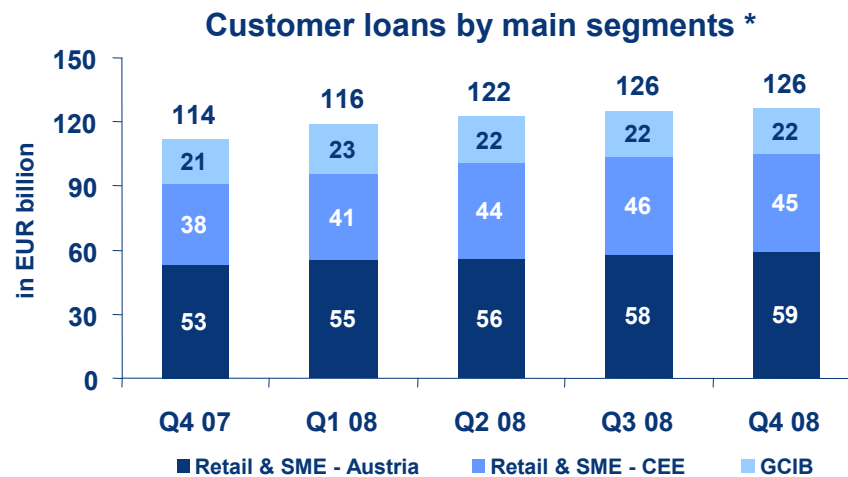
# Erste Group's retail business in CEE – Quarterly loan book trends by segments

## – Loan growth exceeds 10% in 2008

- Retail & SME is main contributor
  - In Austria loan stock grew by EUR 6.1bn or 11%, on the back of organic growth and wider scope of consolidation (savings banks)
  - In CEE loan stock grew by EUR 7.6bn or 20%

## – Q4 08 loan growth driven by Austria

- First signs of slowing demand visible
- CEE impacted by currency movements

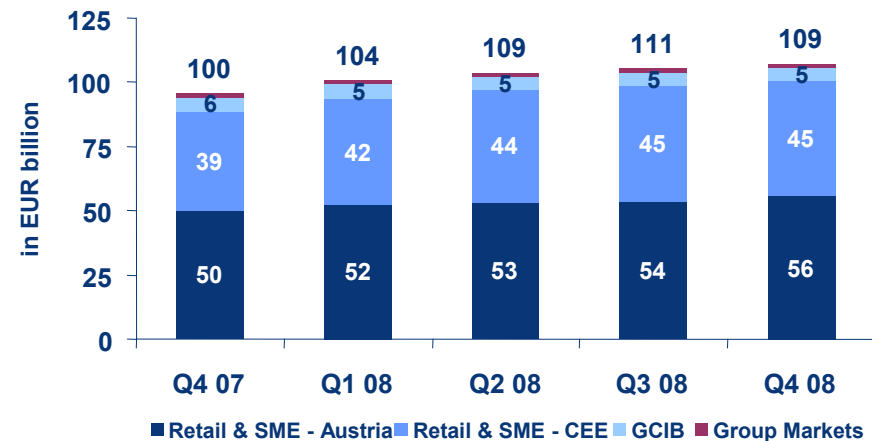


\*) Segments do not exactly add up to total due to consolidation effects.

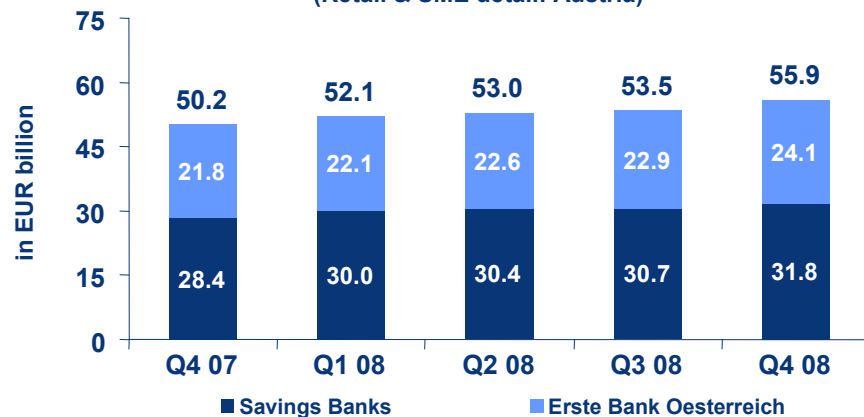
# Erste Group's retail business in CEE – Quarterly deposit trends by segments

- **Stable deposit base throughout 2008**
  - Deposits grew by more than 9% in 2008
  - Steady increases in Austria
  - Fastest growth in Central and Eastern Europe
- **Solid Retail & SME deposit growth in Q4**
  - Driven by Austria and Slovakia
  - Decline in Czech Republic and Romania due to currency movements

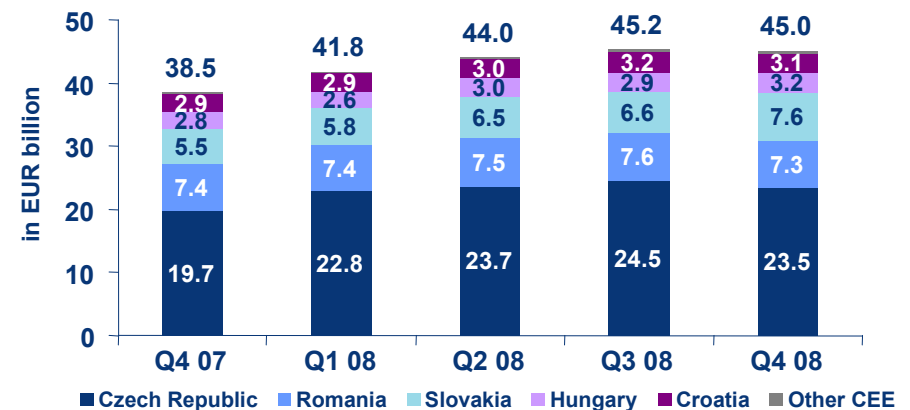
Customer deposit trends by main segments \*



Customer deposit trends by subsegments (Retail & SME detail: Austria)



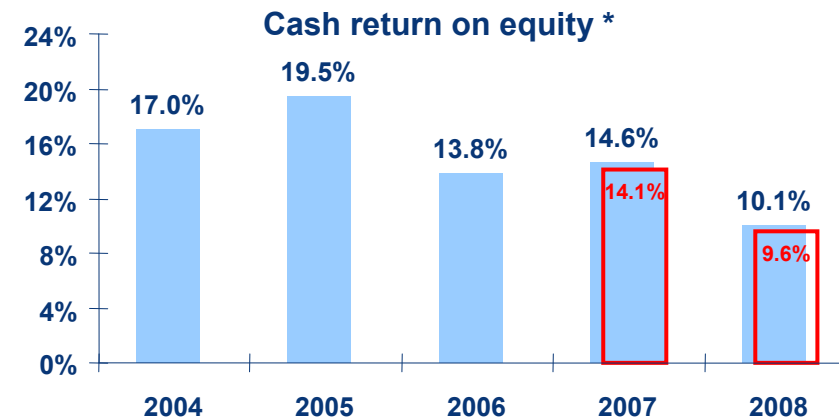
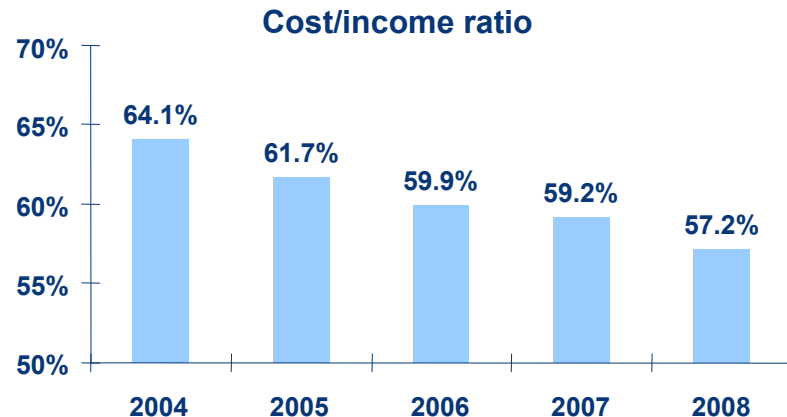
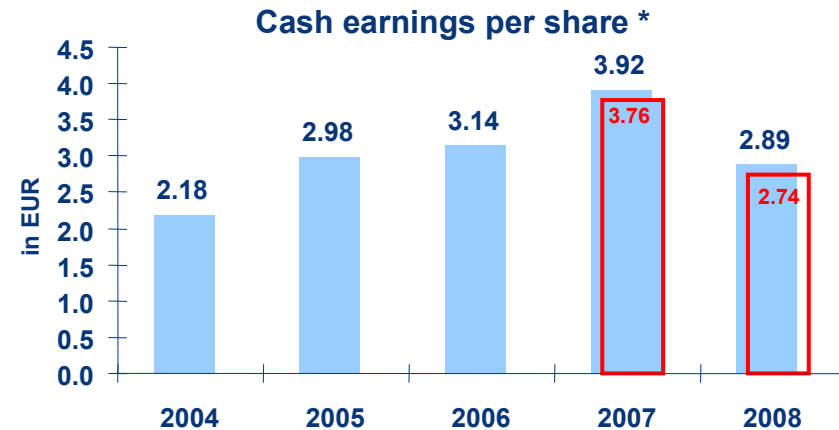
Customer deposit trends by subsegments (Retail & SME detail: CEE)



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

# Erste Group's FY 08 financial highlights – Improved capital ratios after insurance sale

- Net profit declined by 26.8% to EUR 859.6m including write down of goodwill in Q4 08
  - Adjusted for the goodwill write down net profit was up 14.1% (EUR 1,340.1m), including positive impact of insurance sale
- Operating result up 19.3% reaching an all-time high
- NIM on interest bearing assets (IBA) at 2.8% up from 2.5% at FY 07 (CEE 4.6% and Austria 1.8%)
- Total assets unchanged: +0.5% to EUR 201.4bn
- Tier 1 ratio reached 7.2% prior to agreement with the Austrian government on EUR 2.7bn additional capital



\*) Red bars for FY 08 denote reported EPS and ROE respectively. Cash EPS and EPS are adjusted for non cash items amounting to EUR 75.7 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).

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

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## Outlook – remaining positive, but adjusting to new reality

- Global economic environment has changed materially over recent months
- **CEE enjoys key competitive advantages that form basis for medium- and long-term profitability**
  - Lower public and private sector debt ratios than most Western economies
  - Higher degree of labour market flexibility
  - Investor-friendly tax regimes and ongoing EU integration and financial support
- **Erste Group itself is well positioned in CEE**
  - Sustainable retail business model and strong market positions in most markets
  - Conservative lending policies (low LTVs, low debt service ratios, ample collateral)
  - Strong liquidity in all local currencies
- **Erste Group believes that it has control of cost development and also of a significant part of its earnings stream – forming the basis for solid operating performance**
- **However, despite these positive factors, given the current uncertain economic outlook, Erste Group does not believe it appropriate to issue detailed short term business forecasts at this time**

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