

**Bank of America Merrill Lynch  
Banking & Insurance CEO Conference**

1 October 2009, London

**Erste Group –**

**Consistent strategy: focus on retail business in CEE**

**Andreas Treichl, Chief Executive Officer**

# Disclaimer –

## Cautionary note regarding forward-looking statements



ERSTE GROUP

- 
- THE INFORMATION CONTAINED IN THIS DOCUMENT HAS NOT BEEN INDEPENDENTLY VERIFIED AND NO REPRESENTATION OR WARRANTY EXPRESSED OR IMPLIED IS MADE AS TO, AND NO RELIANCE SHOULD BE PLACED ON, THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF THIS INFORMATION OR OPINIONS CONTAINED HEREIN.
  - CERTAIN STATEMENTS CONTAINED IN THIS DOCUMENT MAY BE STATEMENTS OF FUTURE EXPECTATIONS AND OTHER FORWARD-LOOKING STATEMENTS THAT ARE BASED ON MANAGEMENT'S CURRENT VIEWS AND ASSUMPTIONS AND INVOLVE KNOWN AND UNKNOWN RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS, PERFORMANCE OR EVENTS TO DIFFER MATERIALLY FROM THOSE EXPRESSED OR IMPLIED IN SUCH STATEMENTS.
  - NONE OF ERSTE GROUP OR ANY OF ITS AFFILIATES, ADVISORS OR REPRESENTATIVES SHALL HAVE ANY LIABILITY WHATSOEVER (IN NEGLIGENCE OR OTHERWISE) FOR ANY LOSS HOWSOEVER ARISING FROM ANY USE OF THIS DOCUMENT OR ITS CONTENT OR OTHERWISE ARISING IN CONNECTION WITH THIS DOCUMENT.
  - THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER OR INVITATION TO PURCHASE OR SUBSCRIBE FOR ANY SHARES AND NEITHER IT NOR ANY PART OF IT SHALL FORM THE BASIS OF OR BE RELIED UPON IN CONNECTION WITH ANY CONTRACT OR COMMITMENT WHATSOEVER.

# Presentation topics



ERSTE GROUP

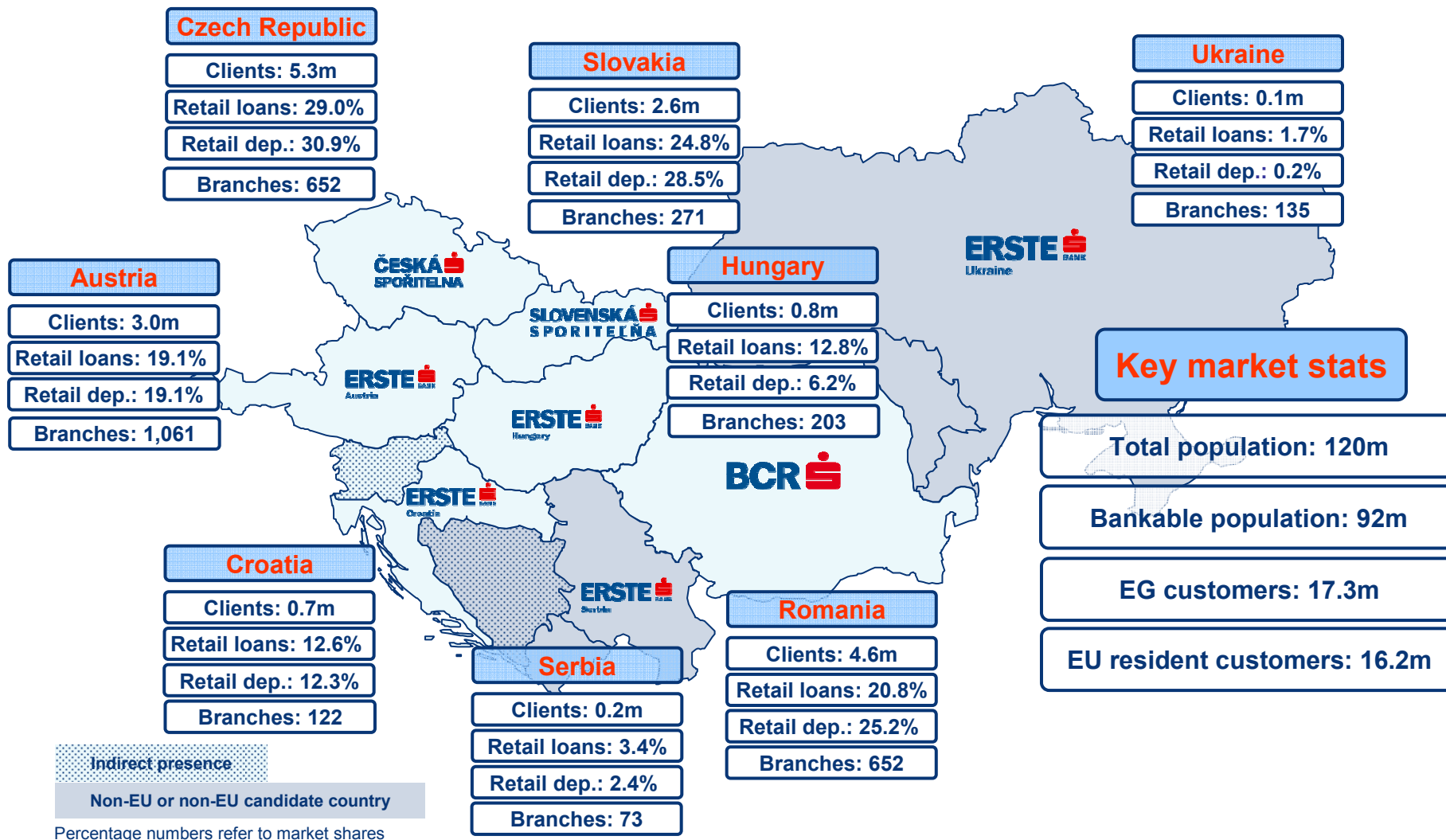
---

- **Erste Group in the region**
- **Sound, long-term fundamentals**
- **Conclusion**

# Erste Group in the region – Overview of key facts

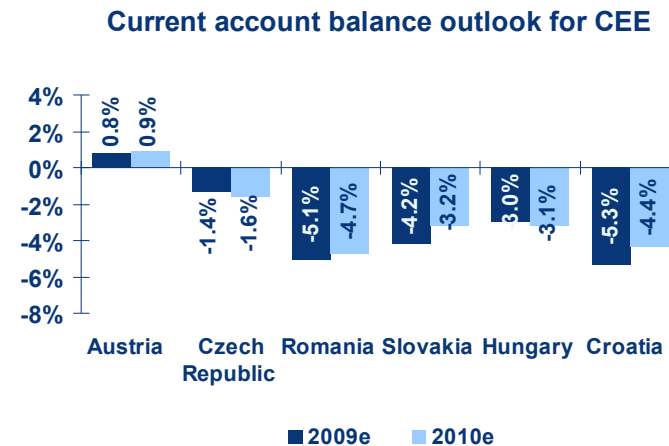
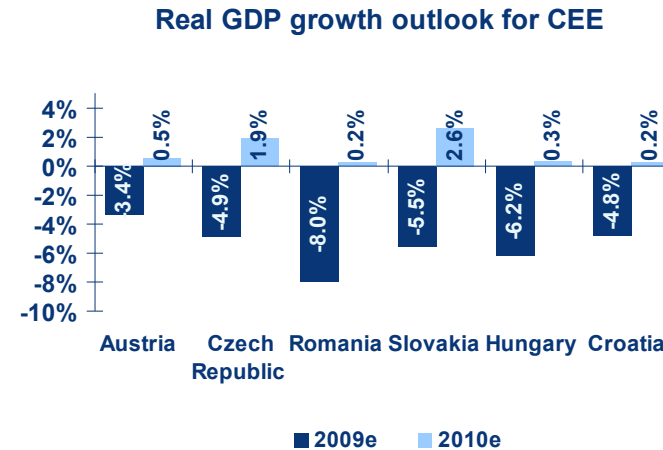


ERSTE GROUP



# Erste Group in the region – Overview of macro trends

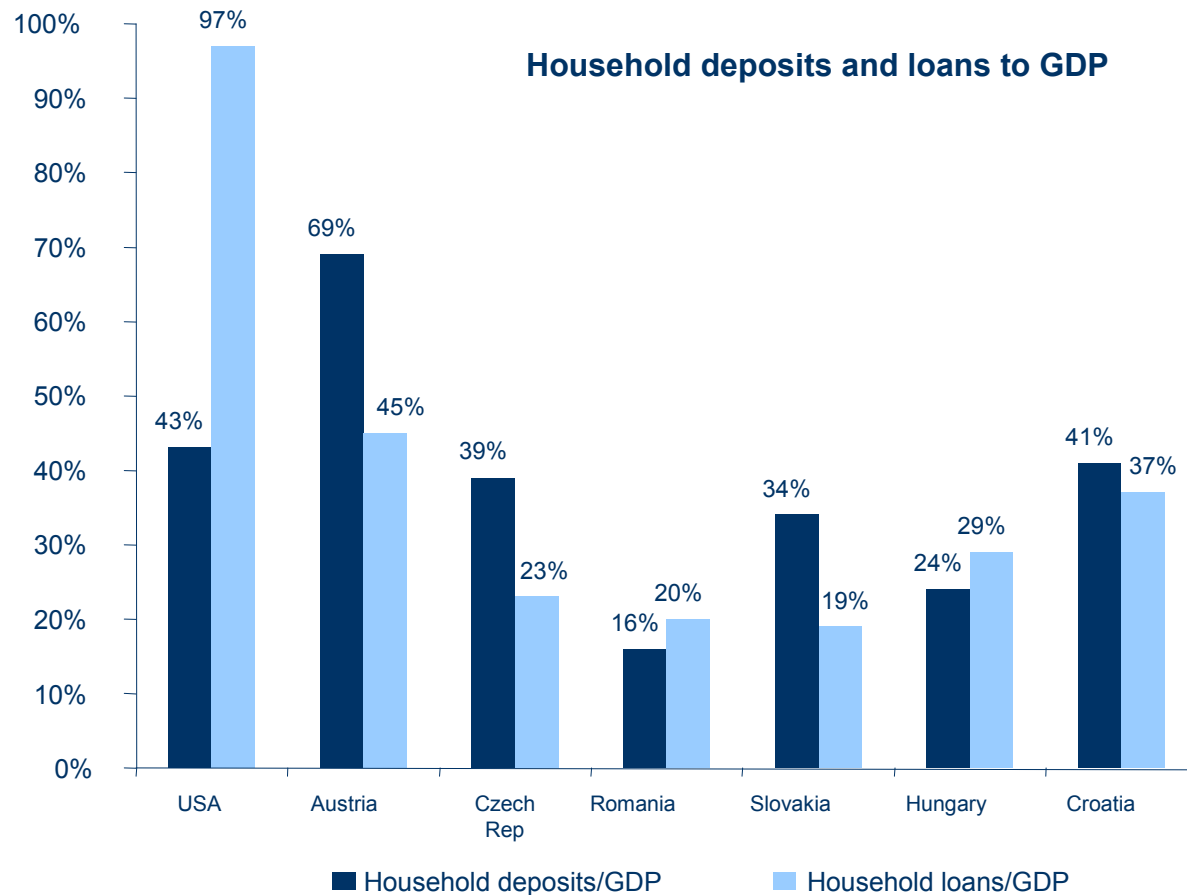
- **CEE economies expected to contract in 2009 but intensity of macro pressure is easing**
  - First signs of stabilisation, supported by global stabilisation packages
  - Rebound expected in 2010
- **Consumer confidence on the rise**
  - Gradual improvement in CZ, RO, HU and SK
- **Improving current account balances**
  - Romanian C/A fully covered by FDIs
- **Fiscal discipline to continue**
  - Low level of public debt
- **Increasing focus on fundamentals**
  - Private capital has started to flow back into the region
  - CEE production more competitive
  - Lower levels of consumer debt
  - Unsaturated markets



Source: Eurostat, Erste Group Research

# Erste Group in the region – Growth opportunities remain in place

## 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 in the region – Overview of retail markets

– **Retail banking in underpenetrated markets does not fully correlate with GDP performance**

- Average client – especially the ones with housing loans - does not represent average in society
- CEE growth rates differ significantly from each other
- Austria: single digit growth rates maintained

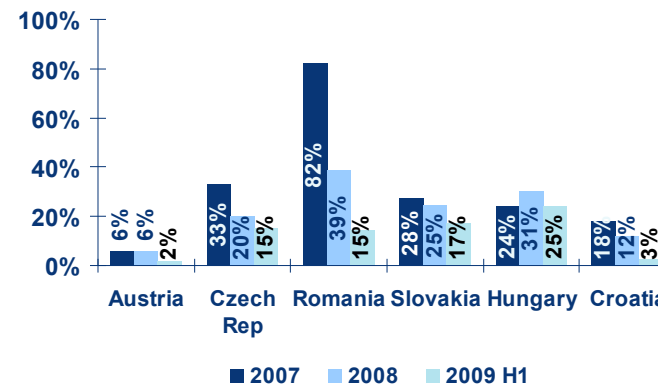
– **Loan market growth rates down from high levels**

- More responsible lending policies
- Young markets where slow down of growth would have been natural without the crisis
- FX lending (mainly EUR) in some countries still popular due to high local interest rates

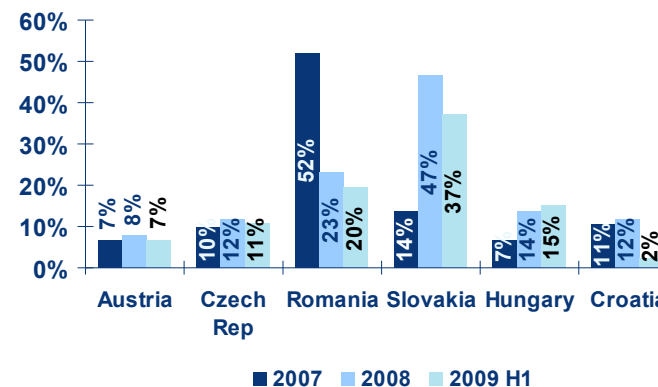
– **Deposit markets impacted by new circumstances**

- Banks’ focus has turned to deposit collection
- Outflow from investment funds
- Slovakia: introduction of EUR

Retail loan market growth rates (yoy)



Retail deposit market growth rates (yoy)



# Presentation topics



ERSTE GROUP

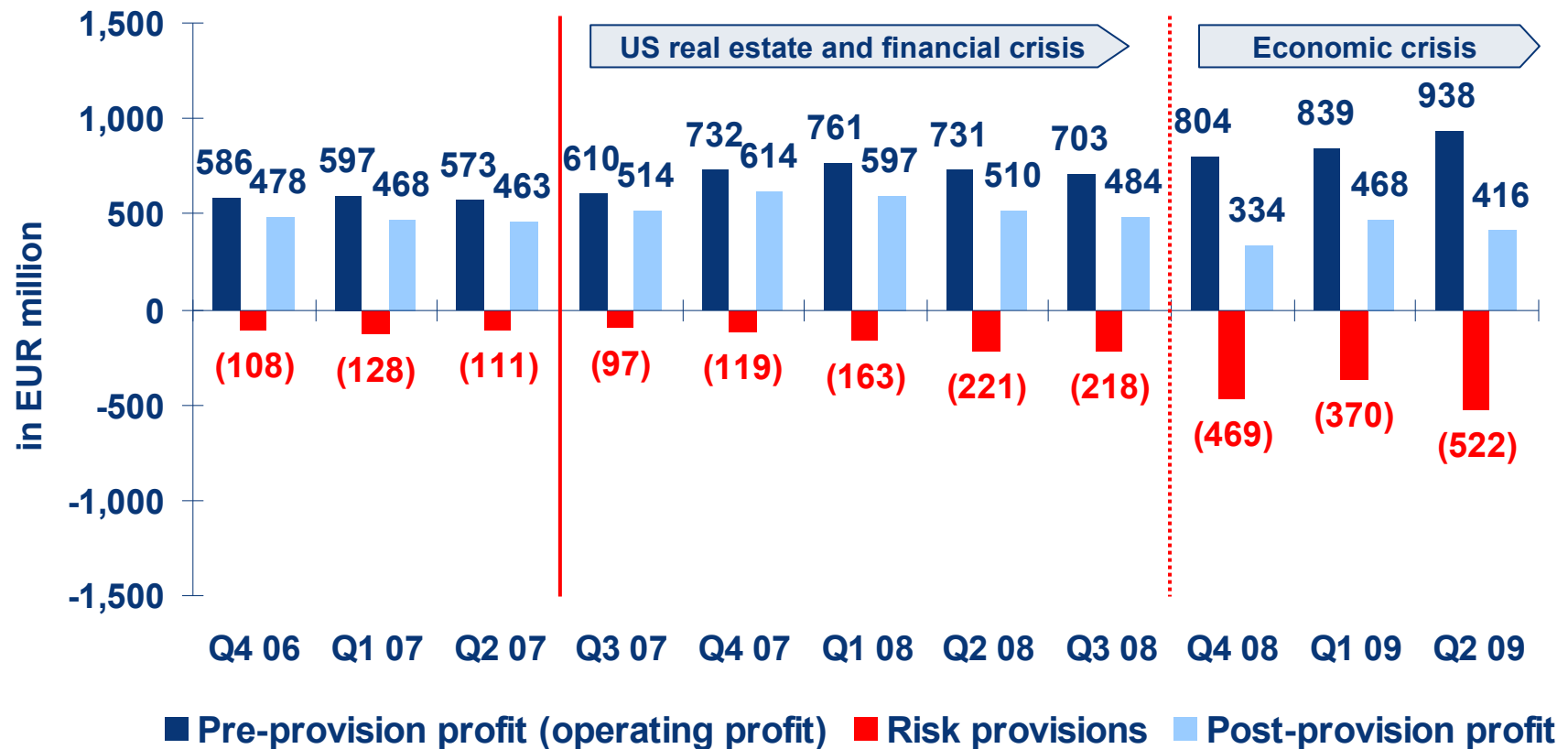
---

- Erste Group in the region
- **Sound, long-term fundamentals**
- Conclusion



# Strength in post-provision profit generation – Improved risk absorption capacity through the crisis

## 3-year pre- versus post-provision profit history



# Risk costs and asset quality – Higher risk costs offset by higher margins

– Risk costs have stayed in line with expectations reflecting the economic conditions, while...

– ... margins improved gradually

- Reflecting repricing ability in existing business...
- ...and higher margin new business

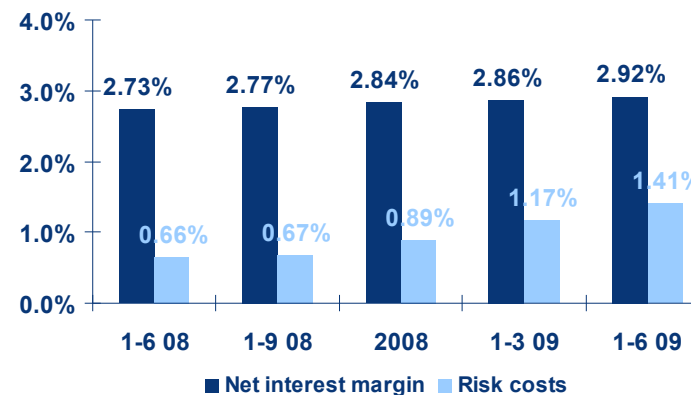
– NPL ratios have increased but remain at a manageable level

- NPLs in Austria higher than in CEE due to methodological differences
- NPL development showed significant differences within CEE also driven mainly by business, level of FX lending along with currency movements

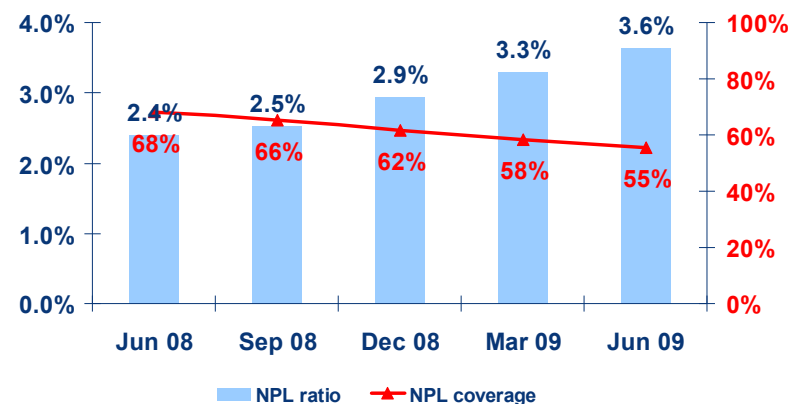
– NPL coverage (ex collateral) at 55.5%

- Decrease in NPL coverage mainly driven by CEE
- Including collateral ratio remained above 100% in CEE

Net interest margin vs risk costs

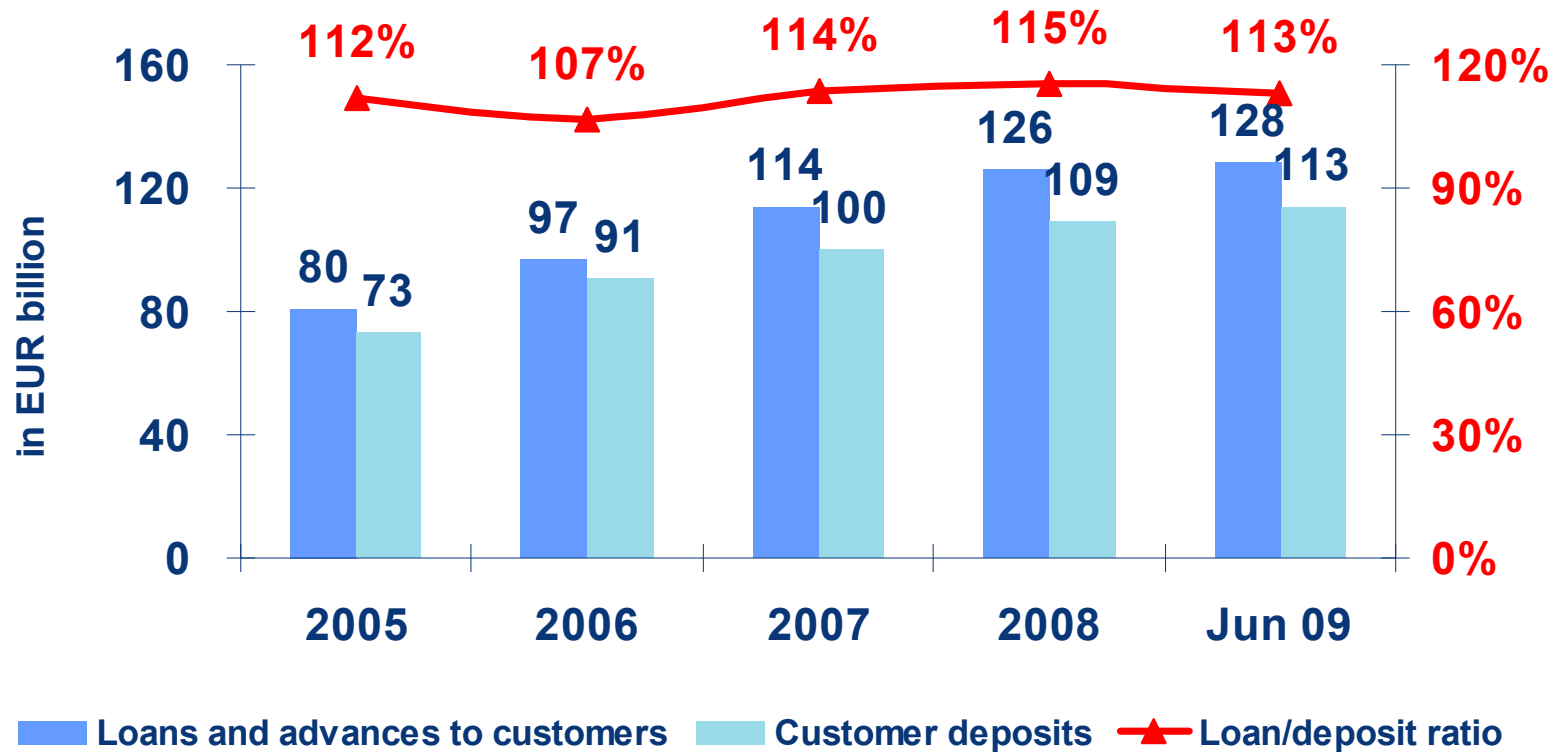


Group NPL ratio vs group NPL coverage



# Solid liquidity and funding position – Retail funding supports sustainable growth

## Loan vs deposit development

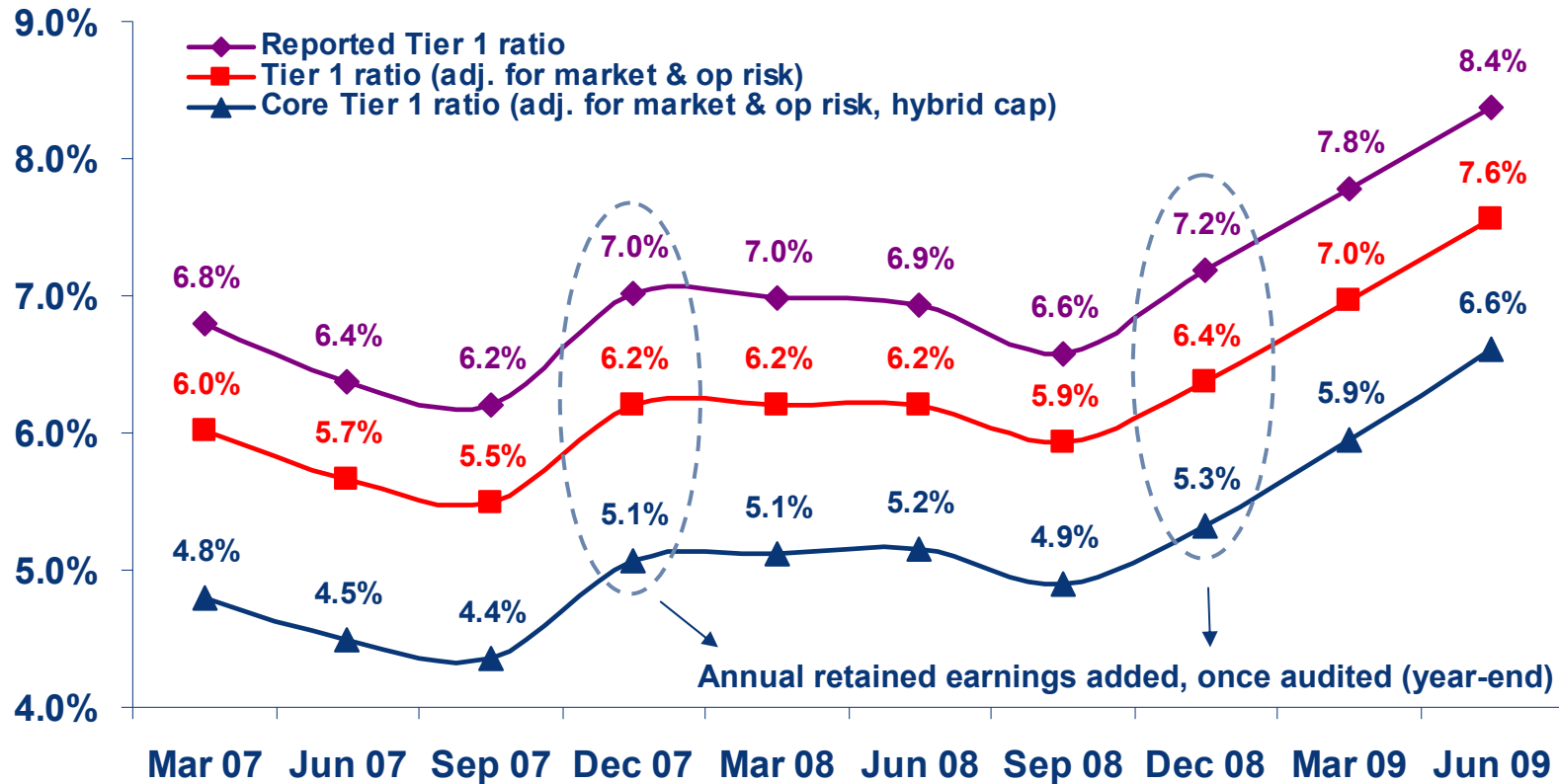


# Improving capital position – Tier 1 & core tier 1 ratio strengthened despite crisis



ERSTE GROUP

## Major capital ratios at Erste Group



# Presentation topics



ERSTE GROUP

---

- Erste Group in the region
- Sound, long-term fundamentals
- **Conclusion**

# Conclusion –

Our strengths considerably outweigh the weaknesses

---

## – Our key strengths:

- Superior retail business model in the past and future growth engine of Europe
  - AT, CZ, SK, RO & HU comprise 98% of our business and we enjoy a 25% client share
- Superior manageability thanks to operating in a compact region
- Superior loan/deposit ratio with over 80% of deposits coming from retail...
- ...resulting in low cost and long-term funding base

## – Our weaknesses:

- Outposts in Ukraine and Serbia with potentially higher risks – small in size
- Currency risks, inc FX lending – already scaled back
- In our view justified, but compared to peers low capitalisation – strengthened by participation capital issuance
- Regulatory risks

**– We believe we have an excellent risk/return profile and superior long-term growth capacity**