

**Sal. Oppenheim –  
European Financials Conference 2009**

18 November 2009, Zurich

**Strengthening capital base & increasing financial flexibility**

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# Agenda

- **Transaction overview & rationale**
- Erste Group's strengths & strategy
- Summary financial results (1-9 2009)
- Conclusion

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# Overview of the rights issue – Transaction details



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|                                    |   |
|------------------------------------|---|
| <b>Offer Shares</b>                | <ul style="list-style-type: none"><li>• Erste Group Bank ordinary no-par value voting bearer shares</li></ul>   |
| <b>Offering structure</b>          | <ul style="list-style-type: none"><li>• Public offering in Austria, the Czech Republic and Romania</li><li>• Private placement to institutional investors including US QIBs (Reg S and Rule 144A)</li></ul> |
| <b>Offer size</b>                  | <ul style="list-style-type: none"><li>• “At market” rights issue of up to 60 million new ordinary bearer shares</li></ul>   |
| <b>Maximum offer price</b>         | <ul style="list-style-type: none"><li>• EUR 32 per share</li></ul>  |
| <b>Subscription rights / ratio</b> | <ul style="list-style-type: none"><li>• Pre-emptive rights for existing shareholders in the ratio of 3 new shares for 16 existing shares</li><li>• No subscription rights trading</li></ul>                 |
| <b>Use of proceeds</b>             | <ul style="list-style-type: none"><li>• Strengthening of Erste Group’s capital base and increasing financial flexibility</li></ul>  |
| <b>Lock-up</b>                     | <ul style="list-style-type: none"><li>• 180 days for Erste Group Bank AG and Erste Stiftung</li></ul>   |
| <b>Dividend entitlement</b>        | <ul style="list-style-type: none"><li>• Full dividend entitlement for new shares as of January 1, 2009</li></ul>  |
| <b>JGCs / Joint Bookrunners</b>    | <ul style="list-style-type: none"><li>• Erste Group, Goldman Sachs International, J.P. Morgan</li><li>• Co-Lead Managers: Citi, Credit Suisse, UBS Investment Bank</li></ul>                                |

# Key dates of the rights issue – Expected timetable

|   |   |
|---|---|
| <b>October 30, 2009</b><br><i>Friday</i>    | <ul style="list-style-type: none"><li>• Approval and publication of prospectus</li><li>• Record date</li></ul>                                |
| <b>November 2, 2009</b><br><i>Monday</i>    | <ul style="list-style-type: none"><li>• <b>Start of offer period and subscription period</b></li><li>• Start of management roadshow</li></ul> |
| <b>November 16, 2009</b><br><i>Monday</i>   | <ul style="list-style-type: none"><li>• End of subscription period</li></ul>  |
| <b>November 17, 2009</b><br><i>Tuesday</i>  | <ul style="list-style-type: none"><li>• <b>End of offer period</b></li><li>• Pricing and allocation</li></ul>                                 |
| <b>November 19, 2009</b><br><i>Thursday</i> | <ul style="list-style-type: none"><li>• First day of trading of new shares</li></ul>  |
| <b>November 20, 2009</b><br><i>Friday</i>   | <ul style="list-style-type: none"><li>• Settlement &amp; Closing</li></ul>  |

# Transaction rationale – Enhance capital ratios and increase financial flexibility

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## – Further increase capital ratios and improve capital structure<sup>1</sup>

- Increases core tier 1 capital by more than 20% resulting in core tier 1 ratio of 7.8%
- Improves capital mix with core tier 1 contribution to tier 1 capital increasing to 89%
- Raises common equity in public markets instead of previously planned issuance of government-sponsored hybrid capital
- Builds on successful issuance of EUR 1,764 million participation capital at market rates to Republic of Austria and private investors in the first half of 2009

## – Provide flexibility for potential new or changed regulatory capital requirements and address market expectations of higher capitalisation levels

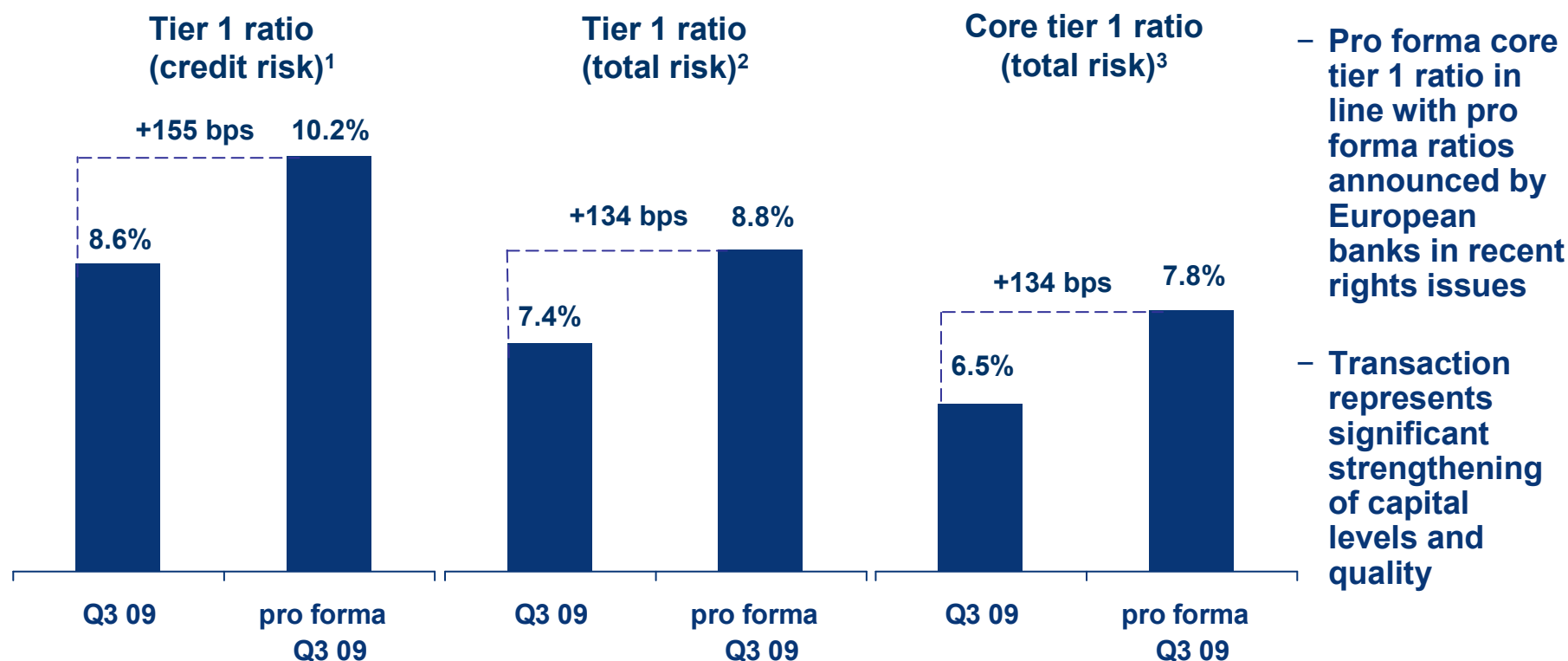
## – Maintain ability to benefit from future growth opportunities in CEE

- CEE economies are expected to grow faster than EU-15
- CEE banking market development to benefit from lower financial intermediation levels than in EU-15

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<sup>1</sup> Pro forma capital ratios and other figures as of 30 September 2009. Assumes rights issue proceeds based on a share price of EUR 27.5 (closing price at Vienna Stock Exchange) as of 29 October 2009.

# Transaction rationale – Stronger capital ratios post EUR 1.65 bn rights issue



Note: Assumes rights issue proceeds based on a share price of EUR 27.5 (closing price at Vienna Stock Exchange) as of 29 October 2009.

1) Tier 1 ratio (credit risk) = tier 1 capital incl. hybrid and after regulatory deductions divided by credit RWA.

2) Tier 1 ratio (total risk) = tier 1 capital incl. hybrid and after regulatory deductions divided by total RWA (which includes credit risk, market and operational risk).

3) Core tier 1 ratio (total risk) = tier 1 capital excl. hybrid and after regulatory deductions divided by total RWA (which includes credit risk, market and operational risk).

# Participation of shareholders – Criteria will subscribe to 36% of the offering

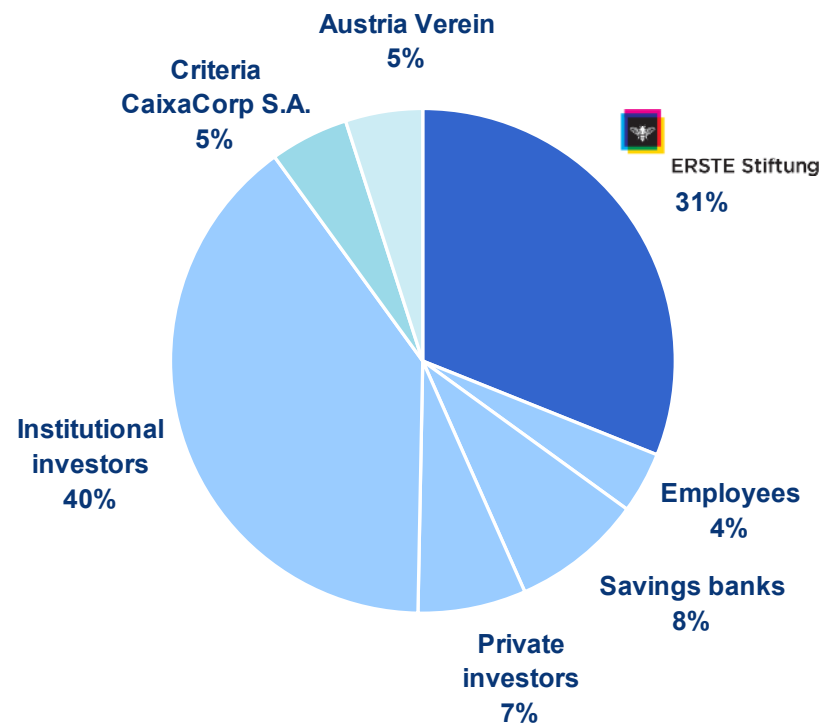
## Criteria CaixaCorp, S.A.

- Criteria announced that it will:
  - exercise all of its own subscription rights,
  - has acquired and will exercise all of Erste Stiftung's subscription rights
- This amounts in total to approx. 36% of all subscription rights
- Erste Group entered into cooperation agreement in June 2009
  - Partners: Criteria and La Caixa, one of Spain's largest banking groups
  - Scope: Non-exclusive commercial cooperation

## Erste Stiftung

- Erste Stiftung has agreed to transfer all of its subscription rights to Criteria

## Shareholder structure<sup>1</sup>



<sup>1</sup> As of October 2009



# Agenda

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- **Erste Group's strengths & strategy**
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# Key strengths of Erste Group – Proven business model ensures strategic stability



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## Leading market positions in retail and SME banking<sup>1</sup>

- Austria and key EU member/EU candidate states in CEE
  - Approx. 20-30% retail market shares in Austria, the Czech Republic, Romania and Slovakia
  - Approx. 5-15% retail market shares in Hungary and Croatia
- Minor market positions (<3%) in comparably higher risk markets Serbia and Ukraine

## Proven and resilient business model

- Track record of profitability – ever since IPO in 1997
  - Profitable on operating as well as on net income level in each year
  - Consistent increase in operating profit before provisions...
  - ...provides risk absorption capacity throughout the crisis
  - Creates upside potential once the credit cycle reverses
- Focus on deposit funding – with stable loan-to-deposit ratio of 115%
- Risk profile benefits from balanced business mix

## Well-known brand

- Focus on affordable banking services to large proportion of population
- Resulted in customers increasing deposit amounts with Erste Group during crisis in 2008 and 2009

## Continued growth potential

- Nearly all CEE economies expected to resume positive GDP growth
- CEE macroeconomic convergence expected to continue
- Still comparably low banking penetration
- Expected increasing demand for sophisticated banking products
- Substantial, untapped cross-selling opportunities

<sup>1</sup>) Based on Erste Group internal data.

# Erste Group in CEE –

A market leader in the eastern part of the European Union



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**EU fact sheet of Erste Group**

**Total population: 60m**

**Customer base: 17.1m**

**20-30% retail market share:**  
Austria, Czech Republic, Romania and Slovakia

**5-15% retail market share:**  
Hungary, Croatia

**EU share of loans and deposits > 99%**



**Total group facts**

**Total population: 120m**

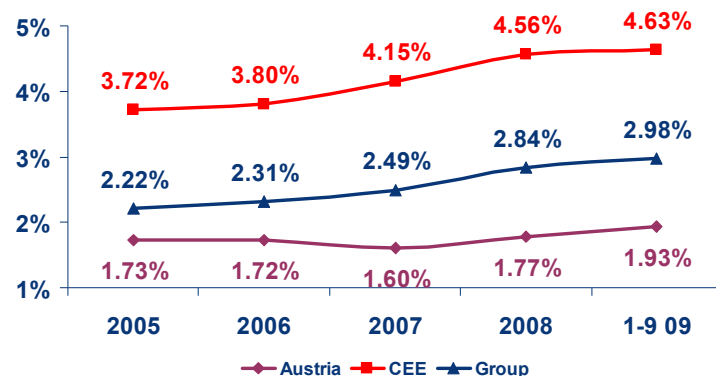
**Bankable population: 92m**

**Total customers: 17.5m**

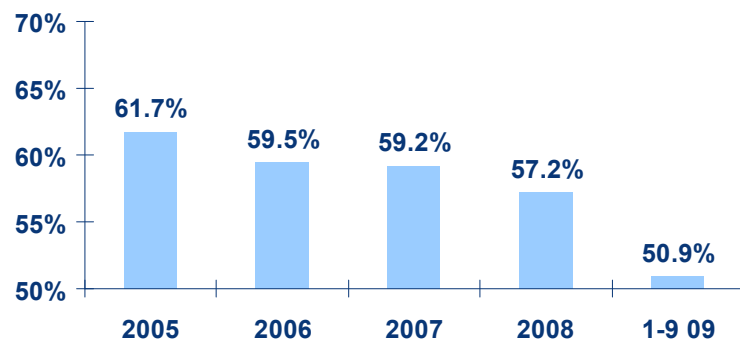


# Long-term track record of profitability – Higher margins & efficiency drive operating profit

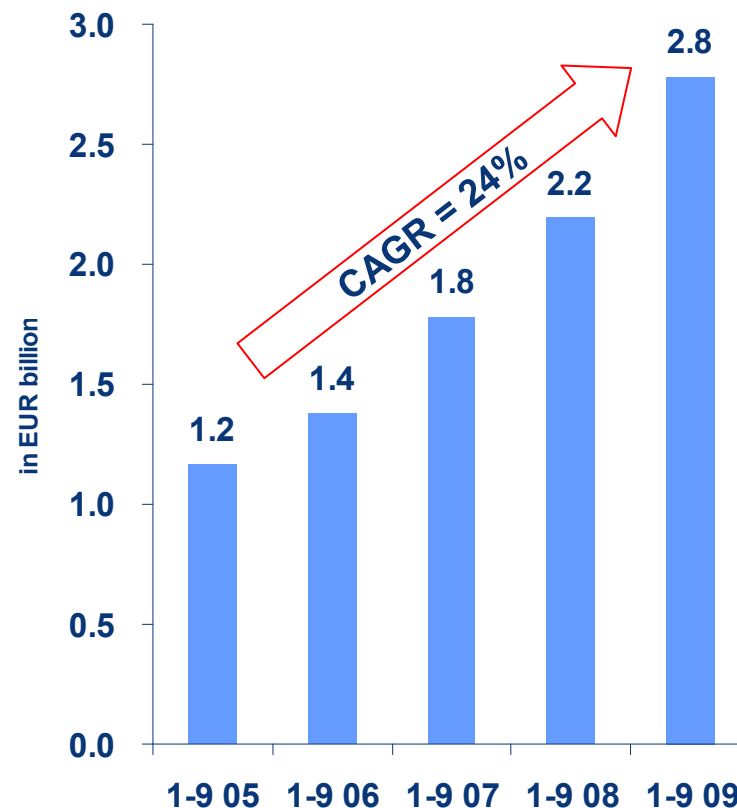
Net interest margin development



Cost/income ratio



Operating profit of Erste Group



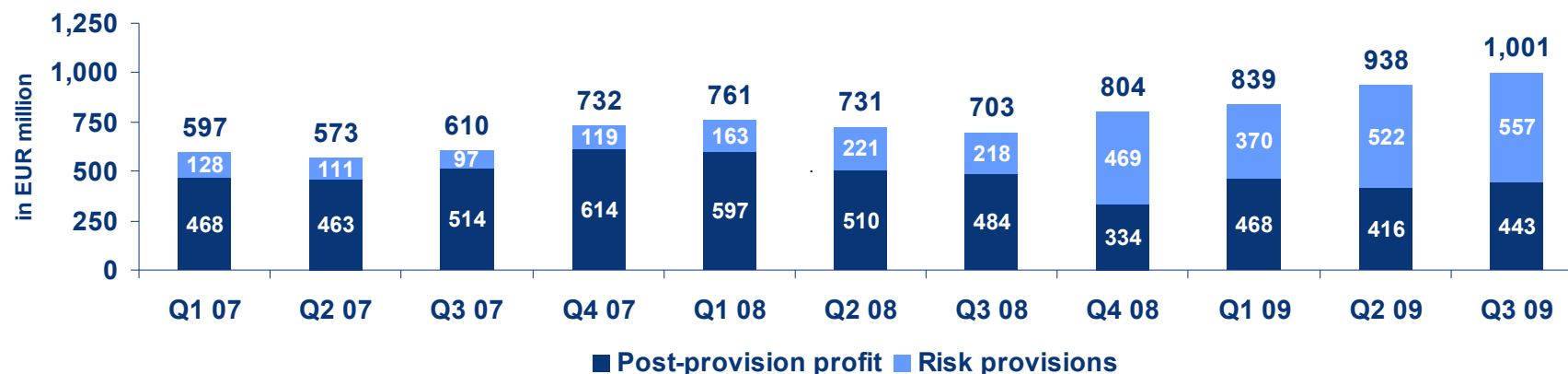
Note: Net interest margin computed on average interest bearing assets and local entity IFRS consolidated results. Cost/income ratio = general administrative expenses as a percentage of operating income (net interest income + net fee and commission income + net trading result); operating result = operating income - general administrative expenses.

# Long-term track record of profitability – Growing pre- and resilient post-provision profit generation

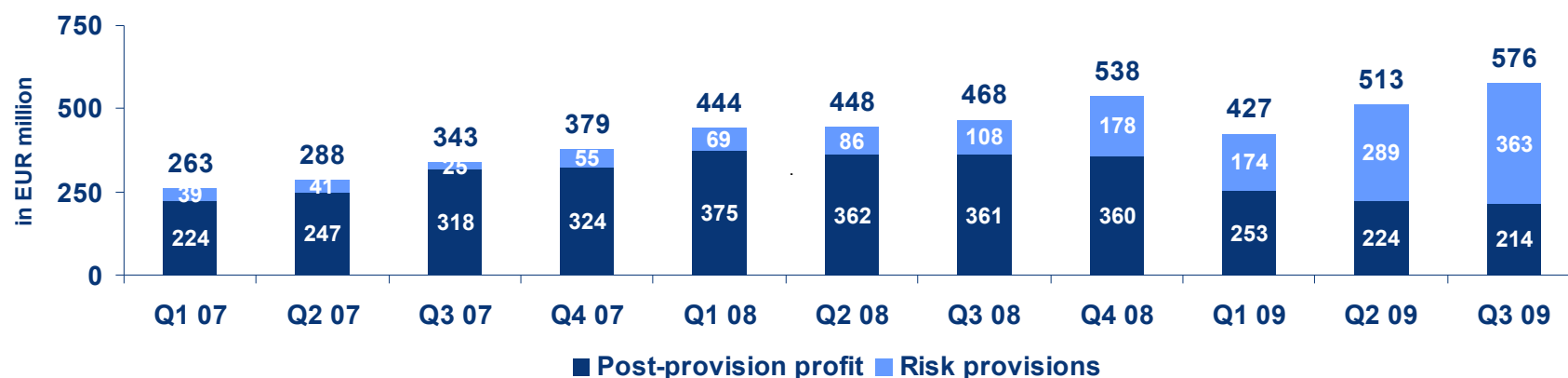


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**Erste Group's operating profit history (pre-provision profit)**



**Segment CEE (Retail & SME) - Operating profit history (pre-provision profit)**



# Risk profile benefits from business mix – Erste Group's loan book is well diversified



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## – Attractive customer mix

- Retail loans constitute about half of the total loan book
  - Majority of retail book secured due to focus on mortgage lending
- SME/Local corporates constitute majority of corporates
- Public sector business with favourable risk profile

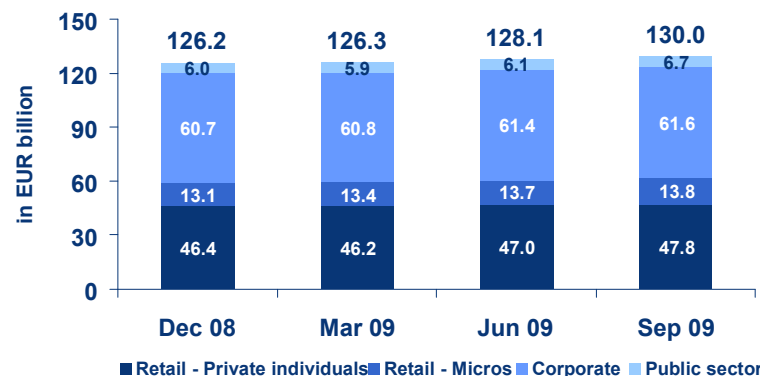
## – Regional mix with focus on EU countries

- Austrian Retail & SME business contributes 47% to Erste Group's loan volume
- CEE countries well diversified and provide growth opportunities

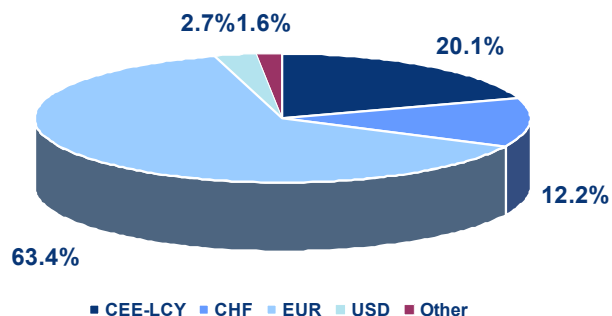
## – Retail FX lending expected to decline

- Erste Group ceased retail CHF and USD lending

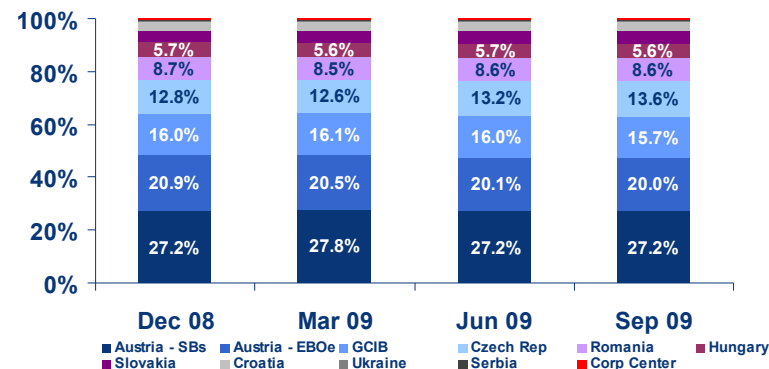
Customer loans by Basel II customer segments



Customer loans by currency  
(30 September 2009: EUR 130.0 bn)



Customer loans by reporting segment



Source: Erste Group internal data.

# Risk profile benefits from business mix – Deceleration of NPL formation and improved coverage

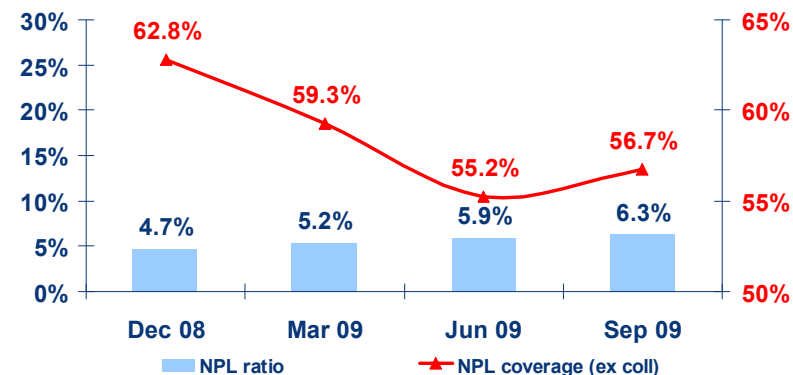
## – NPL growth slowed down in Q3 09

- NPL ratio rose by 40 bps to 6.3% after a rise of 70 bps in Q2 09 on the back of slowing new formation in CEE and a decline in NPL ratio in Austria
- Slowdown of new NPL formation in corporate business was more significant than in the retail business
- CEE NPL ratios deteriorated most in Romania and Ukraine, while Hungary performed comparatively well

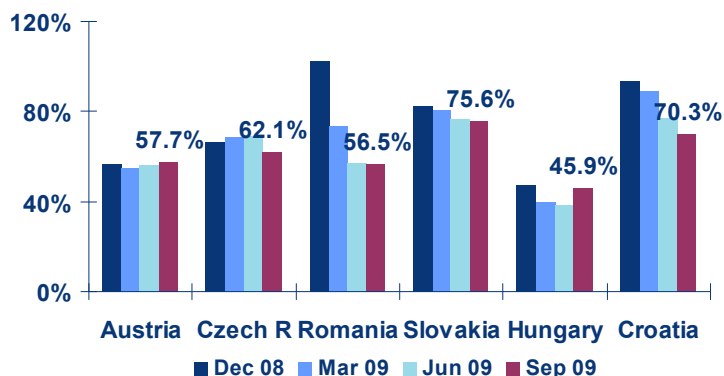
## – NPL coverage improved in Q3 09

- Stabilising coverage ratios in Romania and Hungary
- Continued high collateral coverage

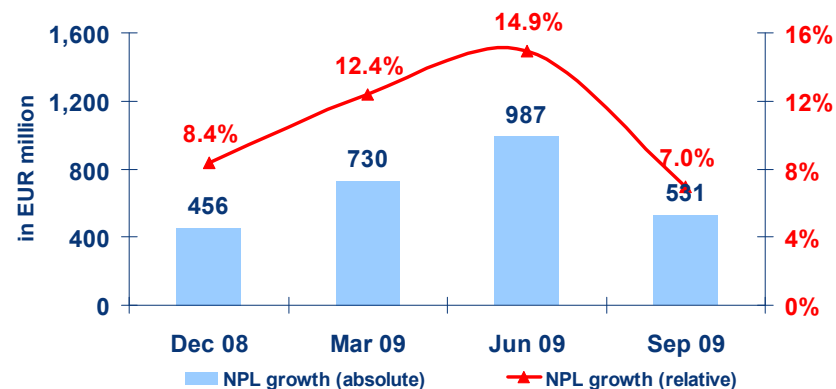
Erste Group: NPL ratio vs NPL coverage



NPL coverage ratios in key markets



Quarterly NPL growth (absolute/relative)



Note: NPL coverage ratios in key markets based on country of origination concept. Overall NPL ratio and NPL coverage ratio based on customer loans.

# Strongly improving capital position – Increasing share of high quality, core tier 1 capital

## – Strengthen capital base

- Increase Erste Group's overall financial flexibility
- Prepare Erste Group for potential changes in the regulatory environment and investors' expectations
- Allow Erste Group to finance growth in CEE

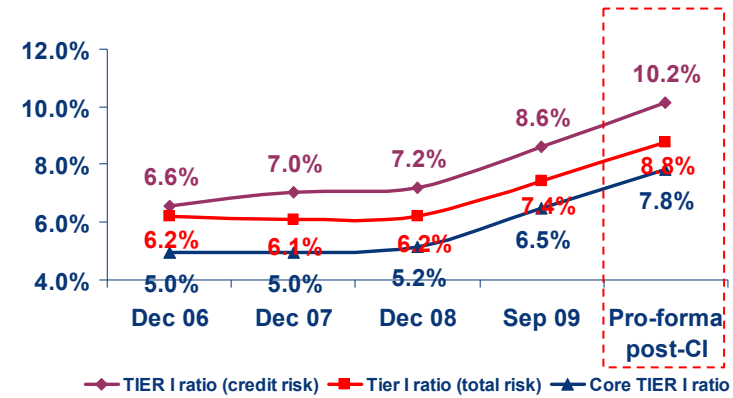
## – Higher quality capital structure

- Share of core tier 1 capital in capital structure to rise to 89%, while hybrid capital will decline to 11%
- Common equity raised in the public markets instead of previously planned issuance of government-sponsored hybrid capital

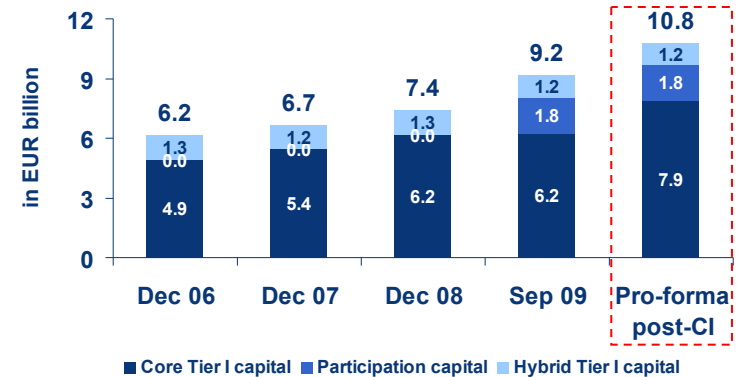
## – Participation capital to be retained

- Raised at market terms with Republic of Austria and private investors
- Government investment limited to EUR 1,224m
- Core tier 1 eligible

Key capital ratios



Tier 1 capital composition



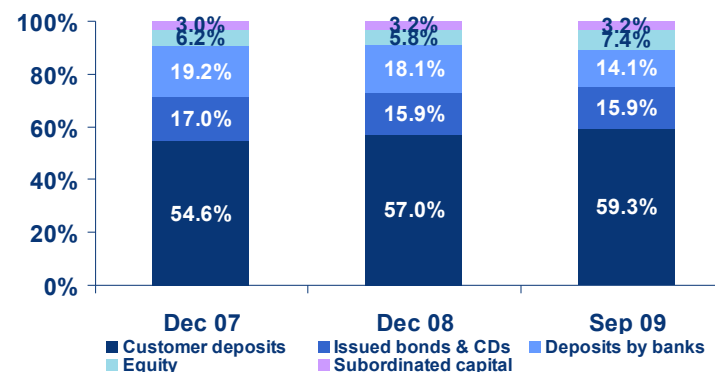
<sup>1</sup> Assumes rights issue proceeds based on Erste Group share price of EUR 27.5 (closing price at Vienna Stock Exchange) as of 29 October 2009.



# Focus on deposit funding – Retail funding supports sustainable growth

- **Customer deposits are main source of funding**
  - Providing a solid funding base in all local currencies
  - Translating into stable loan/deposit ratio of 115%
  - Increased share of customer deposits during crisis
- **Short-term funding needs well covered**
  - Declining share of short-term funding
  - Collateral capacity exceeds funding needs
- **Limited long-term funding required**
  - Less than EUR 5 bn redemptions per annum
  - In 2009 already EUR 7.8 bn issued
    - Successful issuance of the first jumbo Pfandbrief
  - Further focus on extension of maturity profile

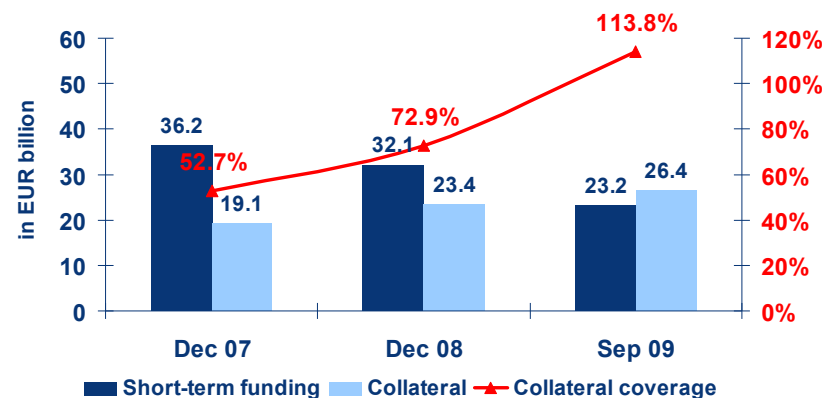
Evolution of Erste Group's funding mix



Redemption profile of Erste Group



Short-term funding vs collateral coverage



# Continued growth potential – CEE economies expected to recover in 2010

– **CEE economies expected to contract in 2009 but intensity of macro pressure is easing**

- First signs of stabilisation, supported by global stabilisation packages

– **Consumer confidence on the rise**

- Gradual improvement in CZ, RO, HU and SK

– **Improving current account balances**

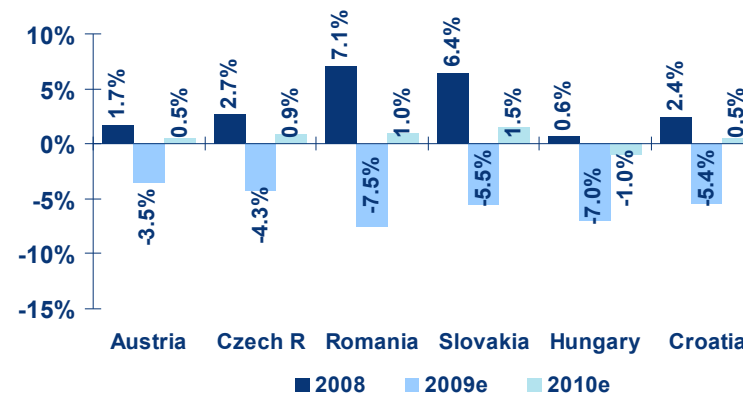
- Romanian current account deficit almost fully covered by foreign direct investments in 2009

– **Lower levels of public debt**

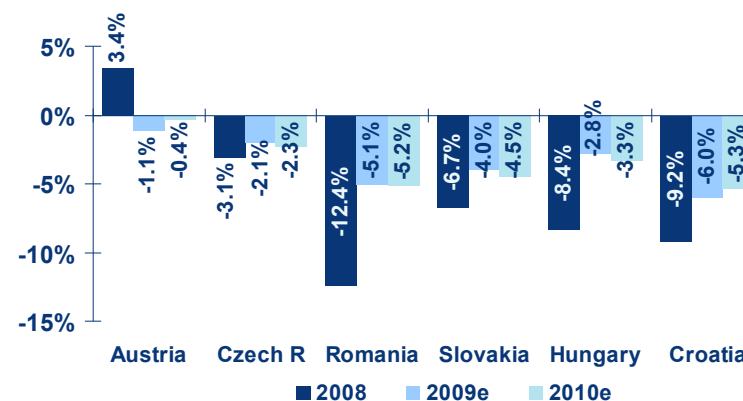
– **CEE's competitive advantages are still in place**

- CEE remains an attractive investment destination
- Attractive tax regimes
- Labour market flexibility and productivity
- Educated workforce

Real GDP outlook for CEE



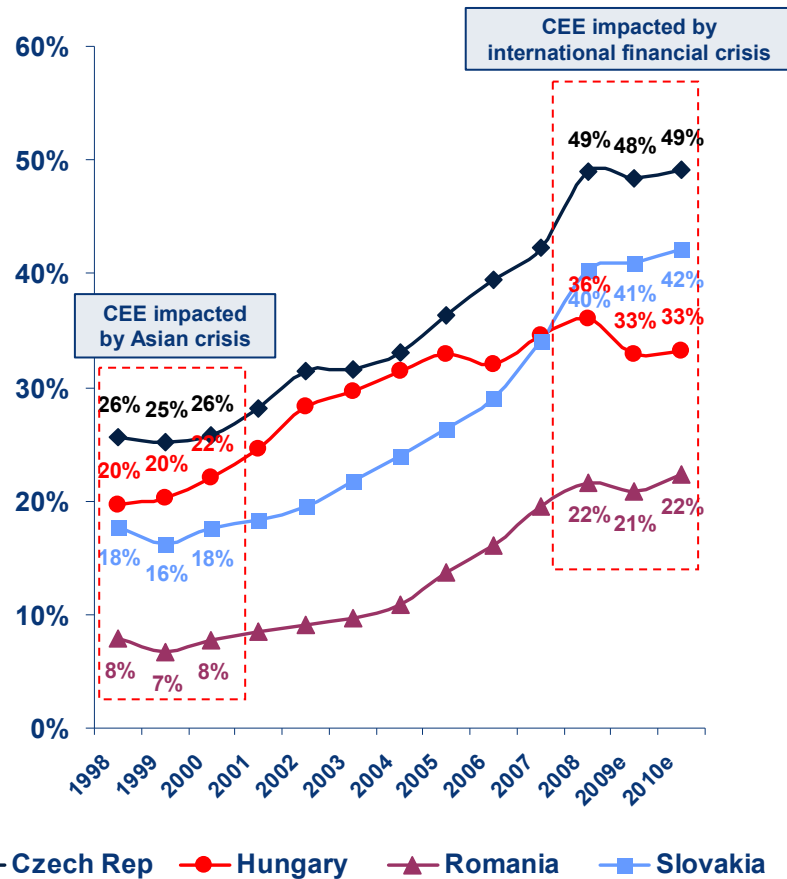
Current account balance outlook for CEE



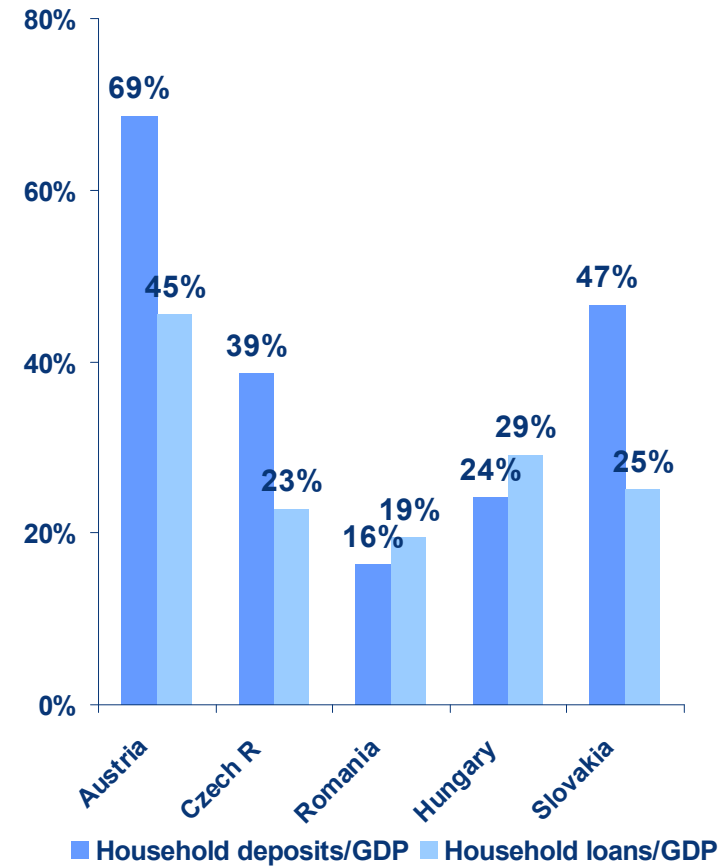
Source: Chart data based on Economist Intelligence Unit.

# Continued growth potential – CEE macroeconomic convergence is set to continue

CEE GDP/capita as % of EU-15 GDP/capita



Financial intermediation in CEE (2008)



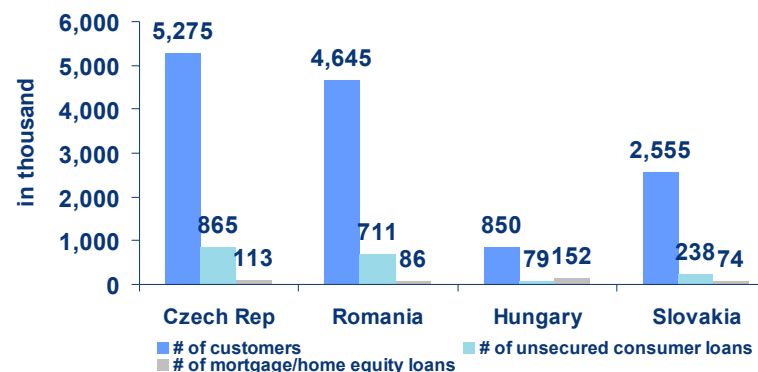
Source: Economist Intelligence Unit (left), Eurostat & national banks of the respective countries (right).

# Continued growth potential – Underpenetration creates demand for banking services

## – Product ownership of Erste Group’s CEE customer base remains low

- Only 10%-20% of existing customers have an unsecured consumer loan
- Only 2%-20% of existing clients have a mortgage or home equity loan
- Erste Group expects to benefit from cross-selling opportunities among the existing customer base

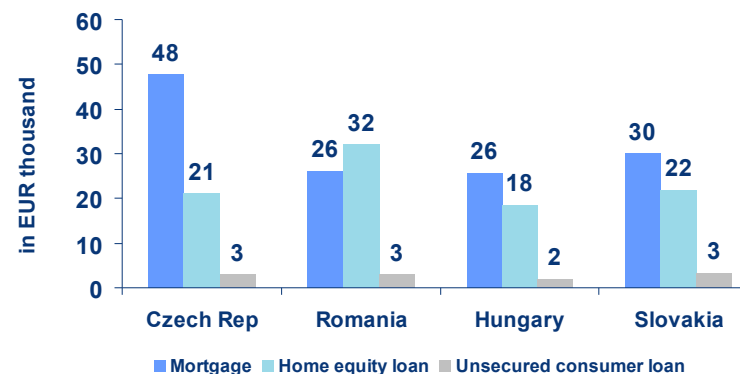
# of customers vs # of loan accounts (Aug 09)



## – Average loan sizes still small

- Size of mortgages is comparatively low as consequence of
  - Early stage of market development
  - Erste Group risk management approach
- Ability to grow lending volumes with existing customer base

Average loan sizes (Aug 09)



Source: Chart data based on Erste Group internal data (bank only).

# Agenda



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# 1-9 09 financial highlights – Executive summary



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- **Erste Group's strong performance continued with a record operating result of EUR 2,776.9m in the first nine months 2009**
  - Operating result increased by 26.6% compared to 1-9 08 – supported by a 7.8% increase in revenues and a substantial decline in administrative expenses (- 5.7%)
  - Best ever operating result of EUR 1,000.5m in Q3 09 was supported by a record operating performance in the core Retail & SME segment in Austria and CEE in Q3 09
  - Stable net interest margin at 2.98% per 1-9 09 (H1 09: 2.84%)
  - CIR improved to record low of 50.9%
  
- **Operating environment remained challenging despite first signs of recovery in 1-9 09**
  - Moderately growing loan demand both from retail and corporate customers in Austria and CEE
    - Total customer loans at Erste Group increased by 3.0% compared to YE 08
  - Improved NPL coverage<sup>1</sup>, as risk costs increased and formation of new NPLs decelerated
    - NPL ratio based on total customer loans increased to 6.3% in 1-9 09 (H1 09: 5.9%)
    - Quarterly increase of NPL ratio of 40bps in Q3 09 well below 70bps in Q2 09
    - Risk costs on average loans of 151bps in 1-9 09 (H1 09: 141bps)
    - NPL coverage based on total customer loans improved to 56.7% (H1 09: 55.2%)
  
- **Tier 1 ratio (credit risk) improved to 8.6% (YE 08: 7.2%)**
  - Tier 1 ratio (total risk) improved to 7.4% (YE 08: 6.2%)
  - Core tier 1 ratio (total risk) improved to 6.5% (YE 08: 5.2%)
  - Including EUR 1.76bn of participation capital issued in H1 09
  - Increase of RWA by 2.8% compared to YE 08

1) To improve transparency all ratios with regards to asset quality are referring to total customer loans. NPLs over total exposure increased to 3.8% in Q3 09 (after 3.6% at H1 09).

# Group income statement (IFRS) – Cost/income ratio improves to historic low



ERSTE GROUP

| in EUR million                                   | 1-9 09         | 1-9 08         | Change         | Q3 09          | Q2 09        | Q3 08        |
|--|----------------|----------------|----------------|----------------|--------------|--------------|
| Net interest income                              | 3,840.9        | 3,573.3        | 7.5%           | 1,335.6        | 1,279.3      | 1,267.3      |
| Risk provisions for loans and advances           | (1,449.2)      | (602.3)        | >100.0%        | (557.1)        | (521.9)      | (218.2)      |
| Net fee and commission income                    | 1,313.3        | 1,489.0        | (11.8%)        | 425.1          | 443.6        | 486.8        |
| Net trading result                               | 503.0          | 184.9          | >100.0%        | 159.9          | 199.3        | 0.5          |
| General administrative expenses                  | (2,880.3)      | (3,053.7)      | (5.7%)         | (920.1)        | (984.3)      | (1,052.1)    |
| Other operating result                           | (201.8)        | (141.0)        | (43.1%)        | (114.3)        | (47.6)       | (56.2)       |
| Result from financial assets - FV                | 56.4           | (114.9)        | na             | 68.5           | 32.0         | (35.0)       |
| Result from financial assets - AfS               | (106.4)        | (11.6)         | na             | (87.7)         | (7.9)        | (5.1)        |
| Result from financial assets - HtM               | 2.0            | (1.9)          | na             | 2.9            | (0.8)        | (2.0)        |
| <b>Pre-tax profit from continuing operations</b> | <b>1,077.9</b> | <b>1,321.8</b> | <b>(18.5%)</b> | <b>312.8</b>   | <b>391.7</b> | <b>386.0</b> |
| Taxes on income                                  | (269.6)        | (264.4)        | 2.0%           | (78.3)         | (107.3)      | (77.2)       |
| Post-tax profit from discontinuing ops           | 0.0            | 610.2          | na             | 0.0            | 0.0          | 600.1        |
| Minority interests                               | (88.2)         | (204.6)        | (56.9%)        | (6.5)          | (24.4)       | (82.5)       |
| <b>Net profit after minorities</b>               | <b>720.1</b>   | <b>1,463.0</b> | <b>(50.8%)</b> | <b>228.0</b>   | <b>260.0</b> | <b>826.4</b> |
| Operating income                                 | 5,657.2        | 5,247.2        | 7.8%           | 1,920.6        | 1,922.2      | 1,754.6      |
| Operating expenses                               | (2,880.3)      | (3,053.7)      | (5.7%)         | (920.1)        | (984.3)      | (1,052.1)    |
| <b>Operating result</b>                          | <b>2,776.9</b> | <b>2,193.5</b> | <b>26.6%</b>   | <b>1,000.5</b> | <b>937.9</b> | <b>702.5</b> |
| Cost/income ratio                                | 50.9%          | 58.2%          |                | 47.9%          | 51.2%        | 60.0%        |
| Return on equity                                 | 10.3%          | 21.7%          |                | 8.8%           | 11.4%        | 34.2%        |

# Group balance sheet (IFRS) – Moderate loan growth continues



ERSTE GROUP

| in EUR million                            | Sep 09         | Dec 08         | Change      |
|---|----------------|----------------|-------------|
| Cash and balances with central banks      | 5,458          | 7,556          | (27.8%)     |
| Loans and advances to credit institutions | 13,938         | 14,344         | (2.8%)      |
| Loans and advances to customers           | 129,954        | 126,185        | 3.0%        |
| Risk provisions for loans and advances    | (4,713)        | (3,783)        | 24.6%       |
| Trading assets                            | 8,389          | 7,534          | 11.3%       |
| Financial assets - FV                     | 3,752          | 4,058          | (7.5%)      |
| Financial assets - AfS                    | 16,187         | 16,033         | 1.0%        |
| Financial assets - HtM                    | 14,163         | 14,145         | 0.1%        |
| At-equity holdings                        | 260            | 260            | 0.0%        |
| Intangible assets                         | 4,975          | 4,805          | 3.5%        |
| Property and equipment                    | 2,411          | 2,386          | 1.0%        |
| Tax assets                                | 630            | 859            | (26.7%)     |
| Assets held for sale                      | 31             | 526            | (94.1%)     |
| Other assets                              | 8,118          | 6,533          | 24.3%       |
| <b>Total assets</b>                       | <b>203,553</b> | <b>201,441</b> | <b>1.0%</b> |
| <b>Risk-weighted assets<sup>1</sup></b>   | <b>106,564</b> | <b>103,663</b> | <b>2.8%</b> |

1) RWA for credit risks. Total RWA (credit, market and operational risks) stood at EUR 123.2 bn in Sep 09 (Dec 08: EUR 120.0 bn).



# Group balance sheet (IFRS) – Customer deposits continue to outgrow loans



ERSTE GROUP

| in EUR million                                   | Sep 09         | Dec 08         | Change      |
|--|----------------|----------------|-------------|
| Deposits by banks                                | 26,920         | 34,672         | (22.4%)     |
| Customer deposits                                | 113,317        | 109,305        | 3.7%        |
| Debt securities in issue                         | 30,431         | 30,483         | (0.2%)      |
| Trading liabilities                              | 3,175          | 2,519          | 26.0%       |
| Other provisions                                 | 1,670          | 1,620          | 3.1%        |
| Tax liabilities                                  | 459            | 389            | 18.0%       |
| Liabilities associated with assets held for sale | 0              | 343            | na          |
| Other liabilities                                | 7,314          | 4,968          | 47.2%       |
| Subordinated liabilities                         | 6,184          | 6,047          | 2.3%        |
| Total equity                                     | 14,083         | 11,095         | 26.9%       |
| Shareholders' equity                             | 10,667         | 8,079          | 32.0%       |
| Minority interests                               | 3,416          | 3,016          | 13.3%       |
| <b>Total liabilities and equity</b>              | <b>203,553</b> | <b>201,441</b> | <b>1.0%</b> |
| <b>Tier 1 ratio (credit risk)</b>                | <b>8.6%</b>    | <b>7.2%</b>    |             |
| <b>Solvency ratio</b>                            | <b>10.9%</b>   | <b>9.8%</b>    |             |

# Agenda

- Transaction overview & rationale
- Erste Group's strengths & strategy
- Summary financial results (1-9 2009)
- **Conclusion**

# Conclusion –

## Improved capital ratio allows to leverage the franchise

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### – **Our key strengths...**

- Leading market positions in retail and SME banking
- Proven and resilient business model
- Well-known brand
- Continued growth potential

### – **... and our strategic focus...**

- Business focus on retail and SME banking
- Geographic focus on Austria and CEE
- Efficiency focus

### – **... result in attractive profile ...**

- Stability of business model demonstrated by performance throughout crisis
- Largely deposit-funded
- Earnings generation – despite currently elevated provisioning levels during the crisis

### – **... which will be supported by further strengthened capital ratio**