

Erste Group – Strong operating performance sustained

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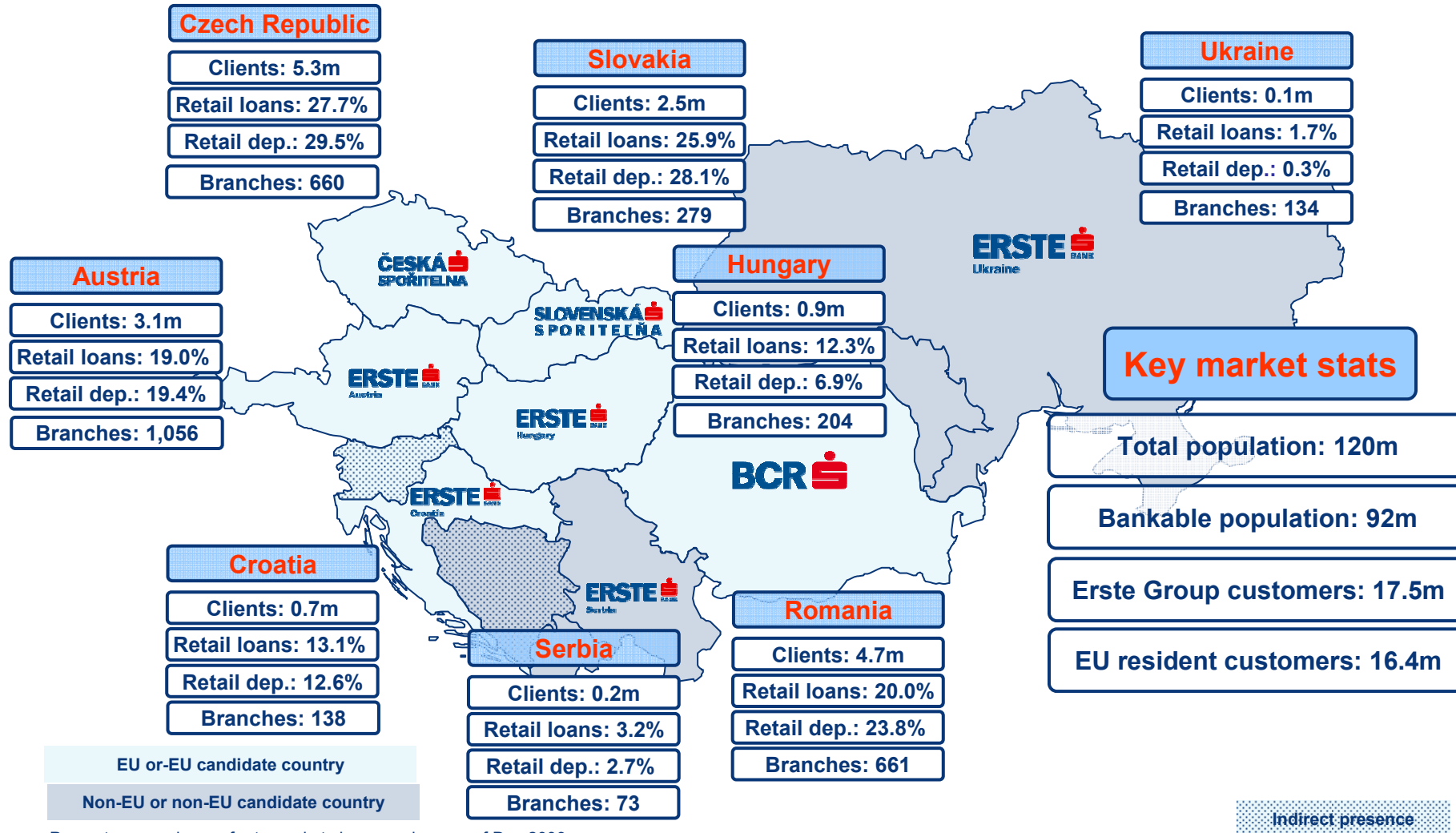
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Presentation topics

- **Overview of key ratios and macro trends**
- Summary and FY 2009 highlights
- FY 2009 key topics and outlook
- Appendix

Erste Group in the region – Overview of key facts



Percentage numbers refer to market shares and are as of Dec 2009

Erste Group in the region – CEE economies expected to recover in 2010



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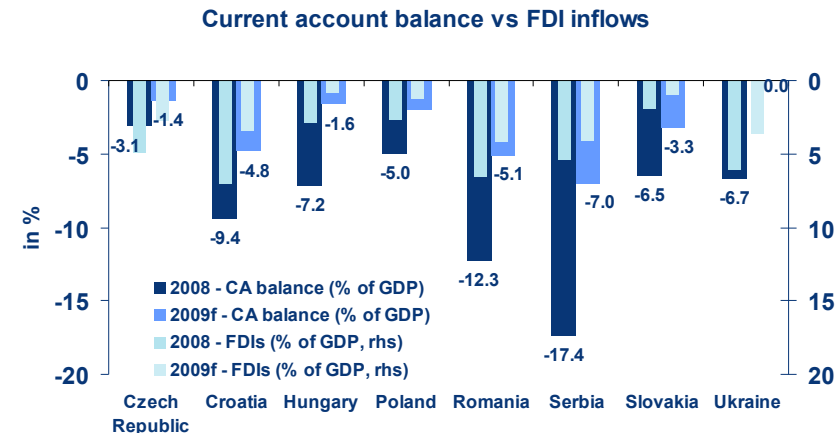
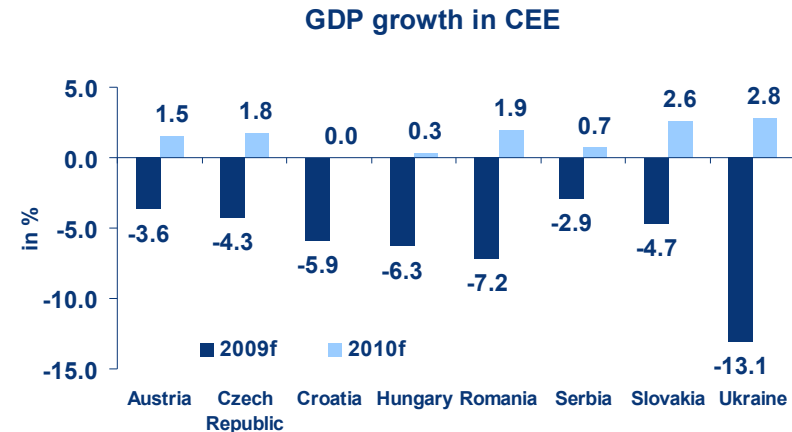
– As CEE economies emerge from recession, growth is set to return in 2010

- Slower recovery expected in Croatia, Hungary and Serbia
- Growth rates in other countries to remain around 2%, but ahead of Eurozone (2010e: 0.7%)

– Structural indicators favour the region

- Attractive tax regimes
- Labour market flexibility and productivity

– Current account balances have come down substantially and coverage by FDI improved



Source: Erste Group Research

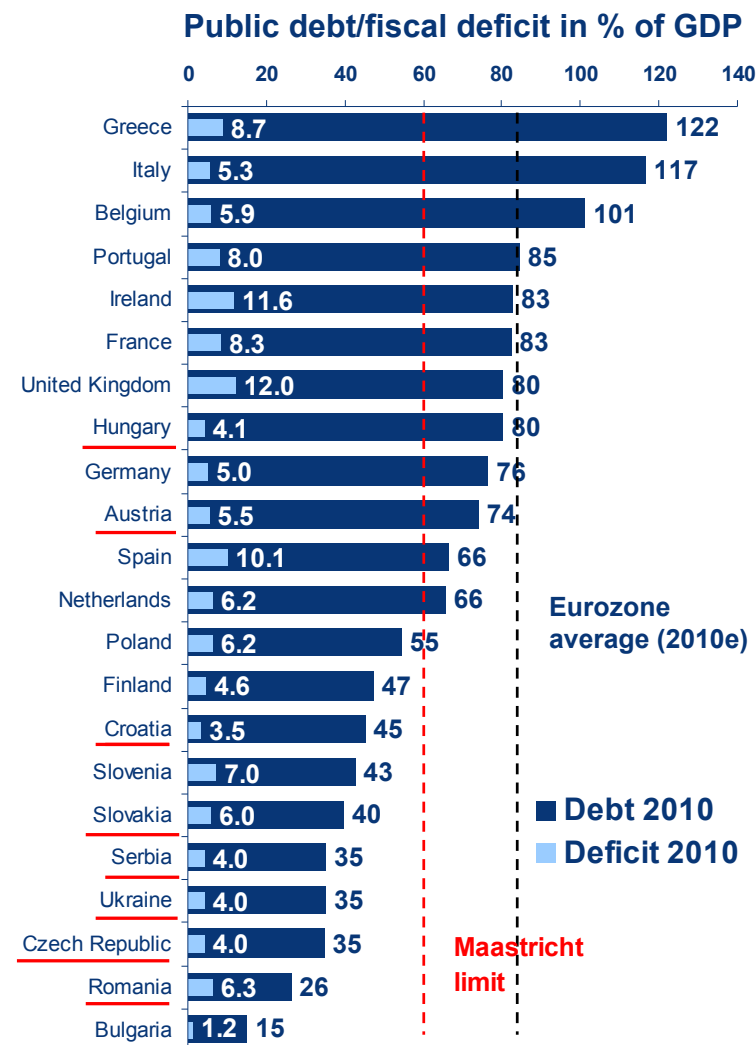
Erste Group in the region – Attractive fiscal environment in CEE

– Erste Group’s markets characterised by lower levels of public debt

- Of these Hungary has the highest public debt to GDP ratio (80%), yet is still below the Eurozone average
- Only Hungary and Austria are expected to be above the Maastricht threshold of 60% by end-2010
- Other countries to remain significantly below the 60% threshold

– CEE countries have already started to tackle fiscal deficits

- Erste Group’s core markets are at the lower end of the range
- Deficits will be below the Eurozone average (6.9% of GDP) in all countries



Source: European Commission, Erste Group Research

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FY 2009 financial highlights –

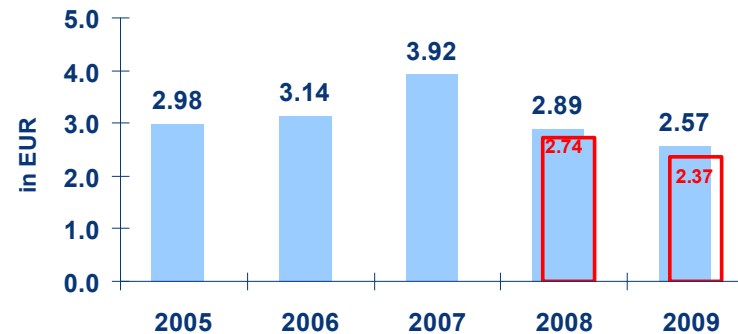
Cost/income ratio reached record low in 2009



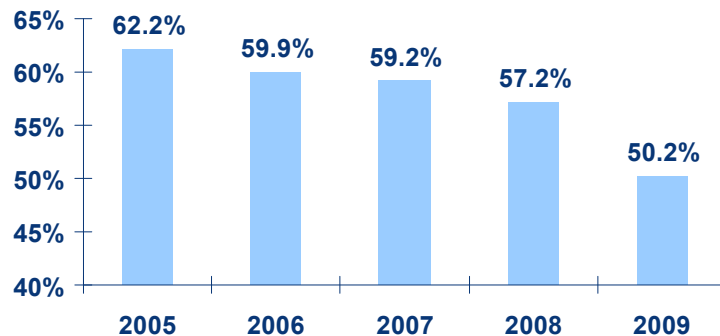
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- **Net profit improved by 5.1% to EUR 903.4m**
 - Decline in EPS due to 60m new shares issued in November capital raising
- **NIM on interest bearing assets at highest ever level of 3.0% at FY 09 (FY 08: 2.8%)**
 - Based on stable to improving margins both in CEE (up to 4.7%) and Austria (up to 2.0%)
- **Cash ROE reached 9.7% on substantially higher capital**
- **CIR improved to record low of 50.2%**
- **Dividend of EUR 0.65 will be proposed at AGM**

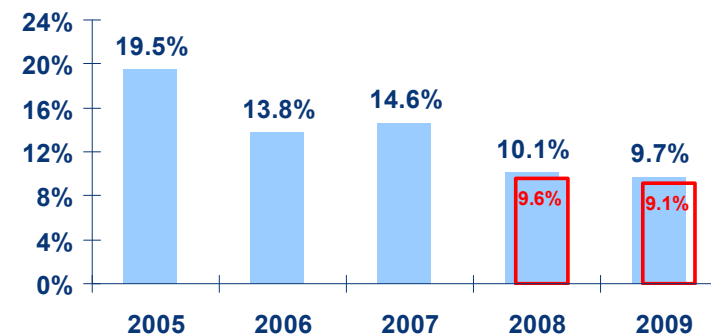
Cash earnings per share *



Cost/income ratio



Cash return on equity *



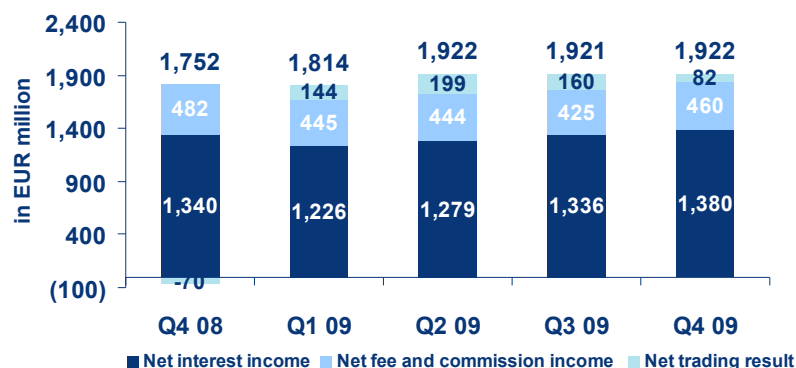
*) Red bars denote reported EPS and ROE respectively.

Cash EPS and EPS calculated on average number of shares: 322.2m (ex treasury shares and shares owned by savings banks with EB participations: 4.60m), adjusted for non cash items amounting to EUR 67.2m in FY 09 (linear depreciation of customer relationship value after tax and minorities) and dividend on the participation capital (EUR 141.1m).

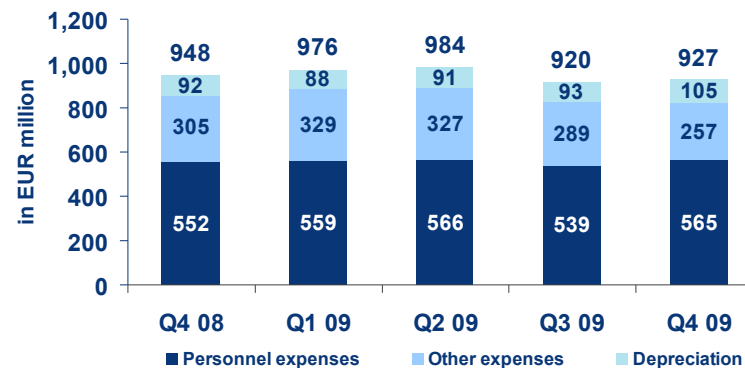
FY 2009 financial highlights –

Revenues stable at high levels while costs declined

Operating income per quarter



Operating expenses per quarter



– Operating income improved by 8.3% yoy and was stable qoq

- Resilient NII (+6.3% yoy / +3.3% qoq) despite low volume growth. Successful re-pricing of assets and liabilities kept NIM at higher levels.
- Fee income was down 10.1% yoy but improved in Q4 09 (+ 8.1% qoq) mainly on higher income from insurance fees.
- Excellent trading result in 2009 (+410.1% yoy) on weak 2008 numbers, despite a substantial decline in Q4 09 (-48.7% qoq).

– Operating expenses declined by 4.9% in FY 2009 increasing marginally by 0.8% qoq

- Q4 09 costs only marginally higher than excellent previous quarter.
- Successful cost control resulted in a 10.9% decrease in other administrative expenses qoq
- Headcount declined by 4.1% reaching 50,488 at year-end and supporting future efficiency improvements

1) Operating result = Operating income (NII + net fee & commission income + net trading result) minus general administrative expenses

FY 2009 financial highlights – Executive summary



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- **Erste Group's operating result was up by 25.8% to EUR 3,771.4m in 2009**
 - Supported by a strong Q4 09 performance sustaining that of the first nine month
- **Net profit improved by 5.1% to EUR 903.4m for the full year**
 - Q4 09 net profit (EUR 183.3m) partly influenced by non-operating items
- **Credit risk was the main challenge in 2009**
 - Risk costs increased to EUR 2,056.6m in FY 2009 (up 9% qoq) resulting in improved NPL coverage¹ as formation of new NPLs continued to decelerate
 - NPL coverage based on total customer loans continued to improve to 57.2% (Q3 09: 56.7%)
 - Risk costs on average loans at 161 bps in FY 2009 (Q3 09: 151bps)
 - NPL ratio based on total customer loans increased to 6.6% in FY 09 (Q3 09: 6.3%)
 - NPL ratio continued to improve sequentially, up by 30bps qoq in Q4 09 (Q3 09: +40bps and Q2 09: +70bps)
- **Total equity (IFRS) increased by EUR 5bn (+45.3%) in 2009**
 - Driven by successful capital increase, issuance of participation capital, profitable FY 2009 and moderate increase of RWA resulting in:
 - Tier 1 ratio (credit risk) of 10.8% at FY 2009 (FY 08: 7.2%)
 - Tier 1 ratio (total risk) of 9.2% at FY 2009 (FY 08: 6.2%)
 - Core tier 1 ratio (total risk) of 8.3% at FY 2009 (YE 08: 5.2%)
 - Total RWA (including market and ops risk) increased by 3.3% to 123.9bn compared to YE 08
 - Moderate loan growth of 2.3% yoy; lower impact of recalibration as well as RWA optimisation added to lower than expected increase

1) To improve transparency all ratios with regards to asset quality are referring to total customer loans. To allow comparability with old disclosure all information relating to total asset quality are still available in the appendix. NPLs on total exposure increased to 4.1% in FY 09 (Q3 09: 3.8% / FY 08: 2.9%)

Presentation topics

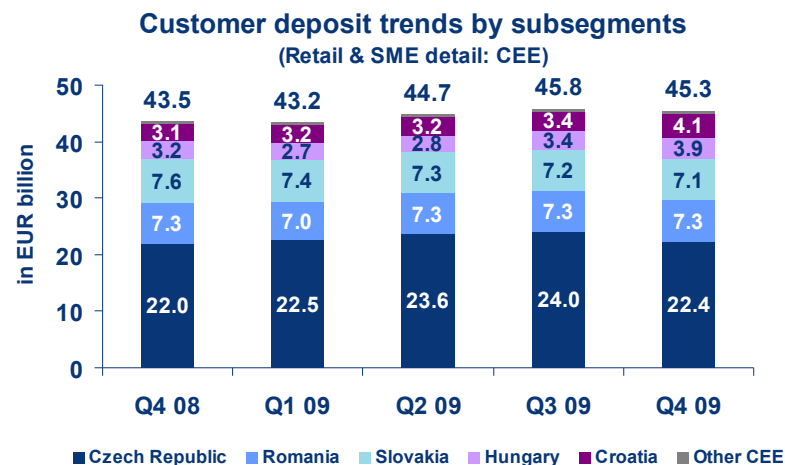
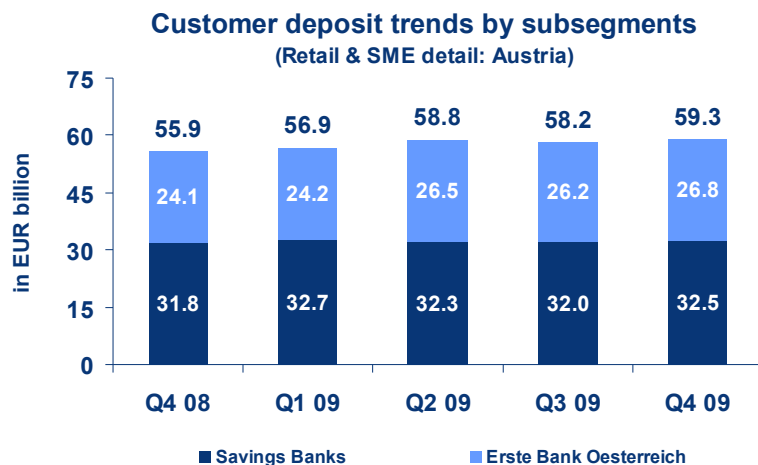
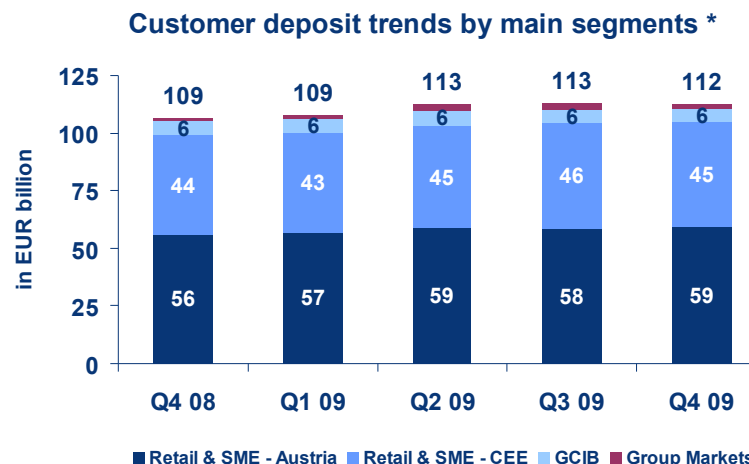
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Erste Group's customer deposits – Quarterly deposit trends by segment



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- Total customer deposits increased by 2.5% in 2009
- Retail & SME deposits increased by 5.3% yoy
 - Strong inflows in Austria (+ 6.2% yoy)
 - Deposits increased in almost all subsidiaries
- Corporate deposits increased by 3.1% in 2009
 - Supported by focus on core customer relationships
- Loan/deposit ratio was stable at 115.3%



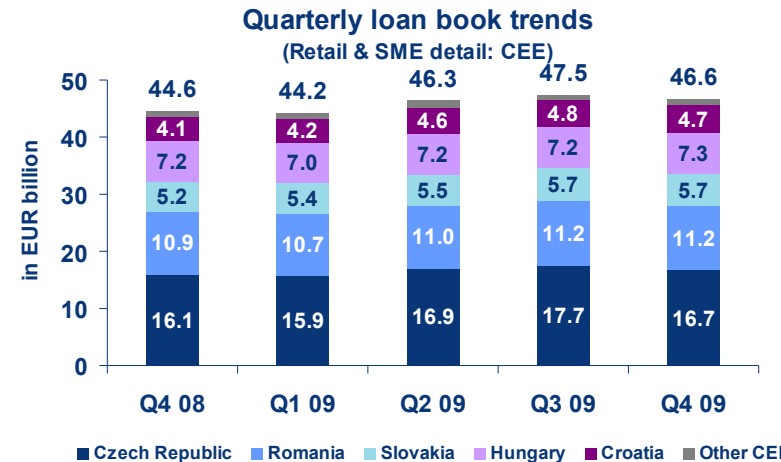
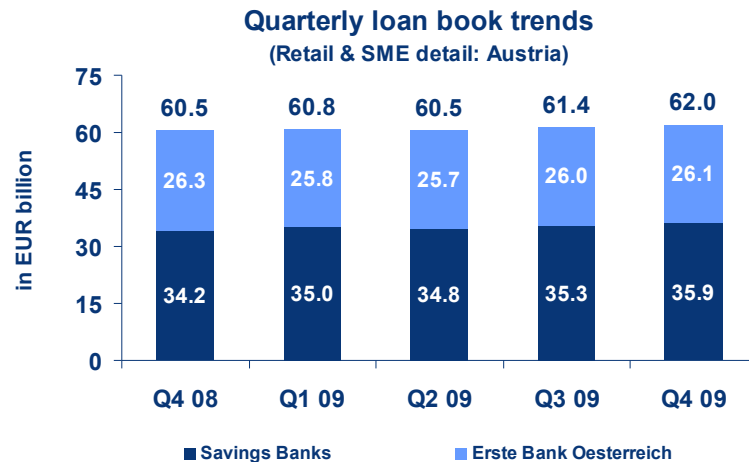
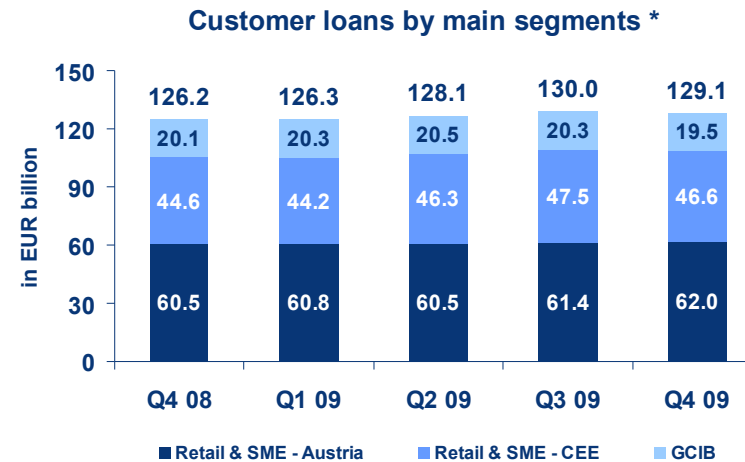
*) Segments do not exactly add up to total due to consolidation effects.

Erste Group's loan book – Quarterly loan book trends by segment



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- **Customer loans increased by 2.3% in 2009**
 - In line with continued slow demand since Q4 08
 - Growth rates were also impacted by significant volatility of most CEE currencies
- **Loans in core Retail & SME increased by 3.3%**
 - Loan book grew by 2.4% in Austria and 4.4% in CEE
- **Corporate loan stock declined by 3.3% yoy**
 - Although selected opportunities were taken, loan stock declined due to redemptions and lower demand



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

Risk profile benefits from business mix – Q3 09 trends sustained: deceleration of new NPLs



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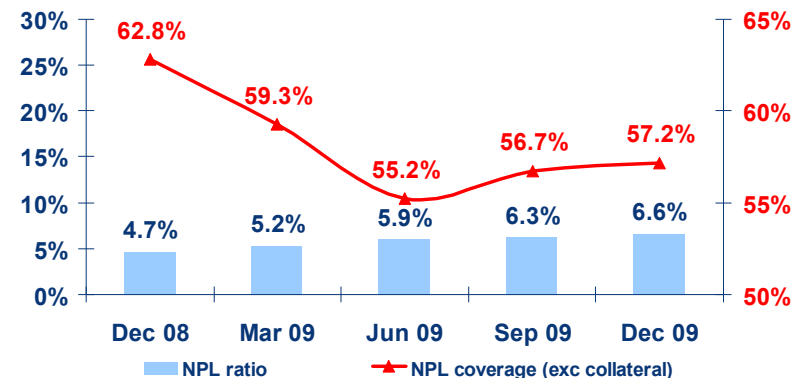
– Continued slowdown in NPL growth in Q4 09

- NPL ratio increased from 4.7% (FY 08) to 6.6% (FY 09), but rates levelled off from +120bps in H1 09 to +70bps in H2 09.
- New NPL formation continued to be lower in retail compared to the corporate business

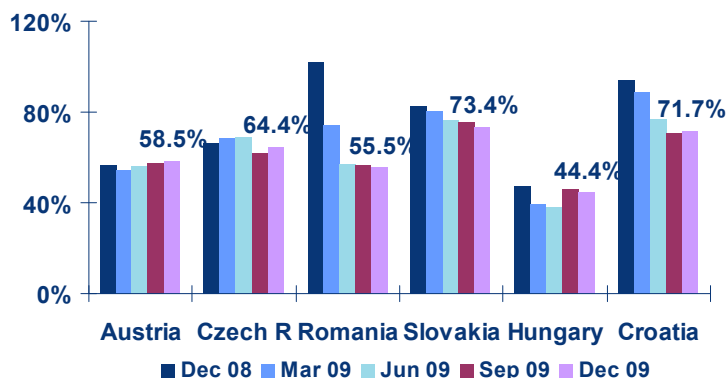
– NPL coverage further improved in Q4 09

- NPL coverage improved to 57.2% compared to H1 09 (55.2%)
- NPL coverage in Austria improved yoy. Coverage in CEE decreased in H109 but stabilised in H209

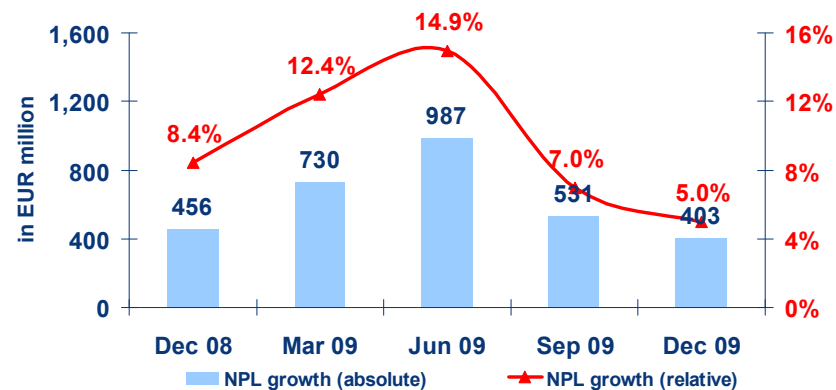
Erste Group: NPL ratio vs NPL coverage



NPL coverage ratios in key markets



Quarterly NPL growth (absolute/relative)



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

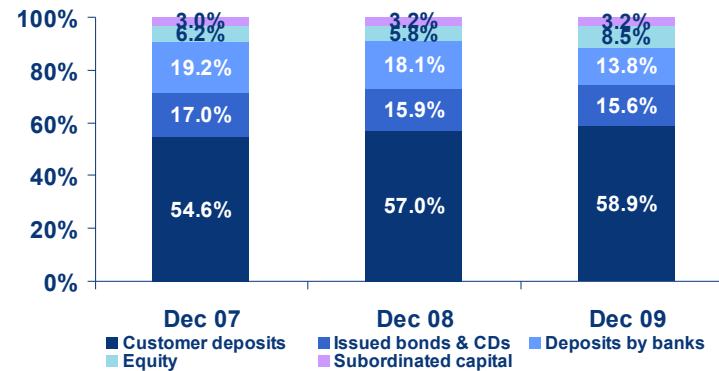
Erste Group's funding profile – Retail funding providing stable support for future growth



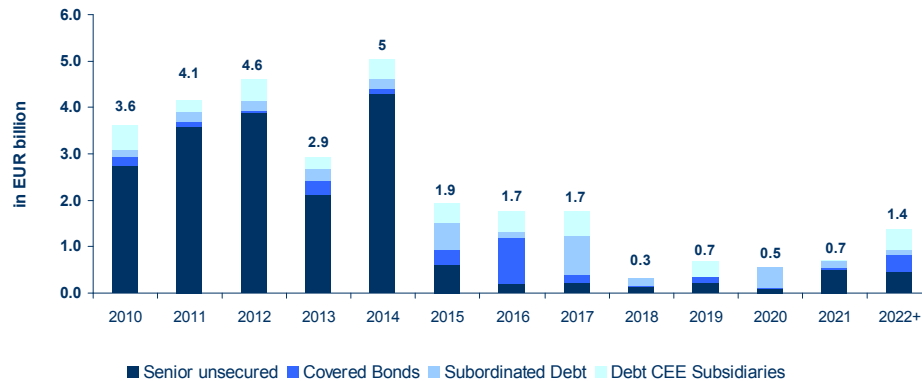
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- **Customer deposits are the main source of funding**
 - Providing a solid funding base in all local currencies
 - Increased share of customer deposits during crisis
- **Short-term funding needs well covered**
 - Declining share of short-term funding
 - Collateral capacity exceeds funding needs
- **Limited long-term funding required**
 - Total funding needs for 2010 to be EUR 3-4bn
 - Funding will focus on covered bonds and retail placements
 - Further focus on extension of maturity profile

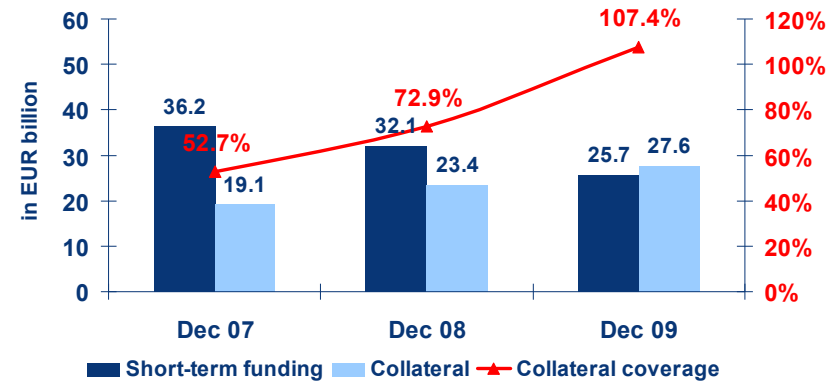
Evolution of Erste Group's funding mix



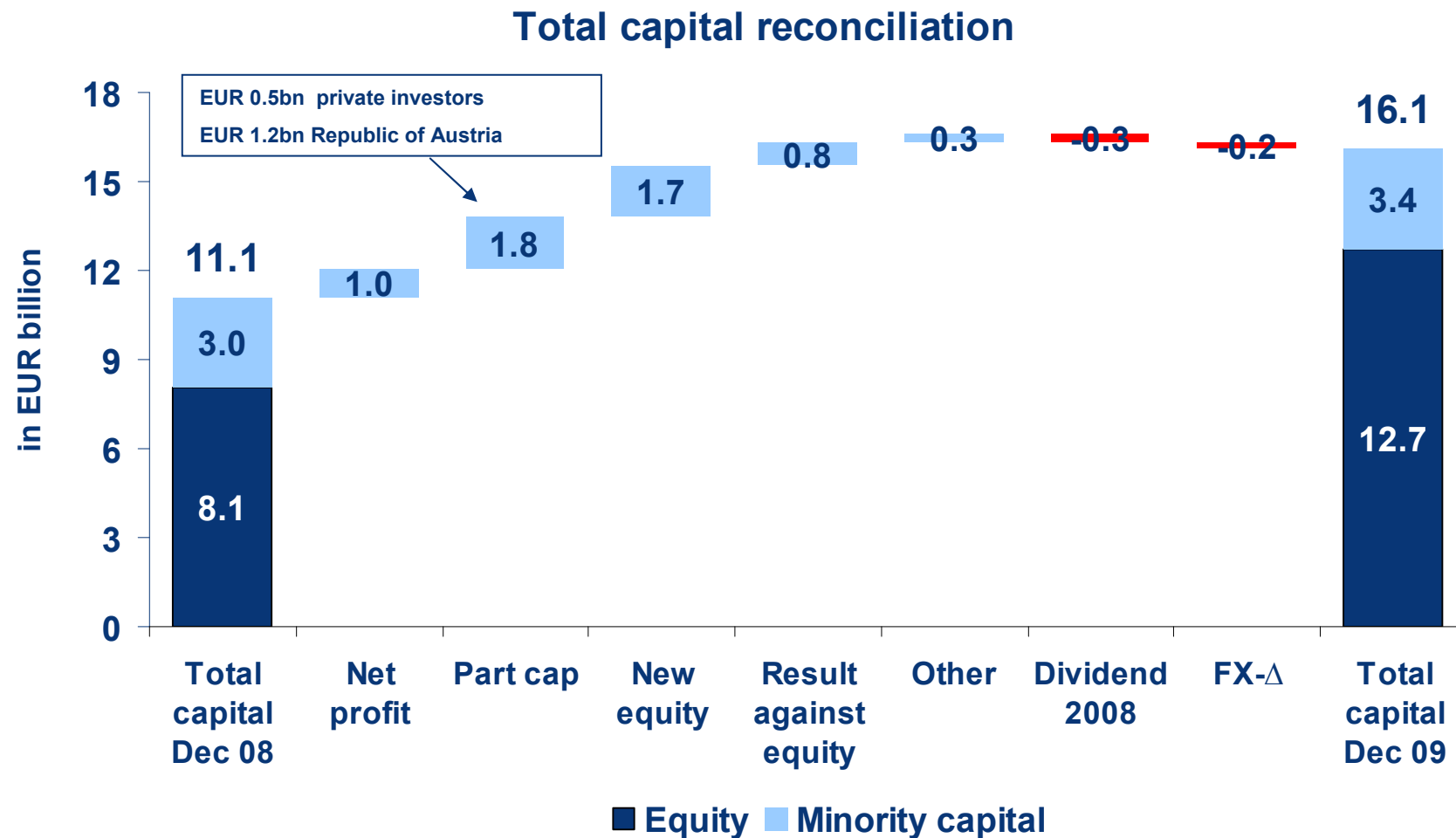
Redemption profile of Erste Group



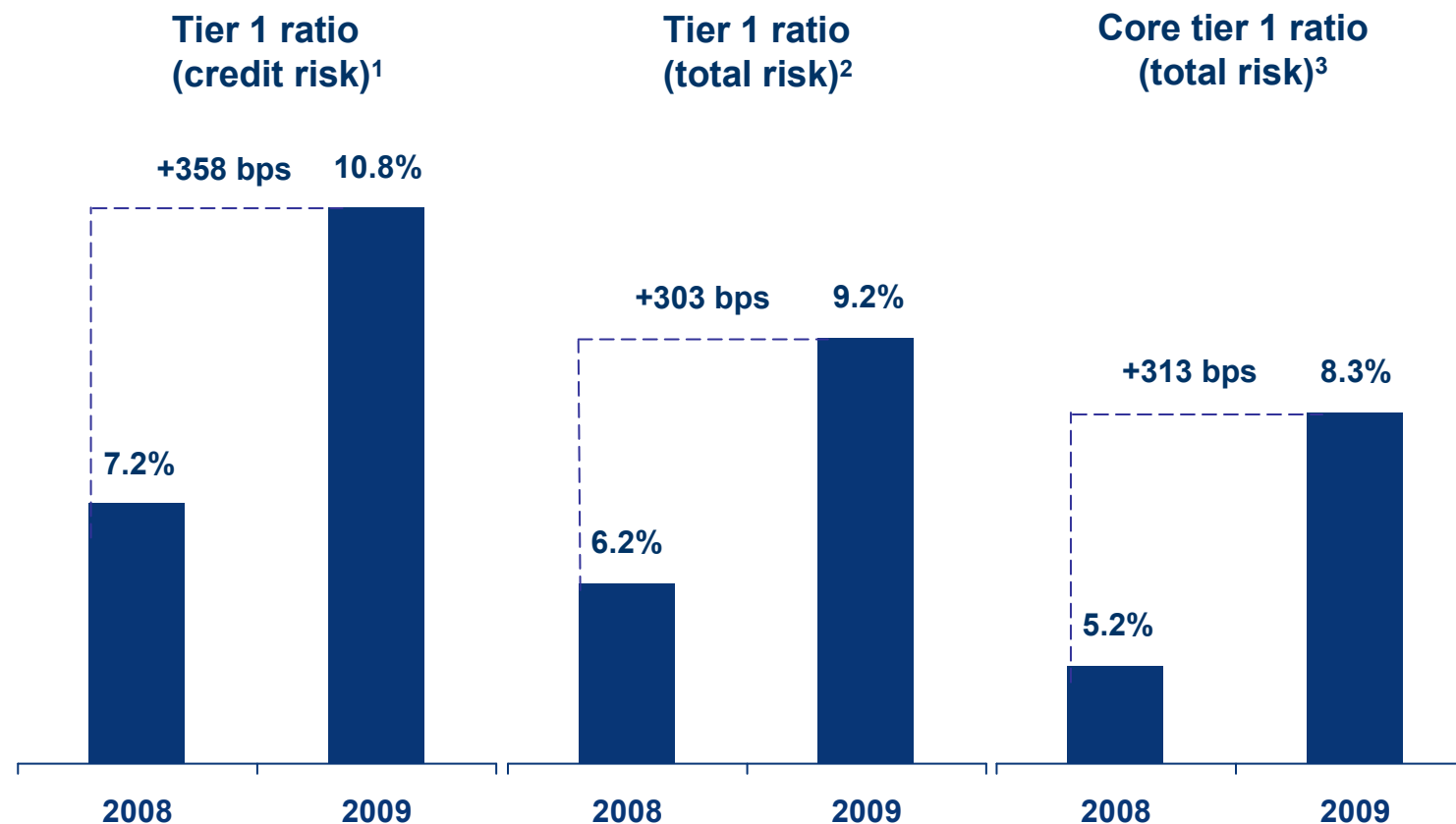
Short-term funding vs collateral coverage



Erste Group's capital position – IFRS total equity increased by EUR 5bn in 2009



Erste Group's capital position – Substantially improved capital ratios



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).

Outlook –

Cautiously optimistic about 2010

– **Market environment continues to improve gradually**

- Erste Group's CEE markets will show slightly better growth than the rest of Europe
- Situation remains fragile, particularly in IMF-supported countries
- But momentum for recovery is substantially better than in the rest of Europe, thanks to:
 - Lower debt/GDP ratios
 - Lower taxes
 - Flexible labour markets
 - Higher growth potential
 - Availability of EU structural funds
 - Better investment climate

– **Erste Group's business model is resilient in a crisis environment**

- Strong operating performance throughout 2009 bodes well for the future...
- ... and should provide continued strong risk absorption capacity
- Asset quality is expected to improve slowly, but steadily...
- ... while risk costs will likely remain elevated for the better part of 2010

– **“Basel 3” remains a big question mark**

- The political will to incentivise deposit taking and lending to the real economy is not adequately reflected in the present regulatory proposals
- Conclusion of “Basel 3” regime in 2010 therefore seems unlikely
- Uncertainty will remain but more favourable conditions for retail banking in respect of capital and liquidity will very likely emerge

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* Preliminary, unaudited, consolidated IFRS results for 2009

Group income statement (IFRS) – Operating result close to record Q3 09 levels



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in EUR million	2009	2008	Change	Q4 09	Q3 09	Q4 08
Net interest income	5,220.9	4,913.1	6.3%	1,380.0	1,335.6	1,339.8
Risk provisions for loans and advances	(2,056.6)	(1,071.4)	92.0%	(607.4)	(557.1)	(469.1)
Net fee and commission income	1,772.8	1,971.1	(10.1%)	459.5	425.1	482.1
Net trading result	585.1	114.7	>100.0%	82.1	159.9	(70.2)
General administrative expenses	(3,807.4)	(4,001.9)	(4.9%)	(927.1)	(920.1)	(948.2)
Other operating result	(355.8)	(778.8)	54.3%	(154.0)	(114.3)	(637.8)
Result from financial assets - FV	113.2	(295.6)	na	56.8	68.5	(180.7)
Result from financial assets - AfS	(204.1)	(213.8)	4.5%	(97.7)	(87.7)	(202.2)
Result from financial assets - HtM	(6.8)	(61.2)	88.9%	(8.8)	2.9	(59.3)
Pre-tax profit from continuing operations	1,261.3	576.2	>100.0%	183.4	312.8	(745.6)
Taxes on income	(284.7)	(177.3)	60.6%	(15.1)	(78.3)	87.1
Post-tax profit from discontinuing operations	0.0	639.7	na	0.0	0.0	29.5
Net profit for the period	976.6	1,038.6	(6.0%)	168.3	234.5	(629.0)
Attributable to non-controlling interests	73.2	179.0	(59.1%)	(15.0)	6.5	(25.6)
Attributable to owners of the parent	903.4	859.6	5.1%	183.3	228.0	(603.4)
Operating income	7,578.8	6,998.9	8.3%	1,921.6	1,920.6	1,751.7
Operating expenses	(3,807.4)	(4,001.9)	(4.9%)	(927.1)	(920.1)	(948.2)
Operating result	3,771.4	2,997.0	25.8%	994.5	1,000.5	803.5
Cost/income ratio	50.2%	57.2%		48.2%	47.9%	54.1%
Return on equity	9.1%	9.6%		6.2%	8.8%	na

Group balance sheet (IFRS) – Total assets unchanged yoy



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in EUR million	Dec 09	Dec 08	Change
Cash and balances with central banks	5,996	7,556	(20.6%)
Loans and advances to credit institutions	13,140	14,344	(8.4%)
Loans and advances to customers	129,134	126,185	2.3%
Risk provisions for loans and advances	(4,954)	(3,783)	31.0%
Trading assets	8,598	7,534	14.1%
Financial assets - FV	2,997	4,058	(26.1%)
Financial assets - AfS	16,390	16,033	2.2%
Financial assets - HtM	14,899	14,145	5.3%
At-equity holdings	241	260	(7.3%)
Intangible assets	4,867	4,805	1.3%
Property and equipment	2,344	2,386	(1.8%)
Tax assets	577	859	(32.8%)
Assets held for sale	58	526	(89.0%)
Other assets	7,423	6,533	13.6%
Total assets	201,710	201,441	0.1%
Risk-weighted assets¹	106,383	103,663	2.6%

1) RWA assets for total risk (including market and operational risk) at 123.9bn in FY 09 (Dec 08: 120.0bn)

Group balance sheet (IFRS) –

Loan to deposit ratio was stable at 115.3% in 2009



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in EUR million	Dec 09	Dec 08	Change
Deposits by banks	26,295	34,672	(24.2%)
Customer deposits	112,042	109,305	2.5%
Debt securities in issue	29,612	30,483	(2.9%)
Trading liabilities	3,157	2,519	25.3%
Other provisions	1,670	1,620	3.1%
Tax liabilities	361	389	(7.2%)
Liabilities associated with assets held for sale	0	343	na
Other liabilities	6,302	4,968	26.9%
Subordinated liabilities	6,148	6,047	1.7%
Total equity	16,123	11,095	45.3%
Attributable to non-controlling interests	3,414	3,016	13.2%
Attributable to owners of the parent	12,709	8,079	57.3%
Total liabilities and equity	201,710	201,441	0.1%
Tier 1 ratio (credit risk)	10.8%	7.2%	
Solvency ratio	12.7%	9.8%	

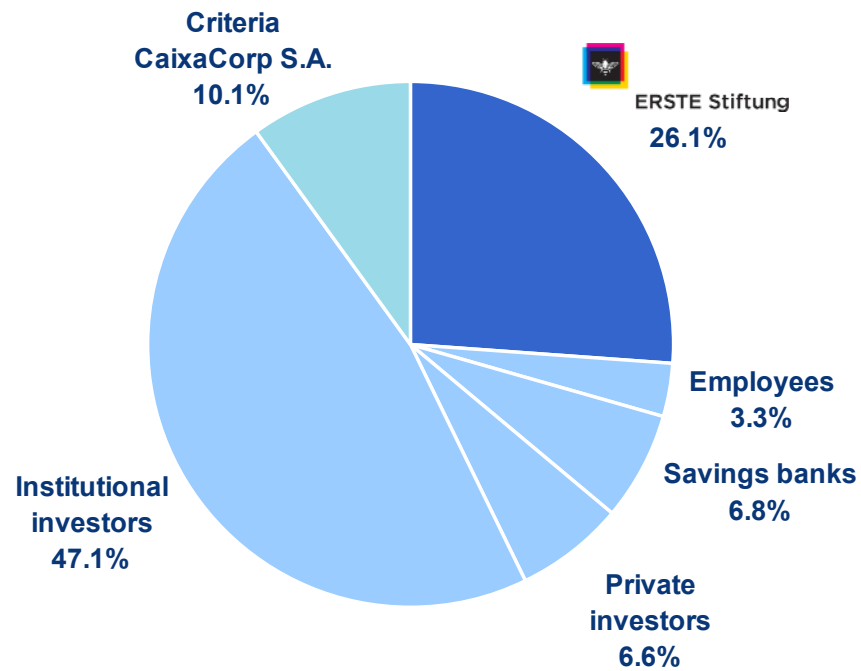
Shareholder structure –

Total number of shares: 377,925,086

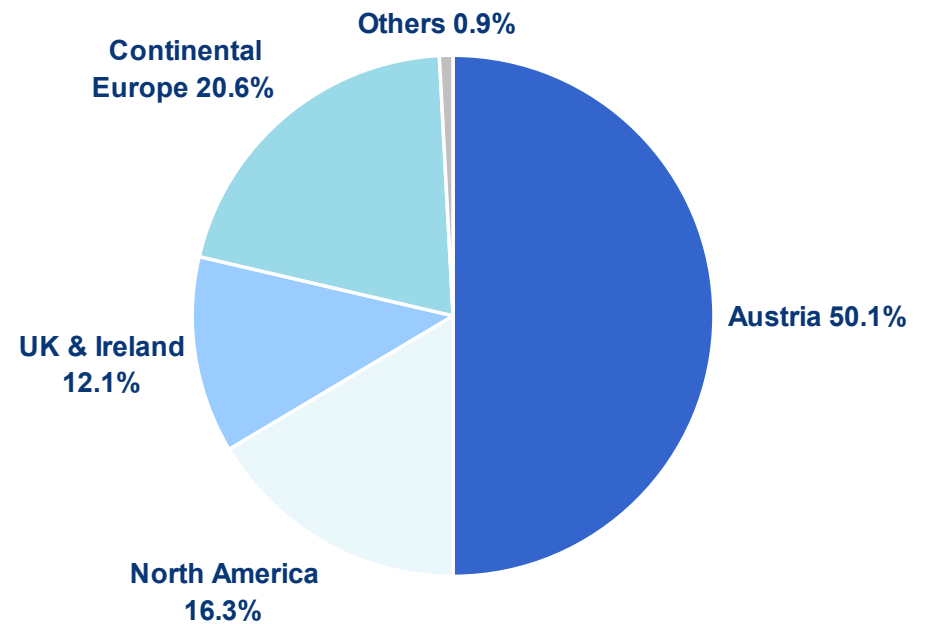


ERSTE GROUP

By investor



By region



updated November 2009

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