

Morgan Stanley – European Financials Conference

23 March – 25 March 2010, London

**Erste Group –
Coming out of the crisis stronger**

Andreas Treichl, CEO

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.

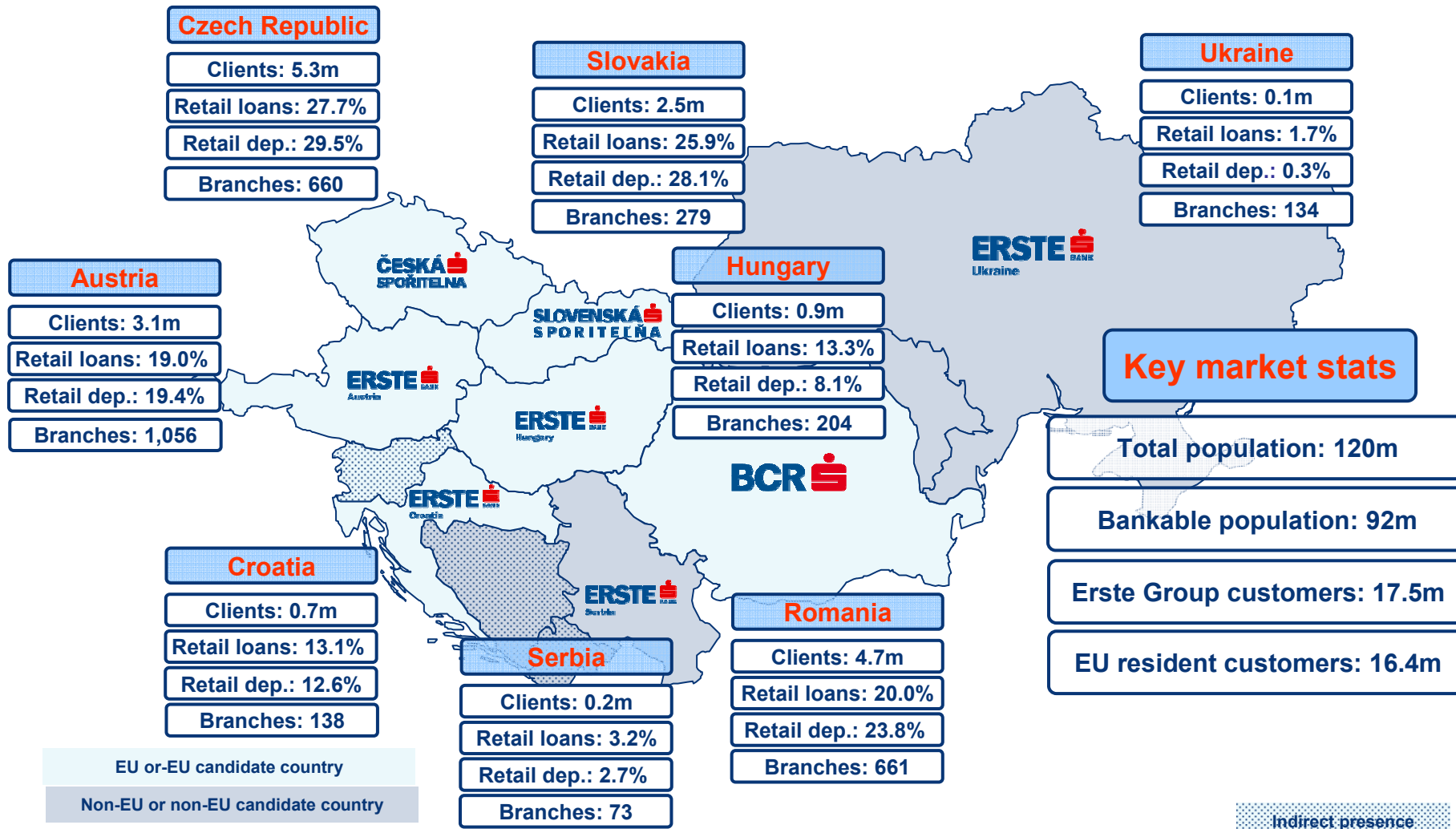
Presentation topics



ERSTE GROUP

- **Erste Group in the region**
- Strategy proven successful before and through the crises
- Conclusion

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

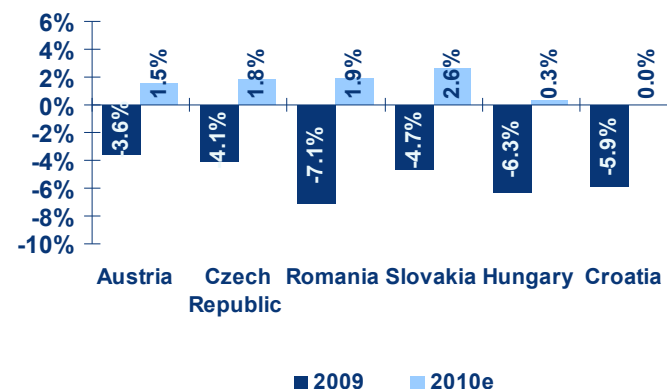


ERSTE GROUP

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

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

Real GDP growth outlook for CEE



– Structural indicators favour the region

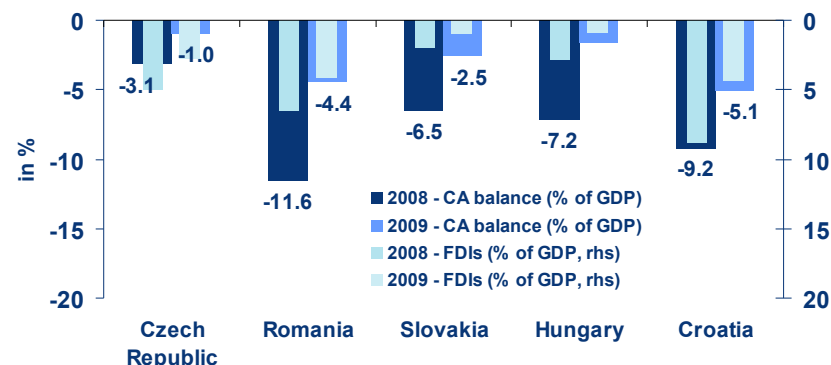
- Attractive tax regimes
- Labour market flexibility and productivity

– External support aid currency stability and supports economies

- Preventive packages provided by IMF, EU and other IFIs to Hungary, Romania and Serbia as well as Ukraine

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

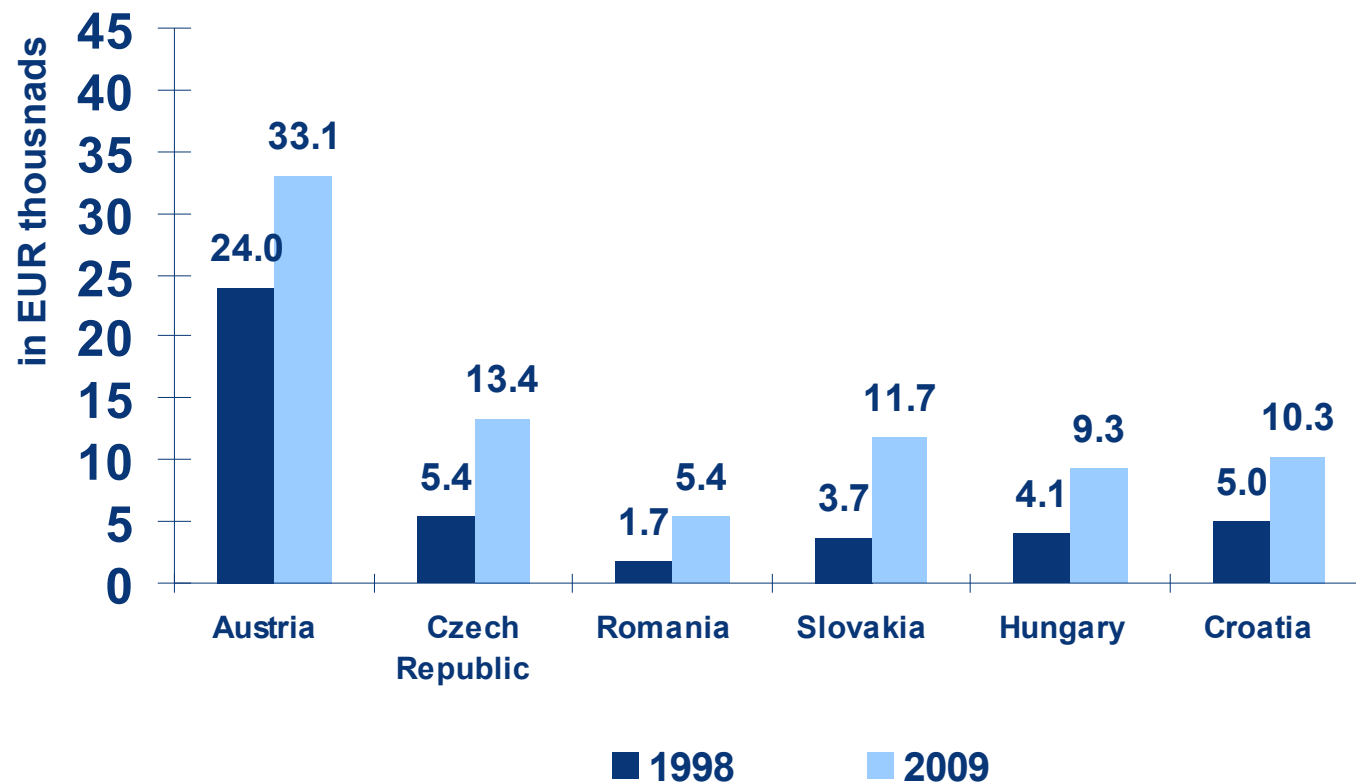
Current account balance vs FDI inflows



Source: Erste Group Research

Erste Group in the region – Long-term convergence continues

GDP per capita



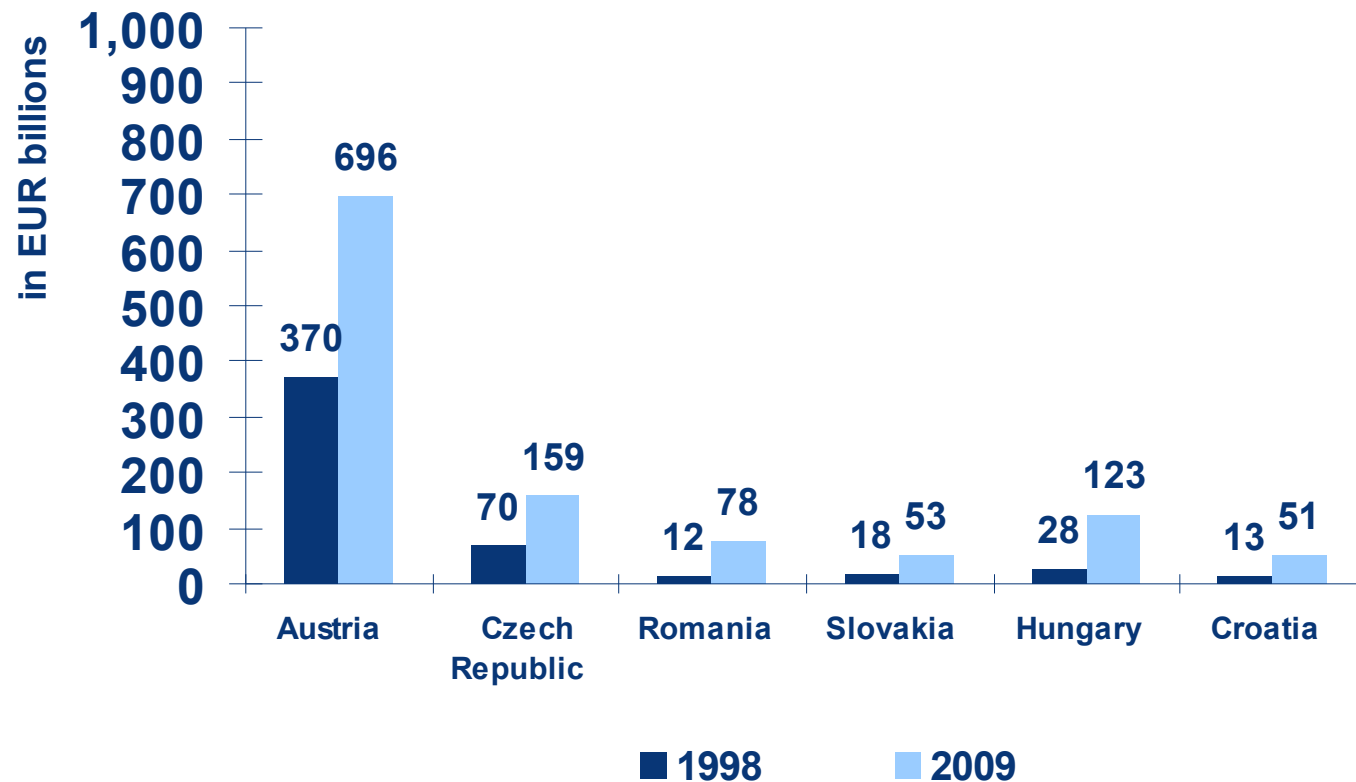
Erste Group in the region –

Despite strong expansion, CEE markets are still small



ERSTE GROUP

Banking markets - Total assets



Erste Group in the region – Retail growth rates down from high levels

– **Retail banking performance in underpenetrated markets is not fully aligned with GDP trends**

- Mortgage loans are provided to customers with above average wages

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

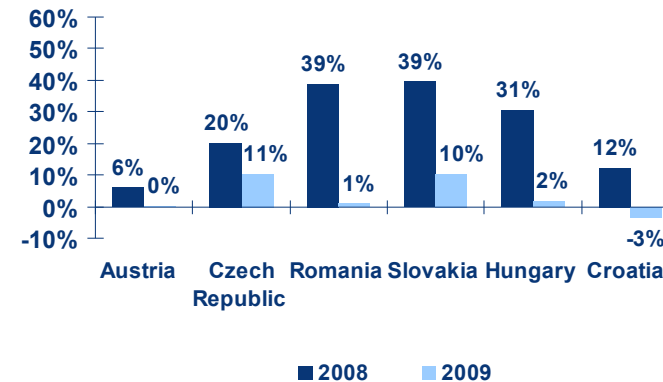
- Immature markets where a slowdown of growth was to be expected even without the crisis
- More responsible lending policies
- FX lending (EUR) remains popular in some countries due to high local interest rates

– **Deposit markets also impacted by crisis**

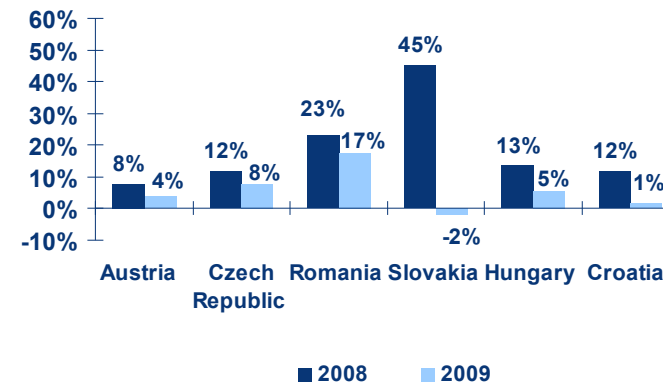
- Shift in focus among banks towards deposit collection
- Outflow from investment funds
- Slovakia: introduction of EUR

– **Slightly higher, but single digit growth expected for 2010**

Retail loan market growth rates in CEE



Retail deposit market growth rates in CEE



Presentation topics



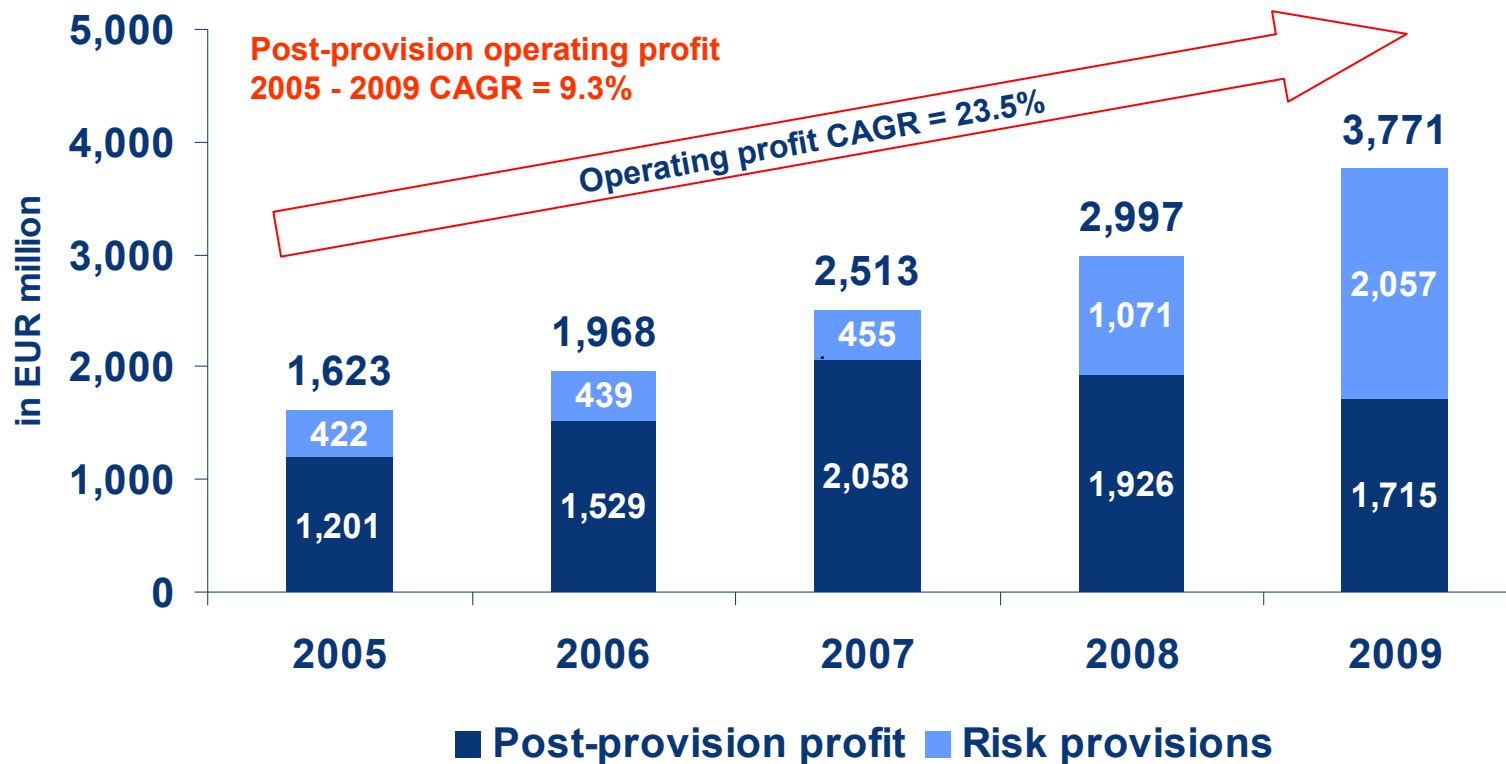
ERSTE GROUP

- Erste Group in the region
- **Strategy proven successful before and through the crises**
- Conclusion

Operating profit up 25.8% in 2009

Reinforcing long-term positioning of Erste Group

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



Higher risk costs offset by higher margins – Net interest margin at all time high

- Increase in NIM to highest ever level without participation in unreasonable price competition
 - Reflects repricing ability in existing business and higher margins in new business

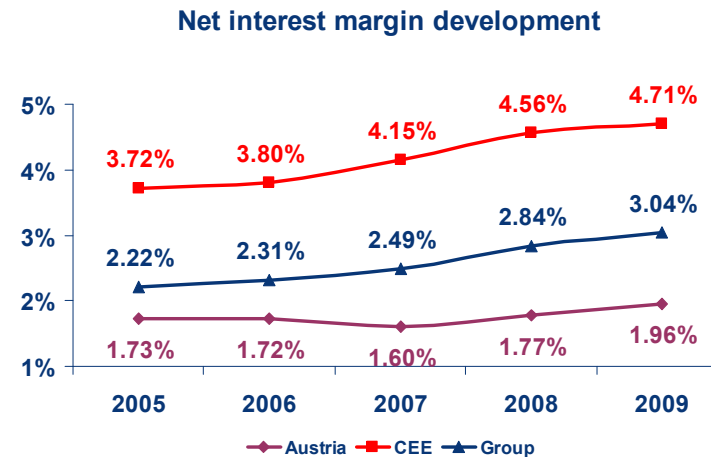
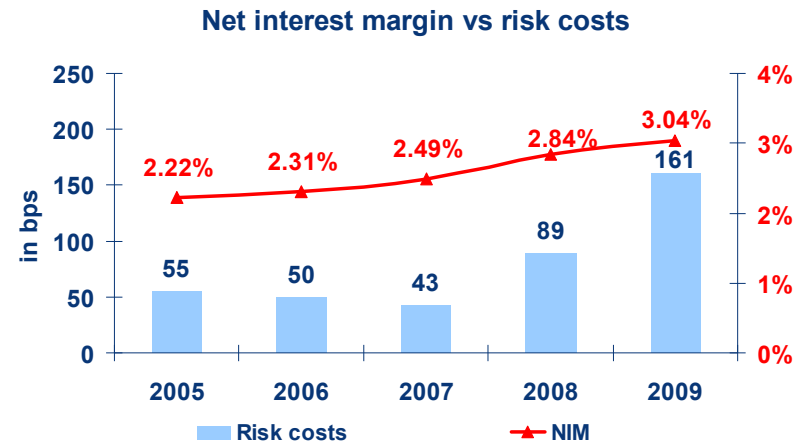
– Significant differences in NIM among countries

- Austria: 1.96%
- CS, SLSP, EBH, EBC: around 4%
- BCR, EBS, EBU: around 7%

– Higher NIM partly mitigates rising risk costs

– Risk costs remain in line with expectations given the current economic conditions

- Risk costs on average loans at 161bps in 2009



Slowdown in NPL growth – Improvement in coverage ratio since mid-2009

– Continued slowdown in NPL growth

- Lower new NPL formation in retail compared to corporate business
- Significant differences in NPL development across CEE
- NPL ratios have increased but remain at a manageable level

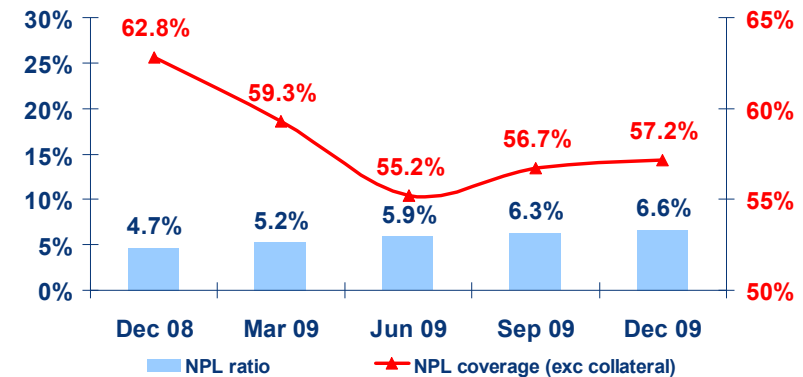
– NPL coverage (ex collateral) has increased

- Ratio including collateral remains above 100% in CEE
- Coverage ratios differ significantly among countries depending on loan book structure
 - Lowest in Hungary (44.4%) where mortgage lending dominates the loan book

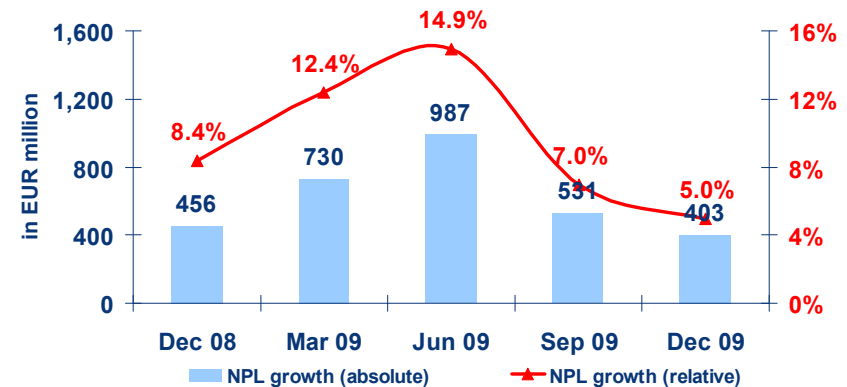
– Gradual but steady improvement in asset quality expected

- Risk costs likely to remain high in 2010 at similar levels to 2009

Erste Group: NPL ratio vs NPL coverage

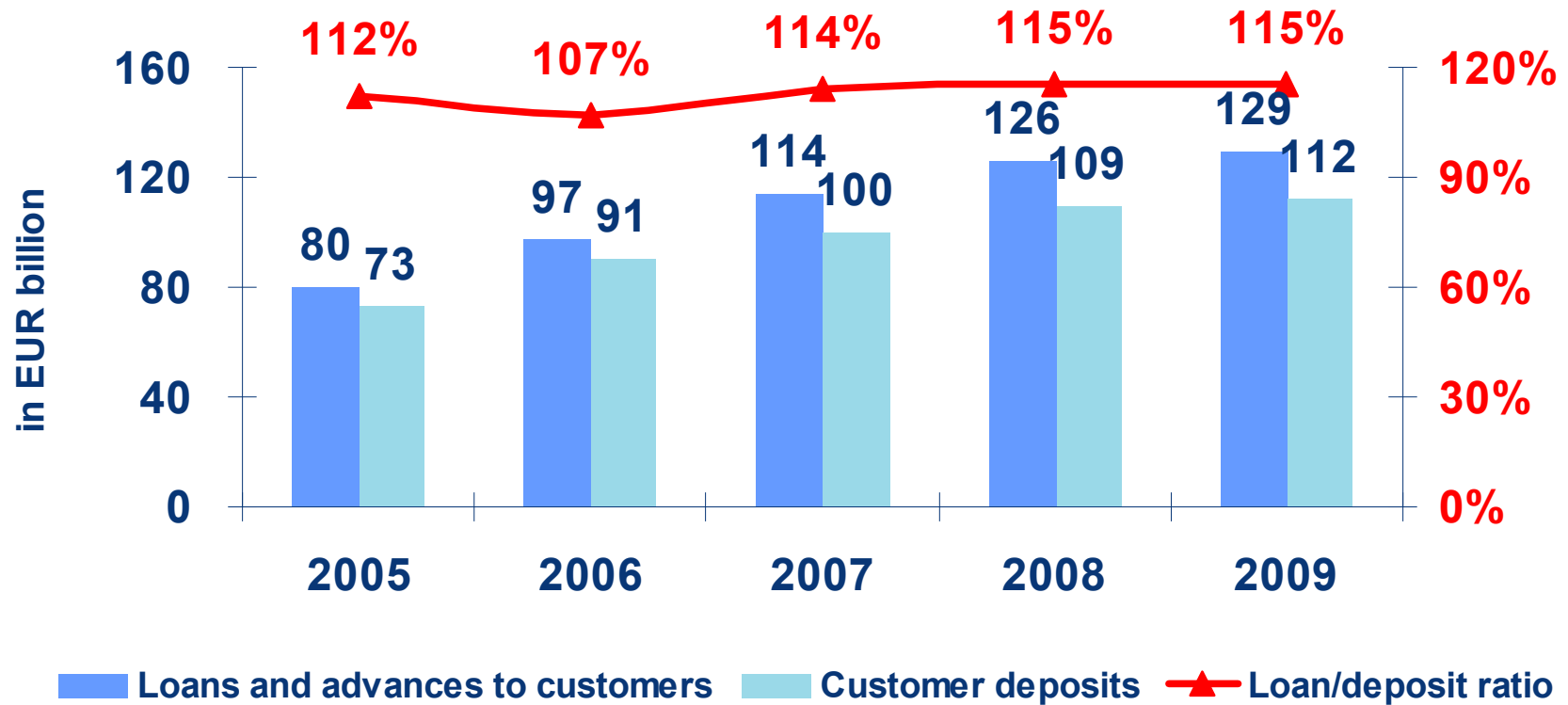


Quarterly NPL growth (absolute/relative)



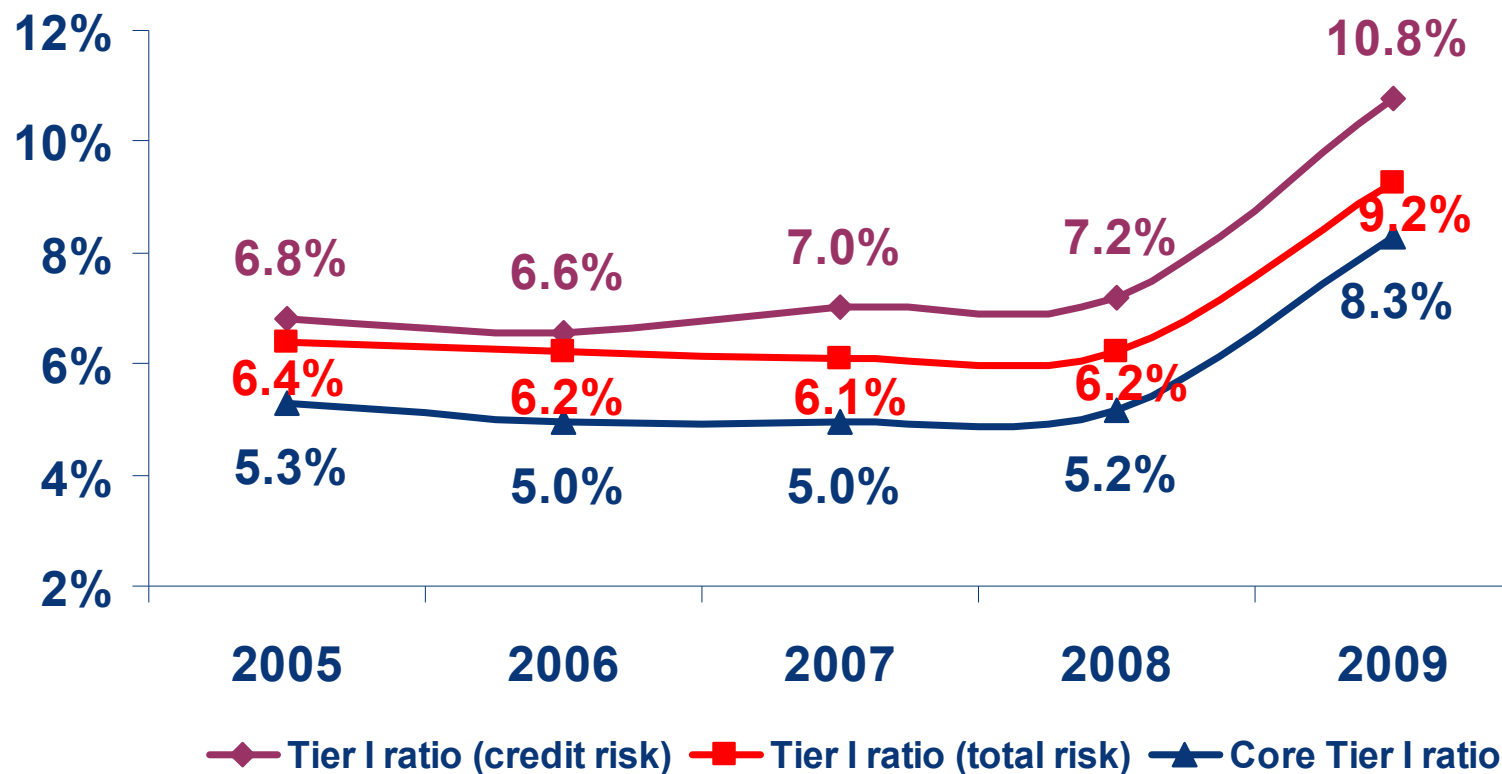
Solid liquidity and funding position – Very stable loan to deposit ratio

Loan vs deposit development



Significant improvement in capital ratios – Total capital increased by EUR 5bn in 2009

Key capital ratios



Presentation topics



ERSTE GROUP

- Erste Group in the region
- Strategy proven successful before and through the crises
- **Conclusion**

Conclusion – Coming out of the crisis stronger

- **Central-Eastern Europe remains a region with significant growth potential**
 - Gradually improving market environment as economies start to stabilise
 - Local currencies strengthening against the EUR
 - All of Erste’s markets expected to achieve positive real GDP growth
 - Eastern part of European Union to continue to benefit from
 - Flexible labour markets and favourable tax regimes
 - Availability of structural EU funds and better investment climate

- **Strong performance of Erste Group during the crisis bodes well for the future**
 - Solid revenue growth and cost efficiency has led to best ever cost/income ratio
 - Retail funding provides stable support for future growth
 - Much stronger capital position

- **Continued uncertainty around regulatory environment**
 - The political will to incentivise deposit taking and lending to the real economy is not adequately reflected in current regulatory discussions
 - “Basel III” proposals on capital adequacy and liquidity ratios likely to be challenged following completion of impact studies mid-2010
 - Uncertainty to remain but more favourable conditions for retail banking in respect of capital and liquidity very likely

Shareholder value –

BVPS has increased by CAGR of 13.2% (1998-2009)



ERSTE GROUP

Erste's book value per share vs stock price (YE values in EUR)

