

UBS Global Financials Conference

11 May 2010, New York

Erste Group –

Strong operating performance drives net profit growth

Gernot Mittendorfer, Chief Executive Officer, Česká spořitelna

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.

Q1 2010 executive summary – Encouraging start to FY 2010



ERSTE GROUP

-
- **Macroeconomic environment continued to stabilise in Q1 2010**
 - Economic recovery in Central and Eastern Europe driven by export demand, while domestic demand is still fragile
 - Gradual rise in industrial production is expected to support employment
 - Sentiment towards the region has improved significantly as evidenced by strengthening currencies, tightening CDS spreads; CEE benefits from low public debt levels – no contagion from Greek debt crisis...
 - ...but euro zone impacted by sovereign debt crisis in Greece

 - **Strong operating performance drives net profit growth**
 - Operating result rose by 17.3% to EUR 983.2 million in Q1 2010 as a result of record revenues and declining costs
 - Cost/income ratio at 49.2% (Q1 09: 53.8%)
 - Net profit grew by 10.0% to EUR 255.2 million in Q1 2010

 - **Continued improvement in asset quality trends in Q1 2010**
 - New NPL formation in Q1 2010 remained at the lower levels seen in Q3 & Q4 2009
 - NPL ratio based on total customer loans increased to 6.9%, but at a slowing rate (year-end 2009: 6.6%)
 - NPL coverage continued to improve to 59.0% (year-end 2009: 57.2%)

 - **Risk costs decline quarter-on-quarter for the first time since Q1 2009**
 - Risk costs amounted to EUR 531.2 million or 164 bps of average customer loans in Q1 2010
 - Down on Q4 2009 (EUR 607.4 million or 189 bps), but still up on Q1 2009 (EUR 370.2 million or 117 bps)
 - Quarter-on-quarter improvement due to lower risk costs in Romania and stable situation in almost all other markets

 - **Total equity (IFRS) increases by EUR 0.8 billion (+4.7%) year-to-date**
 - Driven by improved profitability, strengthening CEE currencies and higher securities valuations
 - Risk-weighted assets (including market and ops risk) remained flat – in line with loan book development
 - Slight improvement in all capital ratios (prior to the inclusion of retained earnings)

Presentation topics *

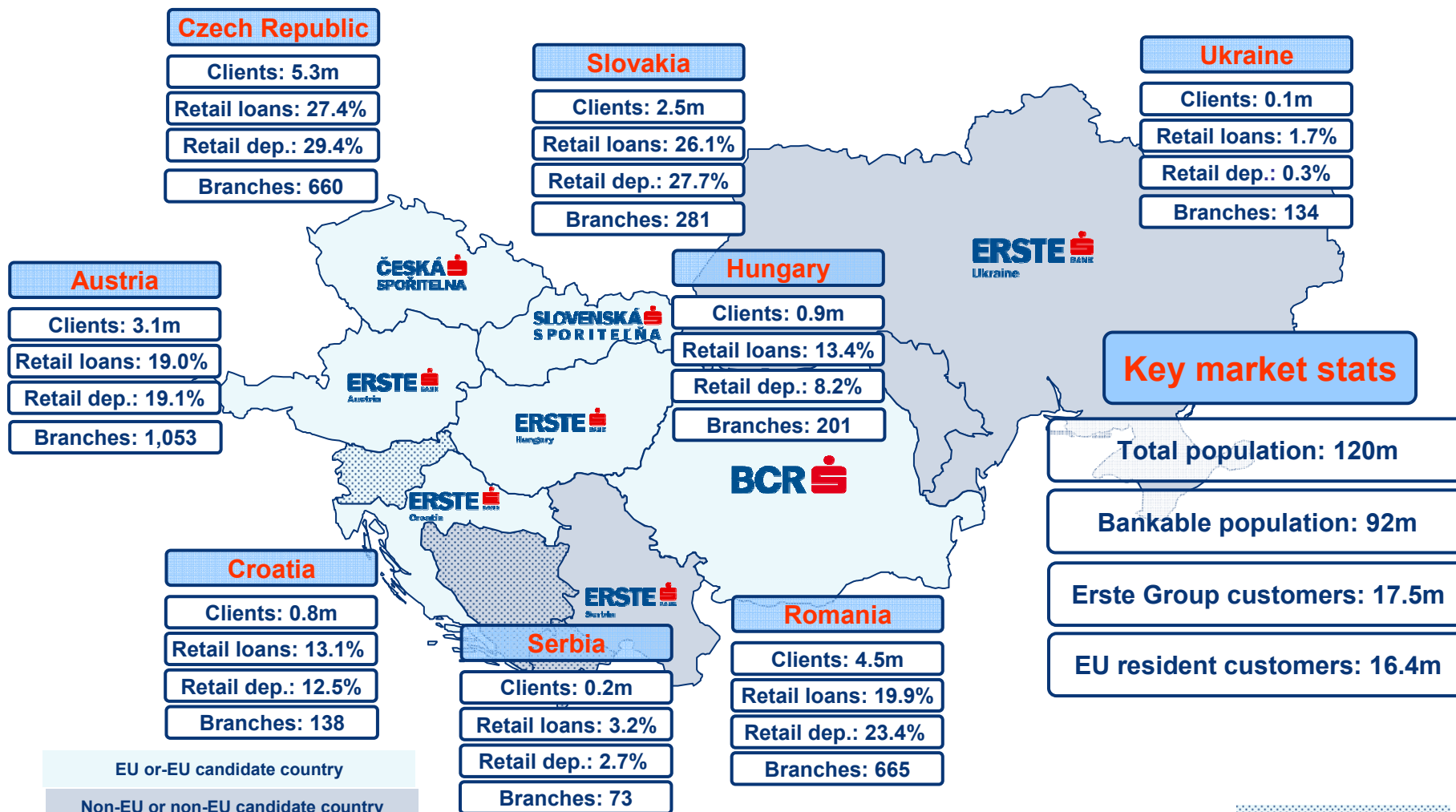
- **Business snapshot and macro trends**
- Q1 2010 financial highlights
- Q1 2010 key topics

*) The following tables and texts may contain rounding differences.

Erste Group business snapshot – Retail market leadership in the eastern part of the EU



ERSTE GROUP



Percentage numbers refer to market shares and are as of Feb 2010. All other data are as of March 2010. Croatia branch numbers include Montenegro.

Macroeconomic trends – What has changed in CEE in Q1 2010?

– Industrial output improved significantly thanks to rising exports

- Main driver behind recovery
- Unit labour costs declined in CEE as productivity increased

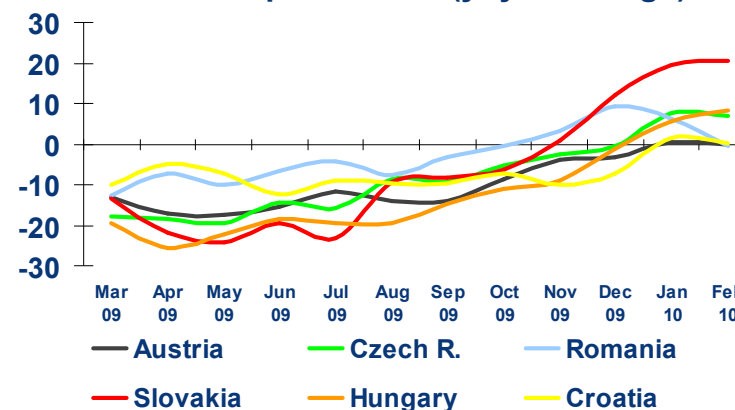
– Perception of the region has improved

- Substantial reduction in CDS spreads from their crisis-driven highs
- No contagion from PIGS states to CEE region, due to more favourable fiscal positions
- Some CEE countries successfully placed Eurobonds in March/April (Poland, Romania, Slovakia, Czech Republic)

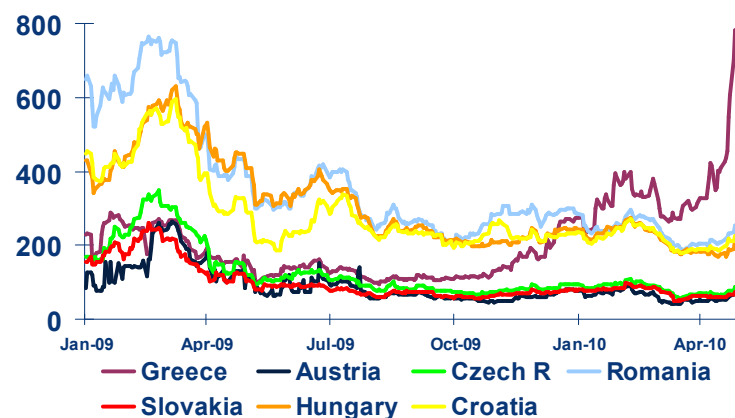
– Central banks cut interest rates further

- Supported by appreciation of currencies
- Benchmark interest rates at historic lows in Romania and Hungary

Industrial production (yoy % change)



Development of CDS spreads



Source: Erste Group Research

Macroeconomic trends –

Focus: GDP growth and external balances in CEE

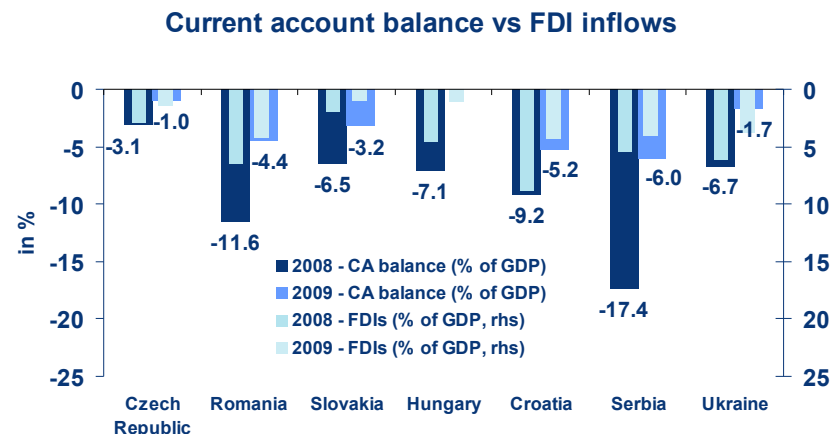
– As CEE economies emerge from recession, growth is set to return in 2010

- Growth is mainly driven by foreign demand supporting industrial production while household consumption remains weak
- Stabilisation packages also helping to support economies
- With the exception of Croatia, real GDP to increase in all of Erste’s countries
 - Croatia: continued weak domestic demand
 - Slower recovery in Romania, Hungary and Serbia
 - Growth rates in other countries to remain around 2%, but ahead of eurozone (2010e: 0.7%)



– Current account deficits have narrowed substantially – good coverage by FDIs

- Mainly due to improved trade balances
- CEE remains an attractive investment destination, with capital flowing back to the region
 - Flexible labour markets
 - Favourable tax regimes
 - Availability of EU structural funds for infrastructure projects



Source: Erste Group Research

Macroeconomic trends –

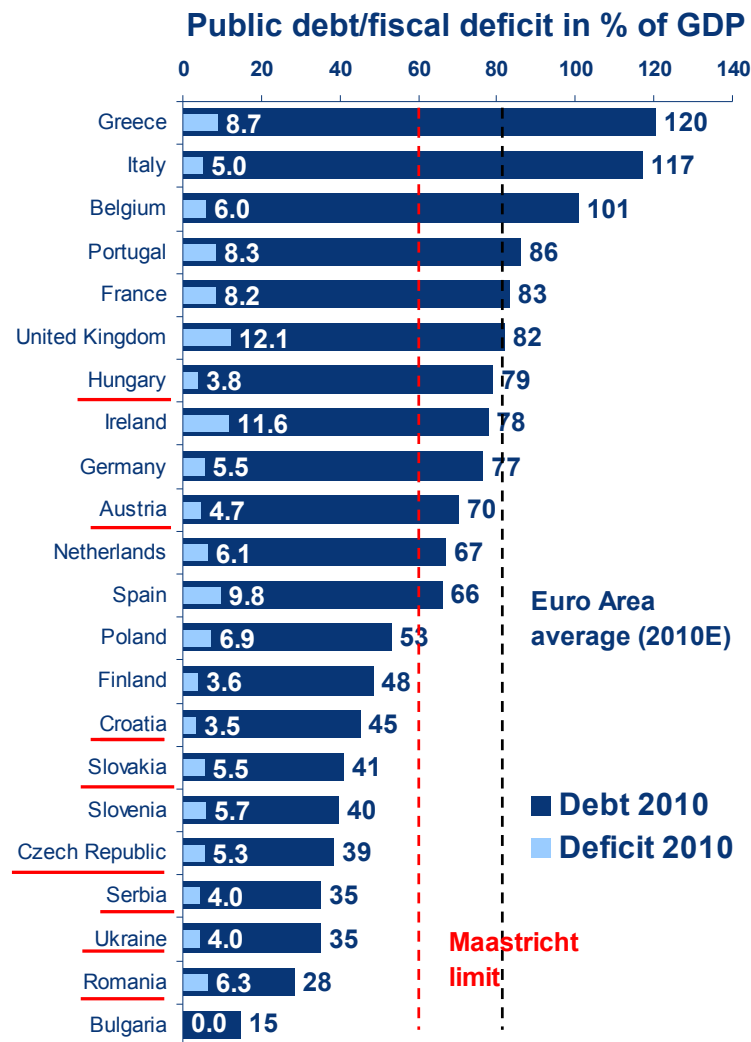
Focus: budget balances and public debt in CEE

– CEE benefits from lower levels of public debt

- Governments did not have to finance bank bailouts
- Selected CEE countries had debt restructurings following transformation in early 1990s
- Only Hungary and Austria are expected to be above the Maastricht threshold of 60% by end-2010, but remain below the euro zone average
 - Romania, Czech Republic, and Slovakia to benefit from having the lowest refinancing volumes in 2010
- Erste Group’s other markets to remain significantly below the 60% threshold

– CEE focused on fiscal responsibility earlier

- Involvement of international organisations (IMF, EBRD, etc) helped to enforce fiscal discipline
- Further scope for fiscal tightening
 - Reducing undeclared income and tax evasion
 - Re-defining the role of local governments and unproductive state agencies
 - Increasing retirement age to 65, in line with EU standards
- Annual fiscal deficits to remain below the euro zone average (6.9% of GDP) in all countries



Source: European Commission, Erste Group Research

Presentation topics



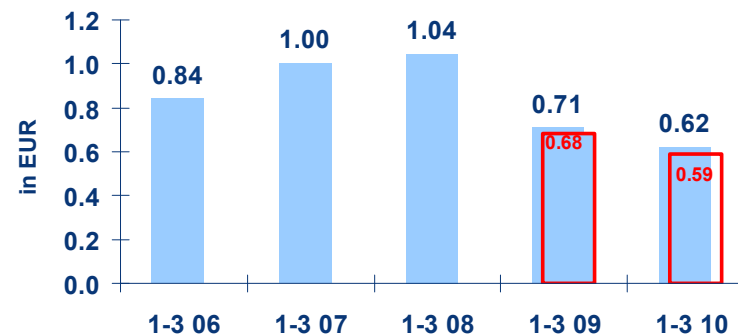
ERSTE GROUP

- Business snapshot and macro trends
- **Q1 2010 financial highlights**
- Q1 2010 key topics

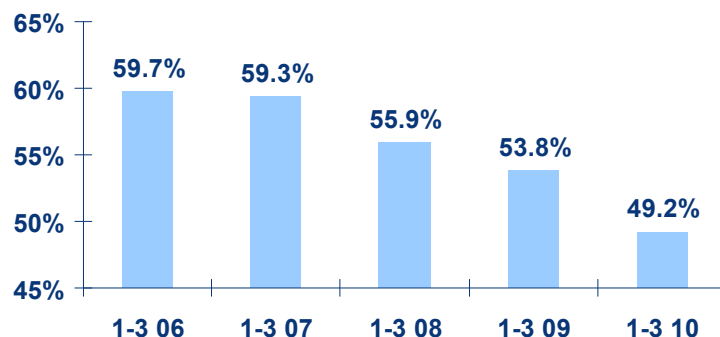
Q1 2010 financial highlights – Solid margins and improving efficiency

- **Net profit up by 10.0% to EUR 255.2 million**
 - Lower Cash-EPS and Cash-ROE due to substantially enlarged capital base
 - Issuance of participation capital in H1 09 (EUR 1.76 billion)
 - Issuance of equity in November 2009 (EUR 1.74 billion)
- **Net interest margin up to 3.03% (Q1 09: 2.86%)**
 - But slightly down on Q4 09 all-time high of 3.20%
 - CEE up to 4.6%, Austria up to 2.0%
- **Cost/income ratio improved to 49.2%**
 - Operating income reached new high
 - Operating costs declined vs Q1 09

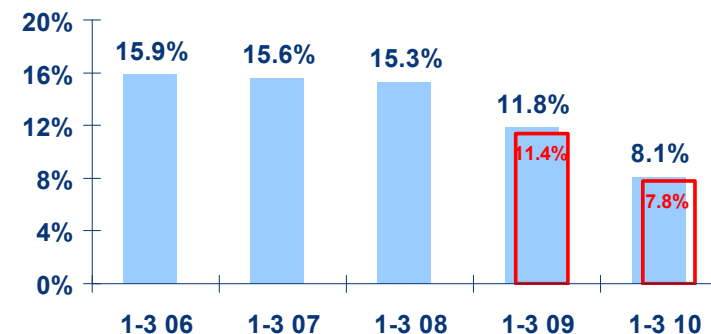
Cash earnings per share *



Cost/income ratio



Cash return on equity *



*) Red bars denote reported EPS and ROE respectively.

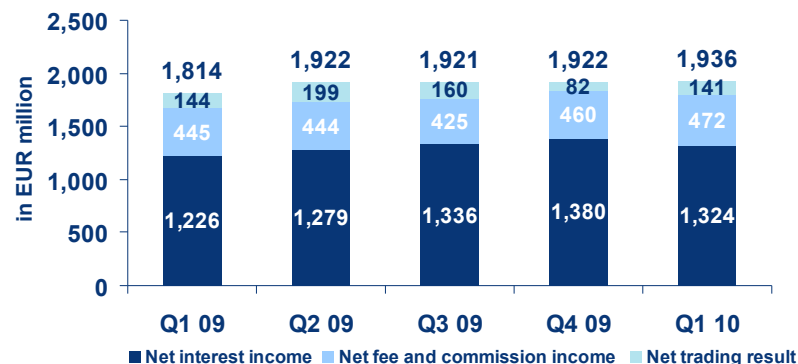
Cash EPS and EPS calculated on average number of shares: 374.0m (ex treasury shares and shares owned by savings banks with EB participations: 3.9m), adjusted for non cash items amounting to EUR 10.2m in Q1 2010 (linear amortisation of customer relationships after tax and non-controlling interests) and dividend on the participation capital (EUR 35.3m).

Q1 2010 financial highlights – Higher revenues and lower costs drive operating result

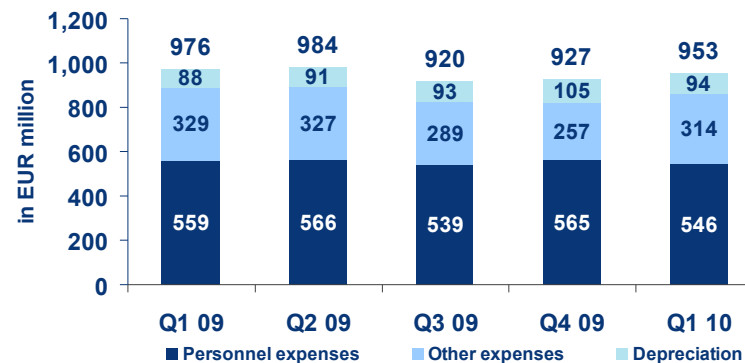


ERSTE GROUP

Operating income per quarter



Operating expenses per quarter



– **Record operating income in Q1 2010: +6.7% vs Q1 2009 to EUR 1,936.3 million; +0.8% vs Q4 2009**

- **Net interest income** grew by 8.0% to EUR 1,323.6 million on the back of an improving net interest margin and despite marginal loan growth; down on Q4 2009 by 4.1% due to weaker qoq net interest margin
- **Net commission income** posted the first year-on-year increase in six quarters, growing by 6.1% to EUR 471.5 million in Q1 2010, due to increased fees from securities business and payment transfers; up 2.6% on Q4 2009
- **Net trading result** held up well, declining by only 1.8% compared to Q1 2009 to EUR 141.2 million, supported by gains in securities trading, partly offsetting a decline in FX revenues; strong 72.0% increase quarter-on-quarter

– **Operating expenses declined by 2.3% to EUR 953.1 million in Q1 2010; +2.8% vs Q4 2009**

- Driven by lower personnel and other administrative expenses, which more than offset an increase in depreciation and amortisation; headcount down 0.7% year-to-date to 50,152

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

Q1 2010 financial highlights –

Operating result improves in all key segments



ERSTE GROUP

in EUR million	Q1 10	Q1 09	Change
Retail & SME	738.5	638.6	15.6%
Austria	200.0	199.0	0.5%
EB Oesterreich	95.0	73.9	28.6%
Savings Banks	105.0	125.2	(16.1%)
Central and Eastern Europe	538.4	439.5	22.5%
Czech Republic	211.0	186.1	13.4%
Romania	146.4	133.7	9.5%
Slovakia	71.3	44.5	60.0%
Hungary	68.7	35.2	95.0%
Croatia	40.8	36.2	12.9%
Serbia	1.3	3.1	(57.7%)
Ukraine	(0.9)	0.8	na
GCIB	145.4	133.4	9.0%
Group Markets	115.0	167.7	(31.4%)
Corporate Center	(15.7)	(101.1)	84.5%
Total Erste Group	983.2	838.6	17.2%

*) Changes in scope of consolidation leading to only minor distortions: Opportunity Bank, Montenegro was acquired by EBCR in March 2009.

Presentation topics



ERSTE GROUP

- Business snapshot and macro trends
- Q1 2010 financial highlights
- **Q1 2010 key topics**

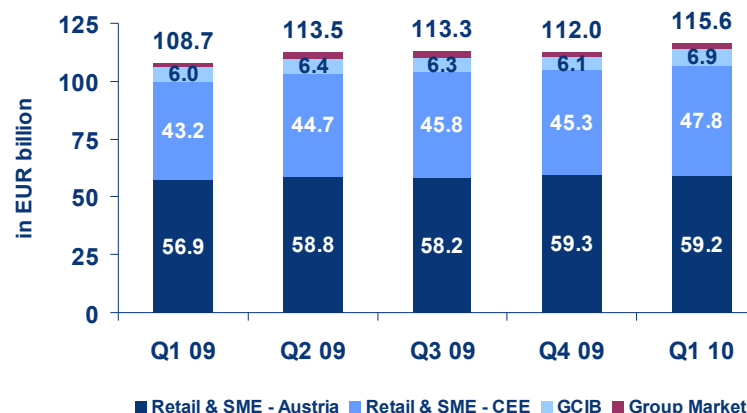
Erste Group's customer deposits – Rising volumes and currency strength drive growth



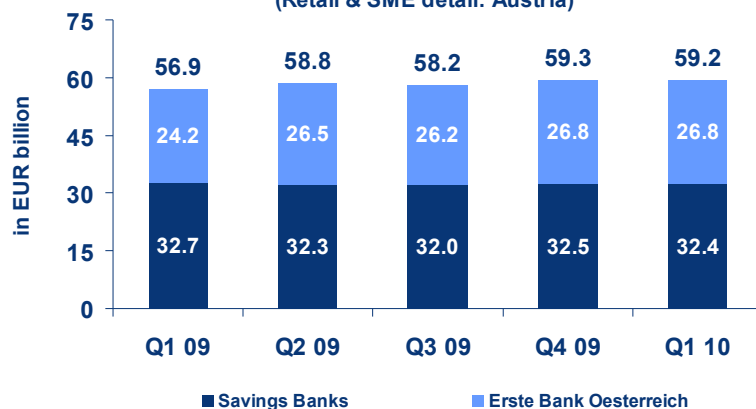
ERSTE GROUP

- **Total customer deposits increased by 3.2% ytd**
 - Deposit inflows and significant appreciation of CEE currencies resulted in strong deposit growth
- **Retail & SME deposits increased by 2.2% ytd**
 - Flat ytd, but strong increases yoy at EB Oesterreich (+10.9%)
 - CEE enjoyed strong ytd growth: increases mainly in the Czech Republic due to higher volumes from municipalities and currency appreciation; Hungary also saw volume growth and favourable currency movements
- **GCIB deposits increased by 13.8% in ytd**
 - Due to increased short-term deposits from large corporates
- **Loan/deposit ratio improved to 112.7% (year-end 2009: 115.3%)**

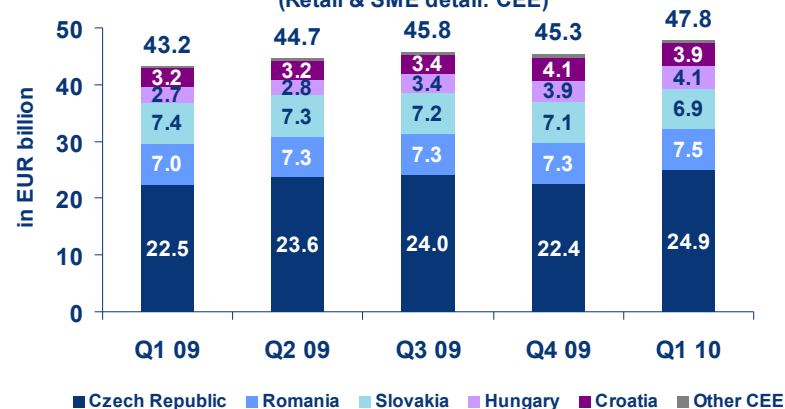
Customer deposit trends by main segments



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

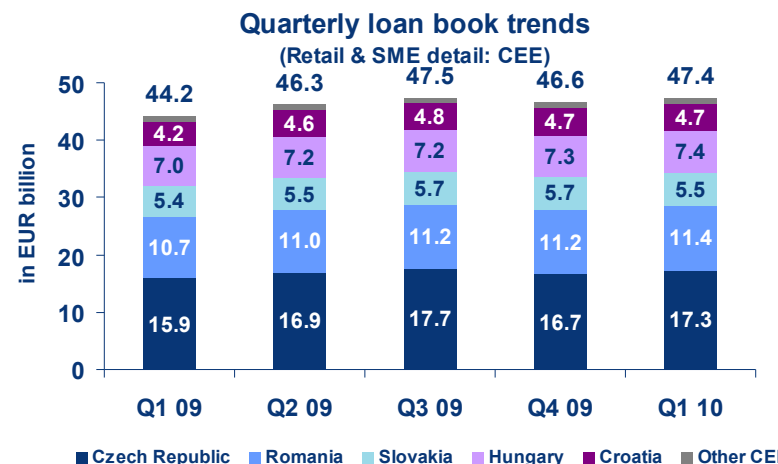
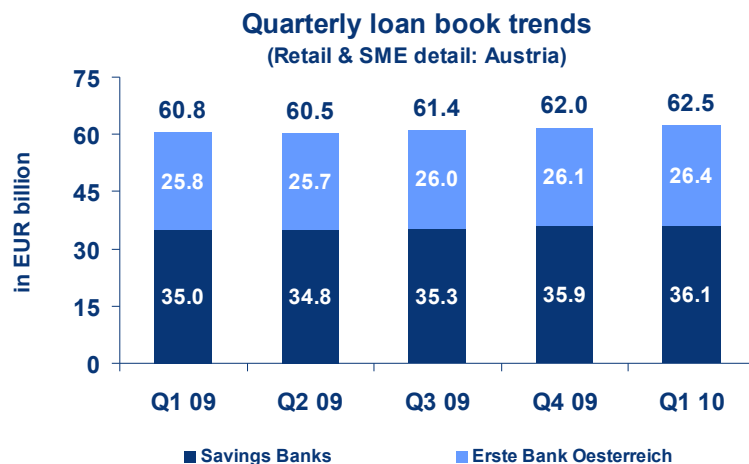
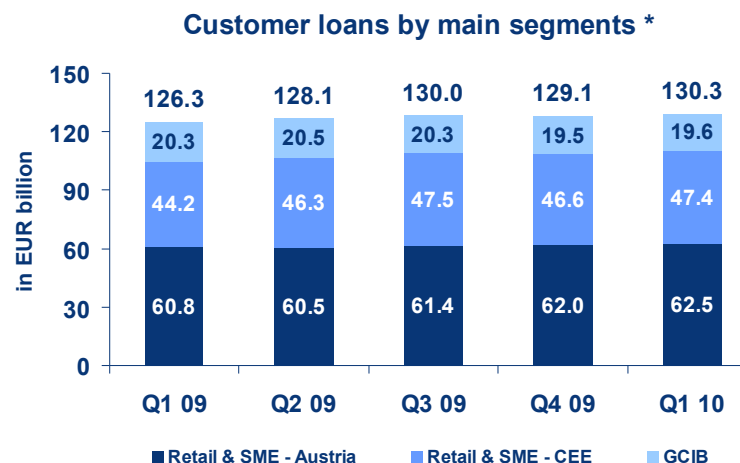


Customer deposit trends by subsegments
(Retail & SME detail: CEE)



Erste Group's loan book – Loan demand remains insignificant

- **Customer loans increased by 0.9% ytd; up 3.1% yoy**
 - Growth in Retail & SME loans in Austria and CEE ytd and yoy growth was driven mainly by appreciation of CHF and CEE currencies vs euro
 - GCIB loan book remained flat ytd, but declined yoy due to redemptions and lower demand
- **Customer distribution remained broadly unchanged**
 - Retail edged up to 48.0% of portfolio
 - SME and large corporates make up 46.6% of the book
 - Largest expansion in public sector yoy: from 4.7% to 5.4%
- **Marginal shift in currency distribution in favour of CEE currencies, but euro-based loans continue to account for 63% of portfolio**



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

Erste Group's asset quality –

Group trends: stable new NPL formation, coverage up



ERSTE GROUP

– Continued improvement in asset quality trends in Q1 2010

– New NPL formation in Q1 2010 remained at the lower levels seen in Q3 & Q4 2009

- Due to stabilising new NPL formation in CEE and declining NPLs in Austria
- Lower new NPL formation in retail compared to the corporate business

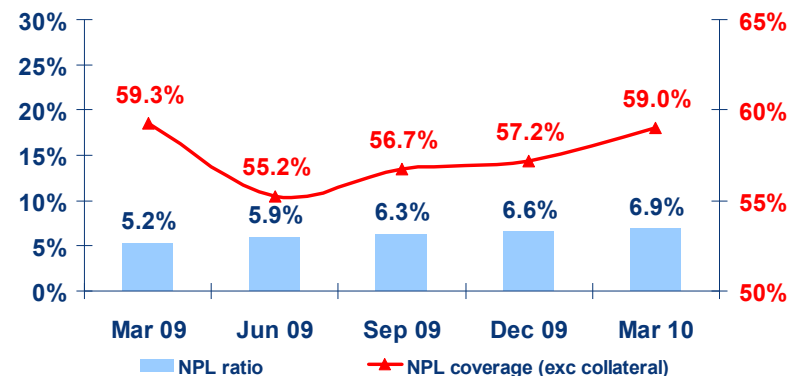
– NPL ratio based on total customer loans increased to 6.9%, but at a slowing rate (year-end 2009: 6.6%)

- Due to slower rise in NPL ratio in CEE and declining NPL ratio in Austria
- Deterioration was driven exclusively by corporate business, with no qoq change in retail

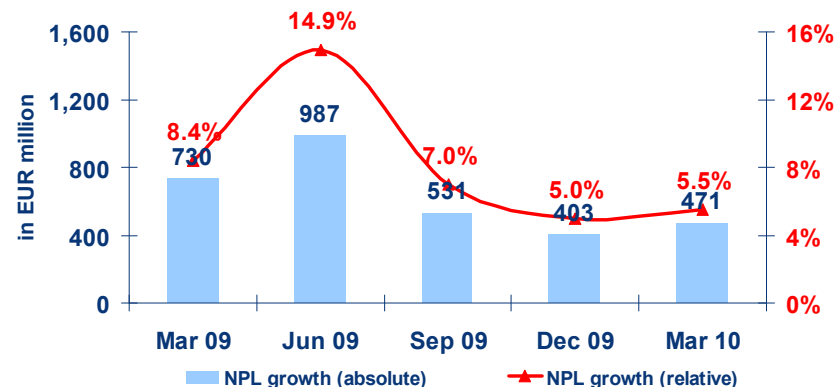
– NPL coverage continued to improve to 59.0% (year-end 2009: 57.2%)

- NPL coverage improved strongly in the corporate business and remained unchanged in retail, in line with asset quality development

Erste Group: NPL ratio vs NPL coverage



Quarterly NPL growth (absolute/relative)



Erste Group's asset quality – Segment round-up: better NPL coverage in Q1 2010

– Austria is the best-performing market

- Level of NPLs has decreased for the third consecutive quarter, while NPL coverage has risen and portfolio quality improved (low risk category expanded beyond 75%)

– Czech Republic is among the best in CEE

- Increase in NPLs mainly driven by corporate business; deterioration in retail is attributable to changing business mix: higher share of higher margin consumer loans
- NPL coverage ratio improved substantially compared to the last quarter

– Romania: marked slowdown in NPL formation

- NPLs still increasing but at considerably slower pace and stable NPL coverage ratio; retail NPL ratio actually improved quarter-on-quarter, while corporate NPL ratio continued to rise
- New bookings mainly in private secured business in „low risk“ classes due to tighter lending criteria

– Slovakia enjoys significant stabilisation

- New NPL formation slowed down considerably on the back of stable retail business, while SME downward migration has also slowed; NPL coverage improved quarter-on-quarter

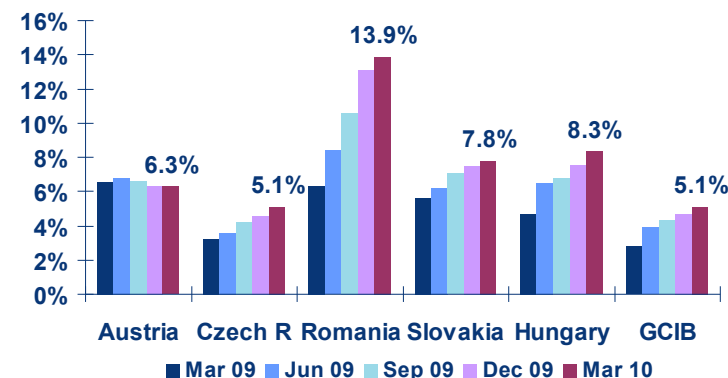
– Hungary: improved NPL coverage

- Continued significant NPL new formation driven by retail and SME segments in equal measure

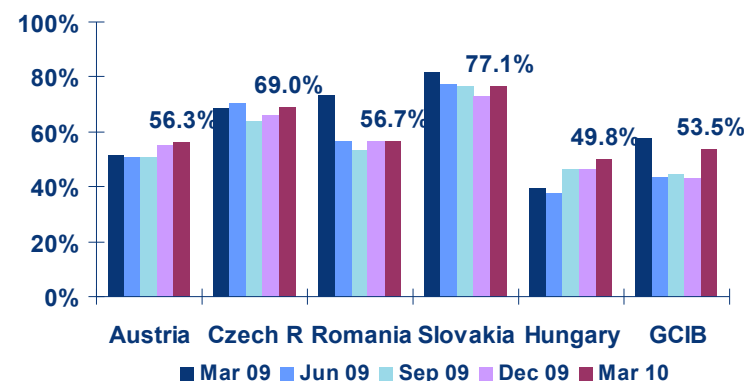
– GCIB: downward migration slows, as NPL coverage improves

- Stable development in Austria and Czech Republic
- NPL coverage reaches highest level since Q1 2009

NPL ratios in key segments



NPL coverage ratios in key segments (excluding collateral)



Erste Group's risk costs – First decline in P&L risk costs since Q1 09



ERSTE GROUP

– **Group risk costs (in relation to average customer loans) declined quarter-on-quarter from 189bps in Q4 09 to 164bps in Q1 10**

– Up yoy (Q1 09: 117 bps), but at a declining pace as compared to FY 2009

– **Austria remained stable**

– No major defaults; risk costs mainly related to SME business

– **Czech risk costs remain at manageable levels**

– Rise in costs qoq and yoy related mainly to higher defaults in local SME and corporate portfolio and changing portfolio mix – increase of consumer loans (with higher margins)

– **Romania sees significant decline quarter-on-quarter**

– Qoq improvement mainly related to retail and lower portfolio provisions for SME/local corporate segment
– Yoy increase driven by across-the-board portfolio deterioration as a result of economic downturn

– **Slovakia: continued quarter-on-quarter improvement**

– Yoy increase driven by worsening economic environment and creation of portfolio provisions for SME business; qoq improvement partly driven by higher specific provisions in Q4 09

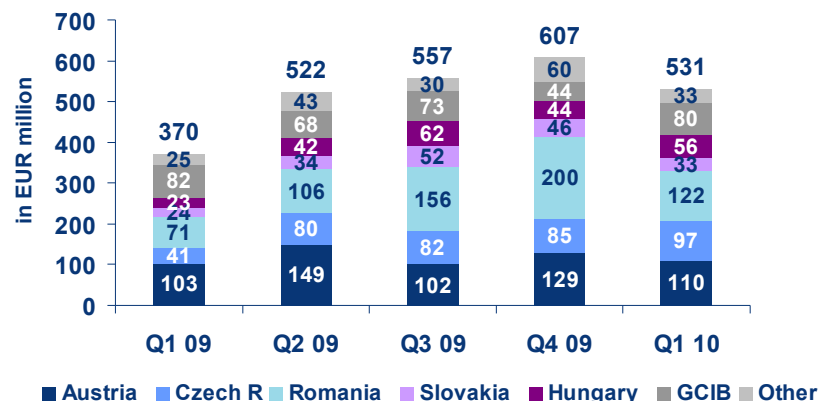
– **Hungarian risk costs reflect weaker asset quality**

– Mainly due to higher provisions for leasing and real estate

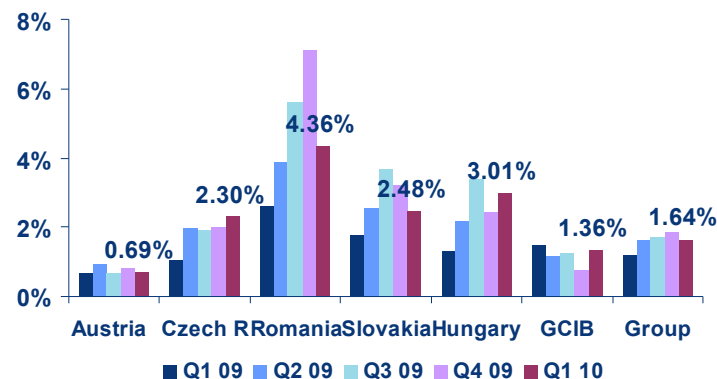
– **GCIB benefits from better market environment**

– No major corporate defaults in Q1 10
– Rise in risk costs vs Q4 09 is explained by lower provisioning requirements mainly in Austria in Q4 09

Risk costs in key segments



Risk costs in key segments
(in % of average customer loans)



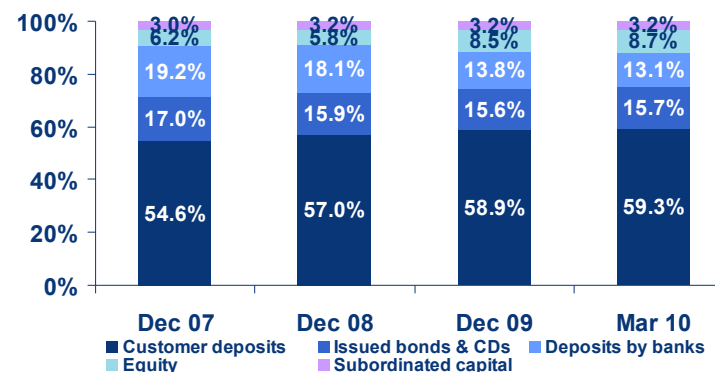
Erste Group's funding profile – Retail deposits remain a key pillar in the funding mix



ERSTE GROUP

- **Customer deposits are the main source of funding**
 - Providing a solid funding base in all local currencies
 - Reflected in loan/deposit ratio improvement to 112.7%
 - 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 of between EUR 3-4 billion, of which EUR 1.9 billion has already been funded
 - Funding will focus on covered bonds and retail placements
 - Further focus on extension of maturity profile

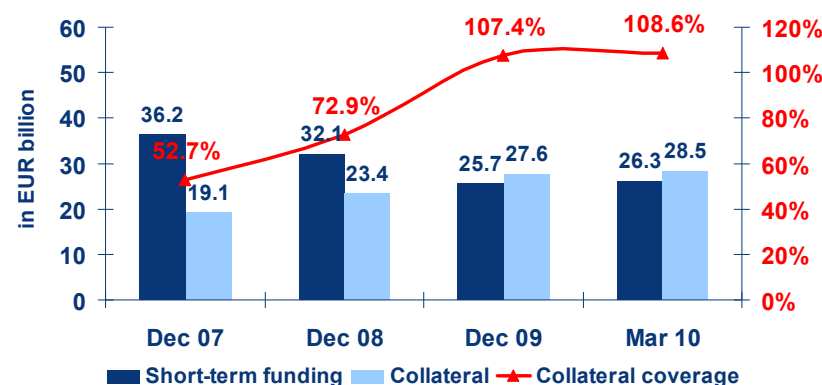
Evolution of Erste Group's funding mix



Redemption profile of Erste Group (Q1 2010)



Short-term funding vs collateral coverage



Erste Group's capital position – Further strengthening of the capital base



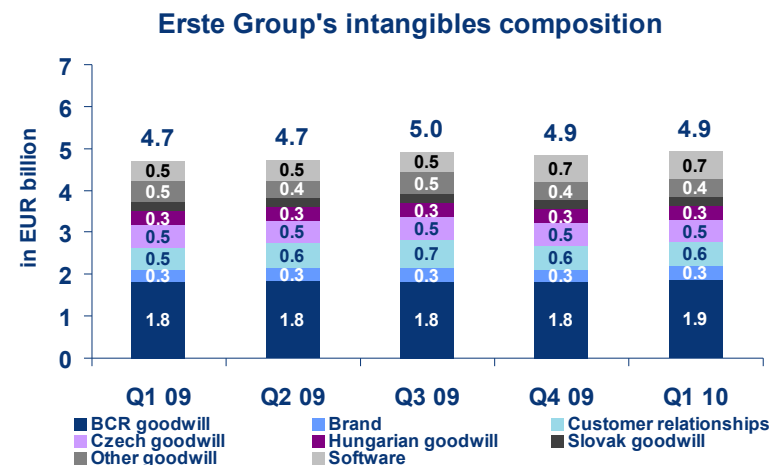
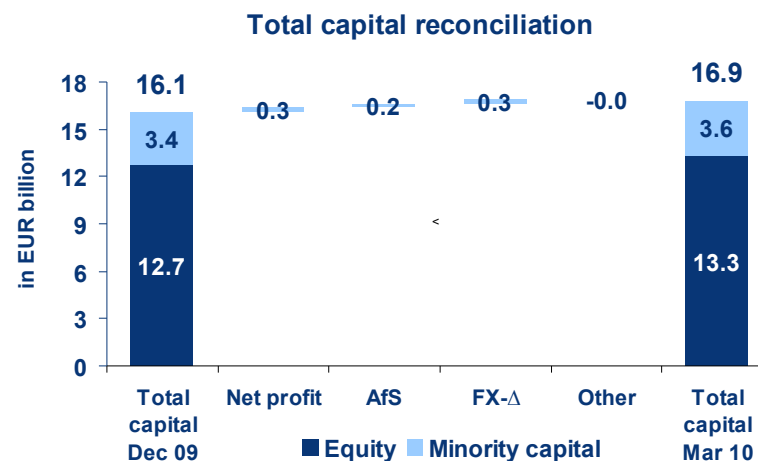
ERSTE GROUP

– Total equity (IFRS) increased by EUR 0.8 billion (+4.7%) year-to-date driven by:

- Improved profitability
- Strengthening CEE currencies and...
- ...better securities valuations

– Shareholders' equity rose by EUR 0.6 billion (+4.8%) ytd

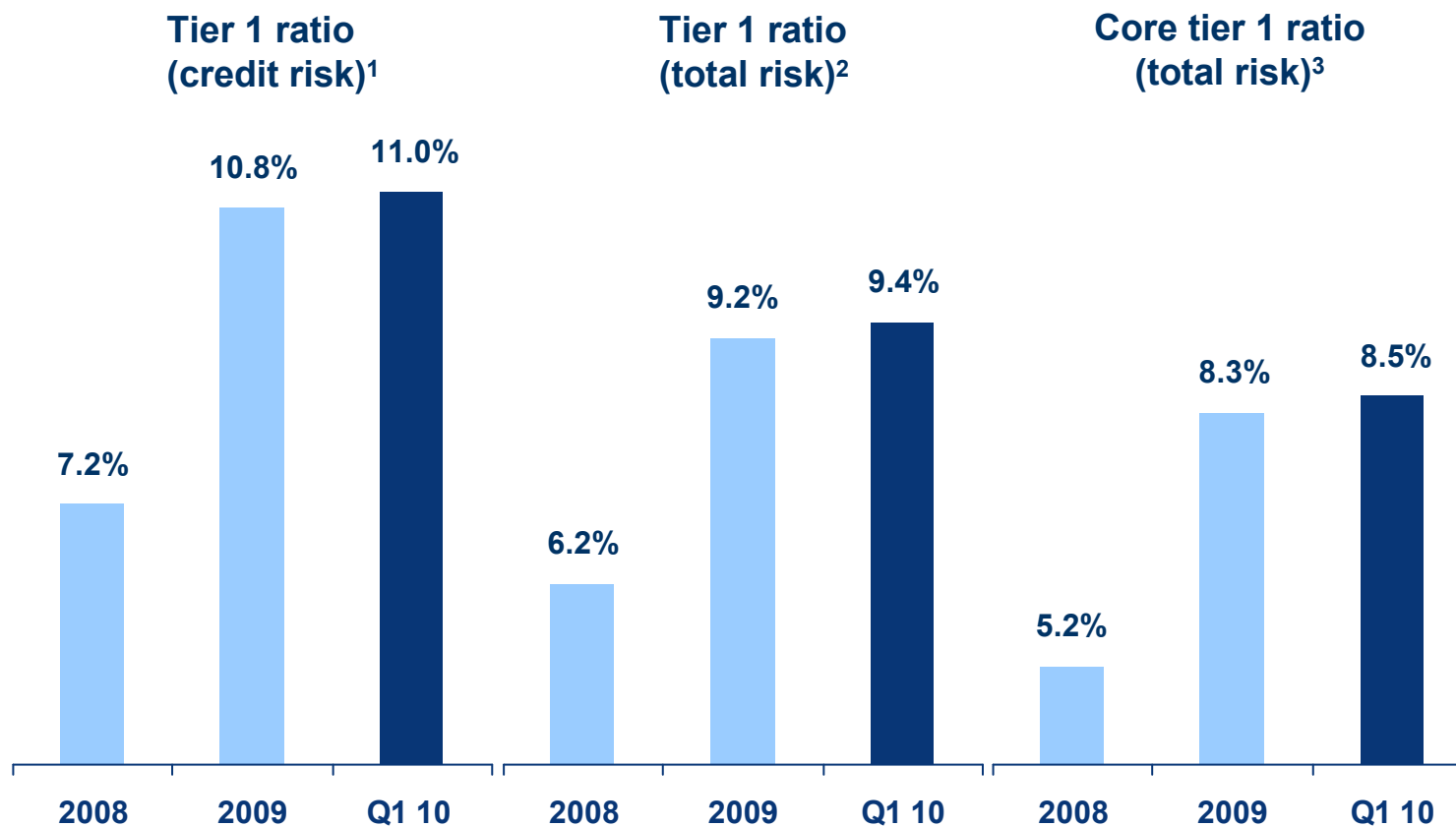
– Rise in intangibles is mainly related to software and currency appreciation in Romania



Erste Group's capital position – Continuing improvement of capital ratios



ERSTE GROUP



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 –

Q1 2010 supports cautious optimism for FY 2010

– **Market environment continues to improve gradually...**

- Erste Group's CEE markets have either emerged or are about to emerge from recession
- Erste Group's CEE markets will show better growth than the rest of Europe thanks to:
 - Lower debt/GDP ratios and lower fiscal deficits
 - Lower taxes
 - Flexible labour markets
 - Higher growth potential
 - Availability of EU structural funds
 - Better investment climate

– **...but there are still risks to the outlook**

- Speed of economic recovery and improvement in asset quality is still difficult to predict, translating into risk costs that will remain elevated for the better part of 2010
- Impact of new regulation/taxation (Basel, IMF, national legislation) is not yet clear
- Market impact of sovereign debt crisis currently unfolding

– **Overall, Erste Group is ideally placed to capitalise on future growth opportunities**

- Retail market leader in Central and Eastern Europe
- Exceptional performance during difficult economic times
- Strong operating performance should provide continued strong risk absorption capacity