

# 18<sup>th</sup> Annual General Meeting of Erste Group Bank AG

12 May 2011  
Austria Center Vienna

# Heinz Kessler

President of the Supervisory Board



## Report on the financial year 2010

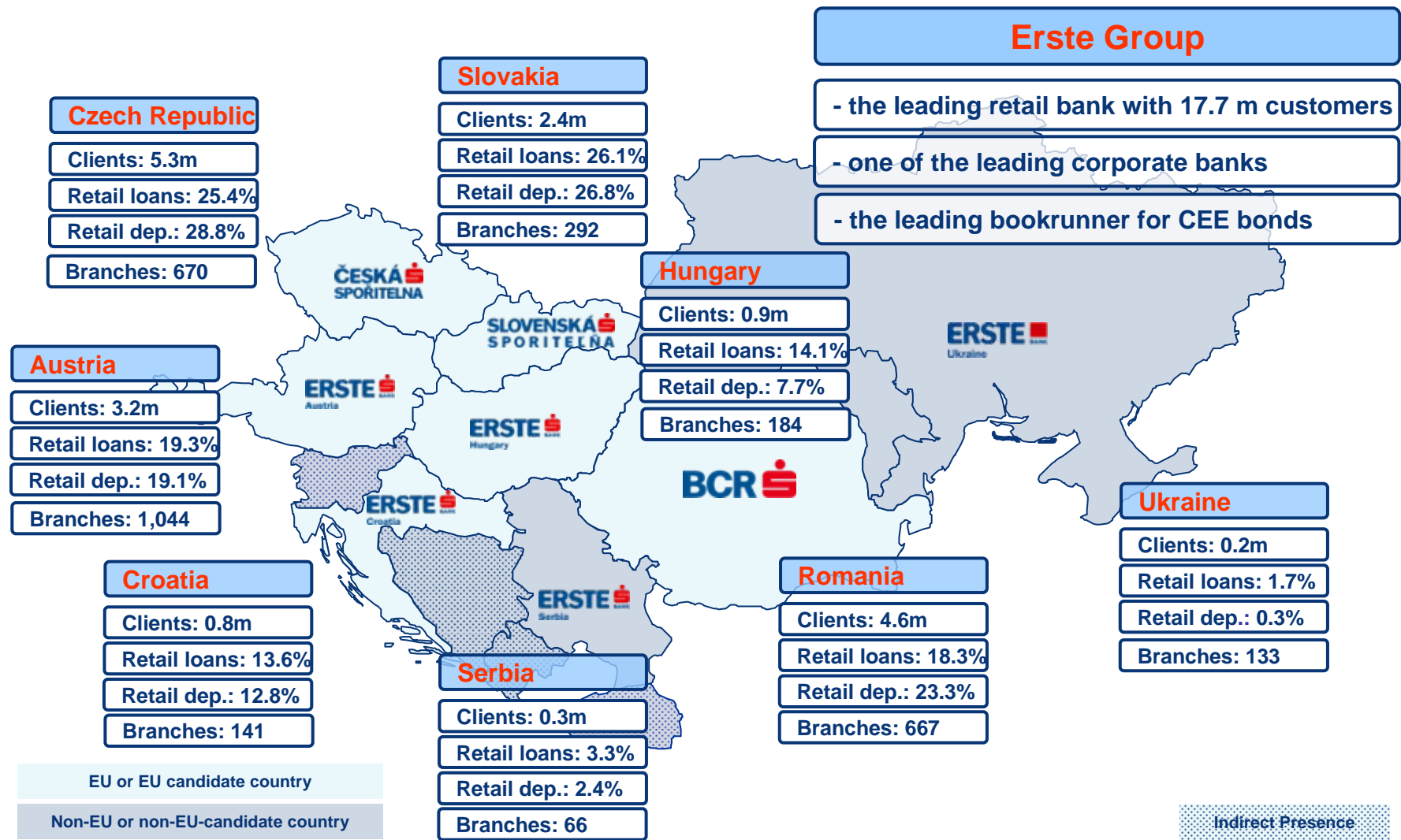


# Report on the financial year 2010 for Erste Group Bank AG (consolidated)

Andreas Treichl  
Chairman of the Management Board

# Erste Group –

## Retail market leadership in the eastern part of the EU

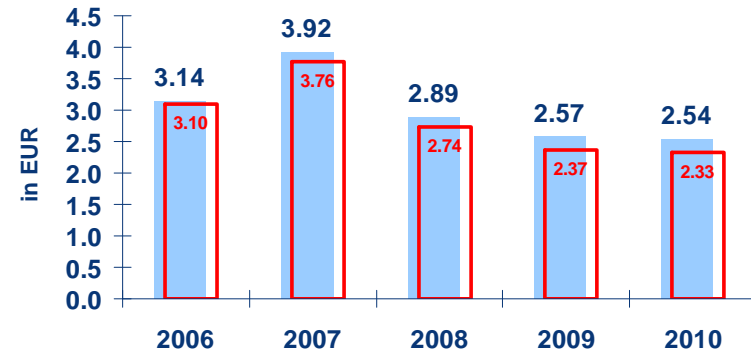


# FY 2010 financial highlights –

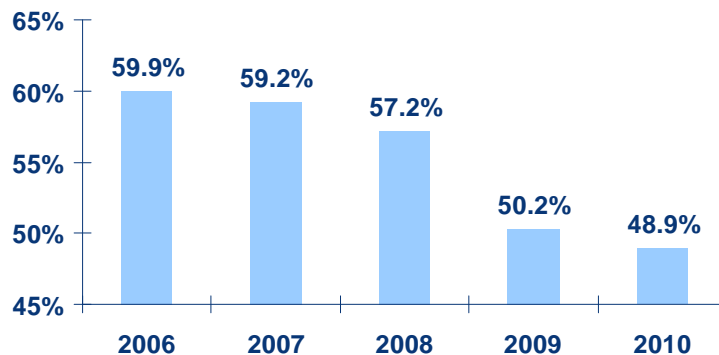
## Rising net profitability and resilient margins

- Net profit grew by 12.4% to EUR 1,015.4 m
- Lower EPS and ROE due to enlarged capital base
- NIM remained stable at 3.06% in 2010 (2009: 3.04%)
- Cost/income ratio improved to 48.9%
- Dividend of EUR 0.70 per share will be proposed at AGM

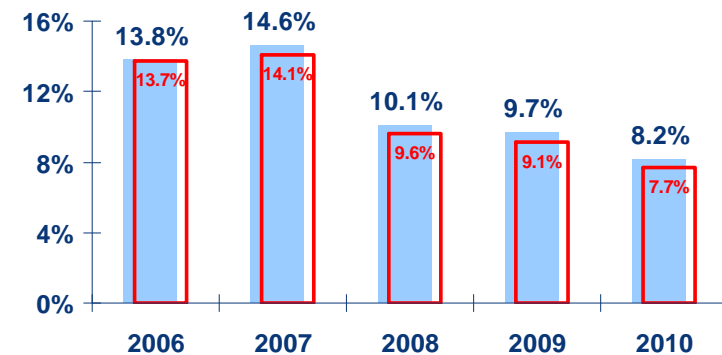
Cash earnings per share



Cost/income ratio



Cash return on equity



# Group income statement (IFRS) –

## Strong operating performance & declining risk costs

in EUR million	2010	2009	Change
Net interest income	5,412.5	5,220.9	3.7%
Risk provisions for loans and advances	(2,031.2)	(2,056.6)	(1.2%)
Net fee and commission income	1,936.0	1,772.8	9.2%
Net trading result	456.2	585.1	(22.0%)
General administrative expenses	(3,816.8)	(3,807.4)	0.2%
Other operating result	(439.3)	(355.8)	(23.5%)
Result from financial assets - FV	(6.0)	113.2	na
Result from financial assets - AfS	9.2	(204.1)	na
Result from financial assets - HtM	(5.5)	(6.8)	19.1%
<b>Pre-tax profit from continuing operations</b>	<b>1,515.1</b>	<b>1,261.3</b>	<b>20.1%</b>
Taxes on income	(328.7)	(284.7)	15.5%
Post-tax profit from discontinuing operations	0.0	0.0	na
<b>Net profit for the period</b>	<b>1,186.4</b>	<b>976.6</b>	<b>21.5%</b>
Attributable to non-controlling interests	171.0	73.2	>100.0%
<b>Attributable to owners of the parent</b>	<b>1,015.4</b>	<b>903.4</b>	<b>12.4%</b>
Operating income	7,804.7	7,578.8	3.0%
Operating expenses	(3,816.8)	(3,807.4)	0.2%
<b>Operating result</b>	<b>3,987.9</b>	<b>3,771.4</b>	<b>5.7%</b>
Cost/income ratio	48.9%	50.2%	
Return on equity	7.7%	9.1%	

# Group balance sheet (IFRS) –

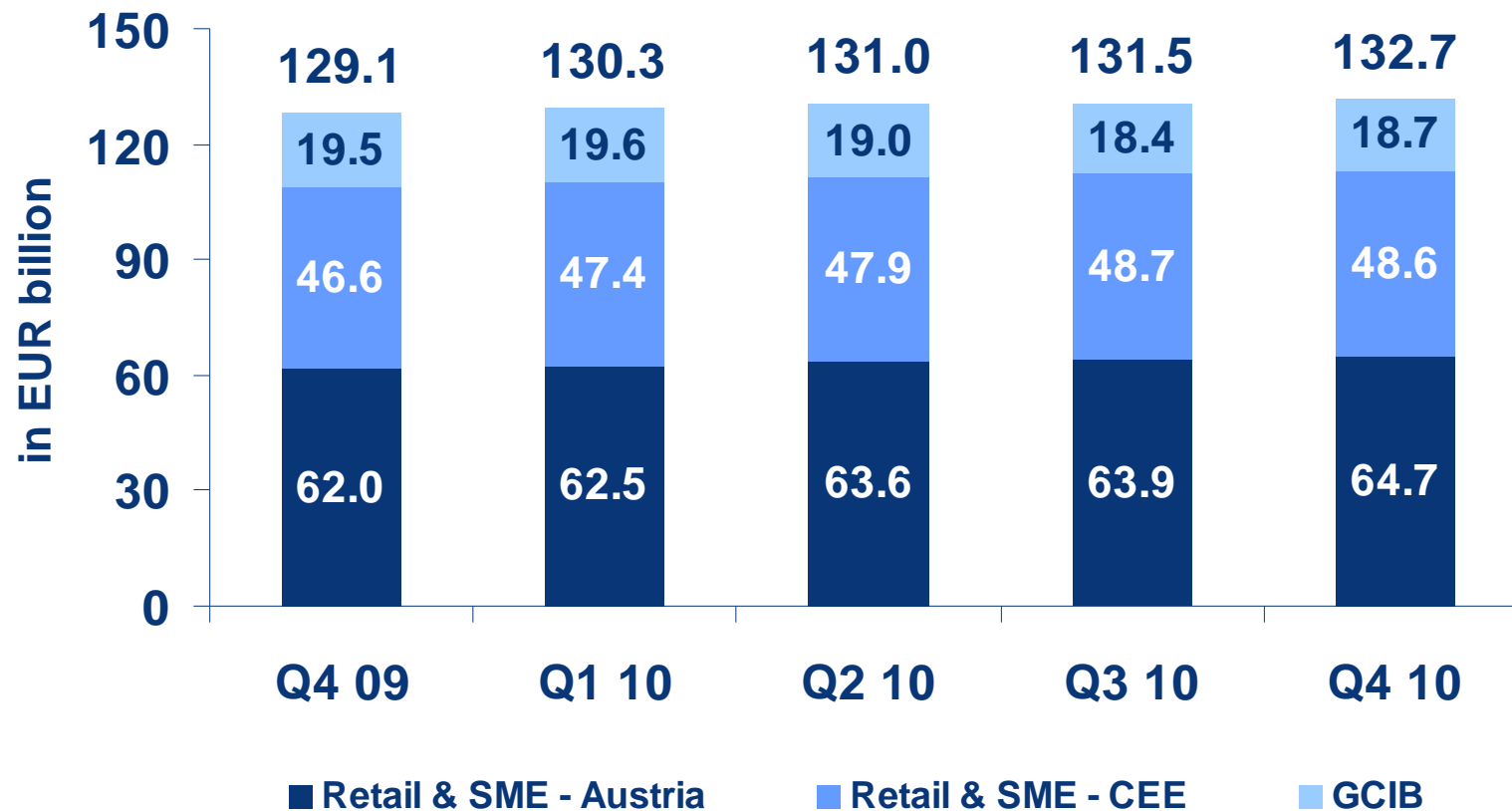
## Asset structure almost unchanged, technical effects

in EUR million	Dec 10	Dec 09	Change
Cash and balances with central banks	5,839	5,996	(2.6%)
Loans and advances to credit institutions	12,496	13,140	(4.9%)
Loans and advances to customers	132,729	129,134	2.8%
Risk provisions for loans and advances	(6,119)	(4,954)	23.5%
Derivative financial instruments	8,474	4,712	79.8%
Trading assets	5,536	6,012	(7.9%)
Financial assets - at fair value through profit or loss	2,435	2,997	(18.8%)
Financial assets - available for sale	17,751	16,390	8.3%
Financial assets - held to maturity	14,235	14,899	(4.5%)
Equity holdings in associates accounted for at equity	223	241	(7.5%)
Intangible assets	4,675	4,867	(3.9%)
Property and equipment	2,446	2,344	4.4%
Current tax assets	116	124	(6.5%)
Deferred tax assets	418	453	(7.7%)
Assets held for sale	52	58	(10.3%)
Other assets	4,632	5,297	(12.6%)
<b>Total assets</b>	<b>205,938</b>	<b>201,710</b>	<b>2.1%</b>
<b>Risk-weighted assets</b>	<b>119,844</b>	<b>123,891</b>	<b>(3.3%)</b>



# Group balance sheet (IFRS) – Subdued loan growth in 2010

## Customer loans by main segments

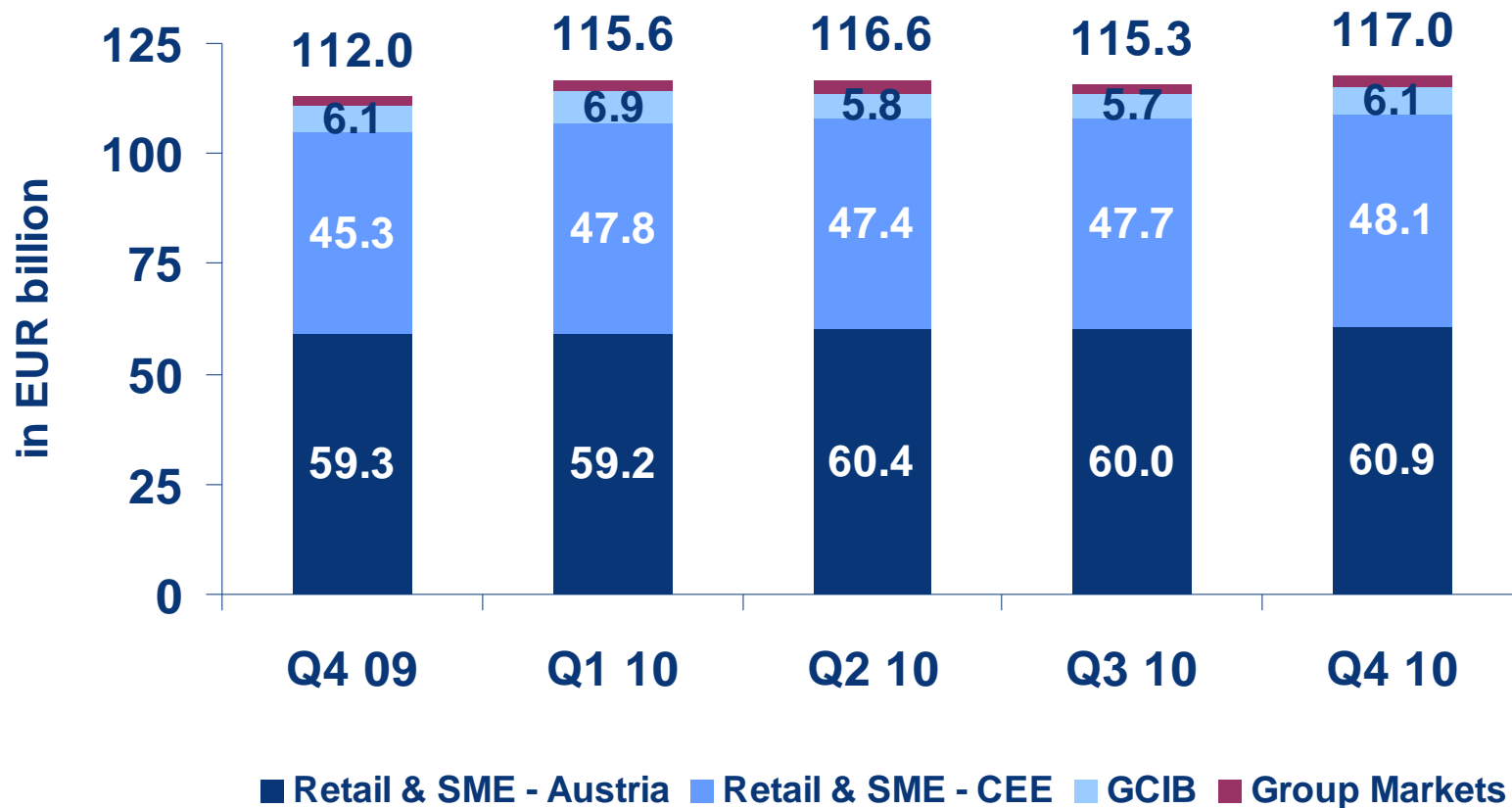


# Group balance sheet (IFRS) – Improved loan to deposit ratio at 113.4%

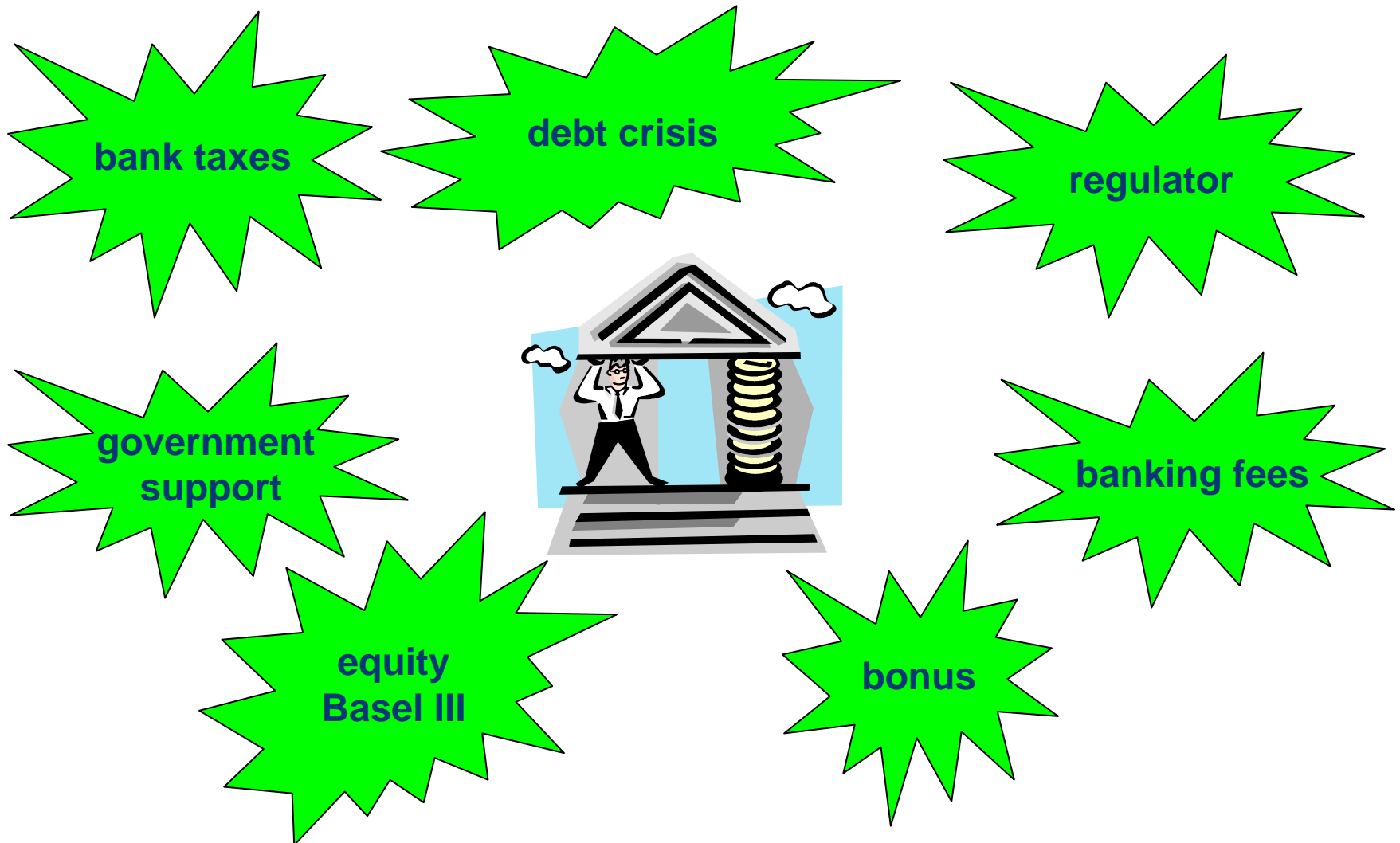
in EUR million	Dec 10	Dec 09	Change
Deposits by banks	20,154	26,295	(23.4%)
Customer deposits	117,016	112,042	4.4%
Debt securities in issue	31,298	29,612	5.7%
Derivative financial instruments	7,996	3,749	>100.0%
Trading liabilities	216	721	(70.0%)
Provisions	1,545	1,670	(7.5%)
Current tax liabilities	68	30	>100.0%
Deferred tax liabilities	328	331	(0.9%)
Other liabilities	4,350	4,989	(12.8%)
Subordinated liabilities	5,838	6,148	(5.0%)
Total equity	17,129	16,123	6.2%
Attributable to non-controlling interests	3,544	3,414	3.8%
Attributable to owners of the parent	13,585	12,709	6.9%
<b>Total liabilities and equity</b>	<b>205,938</b>	<b>201,710</b>	<b>2.1%</b>
<b>Tier 1 ratio - total risk</b>	<b>10.2%</b>	<b>9.2%</b>	
<b>Solvency ratio</b>	<b>13.5%</b>	<b>12.7%</b>	

# Group balance sheet (IFRS) – Continued retail deposit growth

## Customer deposit trends by main segments

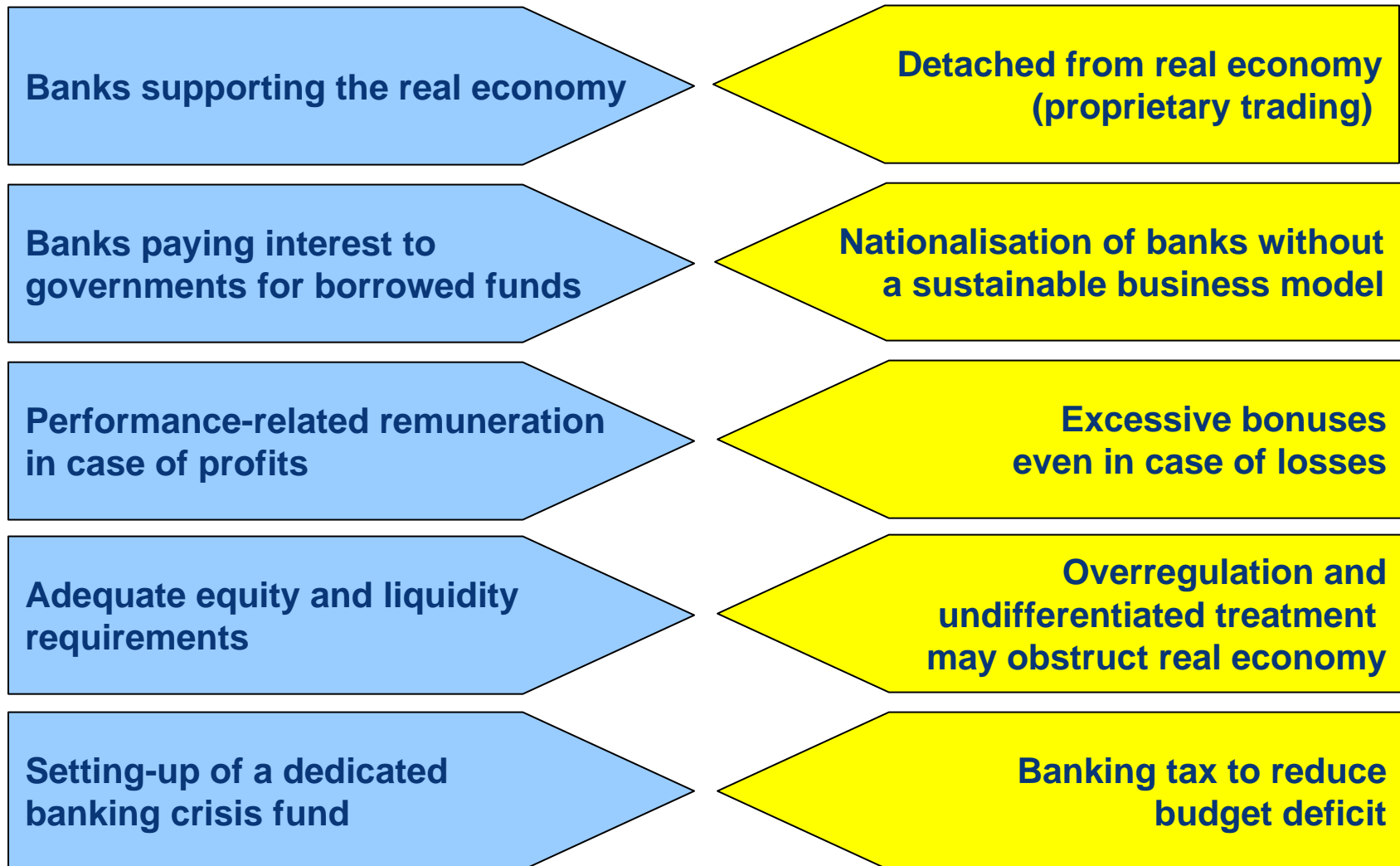


- 1** Public focus on banks
- 2** Q1 2011 overview – good start to the new financial year  
Asset quality and risk costs
- 3** Funding
- 4** Solid capital position –  
Increased net profit strengthened capital base
- 5** Current business environment –  
Macroeconomic developments
- 6** Development of the share price



# Topic 1: Banks in the public eye –

## Not all banks are equal



## **Topic 2: Q1 2011 review – Good start to the new financial year**

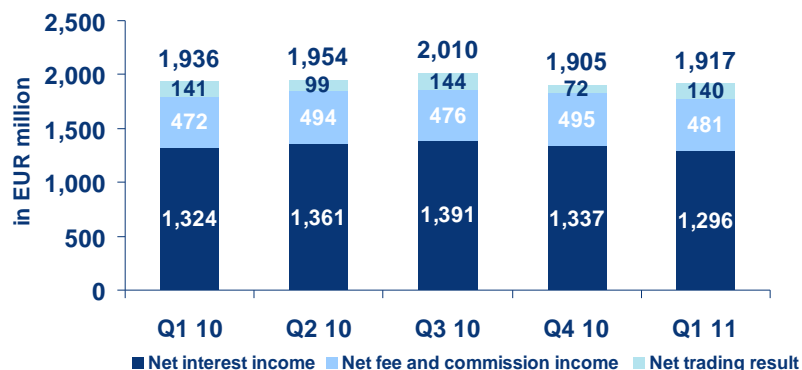
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- Net profit rises to EUR 260.6 million despite negative impact from banking taxes in Austria and Hungary**
- Continuing improvements in asset quality, risk costs decline quarter-on-quarter**
- Solid cost/income ratio of 50.2% on the back of ongoing tight cost control**
- Enhanced liquidity position: loan to deposit ratio at 111.4%**

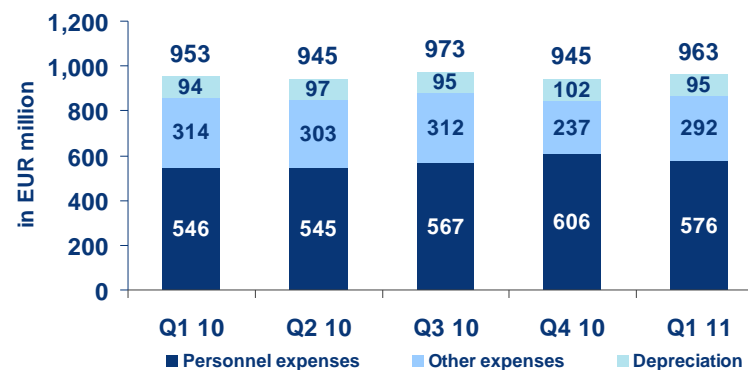
# Topic 2: Q1 2011 review –

## Operating expenses increased below inflation rate

Operating income per quarter



Operating expenses per quarter



### – Operating income in Q1 2011: - 1.0% vs Q1 2010 to EUR 1,916.6 million

- **Net interest income** down by 2.1% to EUR 1,295.7 million as a result of somewhat lower NIM due to low interest rate environment and slightly changed balance sheet structure
- **Net commission income** increased by 2.1% to EUR 481.2 million
- **Net trading result** of EUR 139.7 million nearly doubled vs Q4 2010 and was marginally down by 1.1% vs Q1 2010

### – Operating expenses in Q1 2011: +1.0% vs Q1 2010 to EUR 963.0 million (currency-adjusted: +0.3%)

- Personnel expenses up due to severance payments in CZ, other administrative expenses down (e.g. contained IT costs)



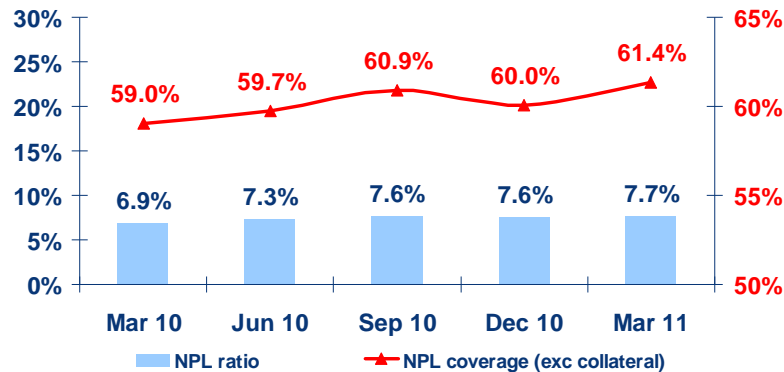
## Topic 2: Q1 2011 review –

### Operating result continued to perform well

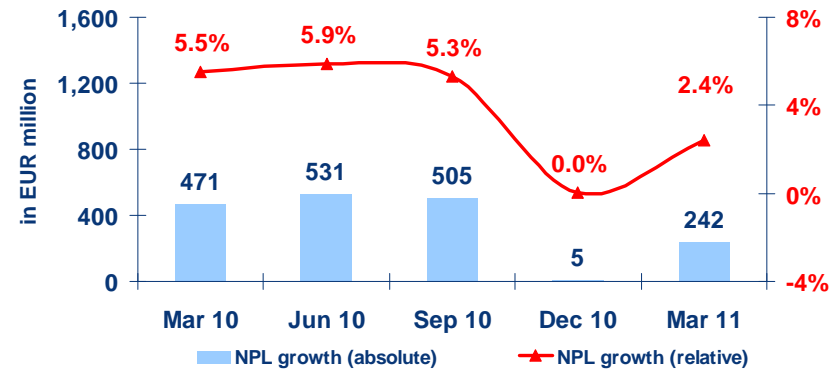
in EUR million	1-3 11	1-3 10	Change
<b>Retail &amp; SME</b>	<b>763.4</b>	<b>738.5</b>	<b>3.4%</b>
<b>Austria</b>	<b>199.6</b>	<b>200.0</b>	<b>(0.2%)</b>
EB Oesterreich	88.3	95.0	(7.0%)
Savings banks	111.3	105.0	5.9%
<b>CEE</b>	<b>563.7</b>	<b>538.4</b>	<b>4.7%</b>
Czech Republic	239.6	211.0	13.6%
Romania	123.0	146.4	(16.0%)
Slovakia	82.7	71.3	16.0%
Hungary	69.9	68.7	1.8%
Croatia	46.0	40.8	12.7%
Serbia	3.0	1.3	>100.0%
Ukraine	(0.5)	(0.9)	47.8%
<b>GCIB</b>	<b>129.1</b>	<b>145.4</b>	<b>(11.2%)</b>
<b>Group Markets</b>	<b>94.7</b>	<b>115.0</b>	<b>(17.6%)</b>
<b>Corporate Center</b>	<b>(33.6)</b>	<b>(15.7)</b>	<b>na</b>
<b>Total group</b>	<b>953.6</b>	<b>983.2</b>	<b>(3.0%)</b>

# Topic 2: Asset quality and risk costs – Positive group trends

Erste Group: NPL ratio vs NPL coverage



Quarterly NPL growth (absolute/relative)

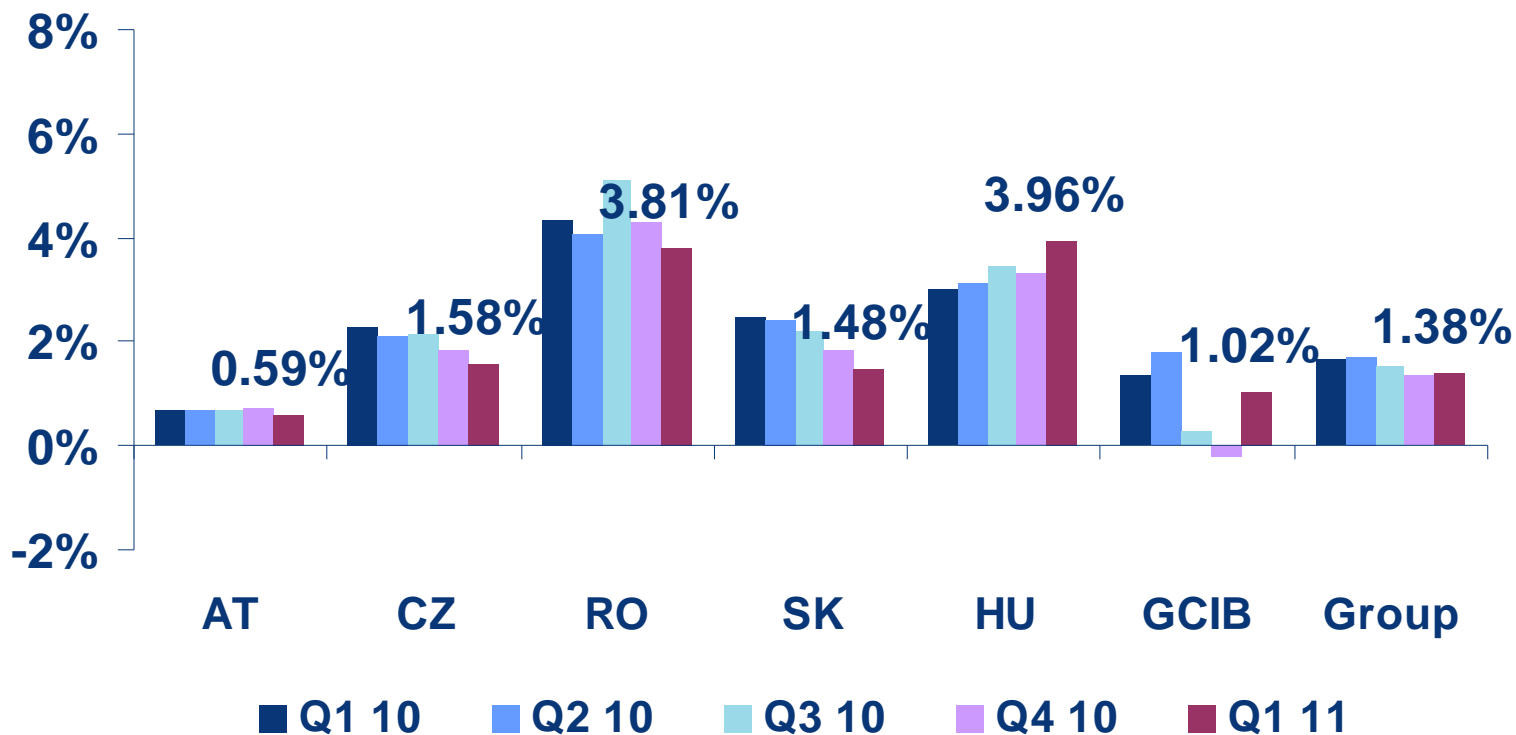


- NPL formation decreases year-on-year
- Positive migration trends continue
- NPL sales in CEE

# Topic 2: Asset quality and risk costs –

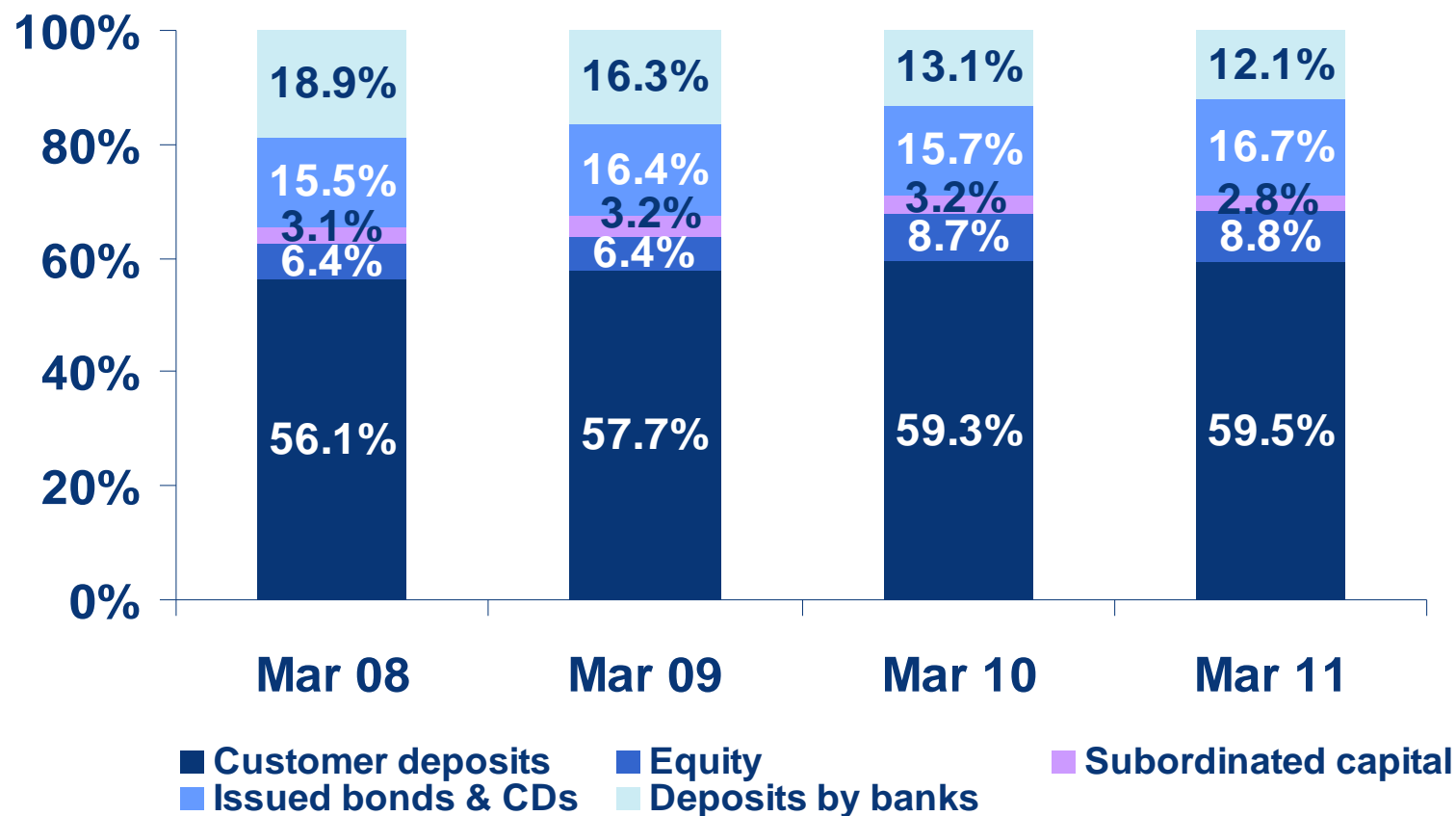
## Risk costs continue to decline

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



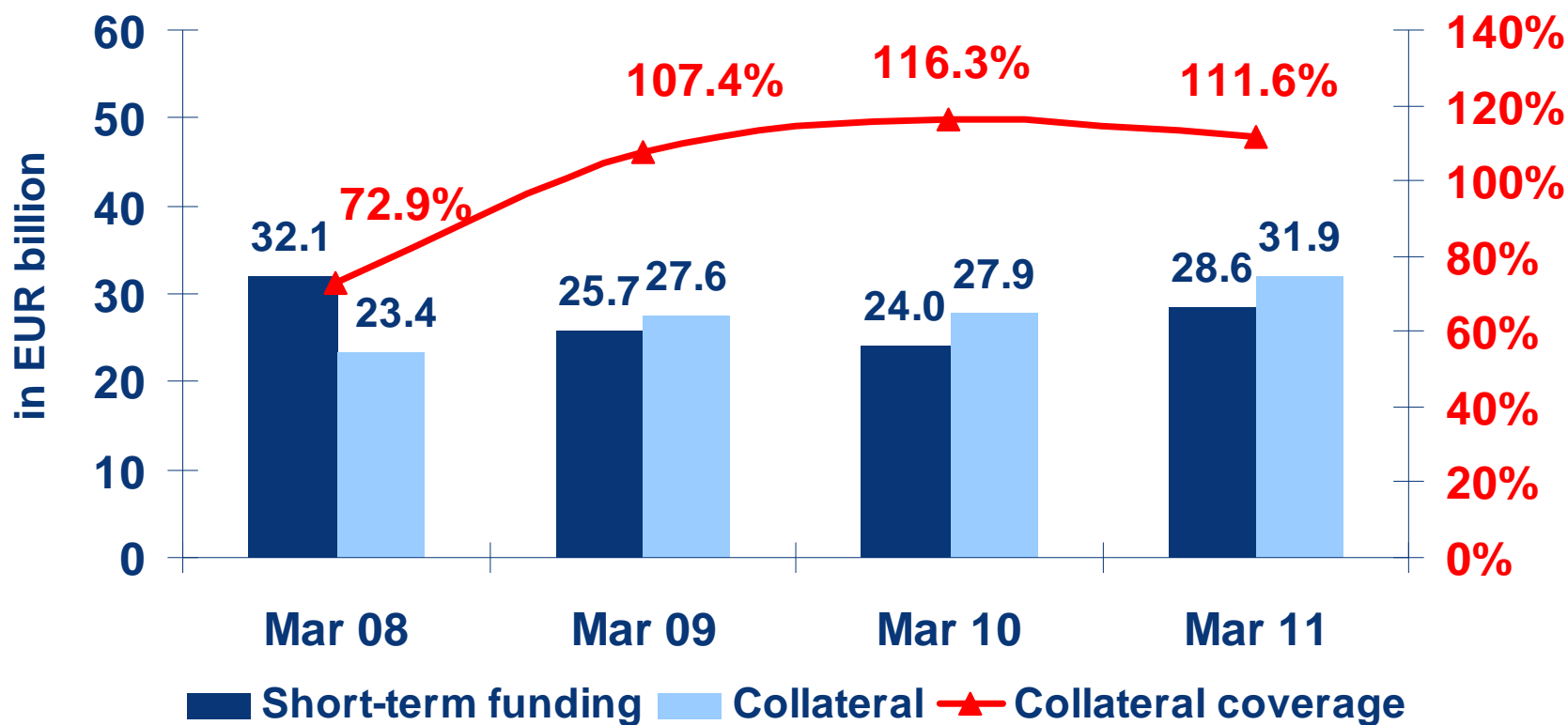
# Topic 3: Excellent funding mix – Retail deposits remain a key pillar

## Evolution of Erste Group's funding mix



# Topic 3: Improved funding mix – Short-term funding needs well covered

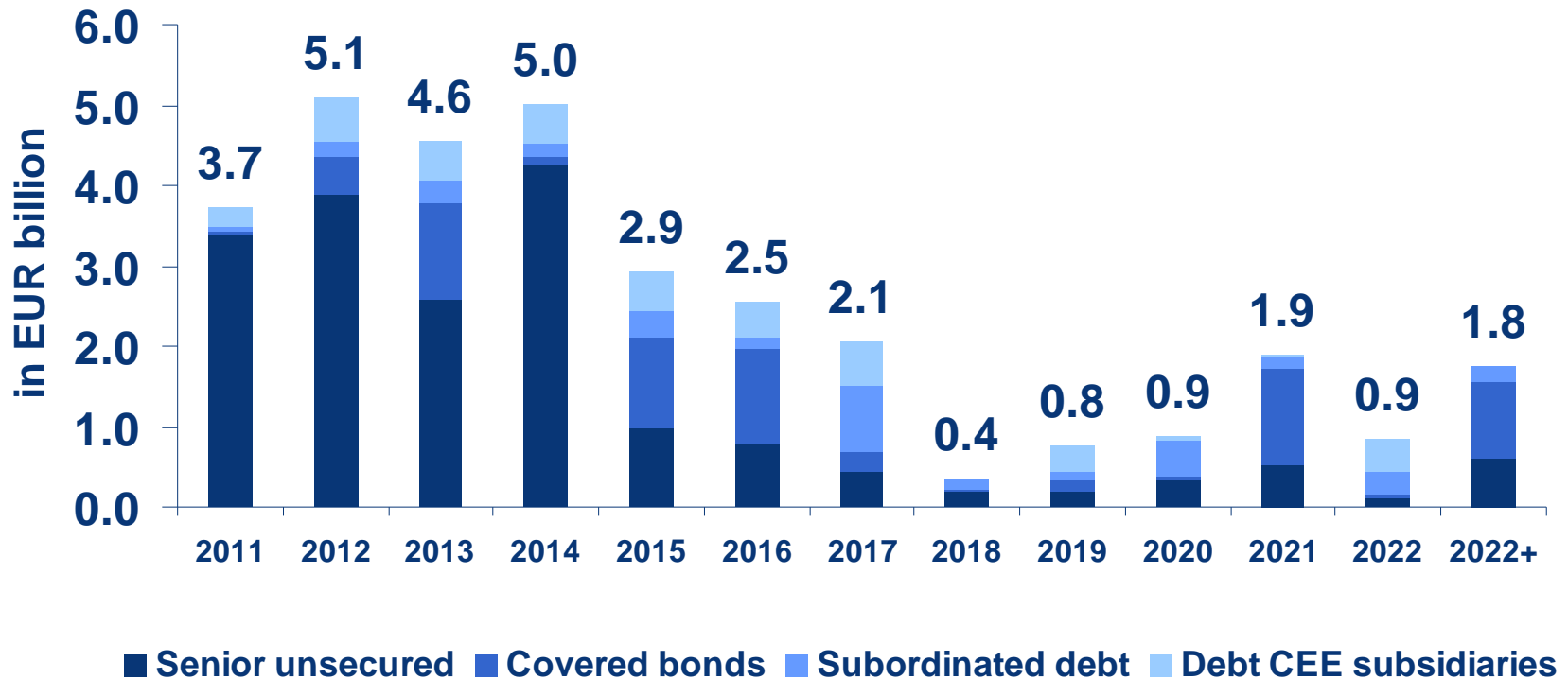
## Short-term funding vs collateral coverage



# Topic 3: Refinancing –

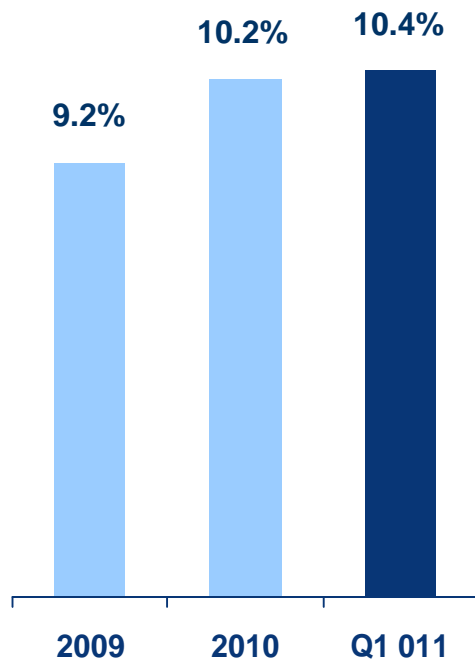
## Successful new issues in 2010 and 2011

### Redemption profile of Erste Group (Q1 2011)

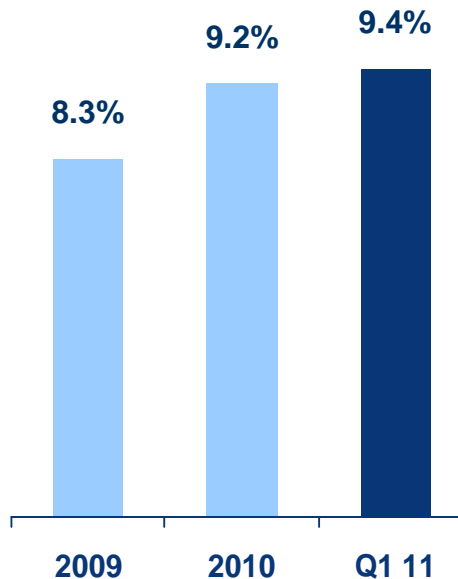


# Topic 4: Erste Group's capital position – Further strengthening of capital ratios

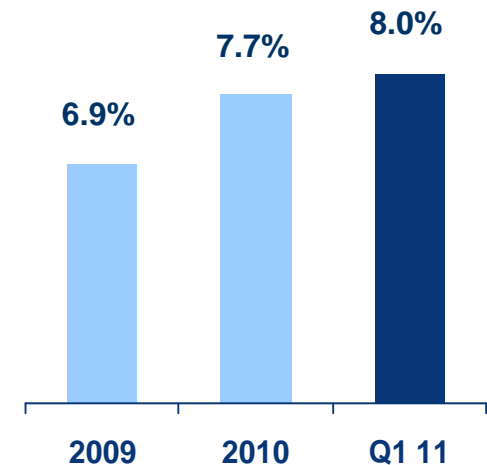
**Tier 1 ratio  
(total risk)**



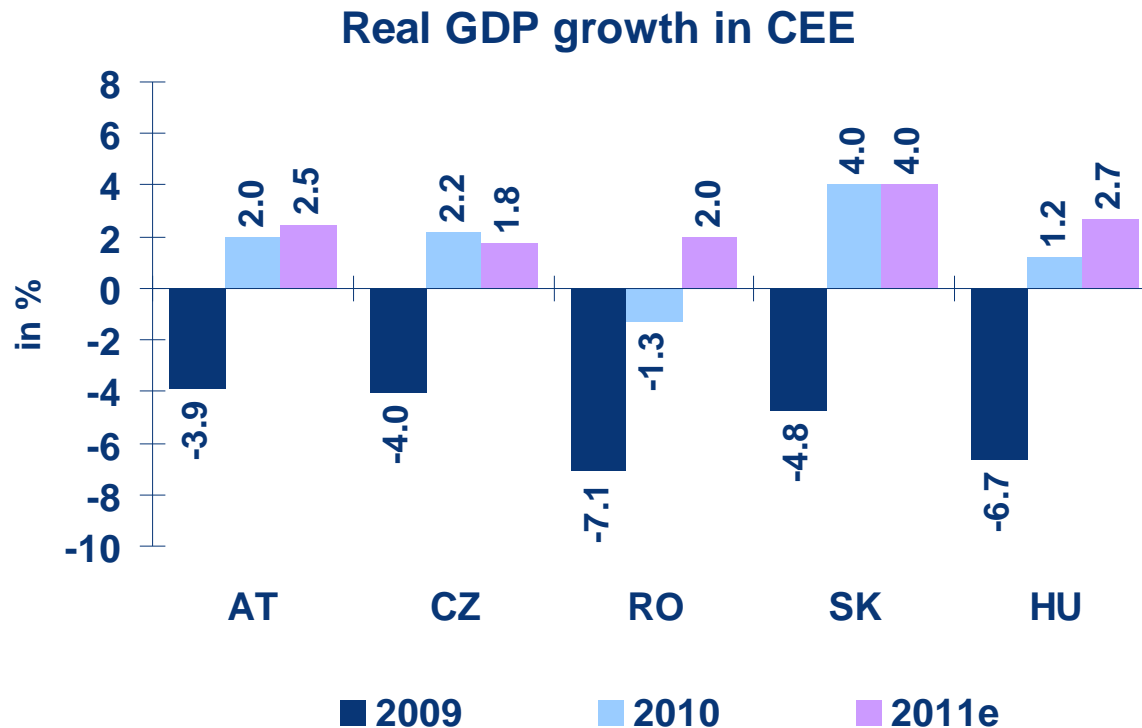
**Core tier 1 ratio  
(total risk)**



**Core tier 1 ratio excl.  
participation capital  
(total risk)**



# Topic 5: Business environment – Macroeconomic trends



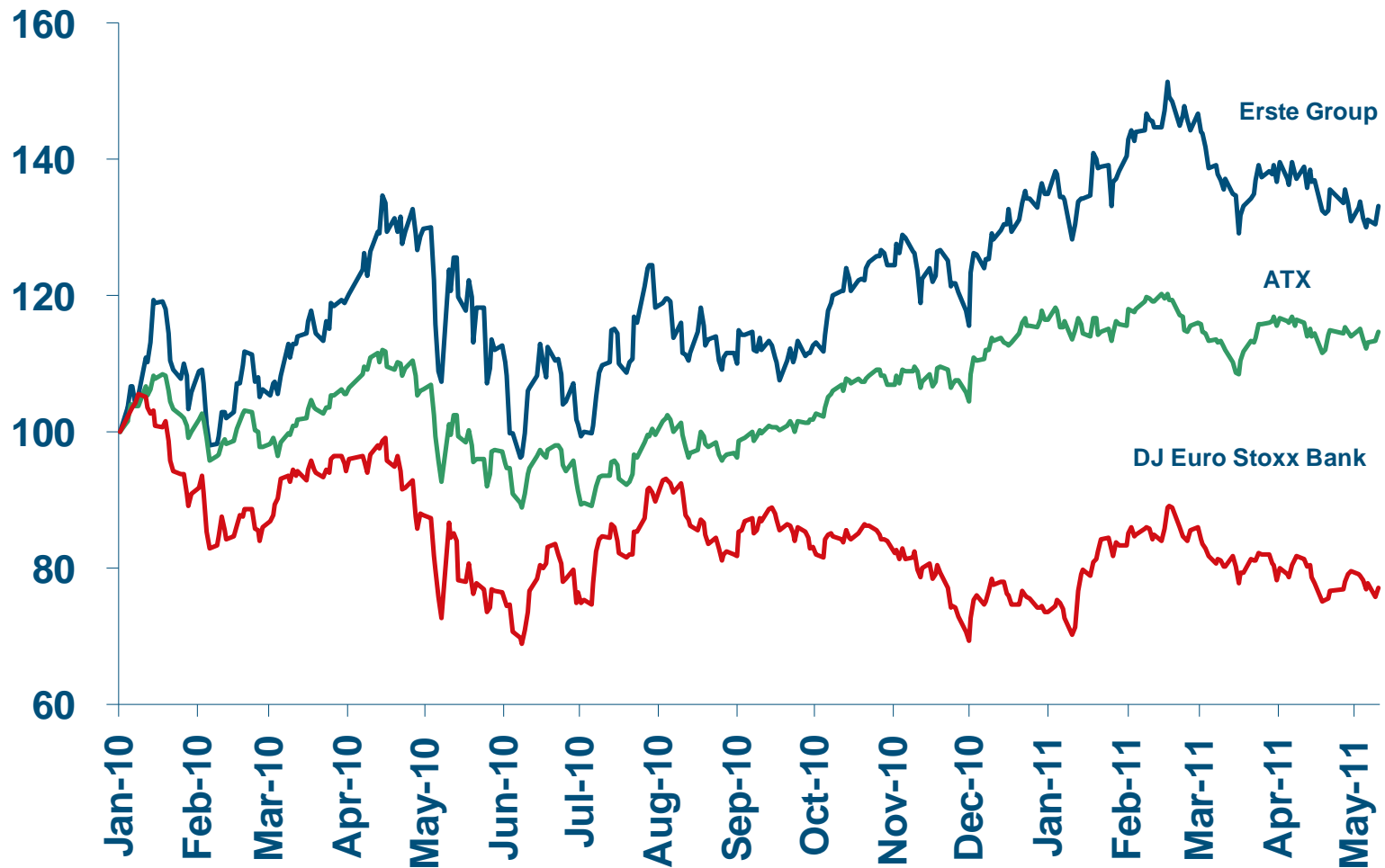
- All CEE countries expected to grow in 2011: CZ, SK and AT lead the way
- Industrial output continues to improve on the back of rising exports supported by rebounding domestic demand

Source: Erste Group Research, Eurostat



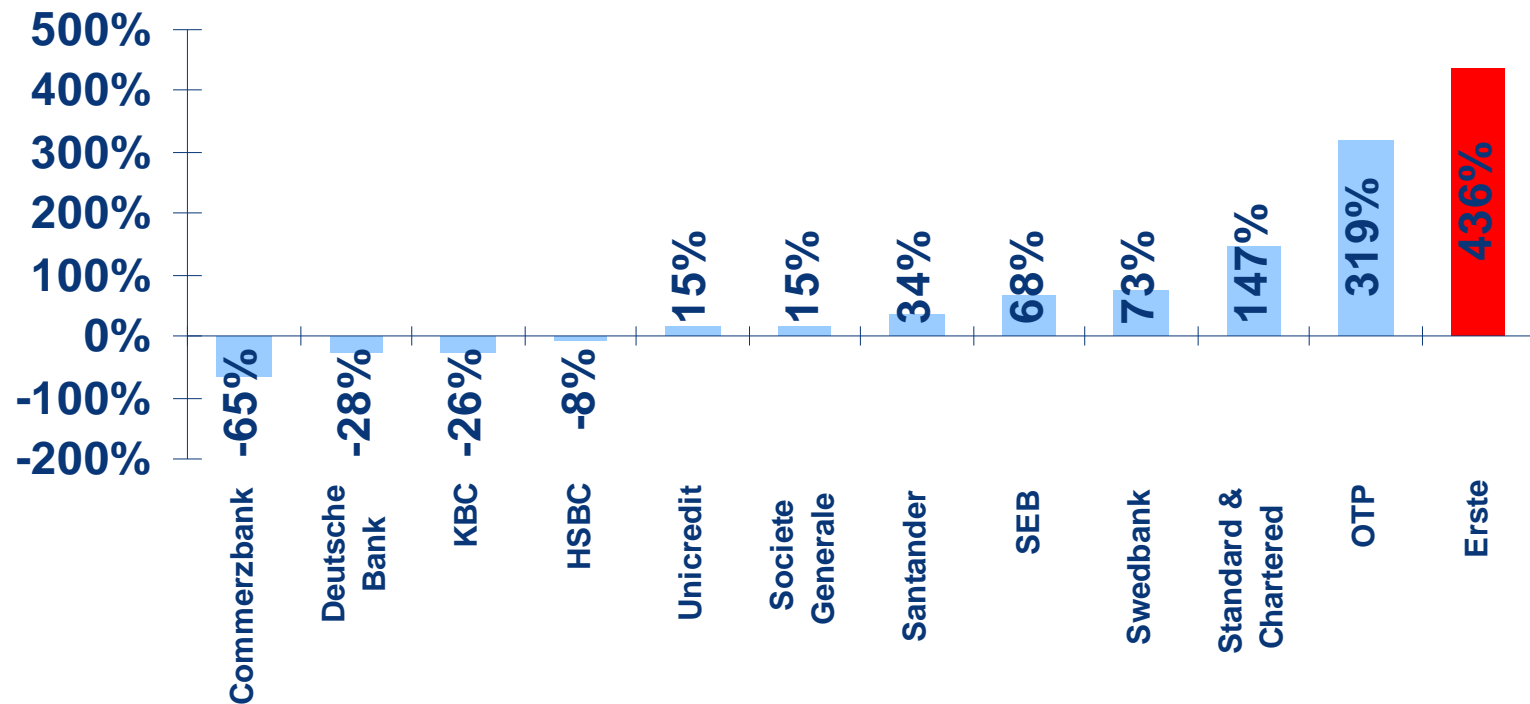
- **Perception of the region has improved supported by prudent fiscal policies**
  - **Substantial reduction in CDS spreads**
  - **CEE currencies appreciated versus the EUR**
  - **Successfully placed CEE Eurobonds (PL, RO, SK, CZ)**
  
- **Unemployment rates are stabilising, improvements expected for the rest of the year**
  
- **Positive interest rate development**
  - **EUR and CZ expected to increase with recovery accelerating**
  - **RO easing thwarted by grim inflation outlook**
  - **HU cut likely in the second half of the year**

# Topic 6: Share development – Erste Group exceeds Peers and ATX



# Topic 5: Share development – Sustainable creation of value

## Development of market capitalisation (Dec 2000 - May 2011)



**Heinz Kessler**

**President of the Supervisory Board**

**Proposed resolutions**



## Appropriation of the profit

## **Grant of discharge to the members of the Management Board and the Supervisory Board**

# Request to speak

On agenda items 1, 2 and 3

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- **Report on the financial year 2010**
- **Appropriation of the profit**
- **Grant of discharge to the members of the Management Board and the Supervisory Board**

## Remuneration of the members of the Supervisory Board



## Appointment of an additional auditor and group auditor for 2012

## Acquisition of own shares for the purpose of securities trading

## Acquisition of own shares for no designated purpose

## Acquisition of own participation certificates for the purpose of securities trading

## Acquisition of own participation certificates for no designated purpose

# Request to speak

On agenda items 6, 7, 8 and 9

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- Acquisition of own shares for the purpose of securities trading**
- Acquisition of own shares for no designated purpose**
- Acquisition of own participation certificates for the purpose of securities trading**
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## Amendments of the Articles of Association

# 18<sup>th</sup> Annual General Meeting

Erste Group Bank AG

**Thank you for your attention!**