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**Erste Group –
Strong operating income and strict cost control**

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– **Business environment**

– 1-9 2010 Key topics

– **Outlook**

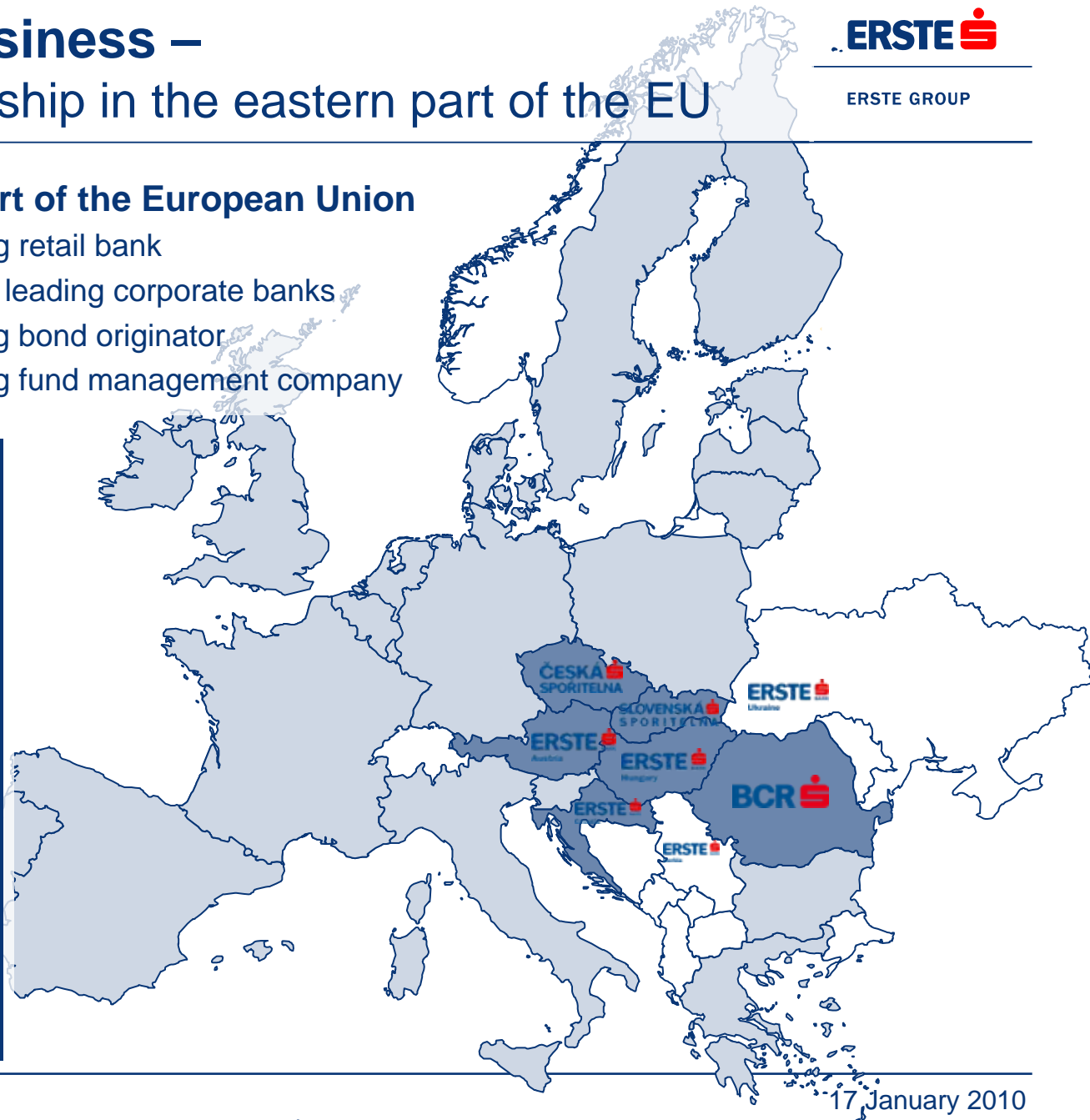
Erste Group's business –

Retail market leadership in the eastern part of the EU

– Focus on the eastern part of the European Union

- Erste Group is the leading retail bank
- Erste Group is one of the leading corporate banks
- Erste Group is the leading bond originator
- Erste Group is the leading fund management company

| Country | Product category | Market share | Market position |
|----------------|-------------------|--------------|-----------------|
| Austria | Retail loans | 19% | 2 |
| | Retail deposits | 19% | 2 |
| | Assets under mgmt | 22% | 1 |
| | Corporate loans | 17% | 2 |
| Czech Republic | Retail loans | 27% | 1 |
| | Retail deposits | 29% | 1 |
| | Assets under mgmt | 26% | 2 |
| | Corporate loans | 23% | 2 |
| Romania | Retail loans | 20% | 1 |
| | Retail deposits | 23% | 1 |
| | Assets under mgmt | 46% | 1 |
| | Corporate loans | 24% | 1 |
| Slovakia | Retail loans | 27% | 1 |
| | Retail deposits | 28% | 1 |
| | Assets under mgmt | 22% | 1 |
| | Corporate loans | 14% | 3 |
| Hungary | Retail loans | 14% | 2 |
| | Retail deposits | 8% | 3 |
| | Assets under mgmt | 11% | 3 |
| | Corporate loans | 9% | 6 |
| Croatia | Retail loans | 13% | 3 |
| | Retail deposits | 13% | 3 |
| | Assets under mgmt | 21% | 2 |
| | Corporate loans | 15% | 3 |



What has recently changed in CEE?

- **Economic growth continued to be mainly driven by exports**
 - Industrial output has remained strong across the region
 - Improved household consumption in selected countries
 - More balanced growth forecast for next year with domestic demand expected to pick up in the region
- **Very strong fiscal commitment in CEE**
 - Fiscal measures in Romania and Hungary aimed at meeting agreed budget deficit targets
 - Agreements with international organisations enforce fiscal discipline in selected countries
- **Benchmark interest rates remained at historic lows**
 - Czech Republic: 0.75%, Romania: 6.25%
 - Interest rates are not expected to rise in near future
- **More stable exchange rate environment in Romania and Hungary**
 - RON has stabilized at 4.2-4.3 versus the euro following historic low in June
 - HUF has recovered against the euro since its July trading lows but still weak versus the CHF
- **Banking tax in Hungary and Austria to improve budget deficits**
 - Hungary: implemented banking tax for 2010 and 2011
 - Pre-tax impact on Erste Group: ~ EUR 48m p.a.; post-tax: EUR 37m p.a.
 - Austria: post tax impact on Erste Group EUR 106m

Business environment: Macroeconomic trends –

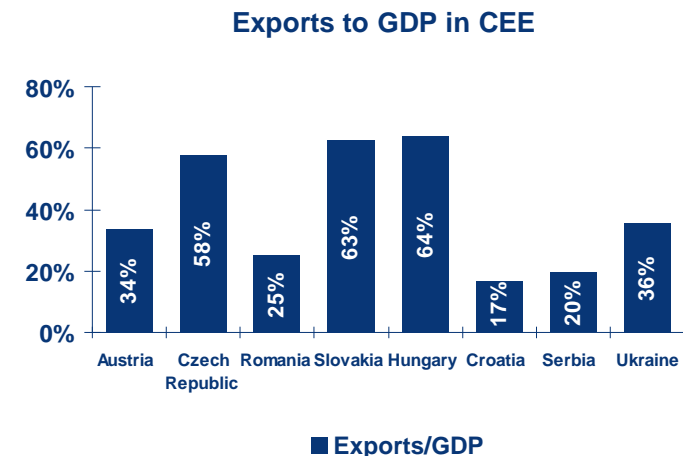
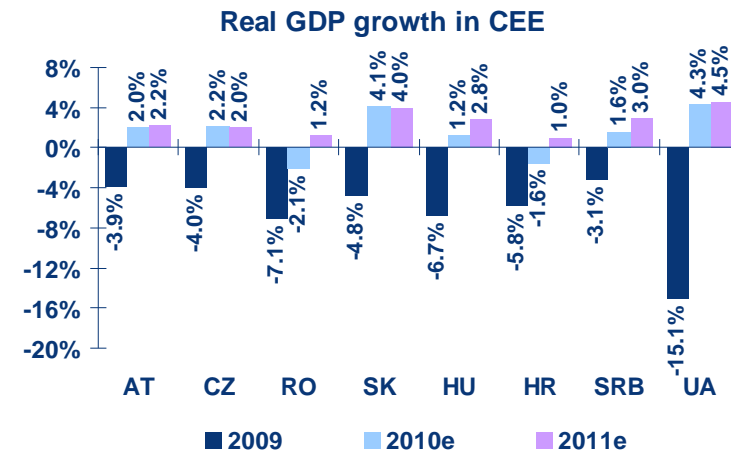
Focus: Economic growth outlook in CEE

– Significant improvement in industrial output thanks to rising exports

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

– All CEE countries expected to grow in 2011

- Economic recovery has started already in 2010 mainly driven by exports
- In 2011 more balanced growth is expected supported by increased domestic demand
- CEE countries to experience different growth patterns in line with level of export dependency and country-specific issues
 - Romania: growth to return in 2011 following negative impacts of VAT increase and public sector pay cuts in 2010
 - Hungary: expected improvement in household consumption to push growth to 2.8% in 2011
 - Croatia: weak domestic demand only partly offset by tourism in 2010
 - Serbia and Ukraine: more balanced growth seen in 2010
 - Czech Republic and Slovakia: growth rates of 2-4% for 2010, significantly ahead of Eurozone average (1.3%)



Source: Erste Group Research

Business environment: Banking market – 2011: the return of moderate volume growth

– CEE lending: the crisis is behind us but growth will not arrive before 2011

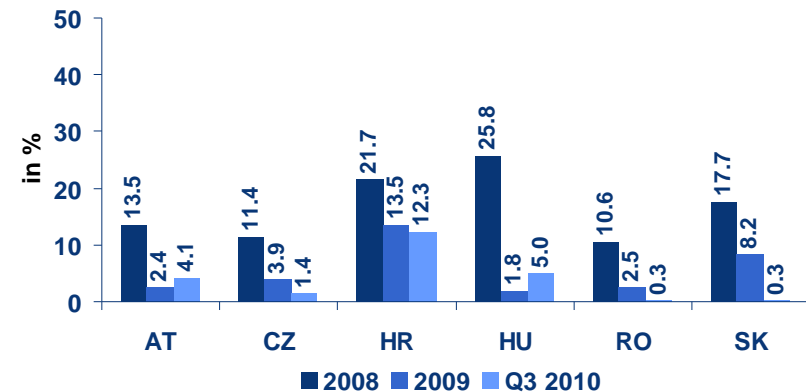
- 2010 will be a lost year in terms of growth, but valuable in terms of consolidation and digesting the effects of the downturn
- 2011: the return of volume growth, depending on the market, in the mid- to high single digits

– With margins at highs there is scope for increased competition in CEE

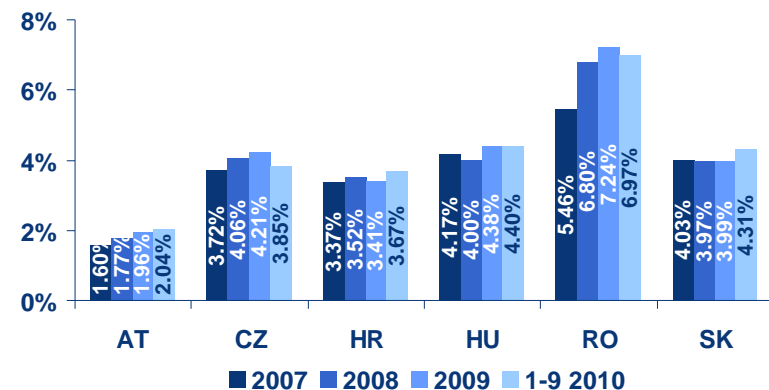
- Retail business: focus is on existing clients with known credit histories and on secured business; higher share of LCY business
- Corporate business: demand is rising across the region but competition for better rated assets leads to rise in unsecured lending and to relaxation of lending standards

– Continued strong deposit market

EG segment - retail loan growth rates *
(yoy, not adjusted for currency movements)



Erste Group's net interest margins in CEE



*) Based on Retail & SME segment data.

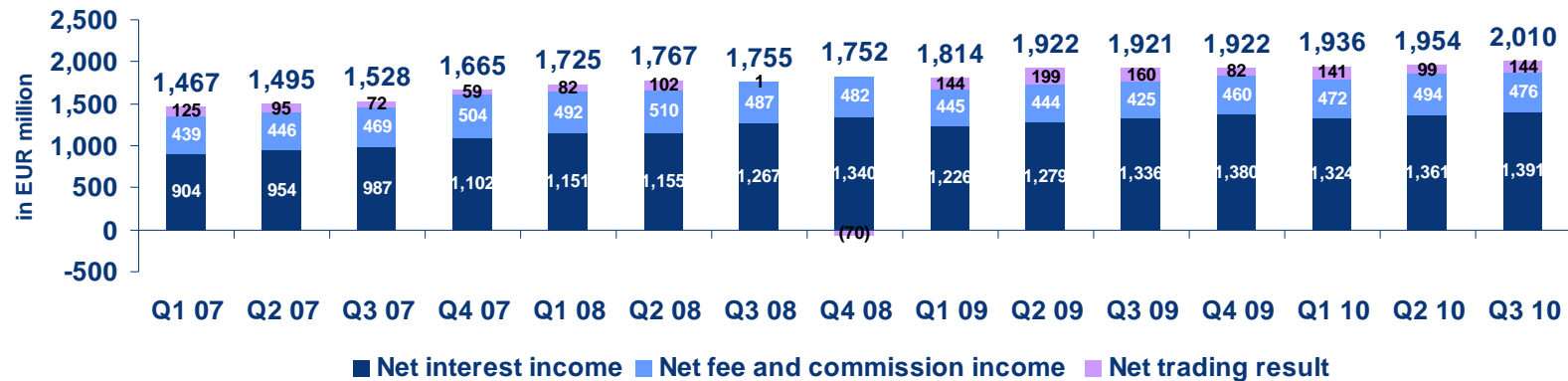
– Business environment

– **1-9 2010 Key topics**

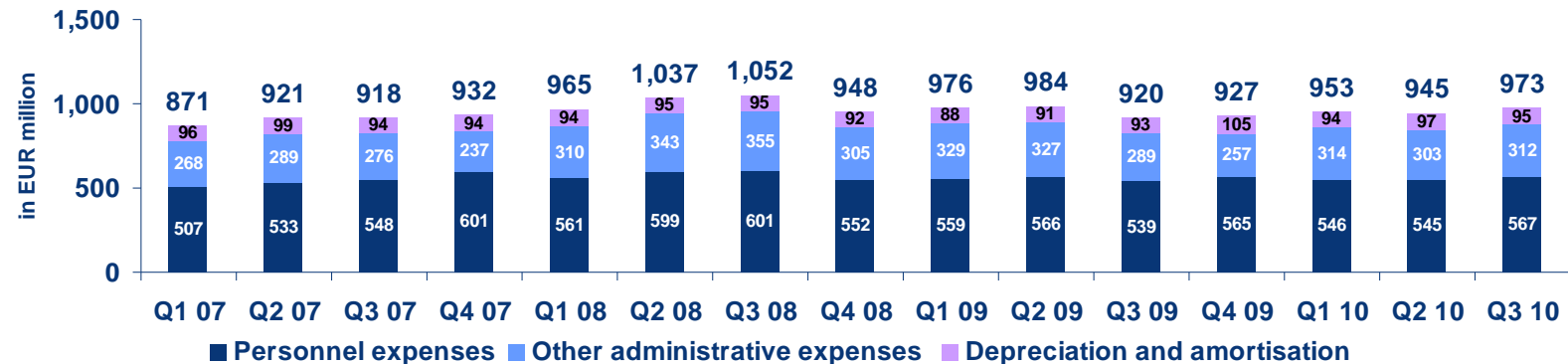
– Outlook

Erste Group's operating performance – Growing revenues and costs under control

Erste Group: operating income history

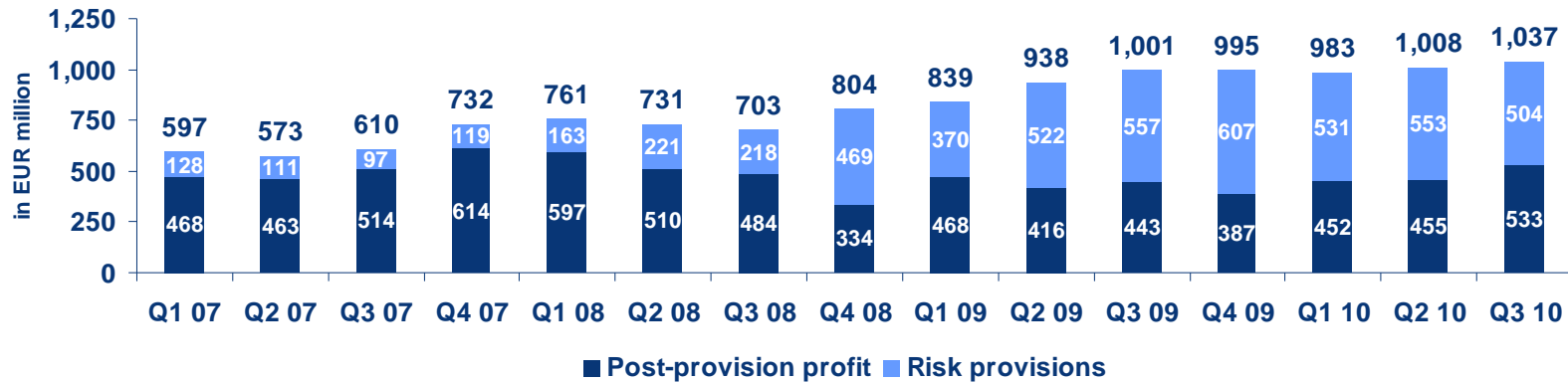


Erste Group: operating expense history

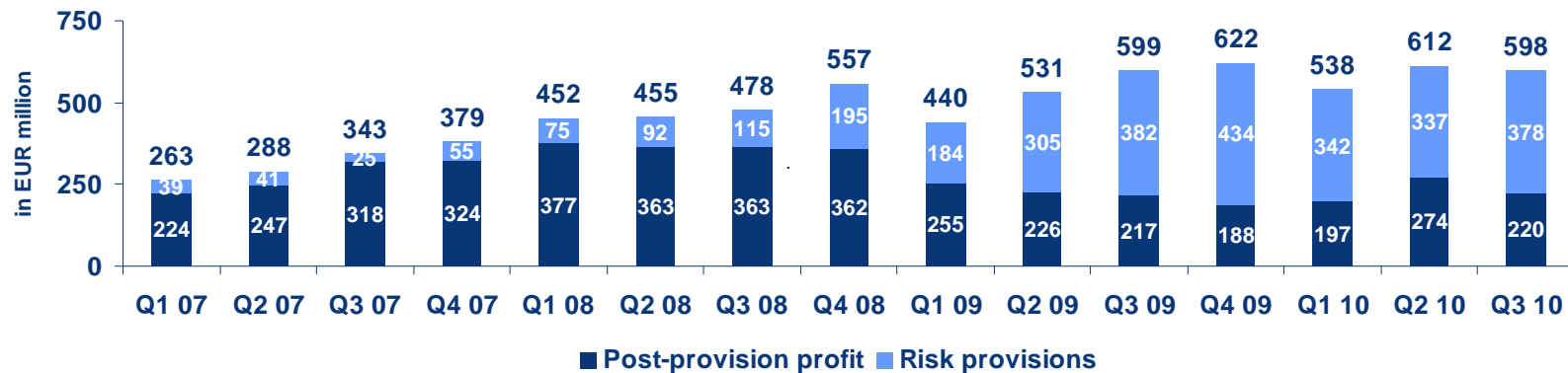


Erste Group's operating performance – Record pre-provision profitability

Erste Group: operating profit history (pre-provision profit)



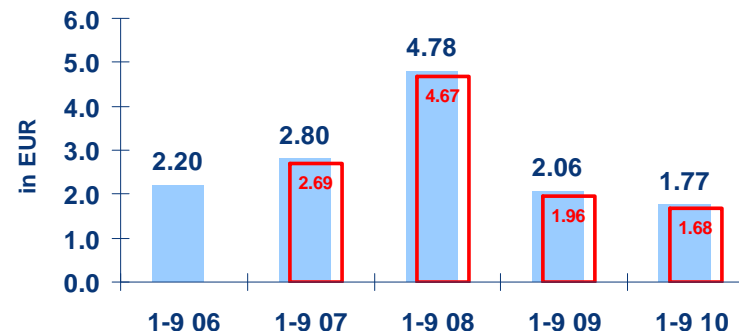
Segment CEE (Retail & SME): operating profit history (pre-provision profit)



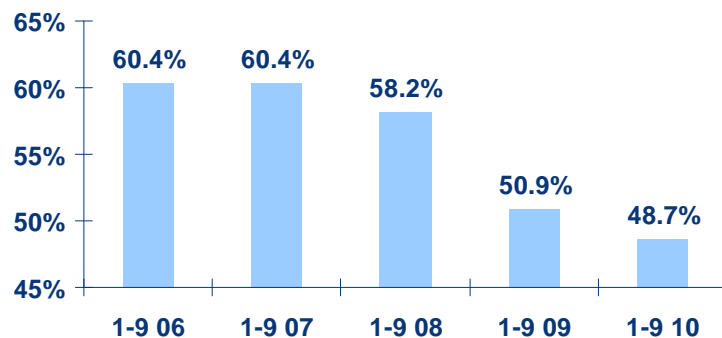
Erste Group's bottom line performance – Net profit of EUR 736.8 million in 1-9 2010

- **Net profit grew by 2.3% to EUR 736.8 million**
 - Lower Cash-EPS and Cash-ROE due to substantially enlarged capital base
 - Issuance of participation capital in H1 09 (EUR 1.76bn)
 - Issuance of equity in November 2009 (EUR 1.74bn)
- **Stable NIM at 3.08% (1-9 09: 2.98%)**
 - NIM was stable qoq in CEE (4.59%), with slight improvement registered in Austria (2.04%) supported by solid margins in core customer business
- **Cost/income ratio improved to 48.7%**
 - Supported by record operating income and strict cost control

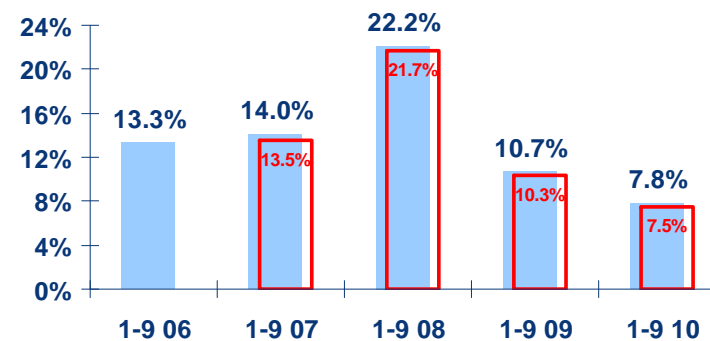
Cash earnings per share *



Cost/income ratio



Cash return on equity *



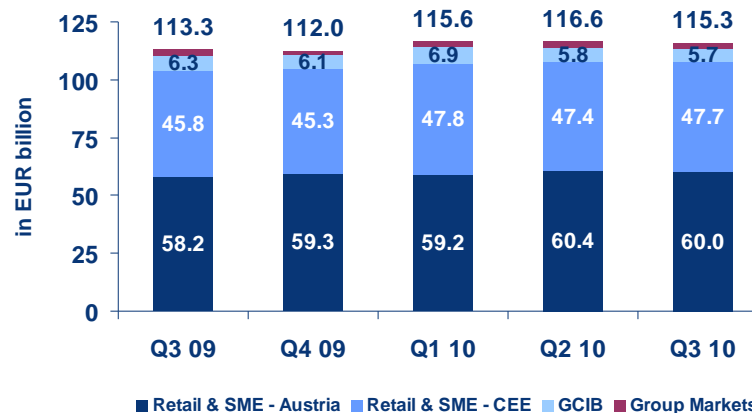
*) Red bars denote reported EPS and ROE respectively.

Cash EPS and EPS calculated on average number of shares: 374.6m (ex treasury shares and shares owned by savings banks with EB participations: 3.5m), adjusted for non cash items amounting to EUR 30.5m in Q3 2010 (linear amortisation of customer relationships after tax and non-controlling interests) and dividend on the participation capital (EUR 105.8m).

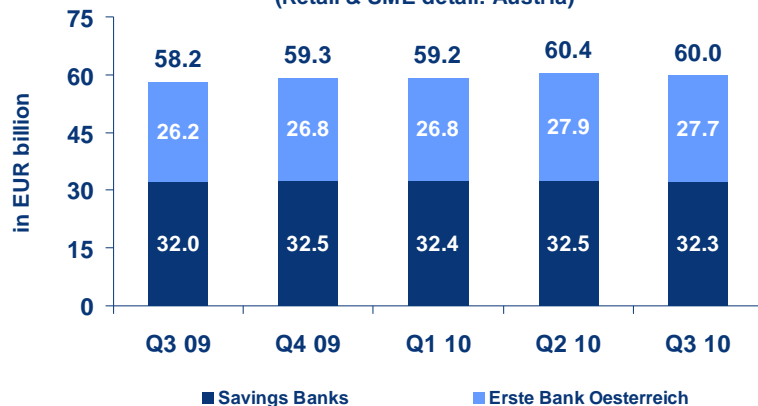
Erste Group's customer deposits – Deposit growth continues to outpace loan growth

- **Customer deposits grew by 2.9% ytd (up 1.8% yoy)**
 - Mainly based on solid growth in Austria and strong inflows in the Czech Republic
- **Retail & SME deposits increased by 2.9% ytd**
 - Austria grew by 1.2%, supported by EB Oesterreich (+3.4% ytd)
 - CEE enjoyed strong ytd growth (+5.2%): supported by the Czech Republic (+12.0%) driven by inflows from public sector and currency appreciation; other core markets saw stable or slightly declining volumes
- **GCIB deposits declined by 6.2% ytd**
 - Reversing the positive Q1 2010 trend, as short-term deposits from large corporates were not rolled-over
- **Loan/deposit ratio stable at 114.0% in Q3 2010 (year-end 2009: 115.3%)**

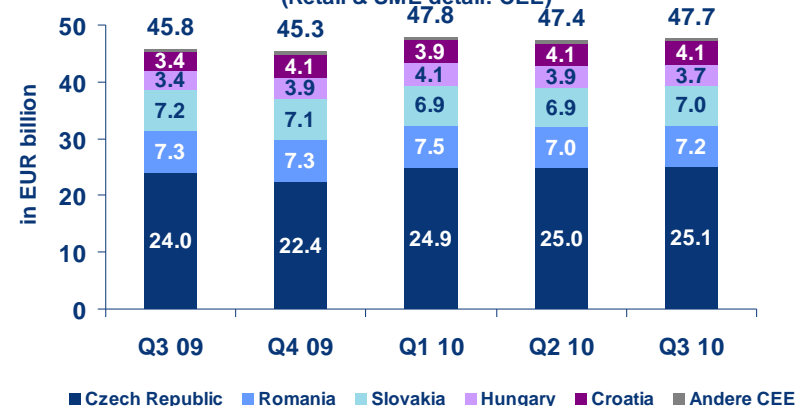
Customer deposit trends by main segments



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



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

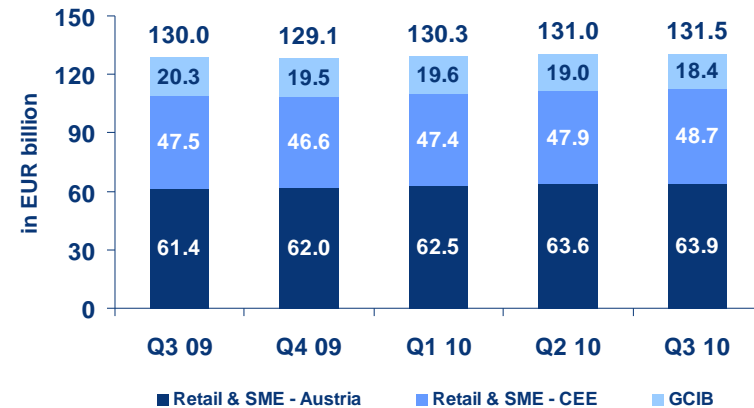


Erste Group's loan book –

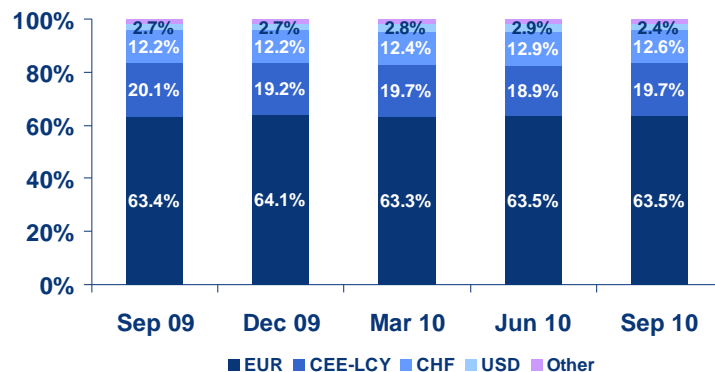
Loan demand across the segments remained subdued

- **Customer loans increased by 1.8% ytd; up 1.2% yoy**
 - Growth in Retail & SME loans in Austria and CEE ytd and yoy was driven mainly by appreciation of CHF and CEE currencies vs euro
 - GCIB loan book declined by 5.5% ytd, and by 9.5% yoy due to redemptions and lower demand
- **Customer distribution remained broadly unchanged**
 - Retail continued to increase to 48.7% of portfolio
 - SME and large corporates account for 45.7% of the loan book
 - Public sector rose to 5.5% of total loans
- **Currency distribution shifted towards EUR and CHF**
 - No new CHF lending since 2009; existing loan book with conservative debt service to income ratios and LTVs

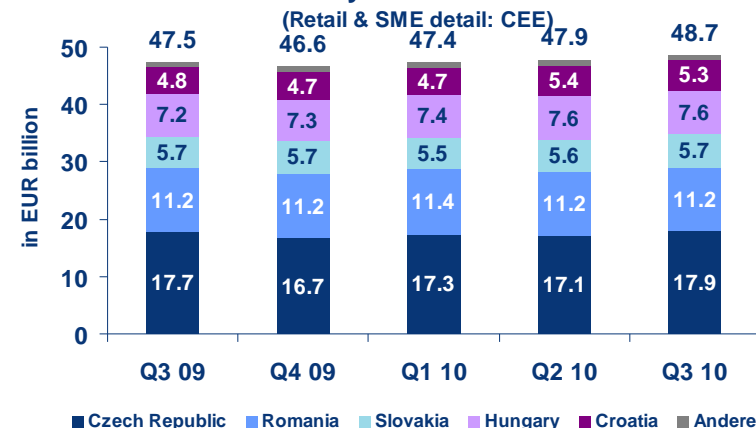
Customer loans by main segments *



Customer loans by currency



Quarterly loan book trends



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

Erste Group's asset quality –

Group trends: declining NPL formation, coverage rises

– New NPL formation declined in line with target risk costs

- Excellent performance in Austria both at the savings banks and Erste Bank Oesterreich resulted in reduced NPLs
- NPL growth in CEE driven by local corporate segment mainly in Romania and Croatia
- NPLs in Slovakia, Ukraine and Serbia flat or in decline

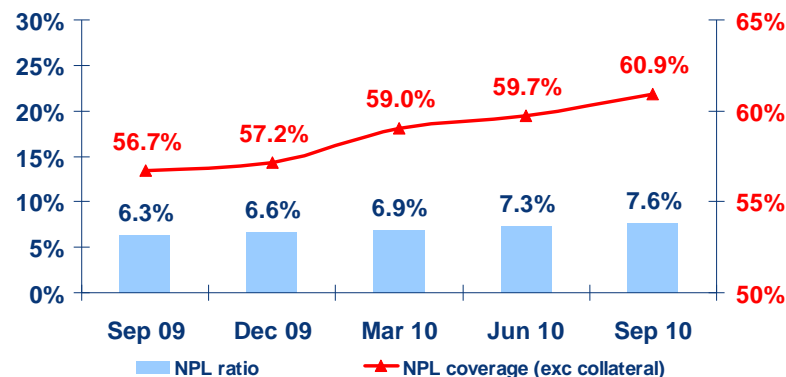
– NPL ratio based on customer loans increased to 7.6% (YE 2009: 6.6%)

- Continued low demand for new loans but downward migration trend in existing portfolio slowed down considerably

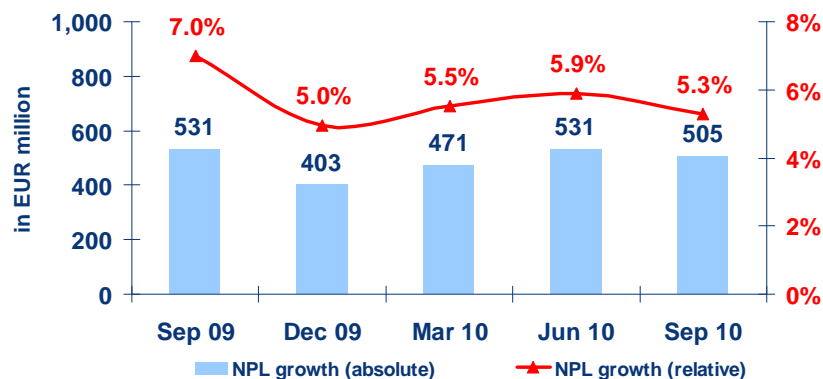
– NPL coverage continued to improve to 60.9% (YE 2009: 57.2%)

- NPL coverage improved throughout all major segments (Retail & SME as well as GCIB segment)

Erste Group: NPL ratio vs NPL coverage



Quarterly NPL growth (absolute/relative)



Erste Group's funding profile –

Retail deposits remain a key pillar in the funding mix

– Customer deposits remain the main source of funding

- Providing a solid funding base in all local currencies
- Reflected in loan/deposit ratio improvement to 114.0%

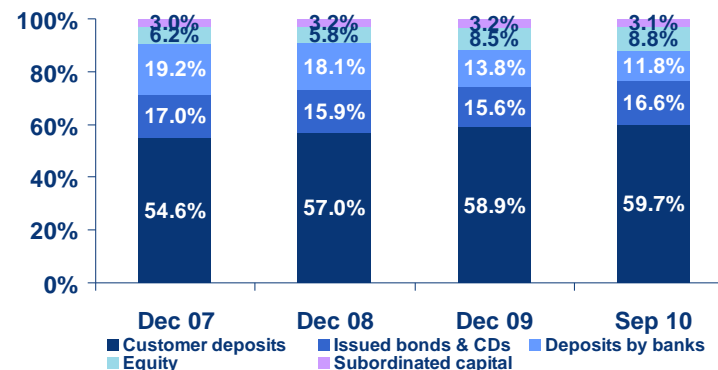
– Short-term funding needs well covered

- Well collateralised and stable share of short-term funding

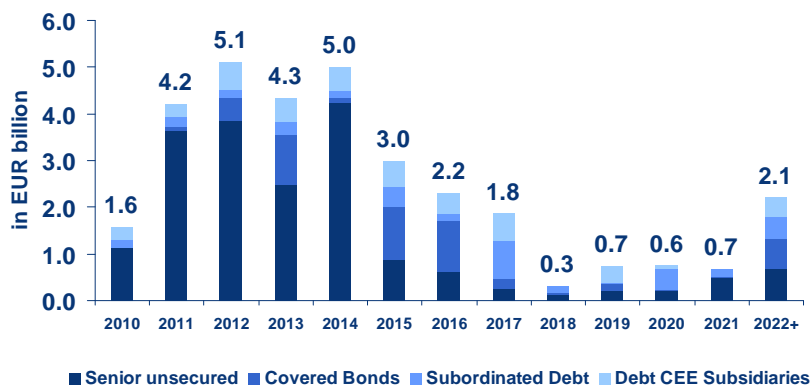
– Limited long-term funding required

- EUR 4.4 billion funding needs for 2010 already covered, funding for 2011 has already started
- Funding mix:
 - 43% private placements: senior unsecured
 - 7% private placements: Pfandbrief
 - 50% public benchmark: Pfandbrief
- Continued focus on extension of maturity profile

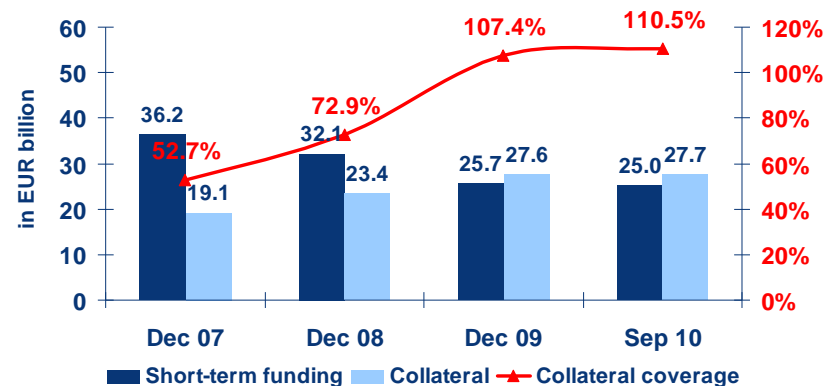
Evolution of Erste Group's funding mix



Redemption profile of Erste Group (Q3 2010)

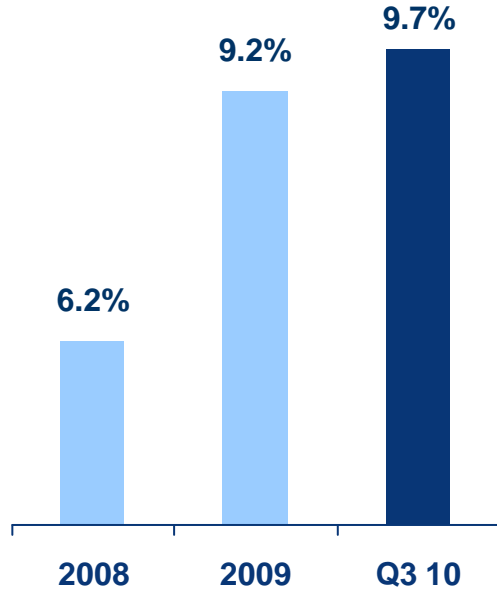


Short-term funding vs collateral coverage

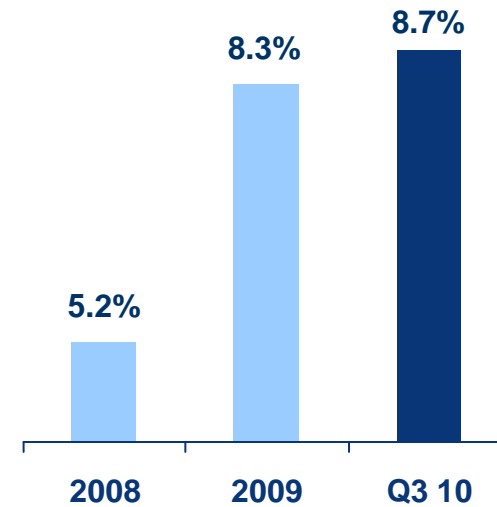


Erste Group's capital position – Further strengthening of capital ratios

**Tier 1 ratio
(total risk)¹**



**Core tier 1 ratio
(total risk)²**



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

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

– Business environment

– 1-9 2010 Key topics

– **Outlook**

– Economies will continue to recover in 2011

- Austria, Czech Republic and Slovakia to lead the way based on rising domestic demand, following export-led growth in 2010

– Strong year-to-date operating performance to be sustained in Q4 2010

- Positive outlook for 2011 operating performance is based on
 - Expectation for mid-single digit loan growth at group level, resilient margins in core business and rising fee income
 - Continued strict cost management

– Credit risk performance in Q3 2010 confirming outlook for year-end

- H2 2010 will see lower risk costs than H1 2010
- 2011: continued declining risk cost trend based on economic recovery

– Participation capital can be repaid with no need to raise equity

- Ability to generate retained earnings remains strong
- Common equity ratio in accordance with Basel III comfortably above 7%