

**Goldman Sachs –
15th Annual European Financials Conference**
8 June – 10 June 2011, Paris

**Erste Group –
Prepared to capture re-emerging growth opportunities**
Andreas Treichl, Chief Executive Officer



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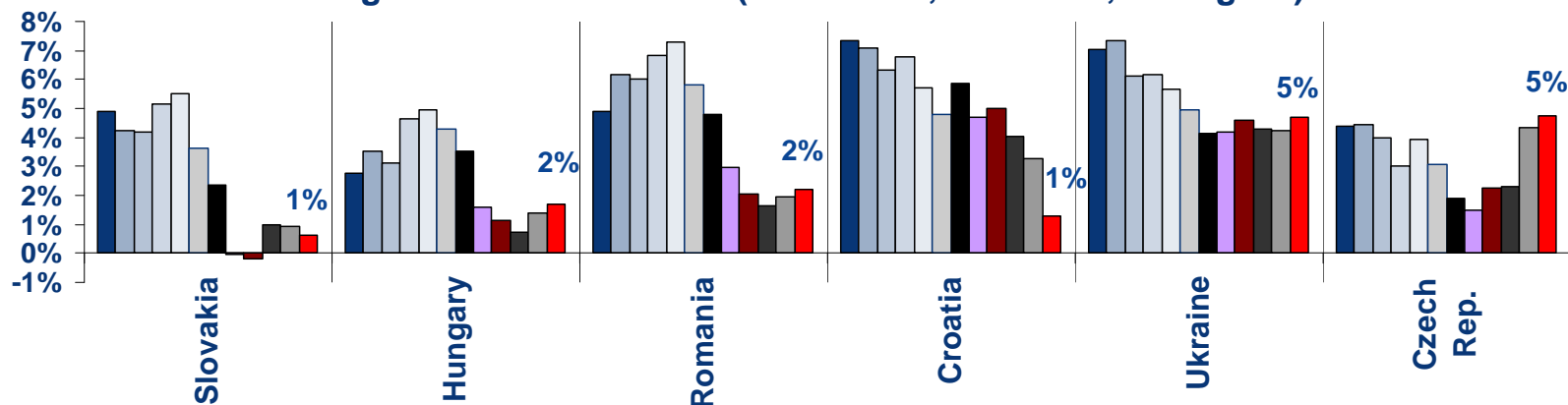
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- **CEE: the investment destination of choice**
- Prepared to capture re-emerging growth opportunities
- Conclusion
- Appendix

CEE: the investment destination of choice – FDIs are on the rise again

- Fastest recovery in countries with close links to export power house Germany
- CEE countries will remain attractive production locations due to competitive labour costs, high education levels and favourable taxation regimes
- Investments never stopped but were generally smaller in size, e.g. in 2010:
 - Heinzl (Pulp Trading) EUR 70 m, CZ
 - Michelin, EUR 120m, RO
 - Samsung, EUR 100m, SK
 - exceptions: Audi, EUR 900 m, HU & Opel, EUR 500 m, HU

Foreign direct investments (Q109-Q410, % of GDP, rolling 4Q)



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Prepared to capture growth opportunities – Improving operating environment, manageable headwinds

Macroeconomy	<ul style="list-style-type: none">• Economic rebound as key growth driver• CEE returns to solid growth in 2011
Banking markets	<ul style="list-style-type: none">• Accelerating demand for banking products after years of consolidation• Taxation and regulatory headwinds remain
Erste Group's operating performance	<ul style="list-style-type: none">• Building on a strong “through the cycle”- performance
Erste Group's asset quality & margins	<ul style="list-style-type: none">• Declining risk costs• Resilient margins
Erste Group's funding profile	<ul style="list-style-type: none">• Comfortable liquidity position – loan/deposit ratio at 111.4% in Q1 11• Successful new issues in January and April 2011
Erste Group's capital positions	<ul style="list-style-type: none">• Support organic growth in CEE• Regulatory requirements vs. market expectations

Economy is a key growth driver –

It is not if, but when growth becomes broad-based

– Outlook confirms CEE's position as European growth leader

- GDP growth of most CEE economies above eurozone average

– Return of domestic demand to support export driven growth

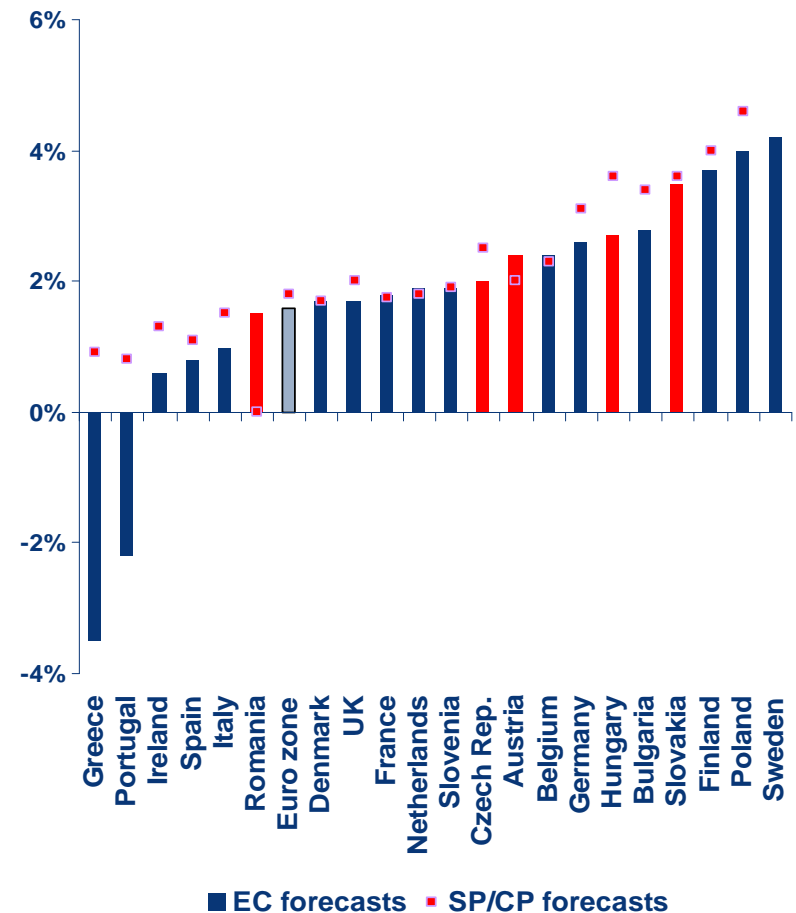
– Romania to turn the corner in 2011

- Industrial production is on the rise, following encouraging order intake in late 2010, early 2011; improving economic sentiment
- EU subsidised infrastructure projects finally on track, e.g. railway and motorway links to Europe

– Hungary: tackling home-made issues

- Government has addressed short-term fiscal issues by reform package, long-term success depends on magnitude of economic recovery
- Domestic demand still weak

Forecast real GDP growth in 2011

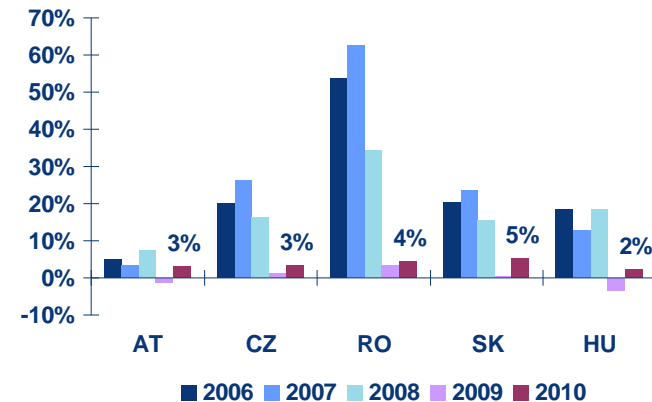


Source: EC Spring Forecasts 2011, Stability/Convergence programs 2011, Erste Group Research

– Higher loan growth expected for 2011

- Austria: competitive market; gradually improving margins; low risk costs; growth in line with nominal GDP development
- Czech Republic: both retail and corporate loans to contribute to growth in 2011
- Romania: government-backed, EUR-based housing loans, increasing demand for consumer loans, and revival in corporate loans (recovery of manufacturing, infrastructure-related loans) to support lending
- Slovakia: growth to remain driven by housing loans
- Hungary: impacted by abolition of FX lending in July 2010; no significant growth expected in 2011

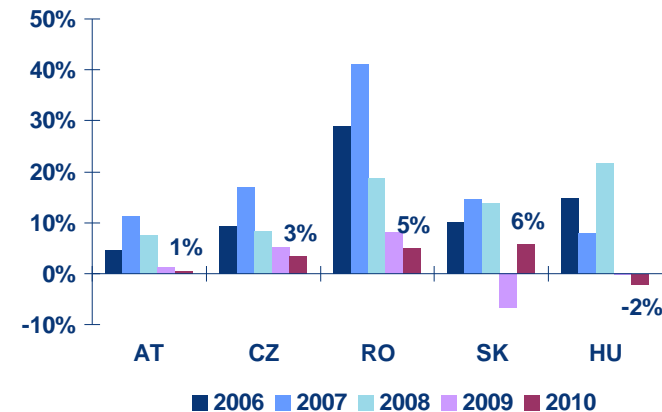
Customer loan market growth in CEE



– Deposit growth to accelerate too

- Austria: moderate wage growth and higher inflation will limit deposit growth in 2011
- Czech Republic: deposits to benefit from expected rate hike (currently at a historic low of 0.75%)
- Romania: deposits to benefit from payment of government arrears and salary increase for public sector employees
- Slovakia: growth to accelerate as retail deposits continue to rise following post euro adoption outflows; corporate deposits to contribute as well
- Hungary: lower income tax to support savings

Customer deposit market growth in CEE



Banking markets in general – Regulatory headwinds going forward

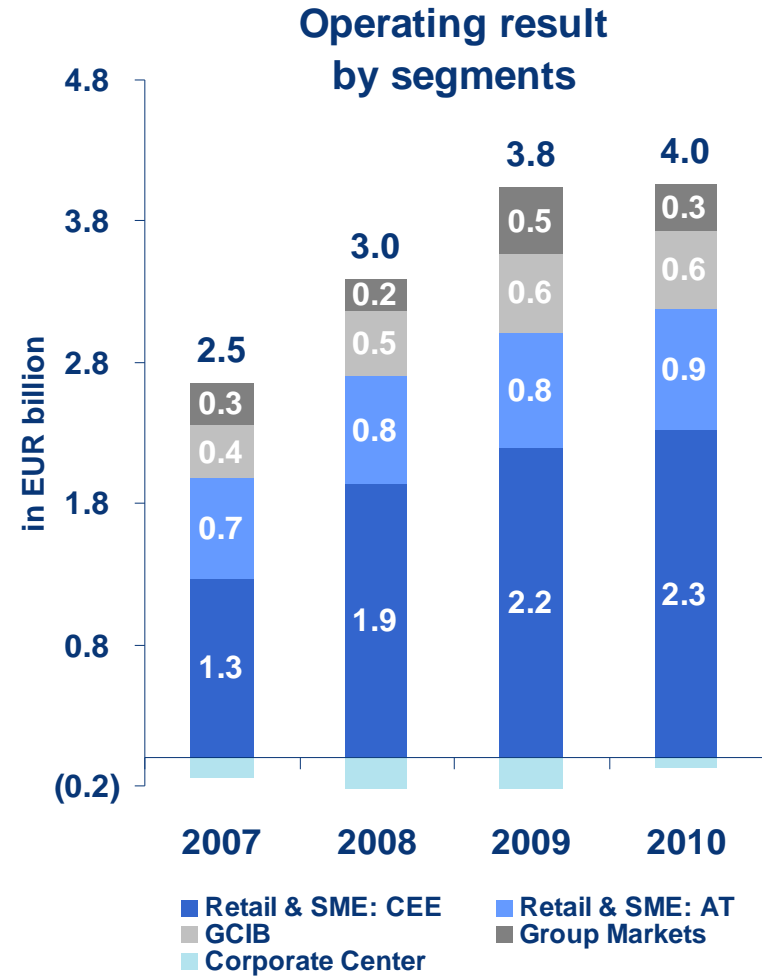
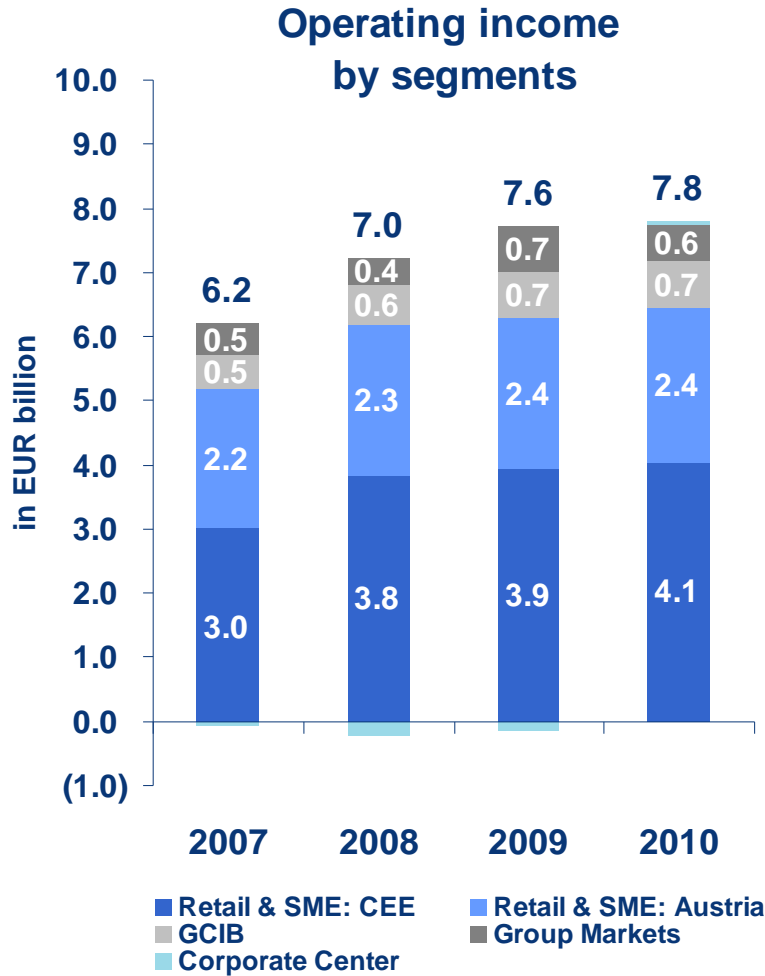
– Banking taxes in Austria and Hungary approx. EUR 145 m post tax in 2011

- Exclusively used to cover fiscal gaps, no earmarking
- Levies are linked to balance sheet and derivatives volume (Austria)
- Decline in Hungarian banking tax not expected before 2012
- Slovakia to introduce levy: marginal impact on Erste Group
- Slow down banks' ability to strengthen its capital base

– Some aspects of Basel III still open

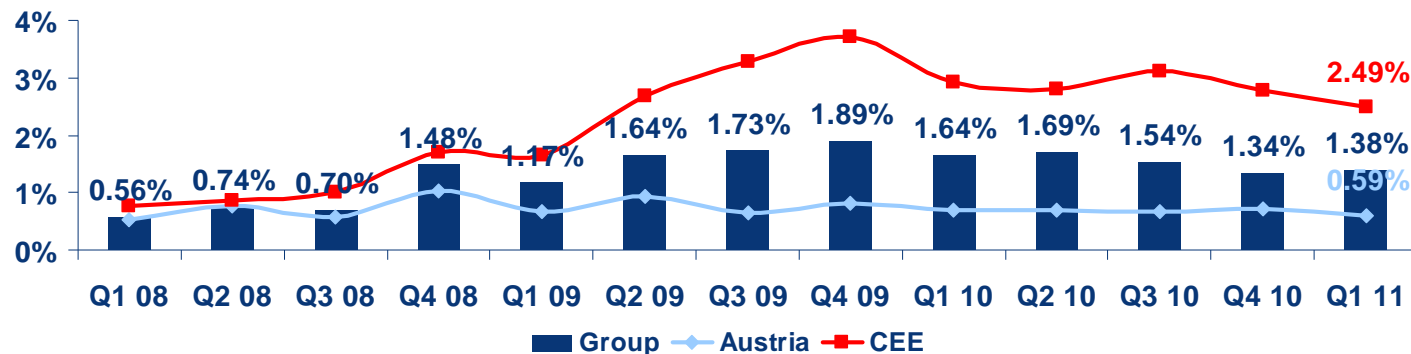
- Pragmatic solution regarding savings banks minorities seems feasible
- Surcharge of systemically important financial institutions (SIFIs)
- Countercyclical buffer

Erste Group's operating performance – Strong and improving through the cycle

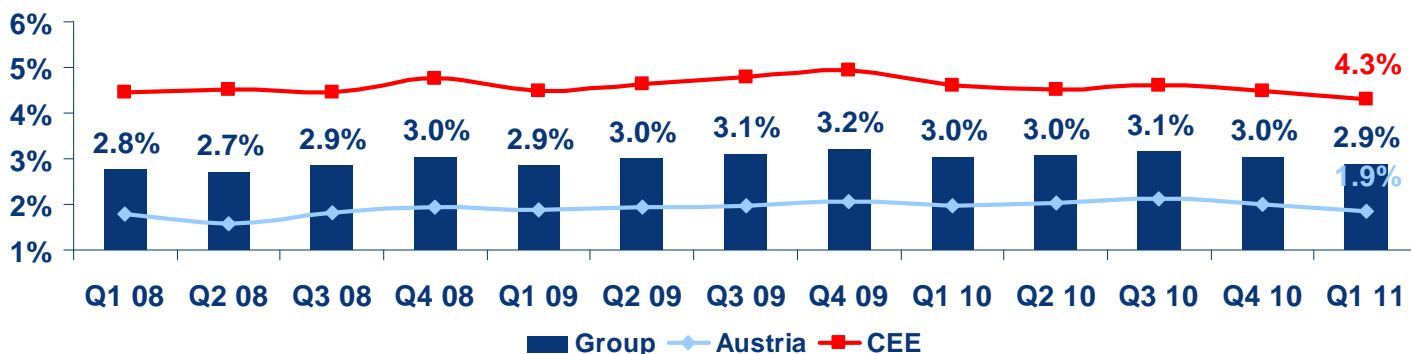


Erste Group's asset quality & margins – Declining risk costs, resilient margins

Risk cost development

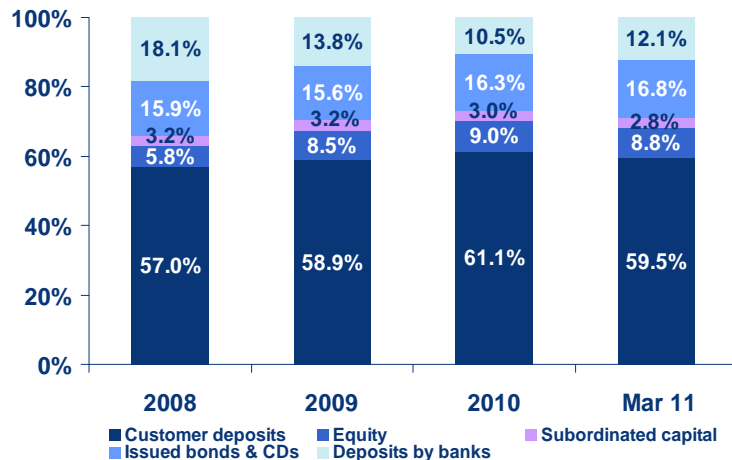


Net interest margin development

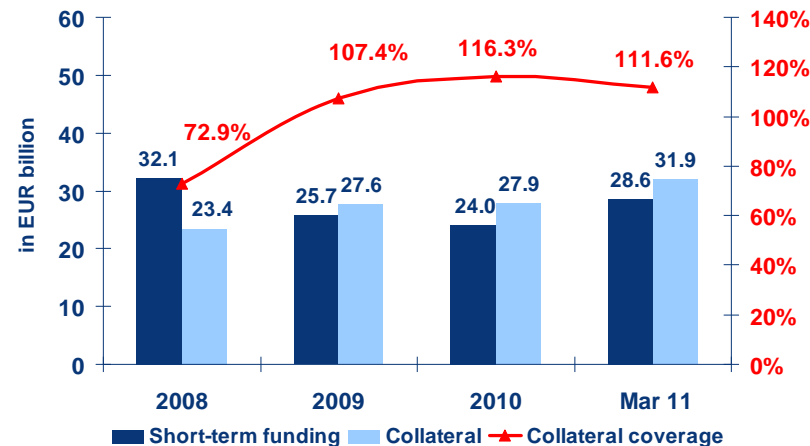


Erste Group's funding mix – Successful new issues in 2011

Evolution of Erste Group's funding mix



Short-term funding vs collateral coverage



– Loan/deposit ratio improvement to 111.4%

- Customer deposits remain primary source of funding

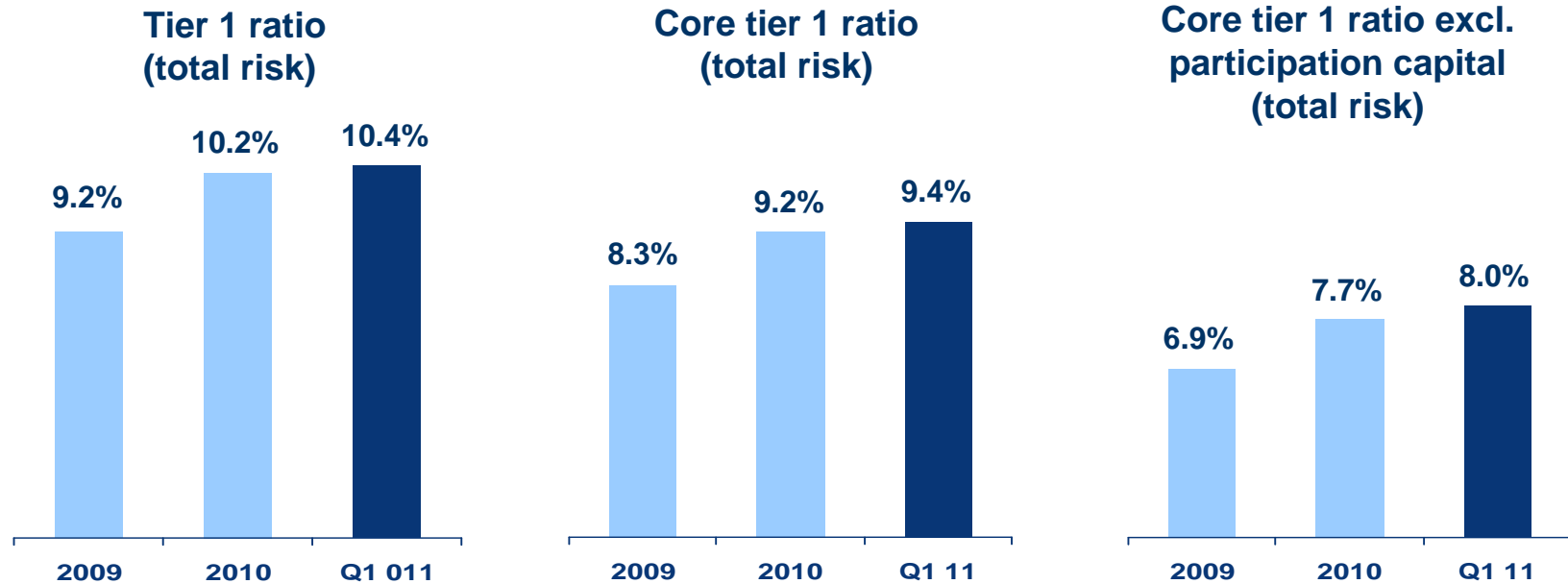
– Favourable track record for mid- and long-term funding

- Public benchmark transactions, private placements, retail & private banking issues

– 2011 to date: EUR 3.6 bn issued

- January: EUR 1 bn 10-year jumbo covered bond ms + 72 bps
- April: EUR 750 m 5-year senior unsecured bond ms + 120 bps

Erste Group's capital position – Supports future organic growth in CEE



- **Regulatory requirements** ✓ **vs. market expectation**
 - How much comfort does a percentage point add?
 - Does the business model count at all?
- **Clear preference to continue build-up via retained earnings**
- **Application for repayment of participation capital provided by Austrian government (EUR 1.2 bn) already filed**

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Conclusion –

Outlook for 2011: Looking ahead with confidence

- **Well positioned to benefit from accelerating CEE banking market growth on the back of the continuing economic recovery**

- **On track to deliver strong operating performance based on:**
 - Resilient margins and expected mid-single digit loan growth at group level yoy
 - Rising fee income on the back of increased demand for asset management and insurance products as well as debt capital markets transactions
 - Continued cost discipline – costs to rise below inflation rate

- **Credit risk performance in Q1 2011 supports positive outlook for the year**
 - Risk costs will remain elevated in Romania and Hungary
 - In all other markets risk costs are expected to decline by 10-20%

- **Earnings generation ability to remain strong**
 - Leading to continuously rising capital ratios
 - Capital position allows Erste Group to finance organic growth in core markets

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Erste Group at a glance –

Clear focus on the eastern part of the EU

Austria	Czech Republic	Slovakia
Clients: 3.2m	Clients: 5.3m	Clients: 2.4m
Retail loans: 19.3%	Retail loans: 25.4%	Retail loans: 26.1%
Retail dep.: 19.1%	Retail dep.: 28.8%	Retail dep.: 26.8%
Branches: 1,044	Branches: 670	Branches: 292



- Leading retail bank with 17.7 m customers in 8 geographically connected countries
- Long term relationships with retail, SME and corporate customers
- Favourable mix of mature & emerging markets with low penetration rates
- Potential for cross selling and organic growth in CEE

Romania	Hungary	Croatia	Serbia	Ukraine
Clients: 4.6m	Clients: 0.9m	Clients: 0.8m	Clients: 0.3m	Clients: 0.2m
Retail loans: 18.3%	Retail loans: 14.1%	Retail loans: 13.6%	Retail loans: 3.3%	Retail loans: 1.7%
Retail dep.: 23.3%	Retail dep.: 7.7%	Retail dep.: 12.8%	Retail dep.: 2.4%	Retail dep.: 0.3%
Branches: 667	Branches: 184	Branches: 141	Branches: 66	Branches: 133

EU or EU candidate

Non-EU or non-EU-candidate

Indirect presence