

**Morgan Stanley –
European Financials Conference**

29 March – 31 March 2011, London

Erste Group –

**Entering a higher growth environment with a strong
track record of profitability**

Andreas Treichl, Chief Executive Officer

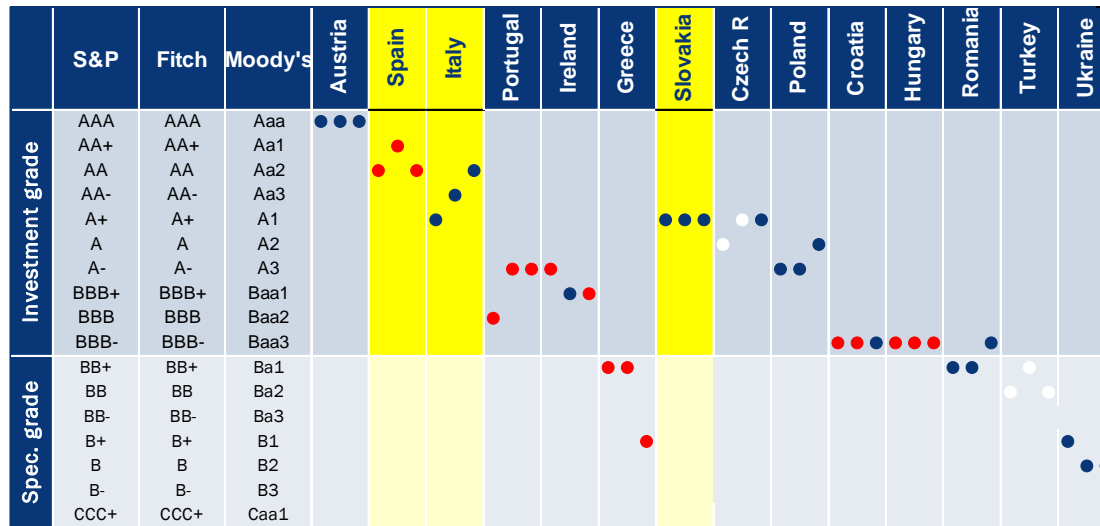
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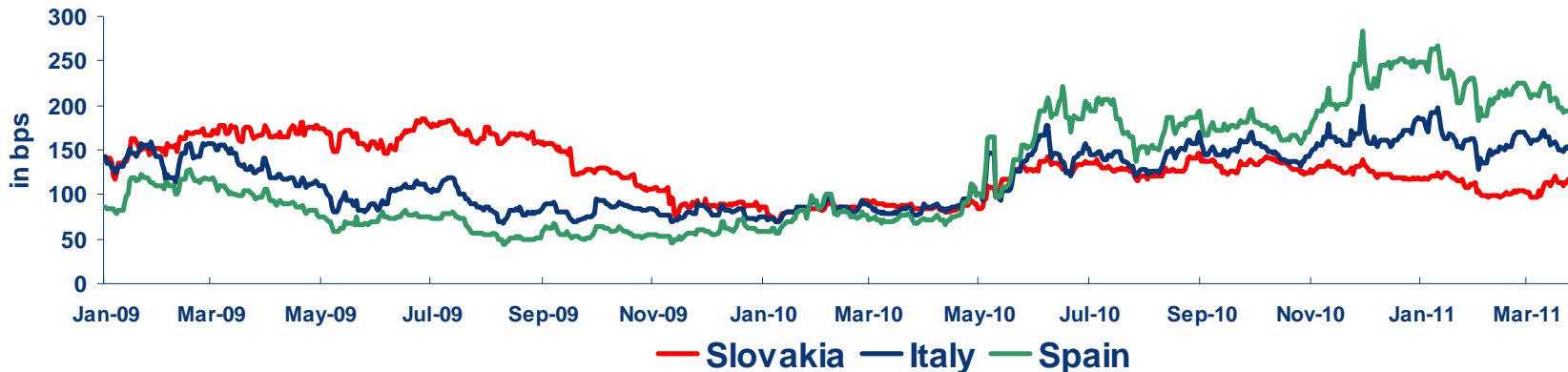
- **Looking at CEE from a different angle**
- Delivering sustainable risk-adjusted growth
- Conclusion
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Looking at CEE from a different angle – How the perception of our region has changed



● blue/white/red = stable/positive/negative outlook

10Y government bond spreads vs German bunds



Delivering sustainable risk adjusted growth –

Key factors are trending positive

Macroeconomy	<ul style="list-style-type: none">• All CEE economies expected to grow in 2011• CEE macroeconomic convergence expected to resume	
Banking markets	<ul style="list-style-type: none">• Still comparably low banking penetration• Expected increase in demand for banking products	
Erste Group's operating performance	<ul style="list-style-type: none">• Increasing operating income driven by high margins and rising fee income• Strict cost control• 2010 cost/income ratio at 48.9%, down from 57.2% in FY 2008	
Erste Group's asset quality	<ul style="list-style-type: none">• Dynamic deceleration of NPL formation• Declining risk costs	
Erste Group's funding profile	<ul style="list-style-type: none">• Comfortable liquidity position – loan/deposit ratio at 113.4%• Customer deposits are the primary source of funding• Short-term funding needs well covered / limited long-term funding required	
Erste Group's capital positions	<ul style="list-style-type: none">• Solid capital position and strong internal capital generation• Core Tier 1 ratio at 9.2% (excluding participation capital: 7.7%)• Capitalisation allows Erste Group to finance growth in CEE	

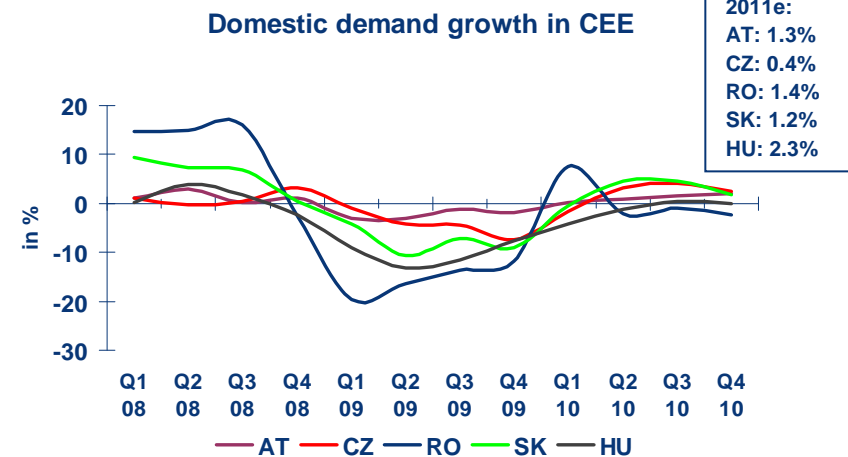
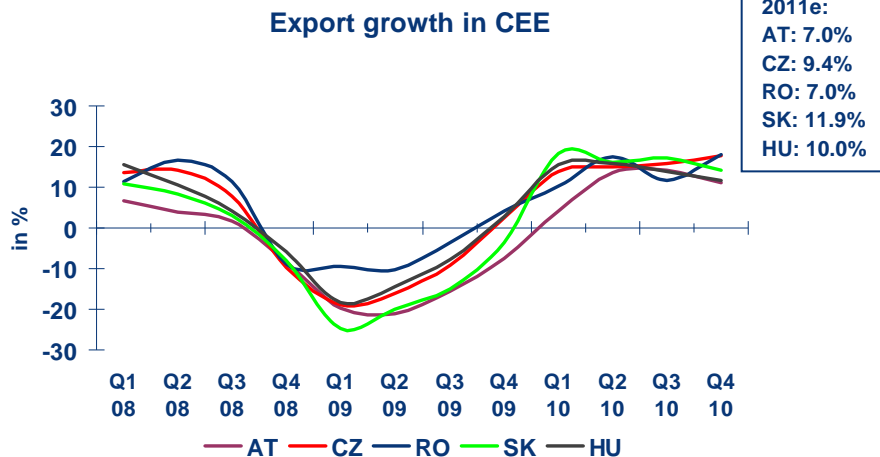
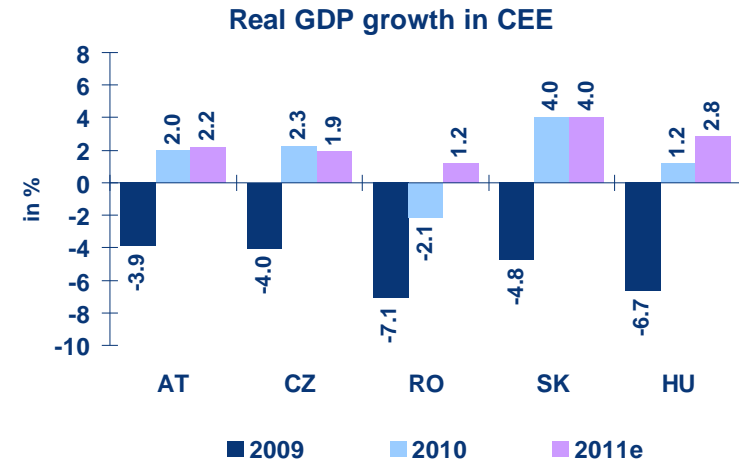
Economic growth outlook for CEE – All CEE economies to achieve positive GDP growth

- All CEE countries expected to grow in 2011

- CEE to experience different growth patterns in line with level of export dependency and country-specific issues
- AT, CZ and SK to build on solid 2010 performance and expected to grow ahead of eurozone average (1.6%)
- RO to emerge from recession but meaningful growth not before H2 2011; recent currency strength is positive
- HU to benefit from income tax reduction in 2011

- In 2011 more balanced growth is expected supported by a rebound of domestic demand

- Domestic demand expected to pick up and become a growth contributor in 2011

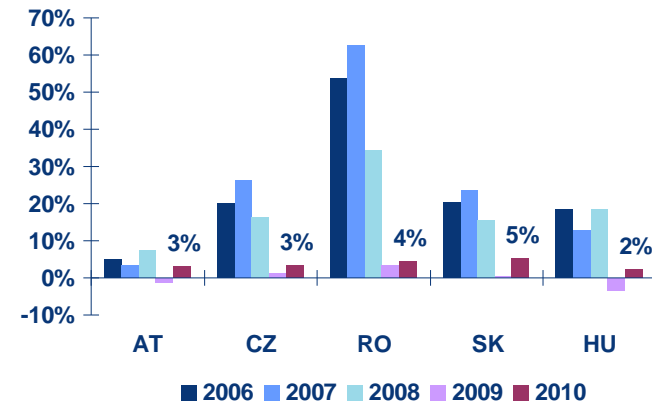


Source: Erste Group Research, Eurostat

– 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: mortgage loans, such as government guaranteed, EUR-based Prima Casa and 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

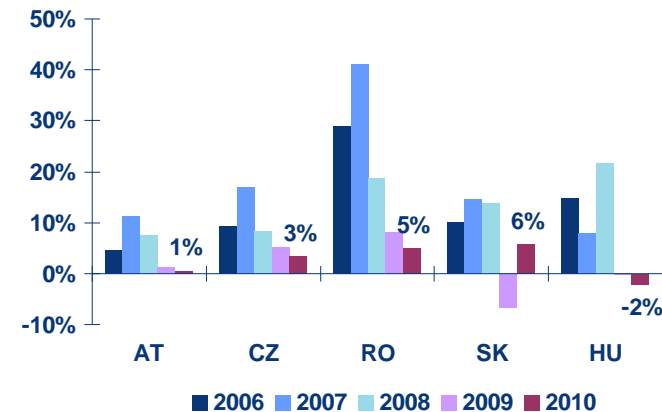
Customer loan market growth in CEE



– 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

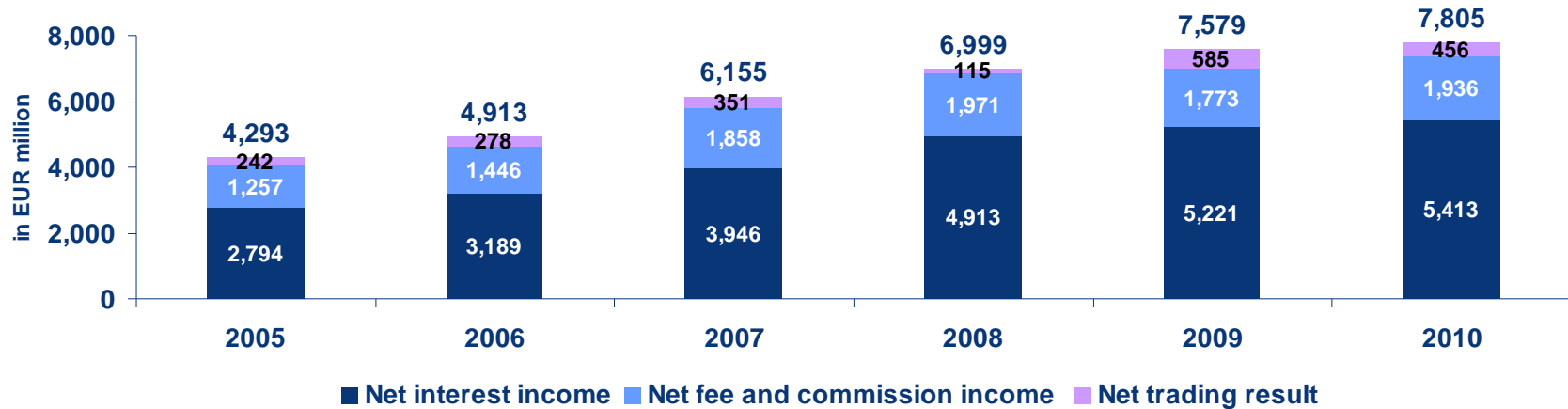
Customer deposit market growth in CEE



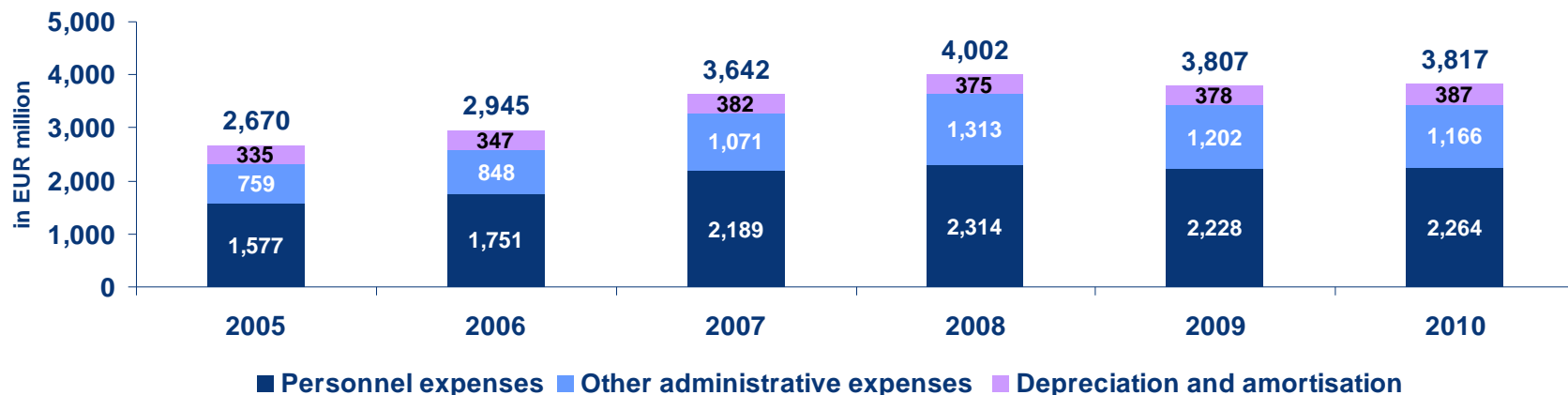
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Track record of sustainable growth – Rising income & efficiency drive operating performance

Erste Group's operating income history

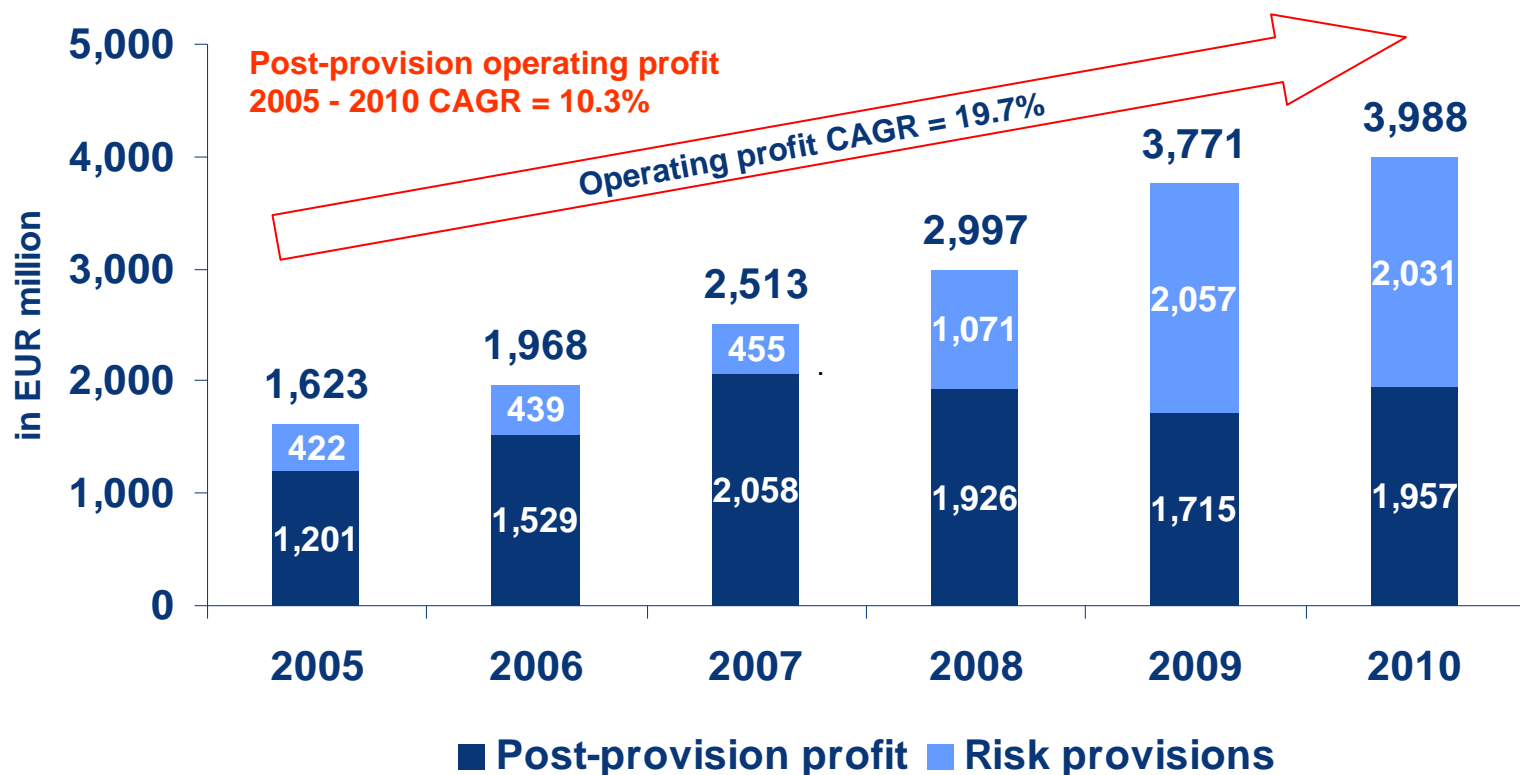


Erste Group's operating expense history



Track record of risk-adjusted growth – Rising post provision-profit despite economic downturn

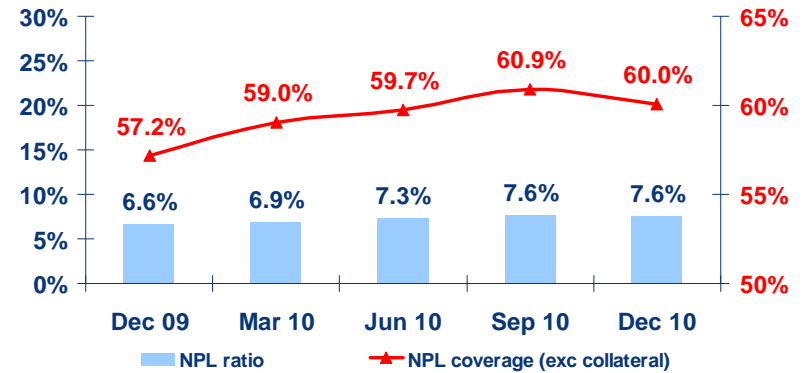
Erste Group's operating profit history (pre-provision profit)



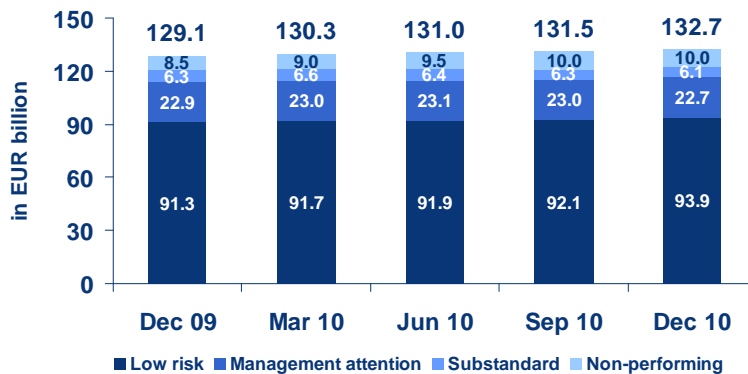
Asset quality – Dynamic deceleration of NPL formation

- **NPL ratio flat qoq for the first time since Q2 08**
 - Driven by declining NPL ratios in AU, CZ, SK
 - Even adjusted for NPL sales new NPL formation in CEE slowed down considerably
- **NPL coverage ratio within target range**
 - Qoq decline due to sale of highly covered NPLs and higher recoveries in the GCIB segment
- **Substantially improved migration trends in Q4 10 in most geographies**
 - Low risk loans increased share qoq
 - Substandard and mgmt attention share fell qoq

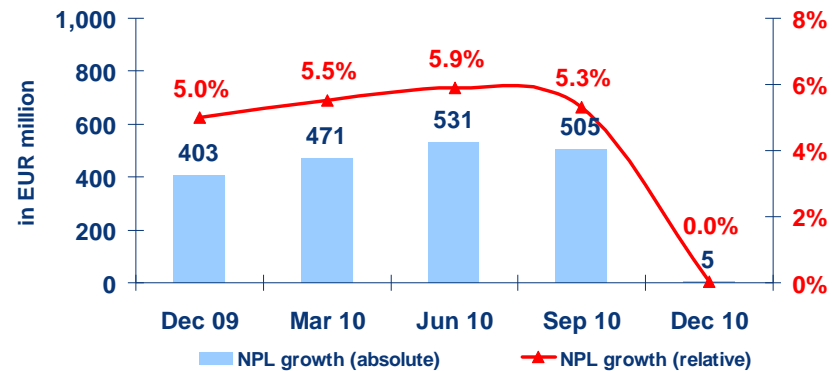
Erste Group: NPL ratio vs NPL coverage



Customer loans by risk class

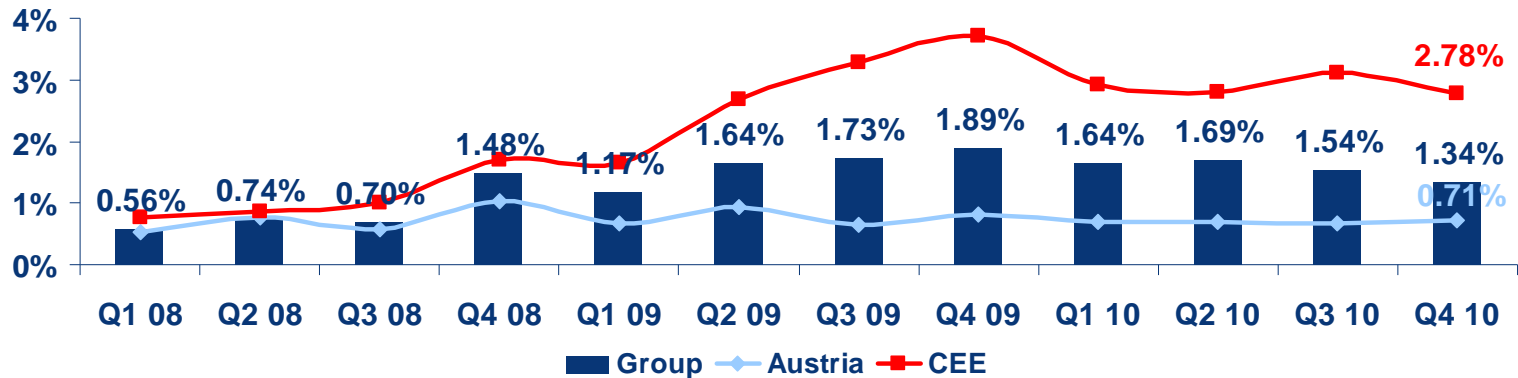


Quarterly NPL growth (absolute/relative)

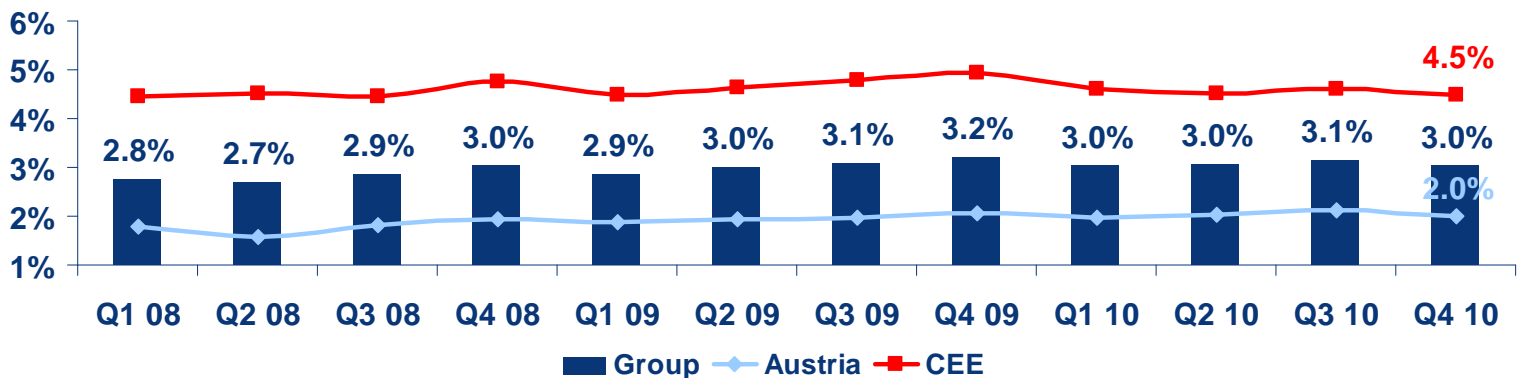


Asset quality – Declining risk costs, resilient margins

Risk cost development



Net interest margin development

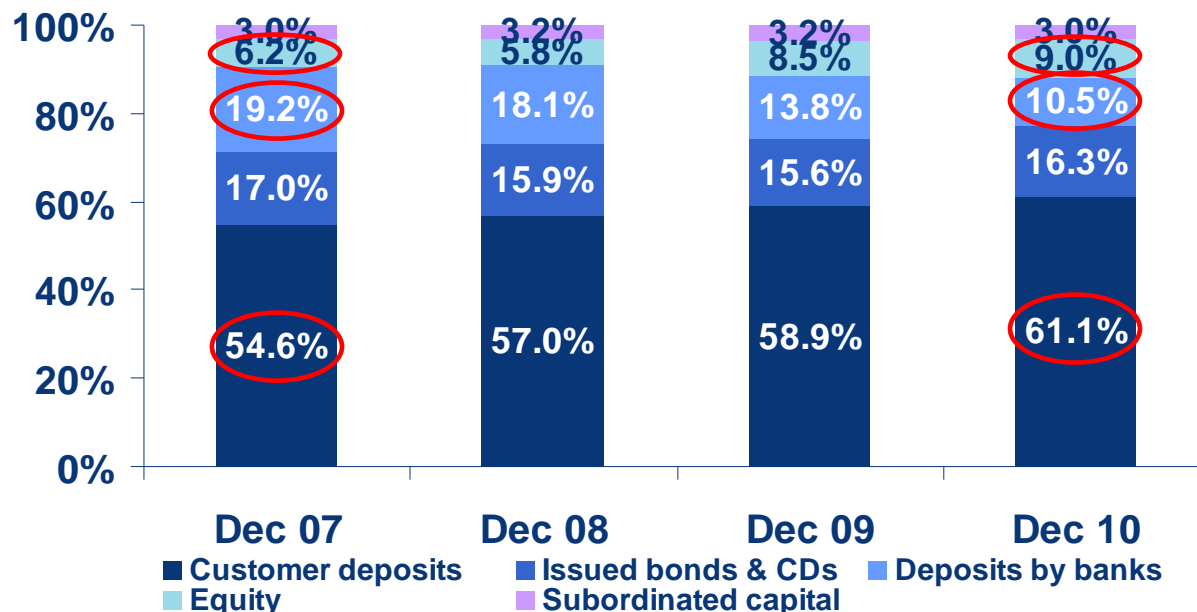


Funding mix –

Retail deposits remain a key pillar in funding mix

- Providing a solid funding base in all local currencies
- Reflected in loan/deposit ratio improvement to 113.4%
- Total funding requirement for 2011 is EUR 5.0bn, of which EUR 2.6bn is covered
 - Including the issuance of EUR 1bn mortgage Pfandbrief in January 2011 (10y-mid swap + 72bps)

Evolution of Erste Group's funding mix

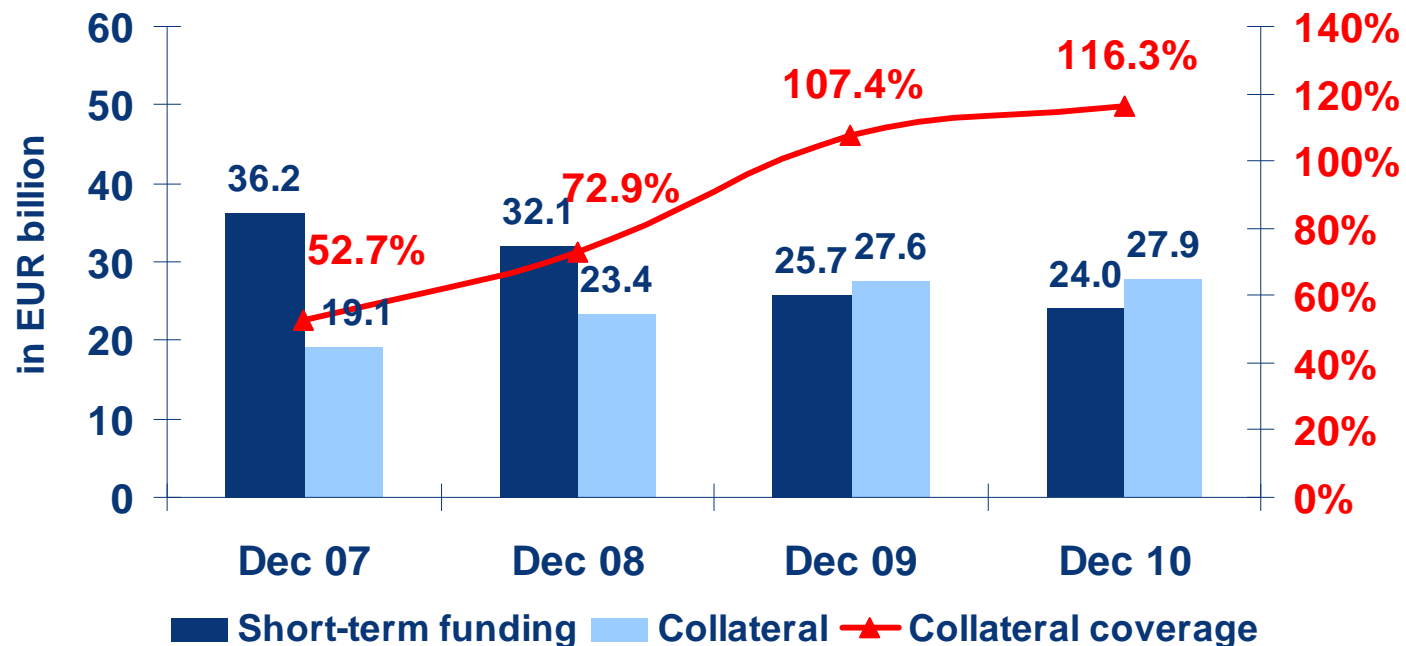


Short-term funding –

Vastly improved short-term funding profile

- Declining reliance on short-term funding
- Short-term funding needs are well covered by collateral

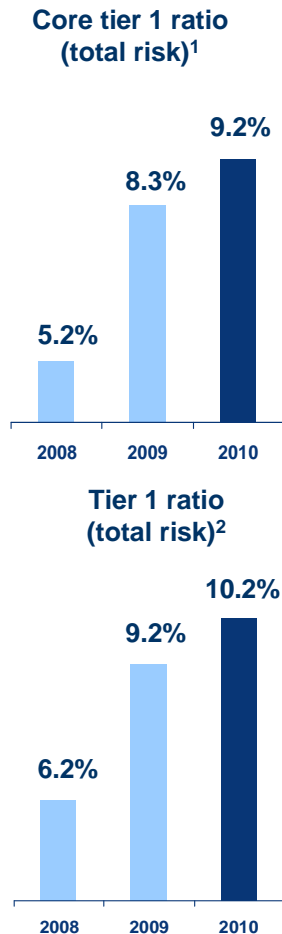
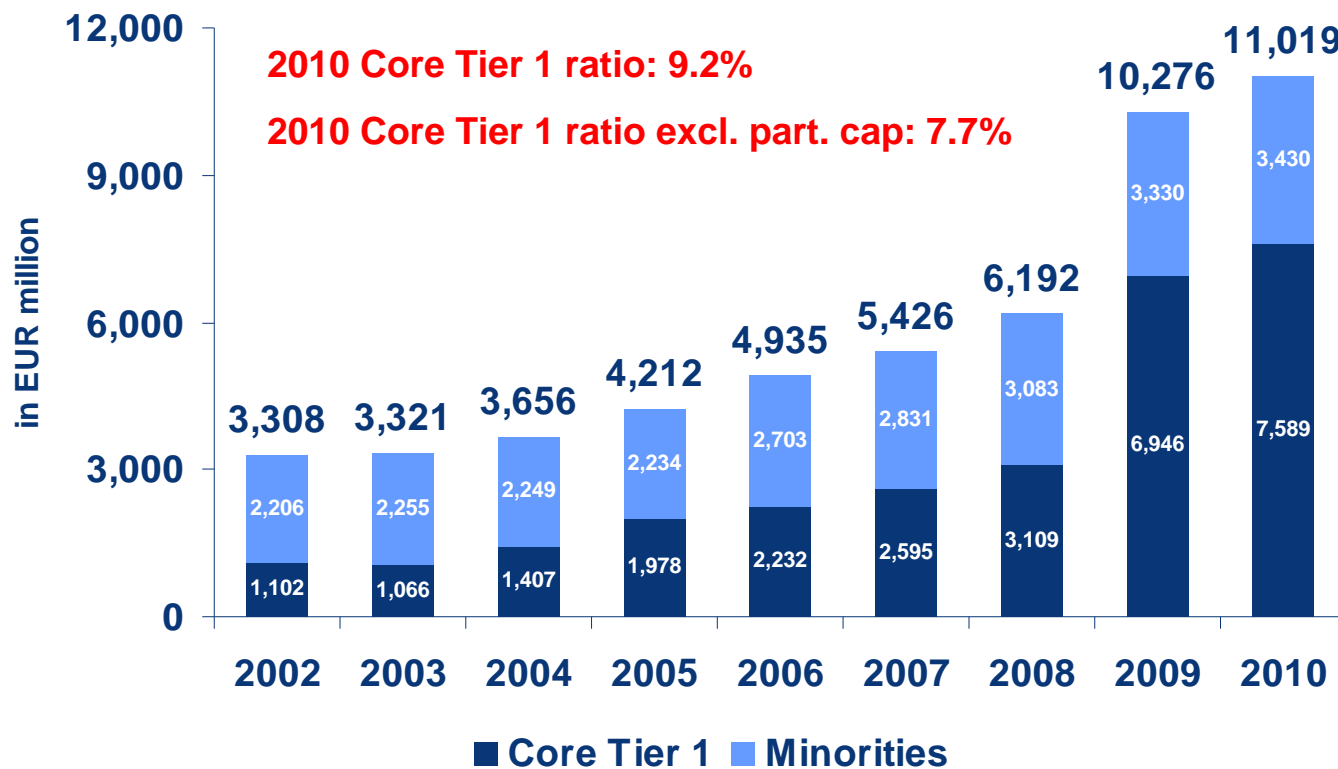
Short-term funding vs collateral coverage



Capital position –

Capitalisation allows Erste to finance growth in CEE

Development of Core Tier 1 capital (excluding hybrid)



1) 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.

2) 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.

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- **CEE economies set to continue economic recovery in 2011**
 - All of Erste Group's CEE markets are expected to grow in 2011
- **Growth of CEE banking markets to accelerate in 2011**
 - Driven by Czech Republic and Slovakia; growth in Romania and Hungary not before H2 11
- **Strong operating performance to be sustained in 2011 based on:**
 - Expectation for mid-single digit loan growth at group level and resilient margins
 - Rising fee income on the back of increased demand for asset management and insurance products as well as debt capital markets transactions
 - Continued strict cost management
- **Positive credit risk performance in H2 2010 confirmed trend reversal**
 - On group level, risk costs will gradually improve further in 2011 based on economic recovery
- **Comfortable liquidity position**
 - Retail deposits remaining the key pillar in funding
 - Total funding requirement for 2011 amounts to EUR 5.0bn, of which EUR 2.6bn is covered
- **Capital position allows Erste Group to finance growth**
 - Ability to generate retained earnings to remain strong

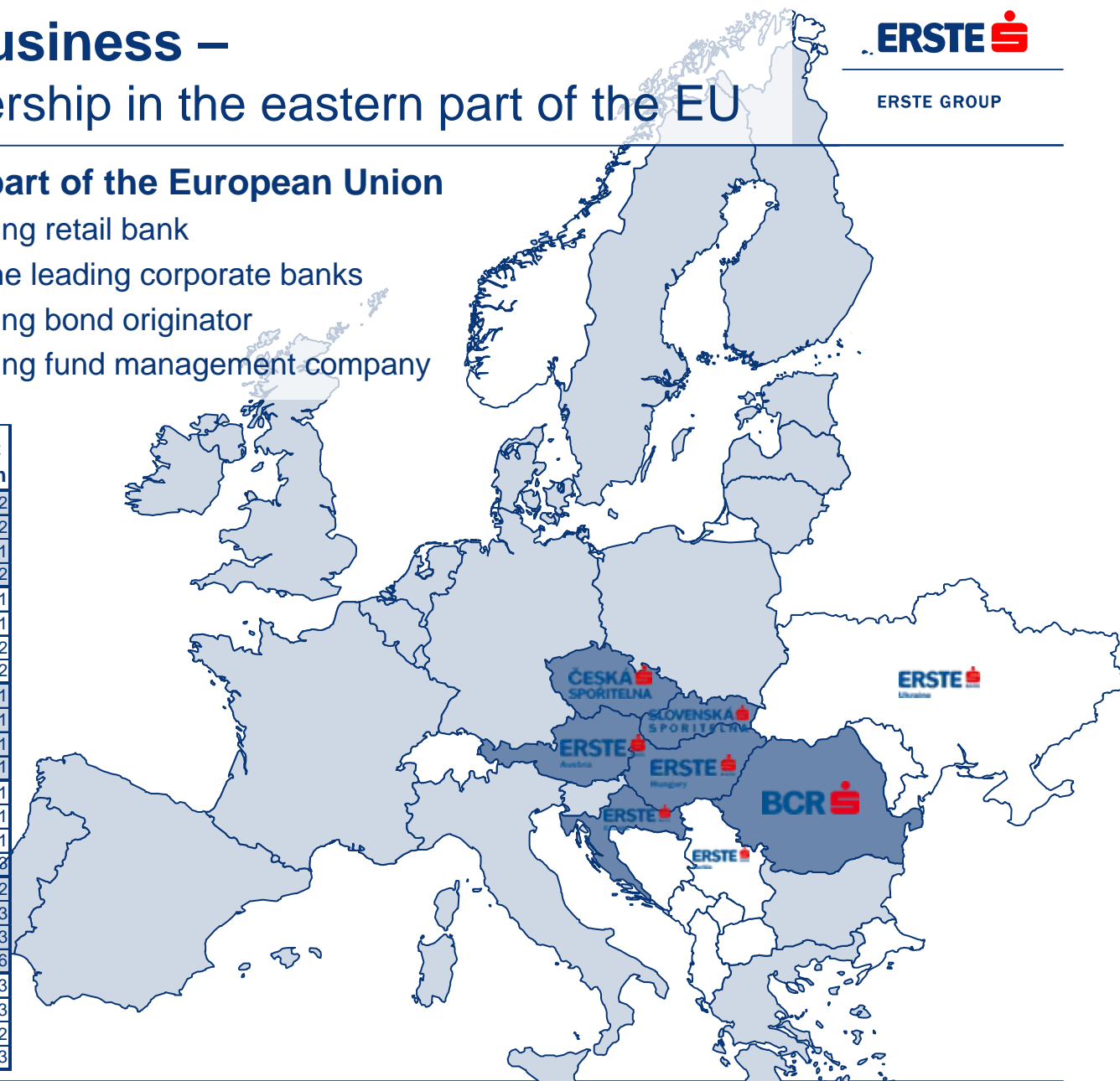
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Erste Group's business –

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	26%	1
	Retail deposits	29%	1
	Assets under mgmt	26%	2
	Corporate loans	19%	2
Romania	Retail loans	19%	1
	Retail deposits	23%	1
	Assets under mgmt	46%	1
	Corporate loans	25%	1
Slovakia	Retail loans	26%	1
	Retail deposits	27%	1
	Assets under mgmt	22%	1
	Corporate loans	11%	2
Hungary	Retail loans	14%	2
	Retail deposits	8%	3
	Assets under mgmt	11%	3
	Corporate loans	9%	6
Croatia	Retail loans	14%	3
	Retail deposits	13%	3
	Assets under mgmt	21%	2
	Corporate loans	14%	3