

19th Annual General Meeting of Erste Group Bank AG

15 May 2012
Austria Center Wien



Heinz Kessler

Chairman of the Supervisory Board



Report on the financial year 2011

Report on the financial year 2011 of Erste Group Bank AG (consolidated)

Andreas Treichl
Chairman of the Management Board

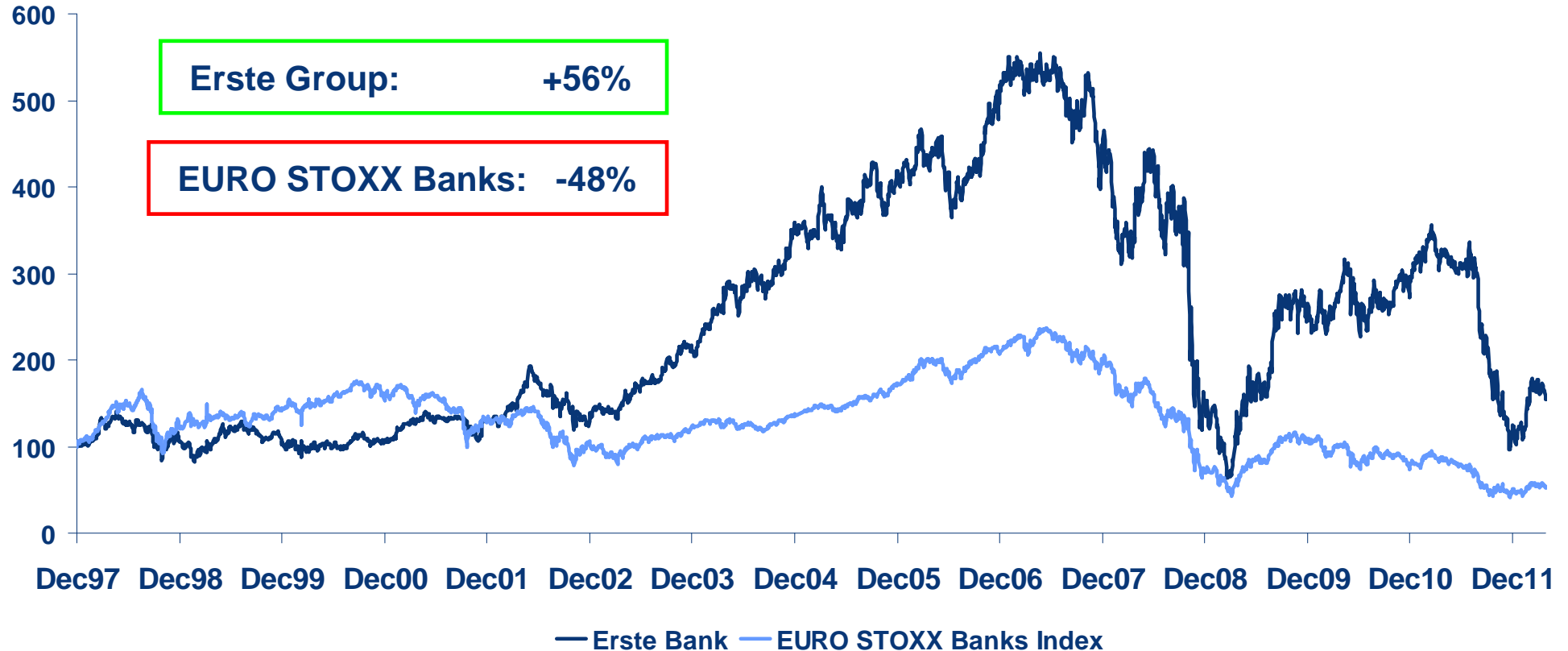
Economic environment in 2011

Continued escalation of European debt crisis

- Debt crisis escalates in the peripheral Europe - „voluntary“ haircut for Greece
- New EBA capital regime for European banks comes as a surprise
- Austria loses Standard & Poor’s AAA rating
- Austrian banks criticized for CEE exposure
- Orban-Government in Hungary pursues unorthodox economic policy
- ECB counters credit squeeze by launching long-term refinancing operation in December
- Question marks regarding future of euro

Erste Group vs. EURO STOXX Banks

From 1997 IPO to March 2012 (indexed, Dec 97 = 100)



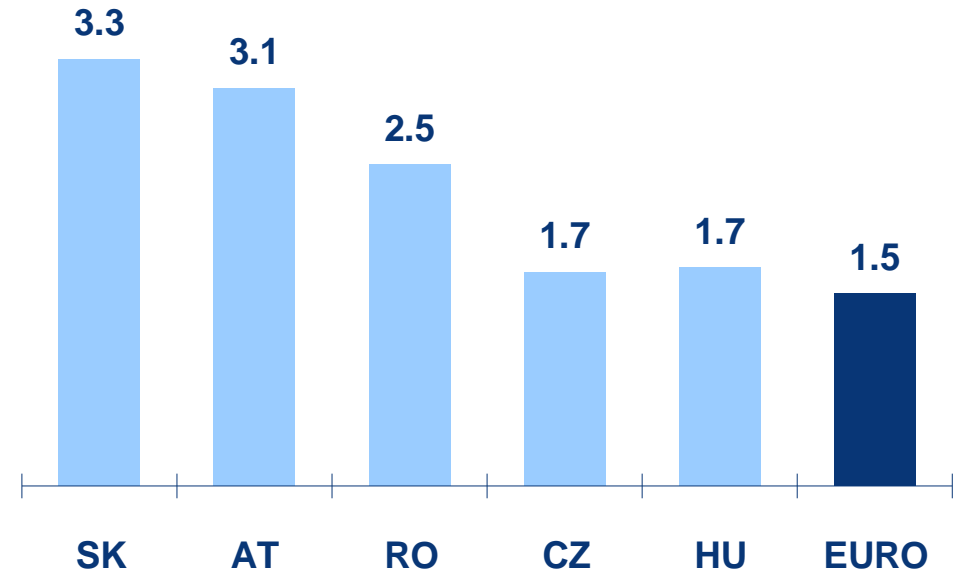
Economic growth in CEE outpaces the euro zone

Significant regional differences in 2011

- **Austria: healthy economic growth; Austria again grows faster than EU**
- **Czech Republic: exceptionally competitive export industry drives growth in 2011**
- **Slovakia: success story in the euro zone**
- **Romania: EU structural funds and good performance of agricultural sector support economic growth**
- **Hungary: unorthodox economic policy of Orban government leads to economic uncertainty**

Real GDP Growth 2011

(in %)

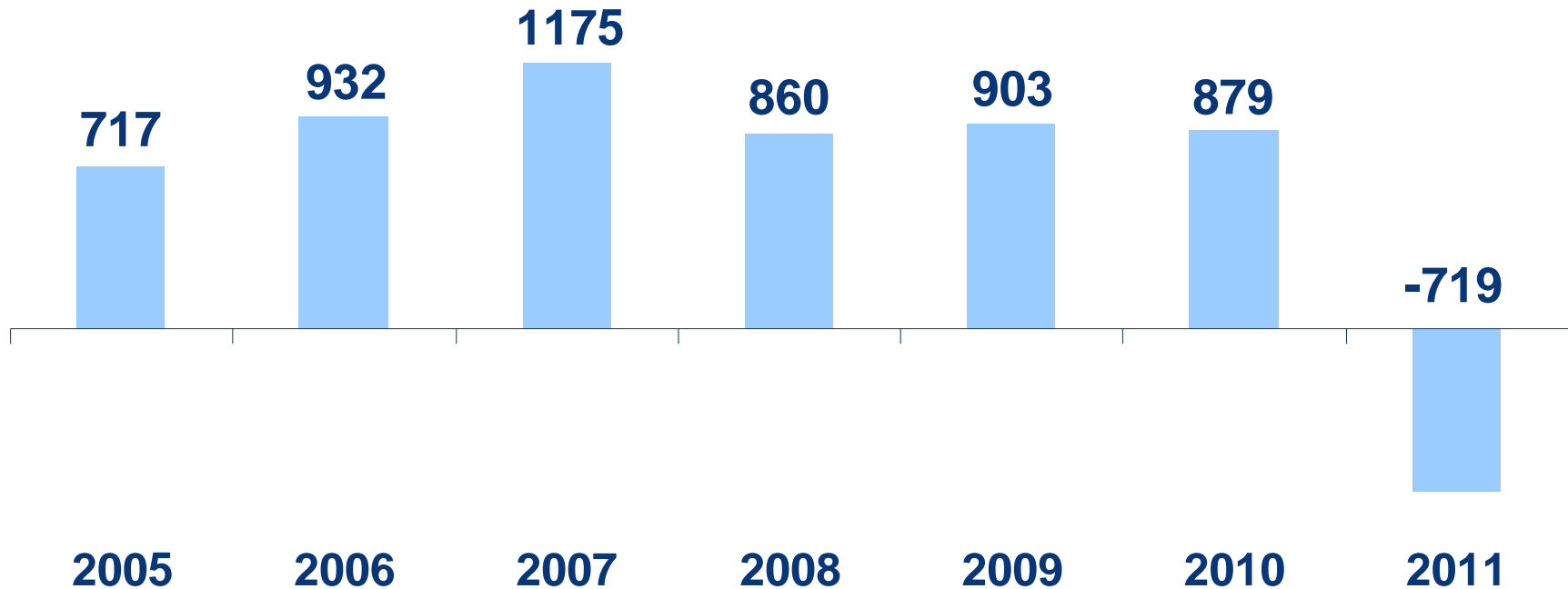


Cumulative profit since IPO: EUR 6.6 bn

Loss in 2011 as a result of one-off effects

Net profit

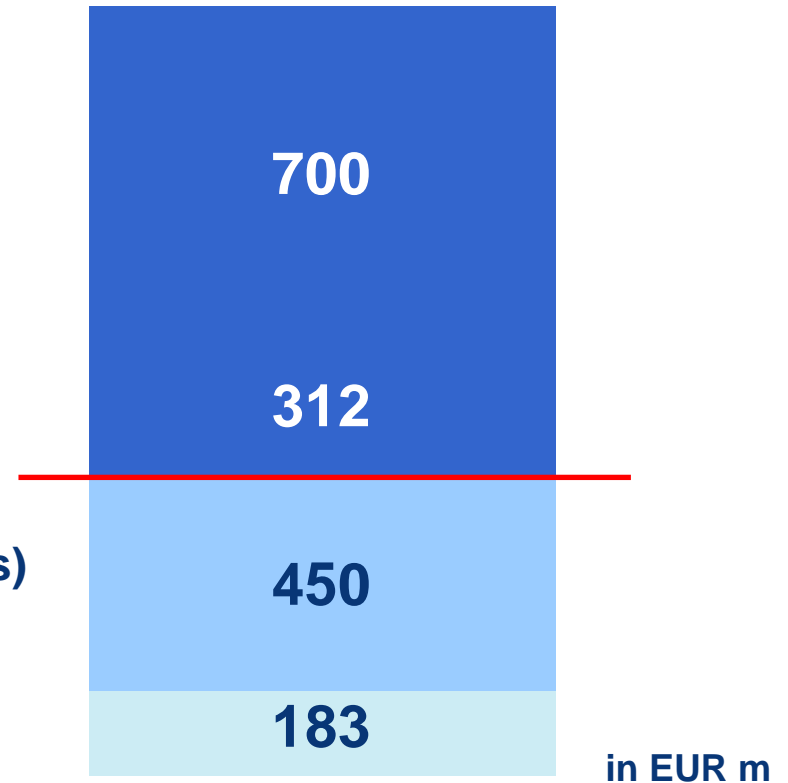
(in EUR m)



Difficult environment in 2011

Extraordinary events affect our result

- Write-down of goodwill in Romania
- Write-down of goodwill in Hungary
- Extraordinary provisions for Hungary (incl. conversion of foreign currency loans)
- Closing of CDS Portfolio



Extraordinary charges (I)

Write-down of goodwill in Romania

- **EUR 700m write-down of goodwill as a result of the slower than expected recovery following the deep recession of 2009-2010**
- **Increase of the share in Romanian subsidiary BCR up to 93%**
- **Intangible assets per year-end 2011:**
 - EUR 1.1 bn goodwill
 - EUR 300 m brand value
- **New management with Thomas Spurny as CEO**
- **Romania is and remains one of the most promising markets in CEE**

Extraordinary charges (II)

Hungary: Write-down of goodwill and extra provisions

- **EUR 312 m write-down of goodwill as a result of the losses connected to unorthodox economic policy of Orban government**
- **Additional risk provisions of EUR 450 m for forced conversion of FX mortgage loans and to substantially raise NPL coverage ratio**
- **Business uncertainty and the lack of stable framework exacerbate the current situation**
- **Negotiations between Hungary and IMF**
- **Restructuring of Erste Bank in Hungary with a clear goal to reach a turnaround in 2014**
- **New chairman of the board Radovan Jelascity**

Extraordinary charges (III)

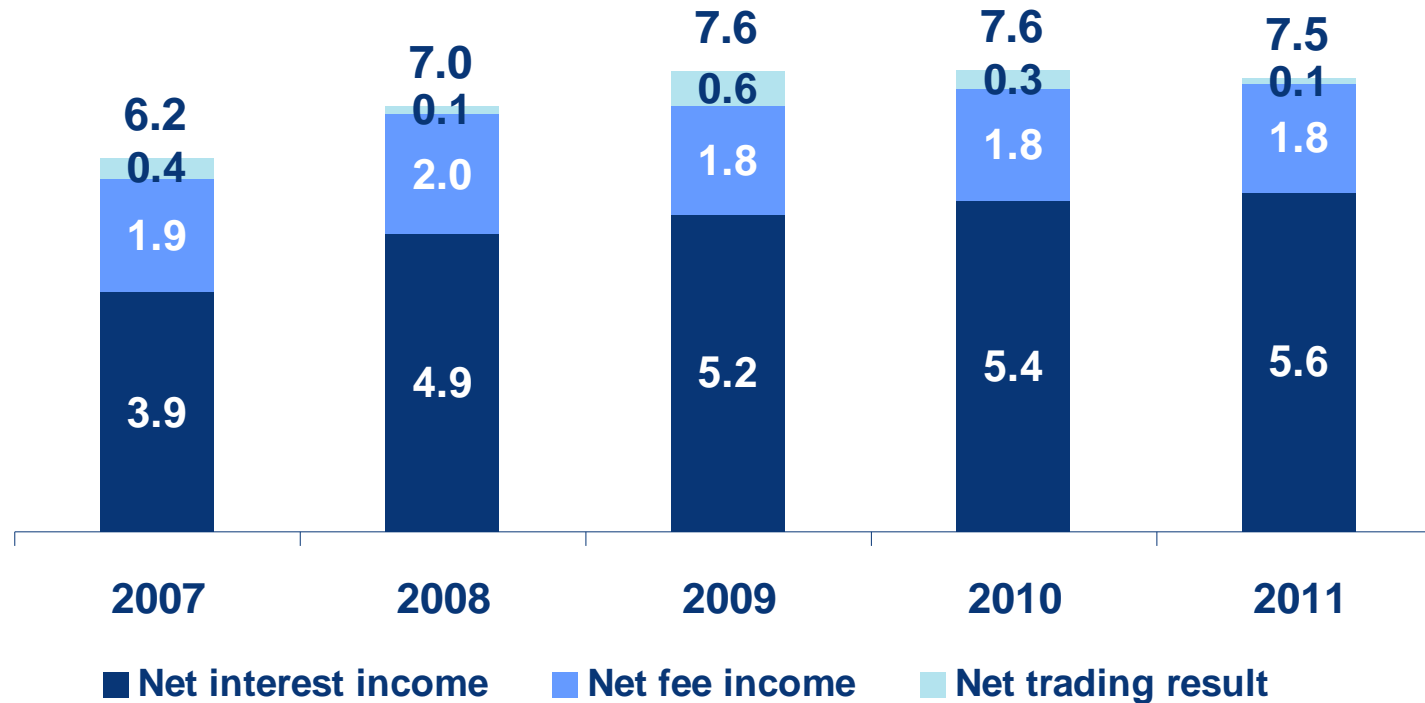
Valuation of credit default swaps (CDS) at fair value

- **Erste Group built up a global portfolio for diversification purposes in 1999**
- **Investment portfolio: investments made until 2011 were always held to maturity and hence were valued as „financial guarantees” (held to maturity)**
- **It was a part of regular credit risk reporting, included in all reports, also in those towards the Austrian National Bank & EBA**
- **Trigger for the adjustment to fair value was change in business strategy as a result of escalation of sovereign debt crisis in the summer/autumn of 2011**
- **Position at year-end 2011: reduction by 99% to EUR 57 m**

Record net interest income in 2011

Erste Group's earnings power not impaired

Operating income (in EUR bn)

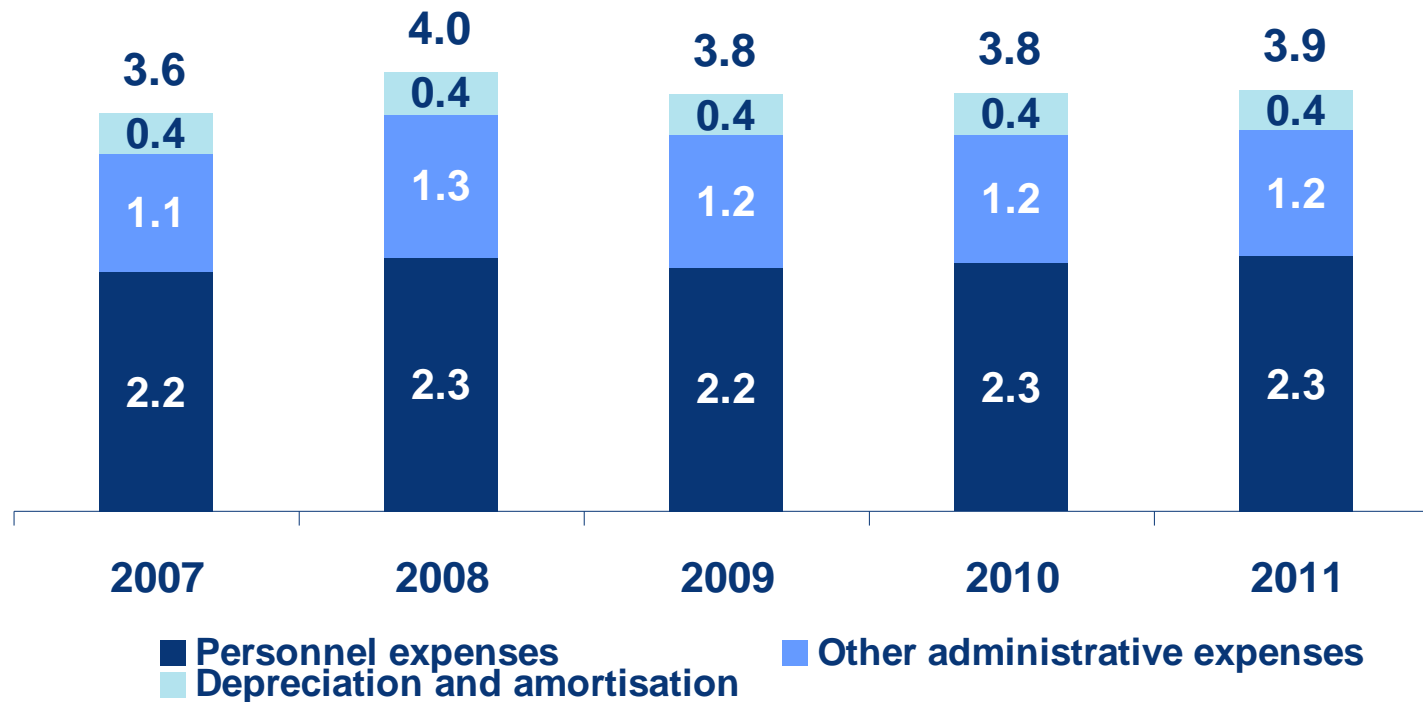


Operating expenses kept stable

Active cost management is one of our strengths

Operating expense

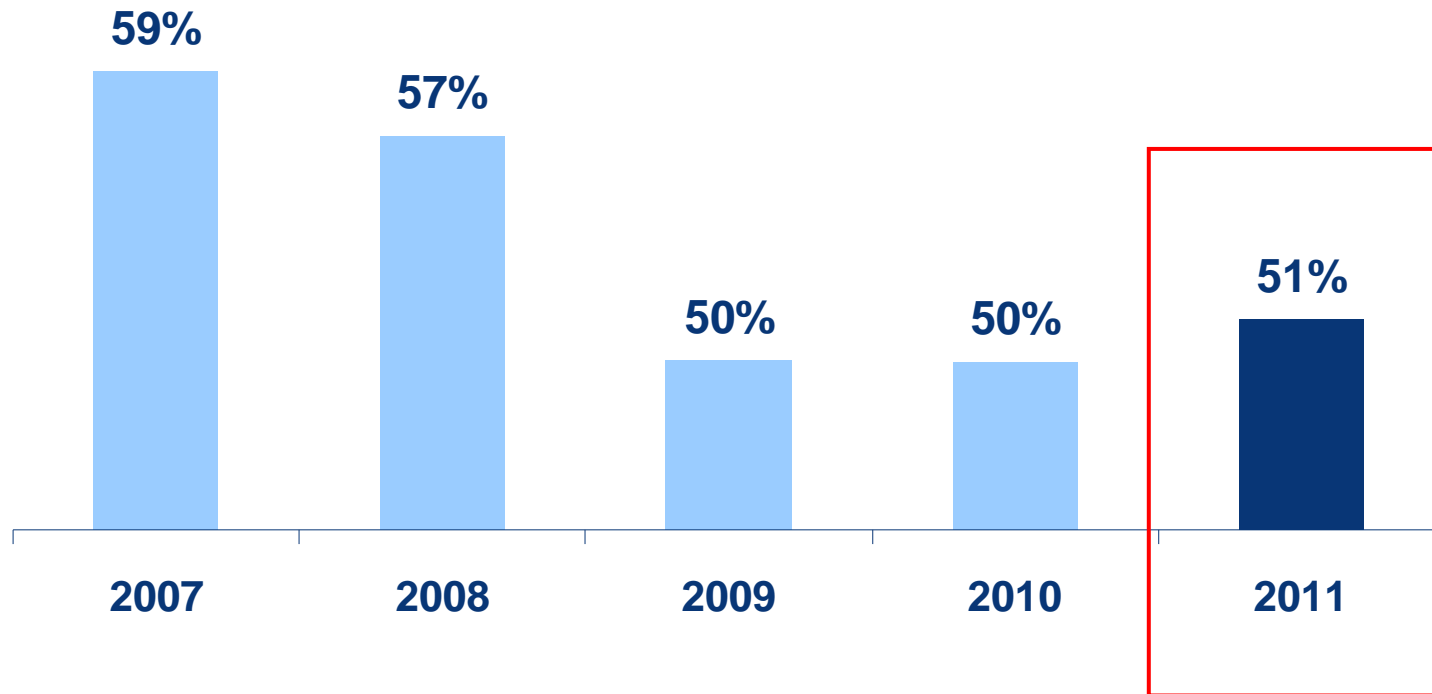
(in EUR bn)



Solid operating result in a difficult environment

Result of strict cost control and sustainable earnings power

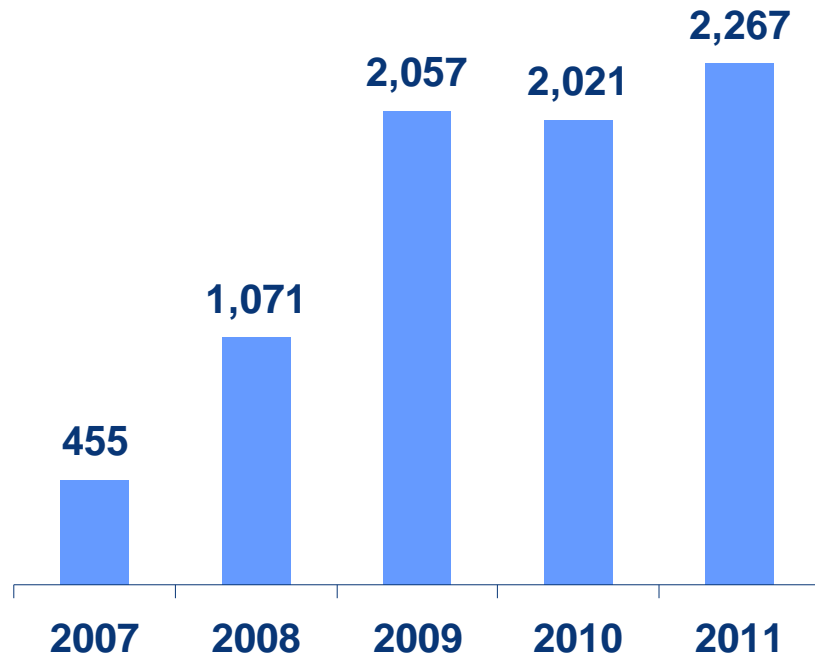
Cost income ratio



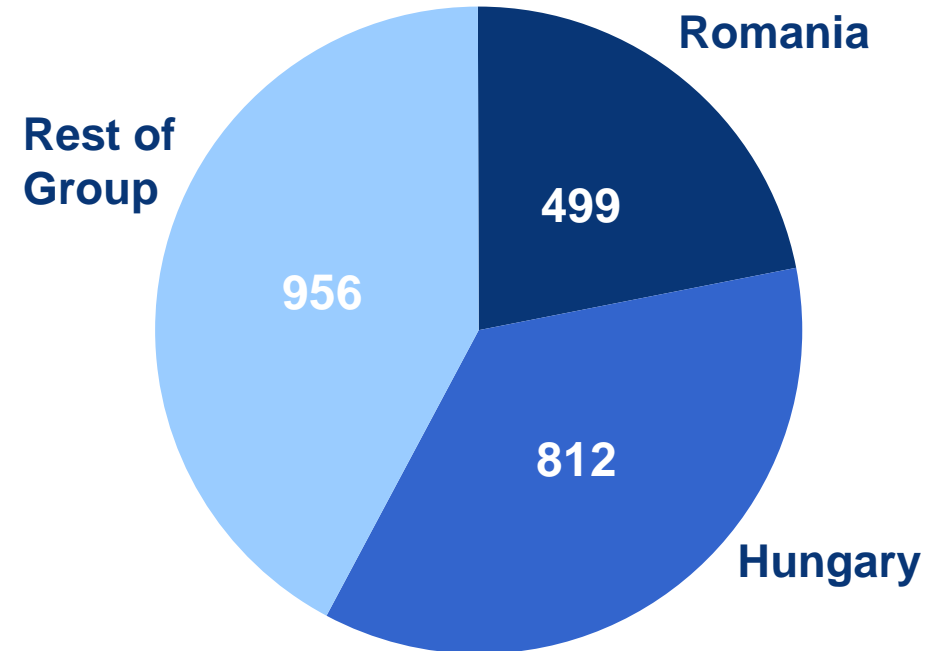
Risk costs driven by Hungary & Romania

Improvement in the core markets AT, CZ and SK

Risk Costs
(in EUR m)



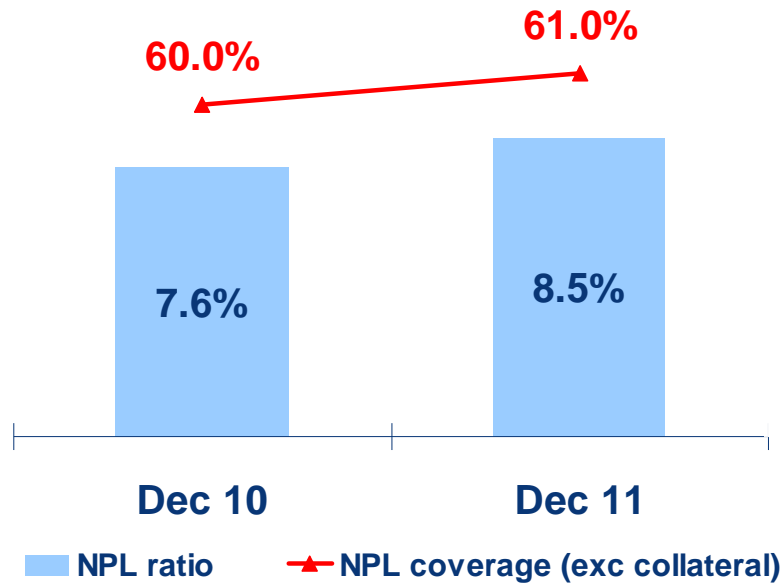
Risk Costs 2011
(in EUR m)



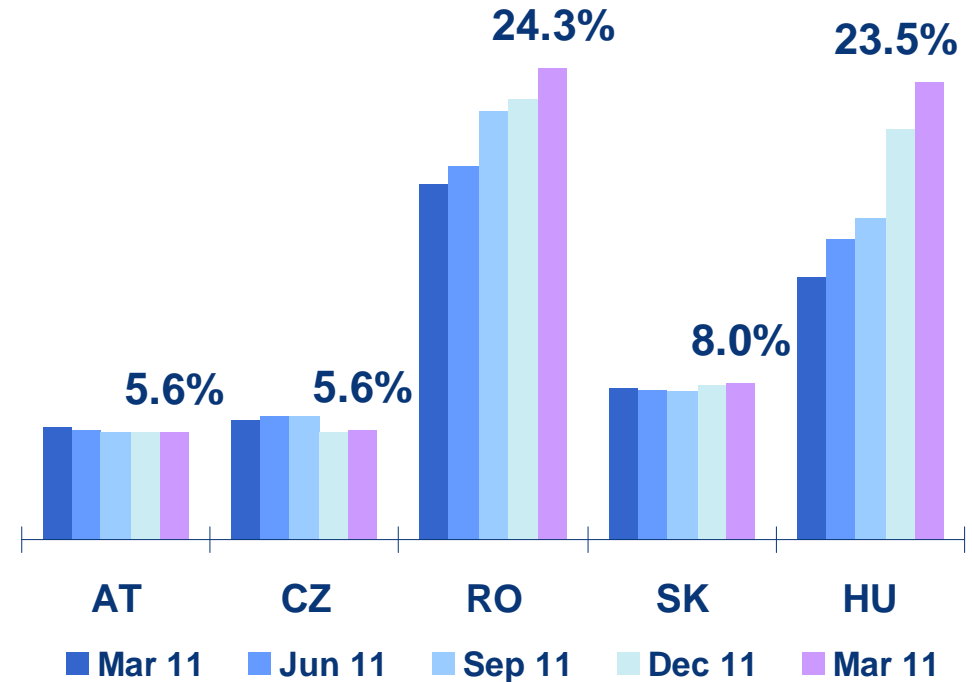
Increase in coverage ratio while defaults are rising

Crises affects primarily the middle class – our customers

NPL Ratio & NPL Coverage



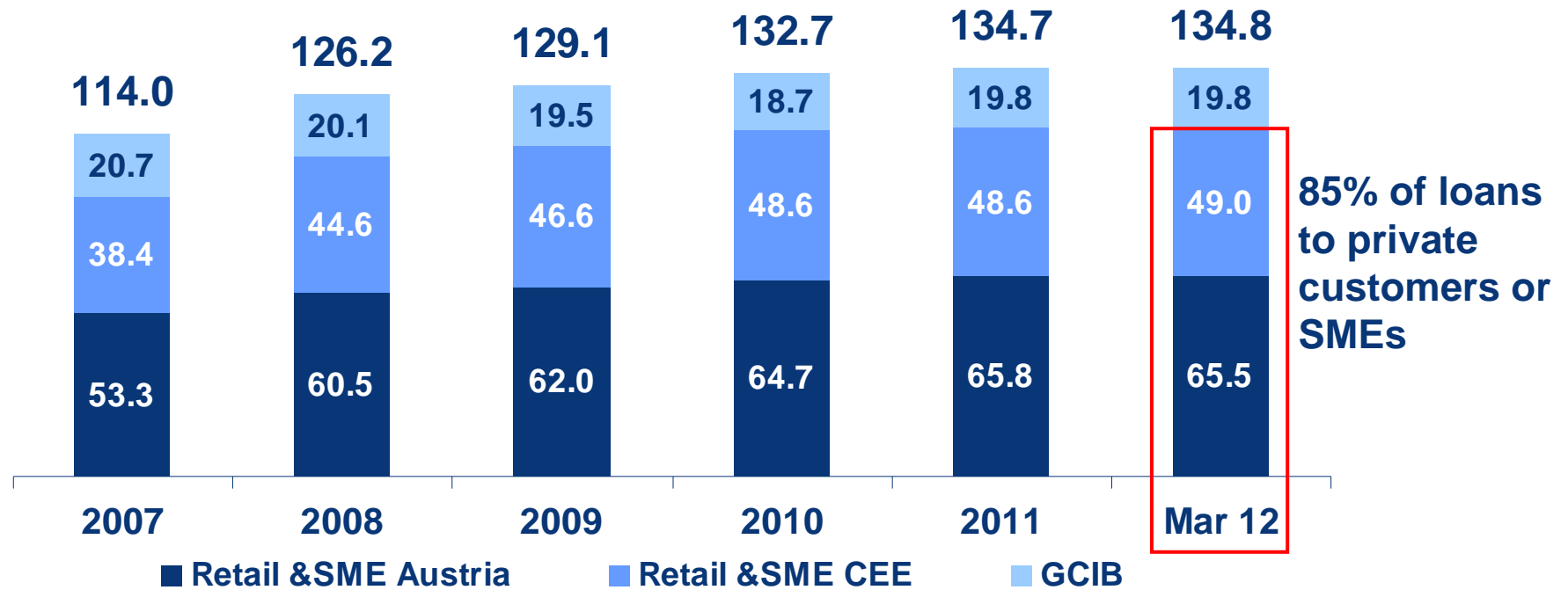
NPL-ratios in key segments



Lending to real economy

Core business of Erste Group

Customer loans (in EUR bn)

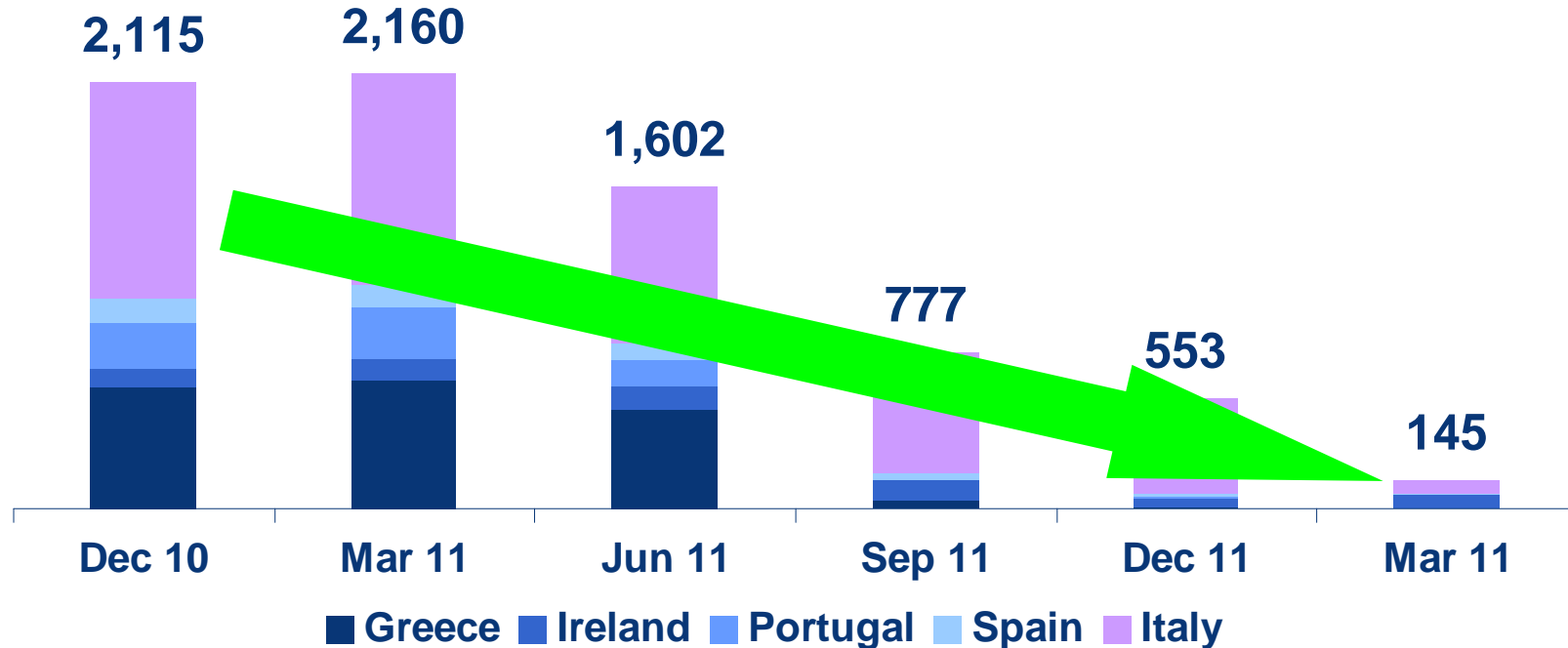


Reduction of exposure to peripheral Europe

Exposure against sovereigns down to EUR 145 million

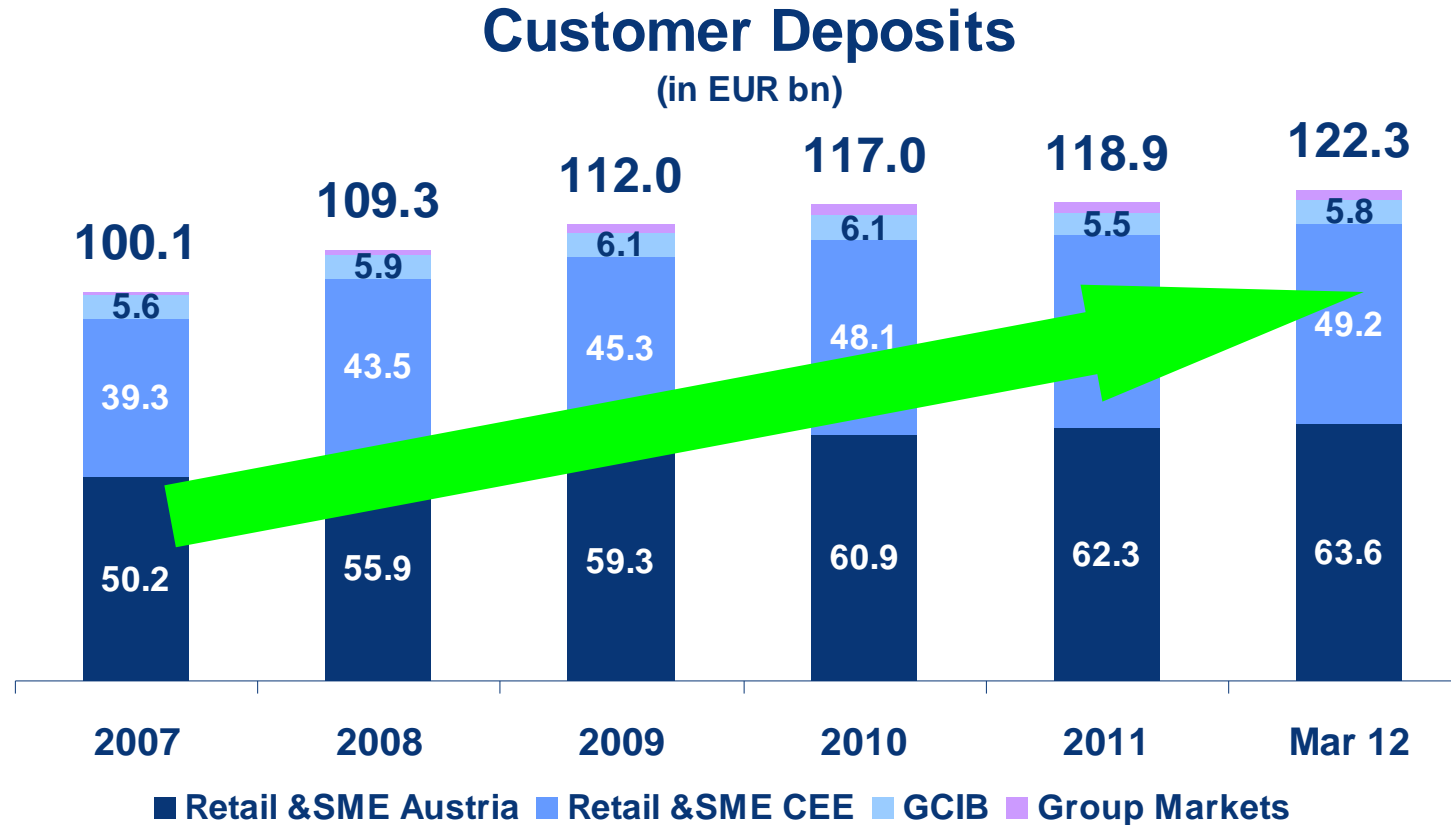
Exposure to selected countries

(in EUR m)



Sustainable increase of customer deposits

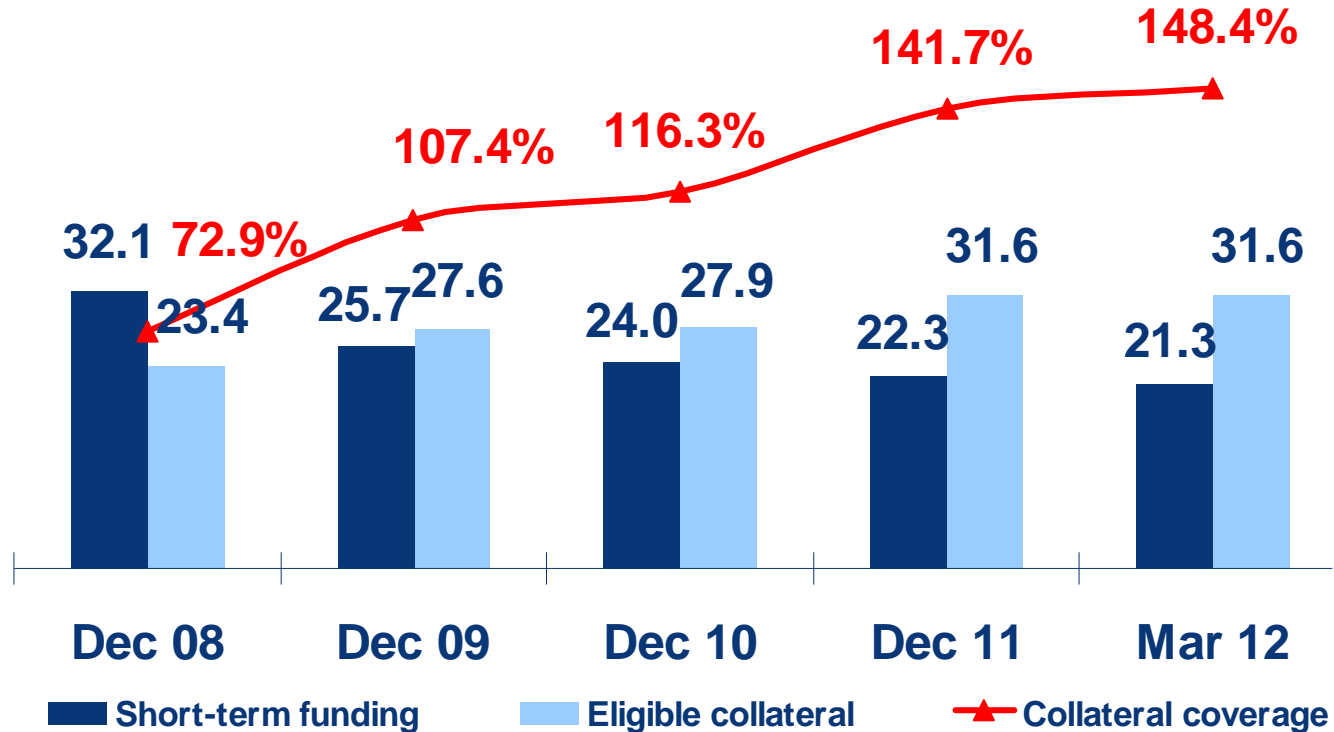
Confidence in Erste Group has increased



Erste Group ready for Basel 3

Building up a portfolio of highly liquid assets

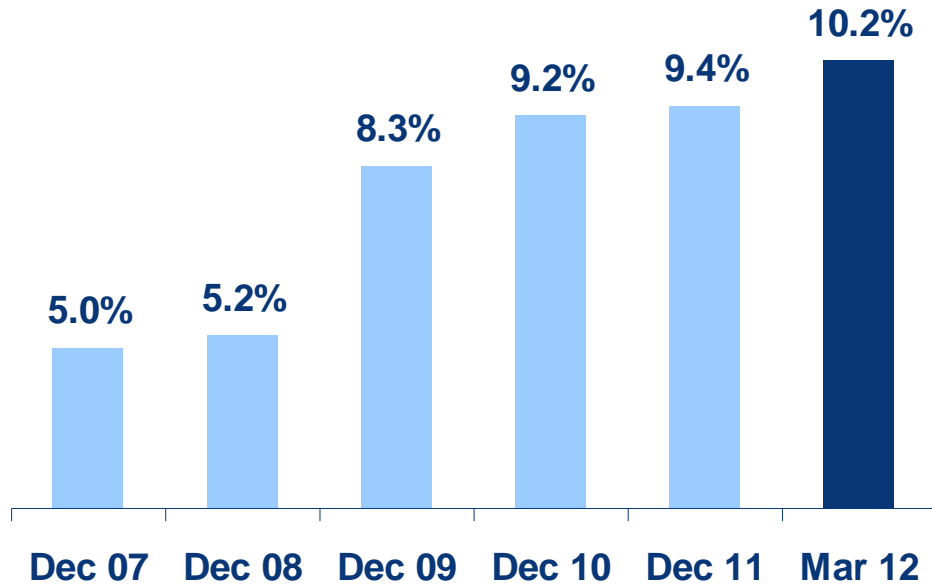
Short term funding vs collateral coverage



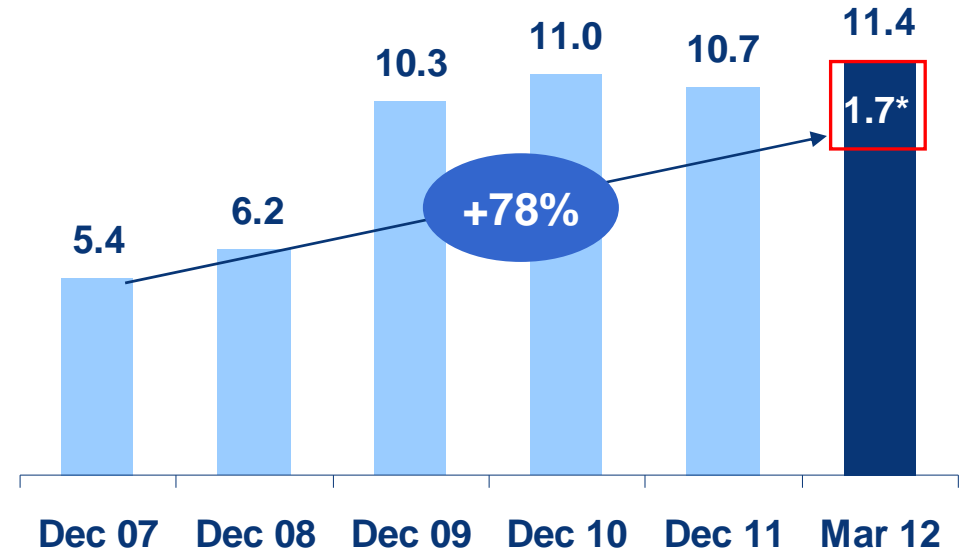
Improving capital ratios show our strength

Complying with all requirements through internal capital generation

Core tier 1 ratio



Core tier 1 capital (in EUR bn)



Uncertainties regarding regulatory requirements

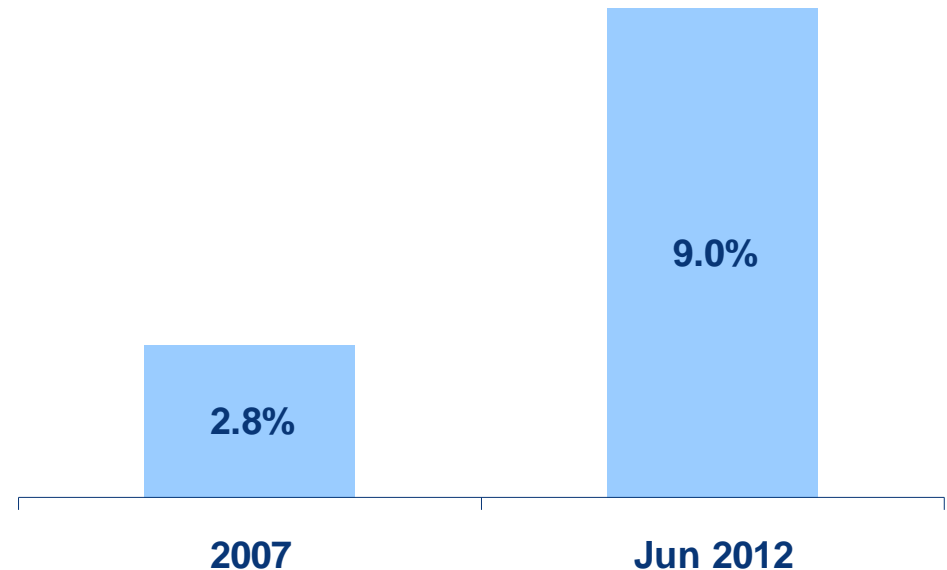
Quick adjustment to drastically changed environment necessary

Capital requirements

– Basel 3 (CRD IV)

– European Banking Authority

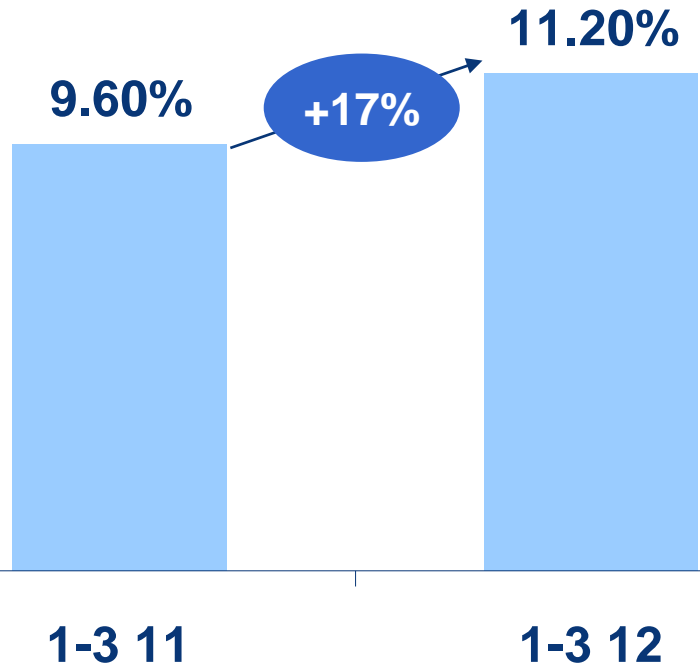
– OeNB & FMA



Strong start into 2012

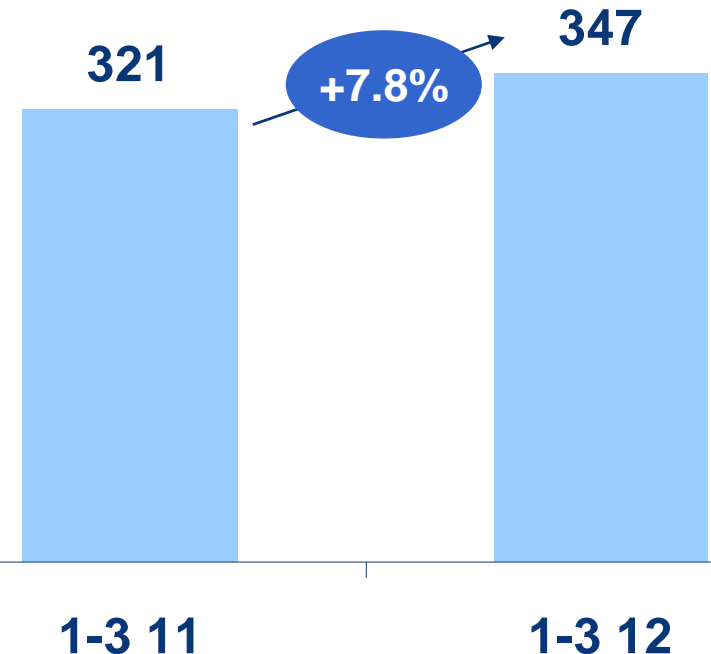
Early compliance with EBA requirement

Return on Equity



Net profit

(in EUR m)



Visible growth of customer deposits in Q1 2012

Loan demand still weak

Loans to customers

(in EUR bn)

134.8

+0.0%

134.8

Dec 11

Mar 12

Customer deposits

(in EUR bn)

118.9

+2.9%

122.3

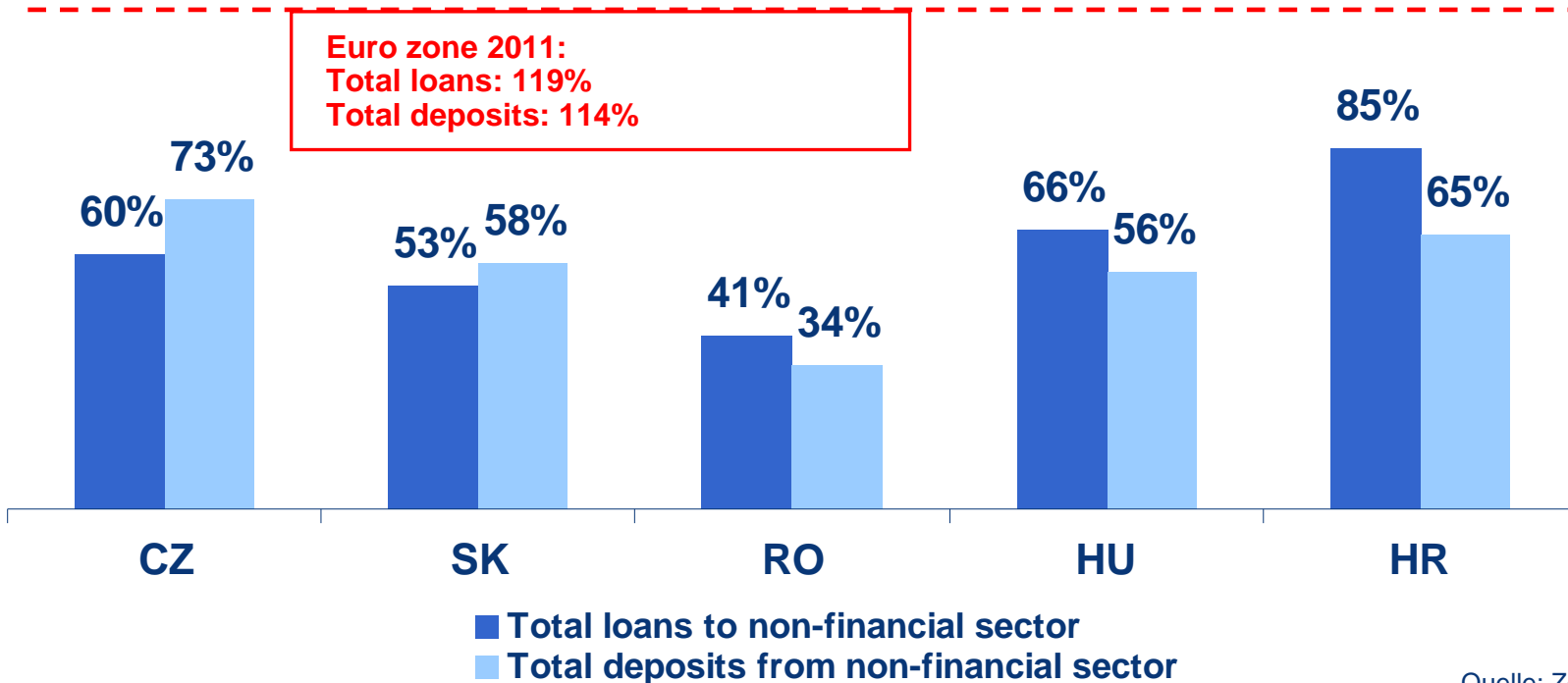
Dec 11

Mar 12

Potential of Erste Group in CEE

We will profit from growth of these markets

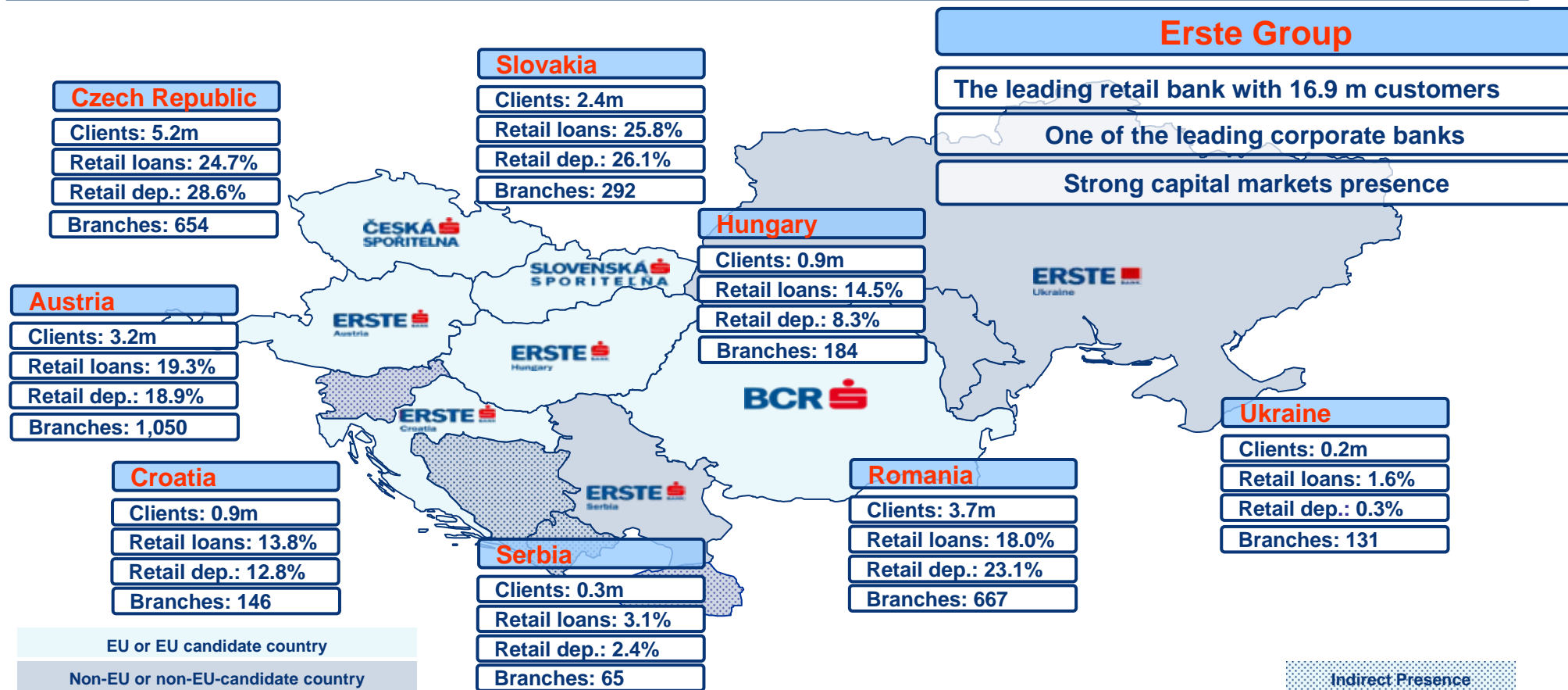
Loan and deposit penetration 2011 (as % of GDP)



Quelle: Zentralbanken

Strategy –

Customer banking in the eastern part of the EU



Heinz Kessler

Chairman of the Supervisory Board

Proposals for resolutions



Resolution on the appropriation of profit

Resolution granting discharge to the members of the Management Board and the Supervisory Board

Request to speak

to the agenda items 1, 2 and 3

- Report on the financial year 2011**
- Appropriation of profit**
- Granting discharge to the members of the
Management Board and the Supervisory Board**

Resolution in the remuneration of the members of the Supervisory Board

Resolution on elections to the Supervisory Board

Appointment of an additional auditor

Resolution on extending the authorization to issue convertible bonds, excluding the subscription rights of shareholders

Resolution on extending the applicability of the conditional capital

Authorization to join a horizontally organized group (Gleichordnungskonzern) formed from the joint-liability scheme (Haftungsverbund) of the savings banks

Resolution on amendments to the articles of association

19. Annual General Meeting
Erste Group Bank AG



**Thank you for your
attention!**