



**Erste Group –
Bank of America Merrill Lynch Banking Conference**
25-27 September 2012, London

Building franchise value in an uncertain world
Andreas Treichl, CEO, Erste Group

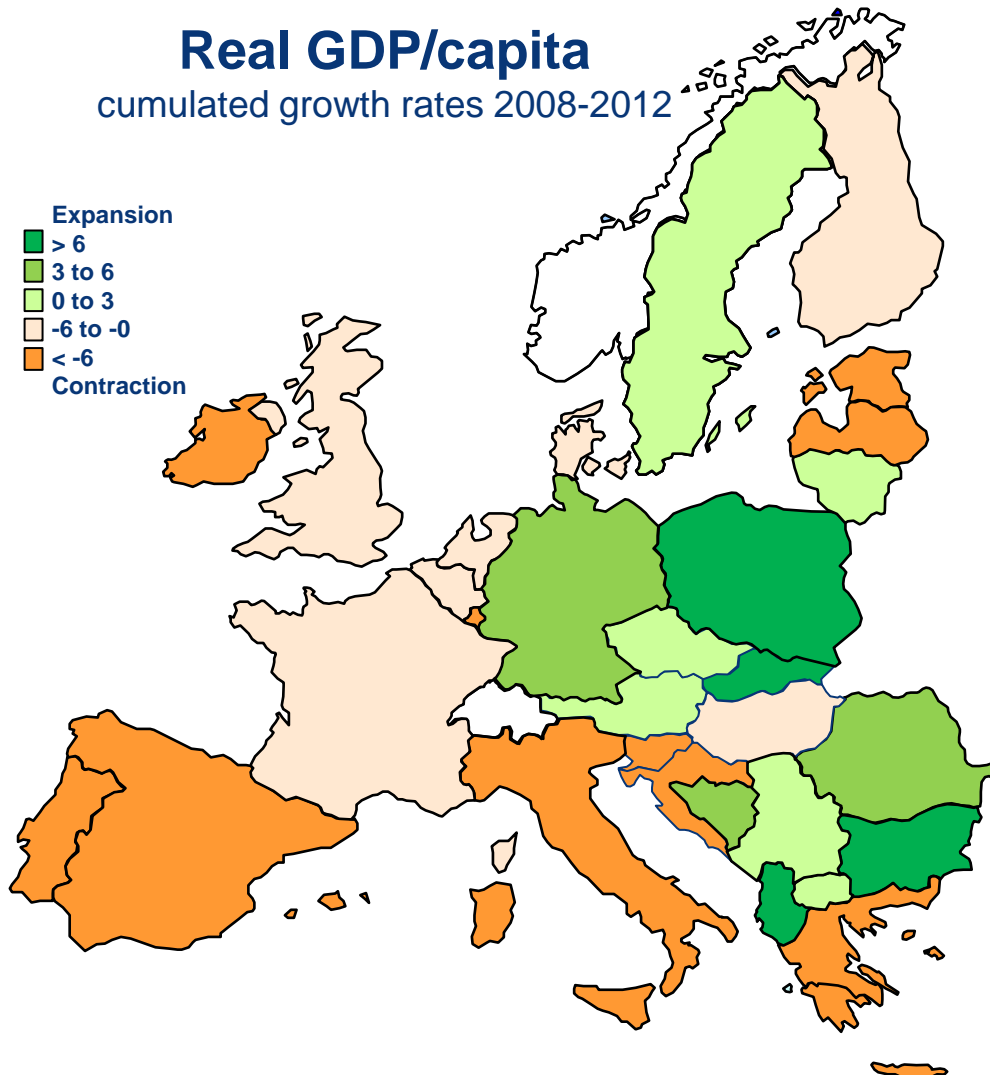
Disclaimer –

Cautionary note regarding forward-looking statements

- THE INFORMATION CONTAINED IN THIS DOCUMENT HAS NOT BEEN INDEPENDENTLY VERIFIED AND NO REPRESENTATION OR WARRANTY EXPRESSED OR IMPLIED IS MADE AS TO, AND NO RELIANCE SHOULD BE PLACED ON, THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF THIS INFORMATION OR OPINIONS CONTAINED HEREIN.
- CERTAIN STATEMENTS CONTAINED IN THIS DOCUMENT MAY BE STATEMENTS OF FUTURE EXPECTATIONS AND OTHER FORWARD-LOOKING STATEMENTS THAT ARE BASED ON MANAGEMENT'S CURRENT VIEWS AND ASSUMPTIONS AND INVOLVE KNOWN AND UNKNOWN RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS, PERFORMANCE OR EVENTS TO DIFFER MATERIALLY FROM THOSE EXPRESSED OR IMPLIED IN SUCH STATEMENTS.
- NONE OF ERSTE GROUP OR ANY OF ITS AFFILIATES, ADVISORS OR REPRESENTATIVES SHALL HAVE ANY LIABILITY WHATSOEVER (IN NEGLIGENCE OR OTHERWISE) FOR ANY LOSS WHATSOEVER ARISING FROM ANY USE OF THIS DOCUMENT OR ITS CONTENT OR OTHERWISE ARISING IN CONNECTION WITH THIS DOCUMENT.
- THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER OR INVITATION TO PURCHASE OR SUBSCRIBE FOR ANY SHARES AND NEITHER IT NOR ANY PART OF IT SHALL FORM THE BASIS OF OR BE RELIED UPON IN CONNECTION WITH ANY CONTRACT OR COMMITMENT WHATSOEVER.

- **Erste Group's core market: Central and Eastern Europe**
- Building franchise value in CEE
- Conclusion
- Appendix

CEE outgrew the euro zone during the crisis – The region benefits from strong fundamentals



CEE will continue to improve its competitiveness and attract investments based on:

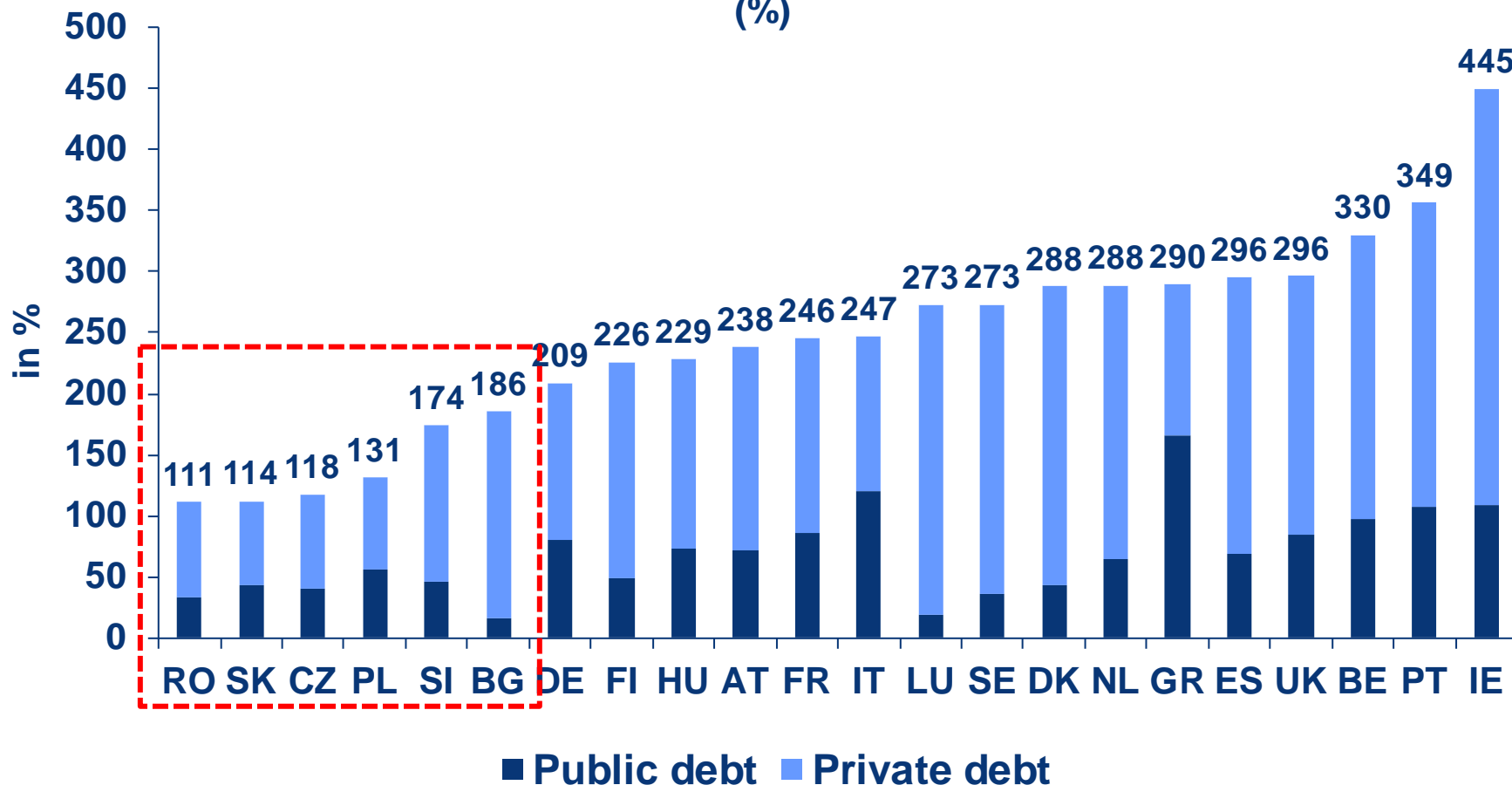
- Lower indebtedness
- Viable wage levels
- Increased productivity
- Reasonable tax systems
- Favourable location

Sources: Erste Group Research, Eurostat: Economic Forecast Spring 2012

Manageable indebtedness in CEE –

CEE countries are the least indebted countries in Europe

Debt to GDP (%)

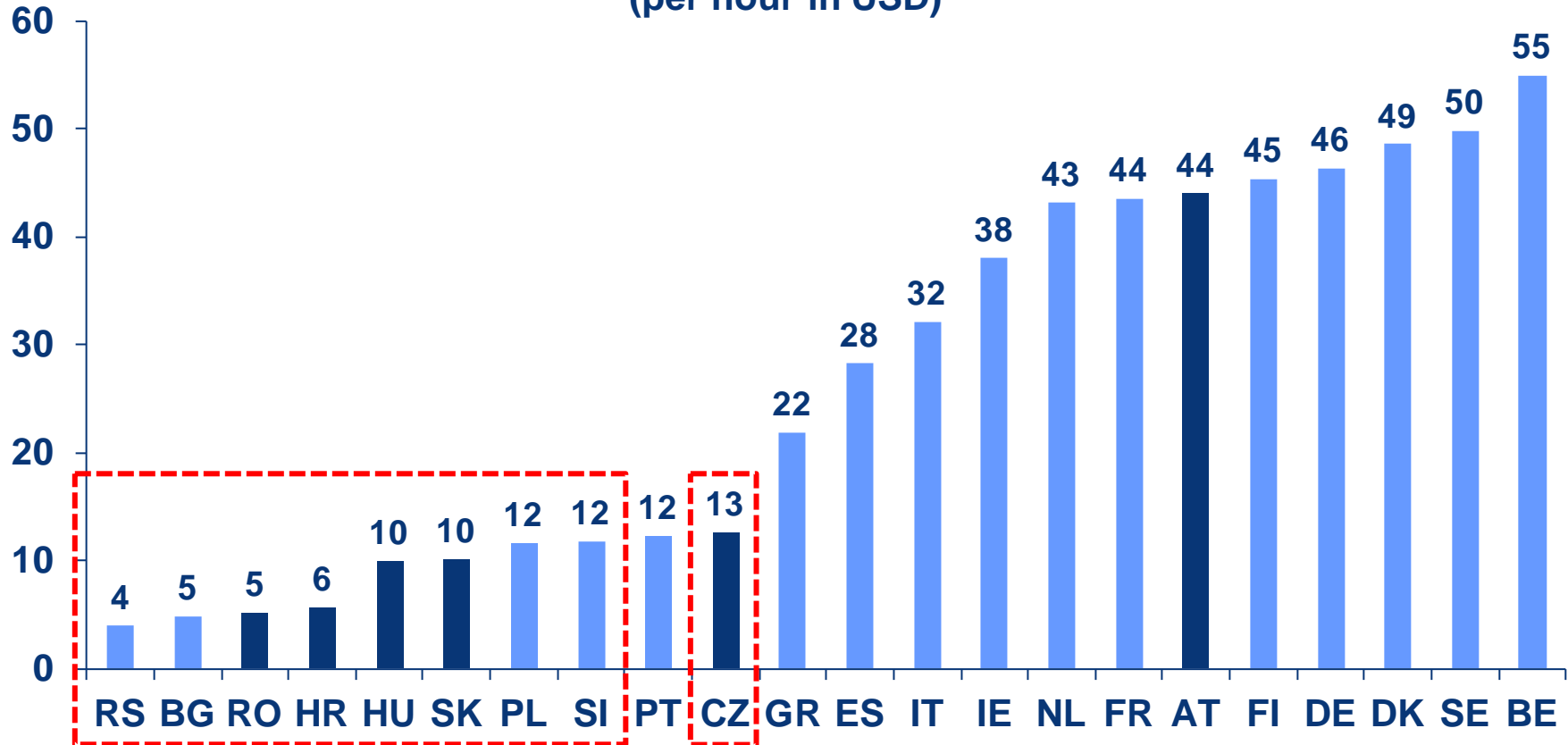


Sources: Erste Group Research, Eurostat

Attractive competitive business environment –

Labour costs still dramatically lower in CEE

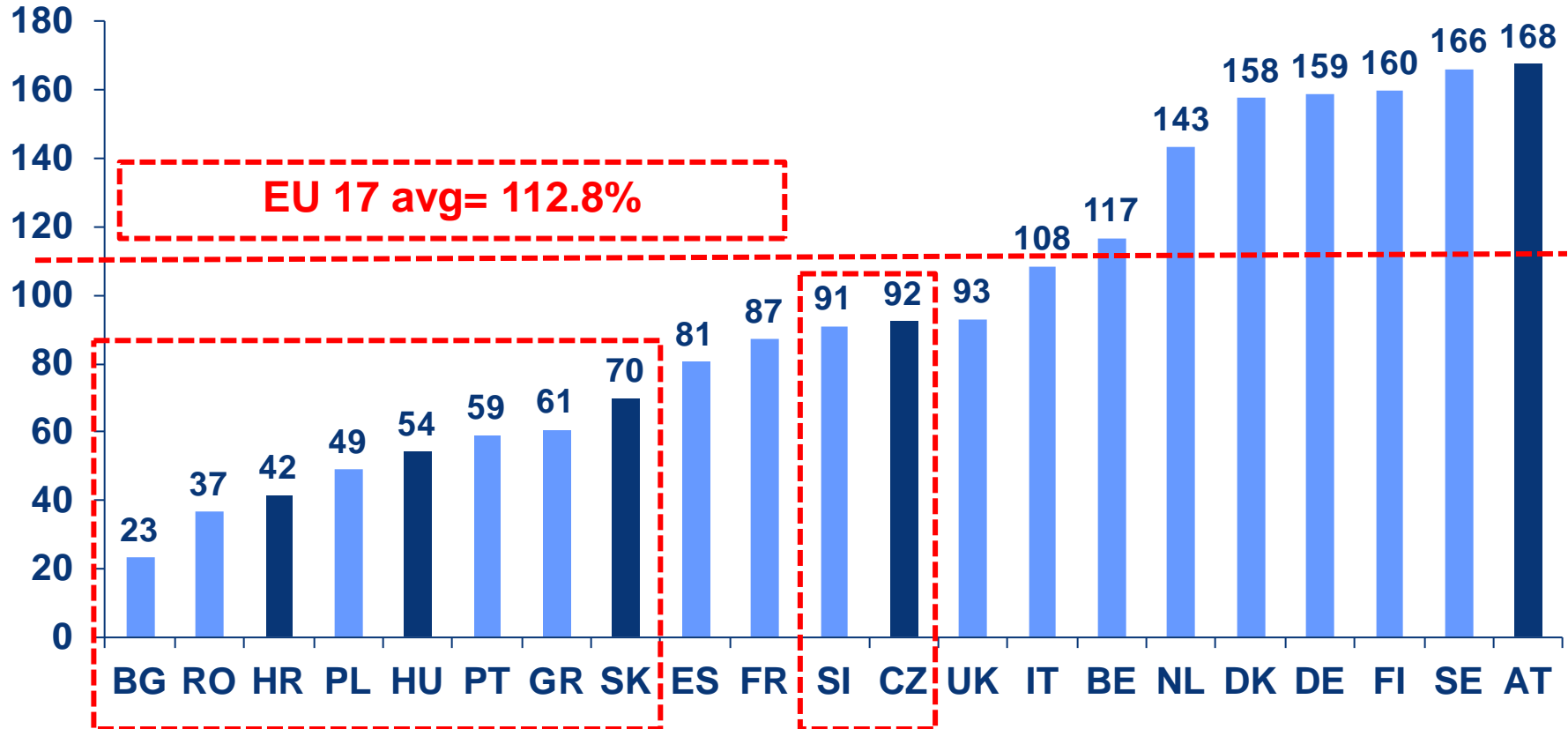
Labour costs (per hour in USD)



Sources: Erste Group Research, EIU: Economist Intelligence Unit

Attractive competitive business environment – Productivity approaching Western European levels

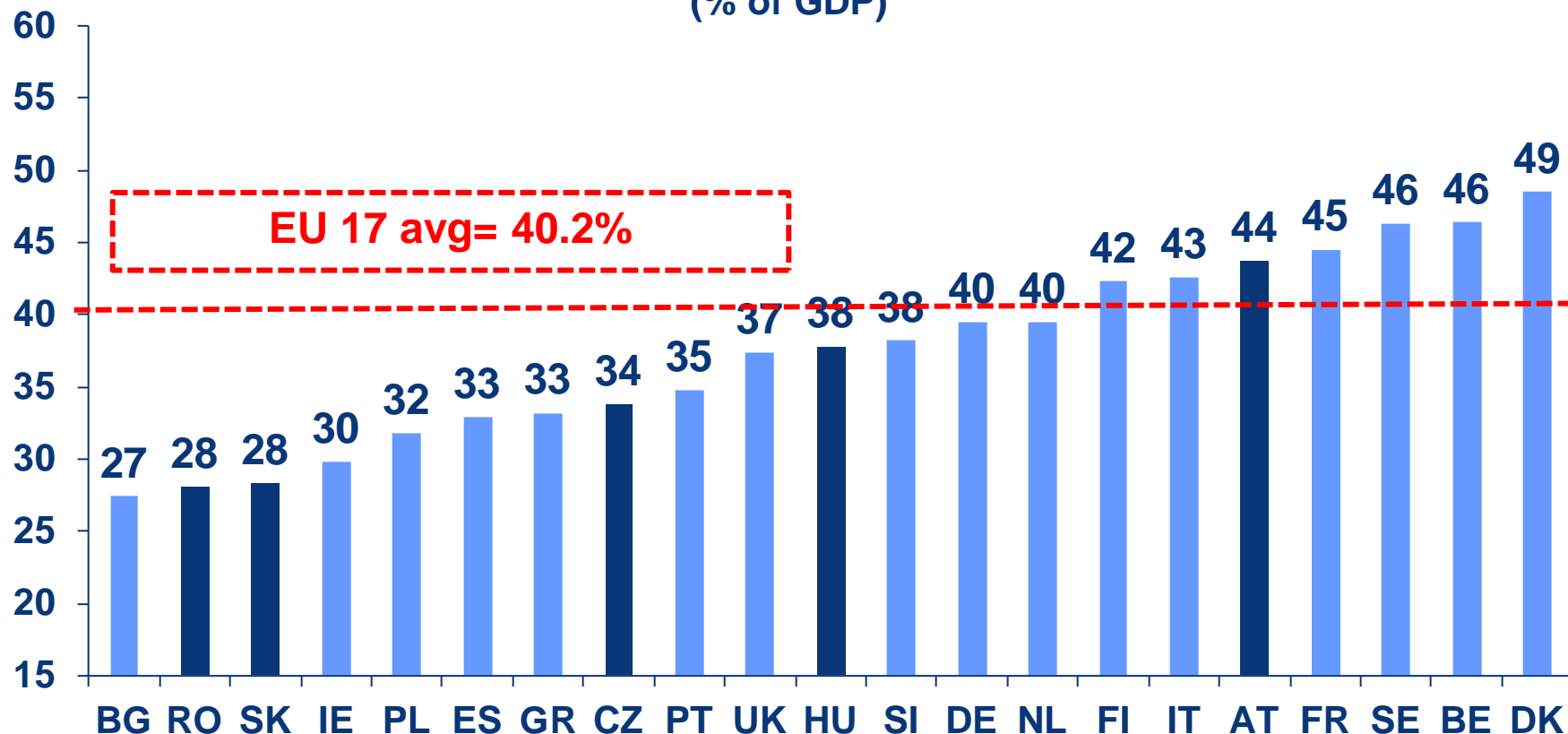
Productivity in industry (% of EU27)



Sources: Erste Group Research, Eurostat

Favourable tax systems in CEE – Lower total taxes compared to rest of Europe

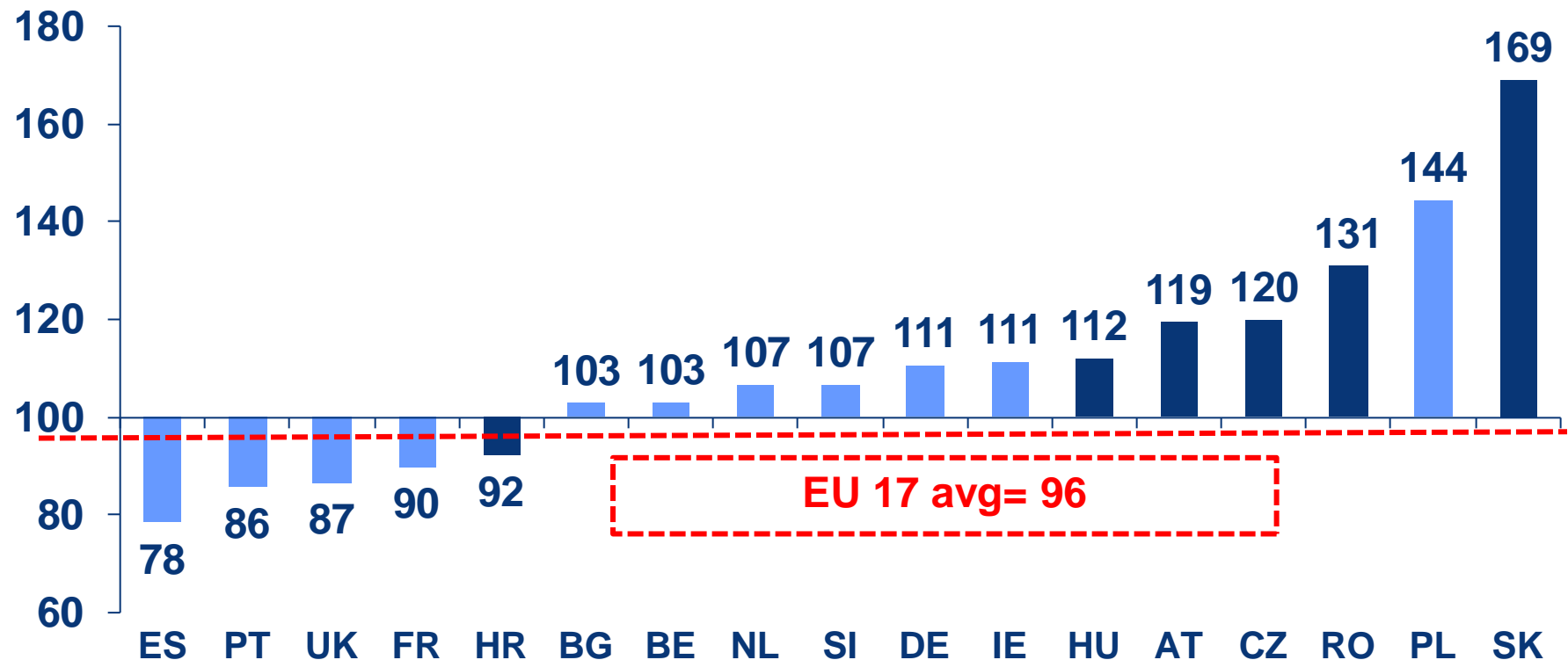
Total taxes & social contributions (% of GDP)



Sources: Erste Group Research, Eurostat

CEE is an attractive investment destination – Industrial production has significantly increased in CEE

Industry production index (2005 = 100, as of Jun 12)



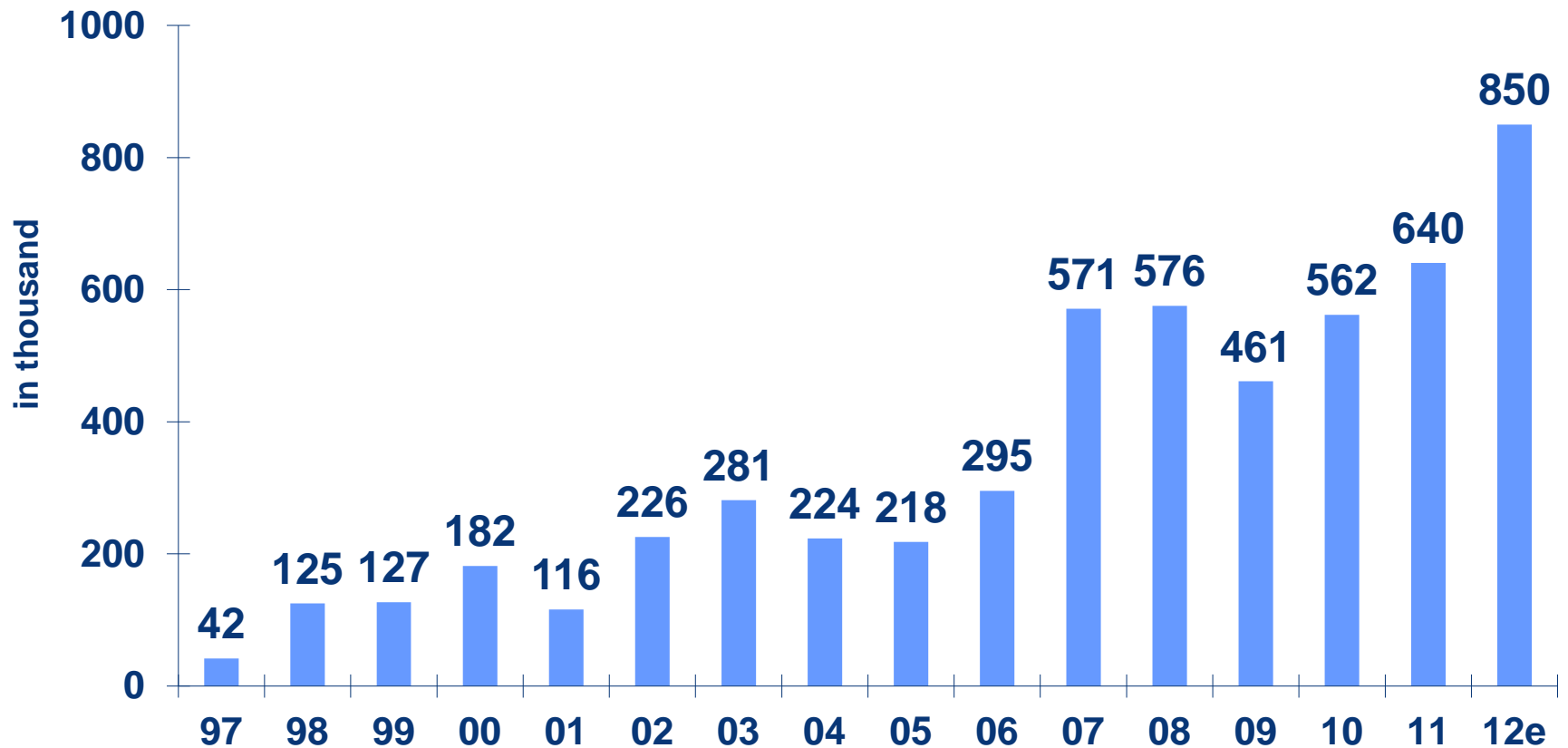
Sources: Erste Group Research, Eurostat

Slovakia turned into car producing powerhouse – ERSTE

Highest car manufacturing per capita in the world

ERSTE GROUP

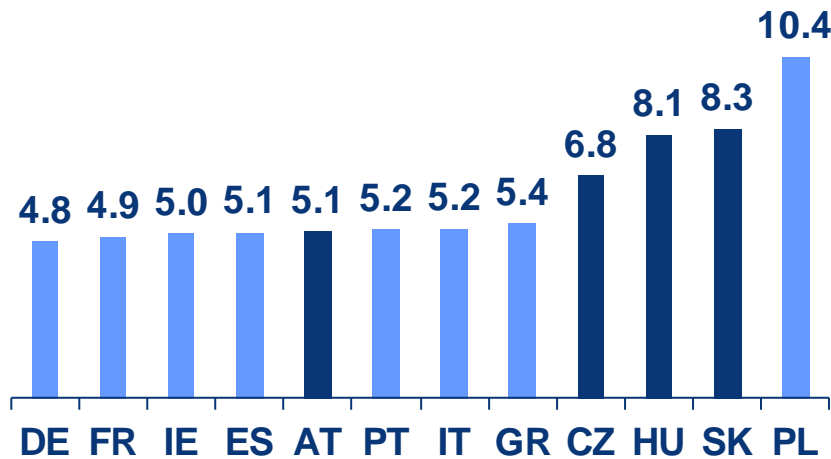
Slovakia: cars produced per year



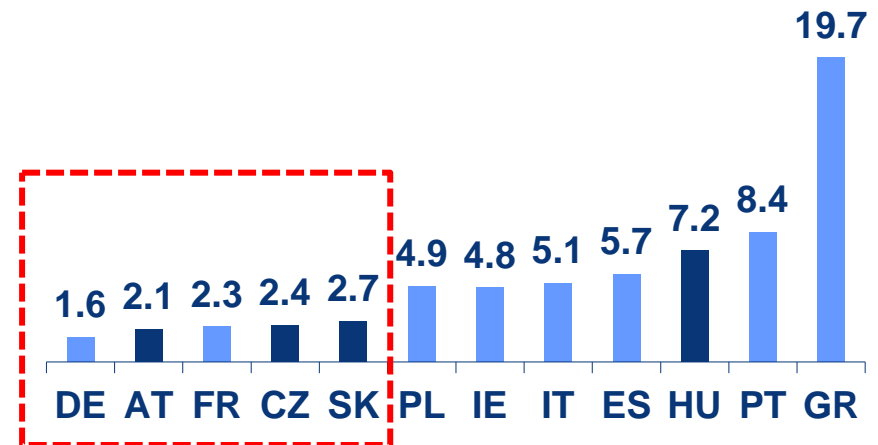
Sources: Erste Group Research, OICA

Encouraging market signals – Debt markets acknowledge improvement

Lt government bond yields
Jan 2001



Lt government bond yields
Sep 2012



CEE set to be the fastest growing region of Europe for the next decade

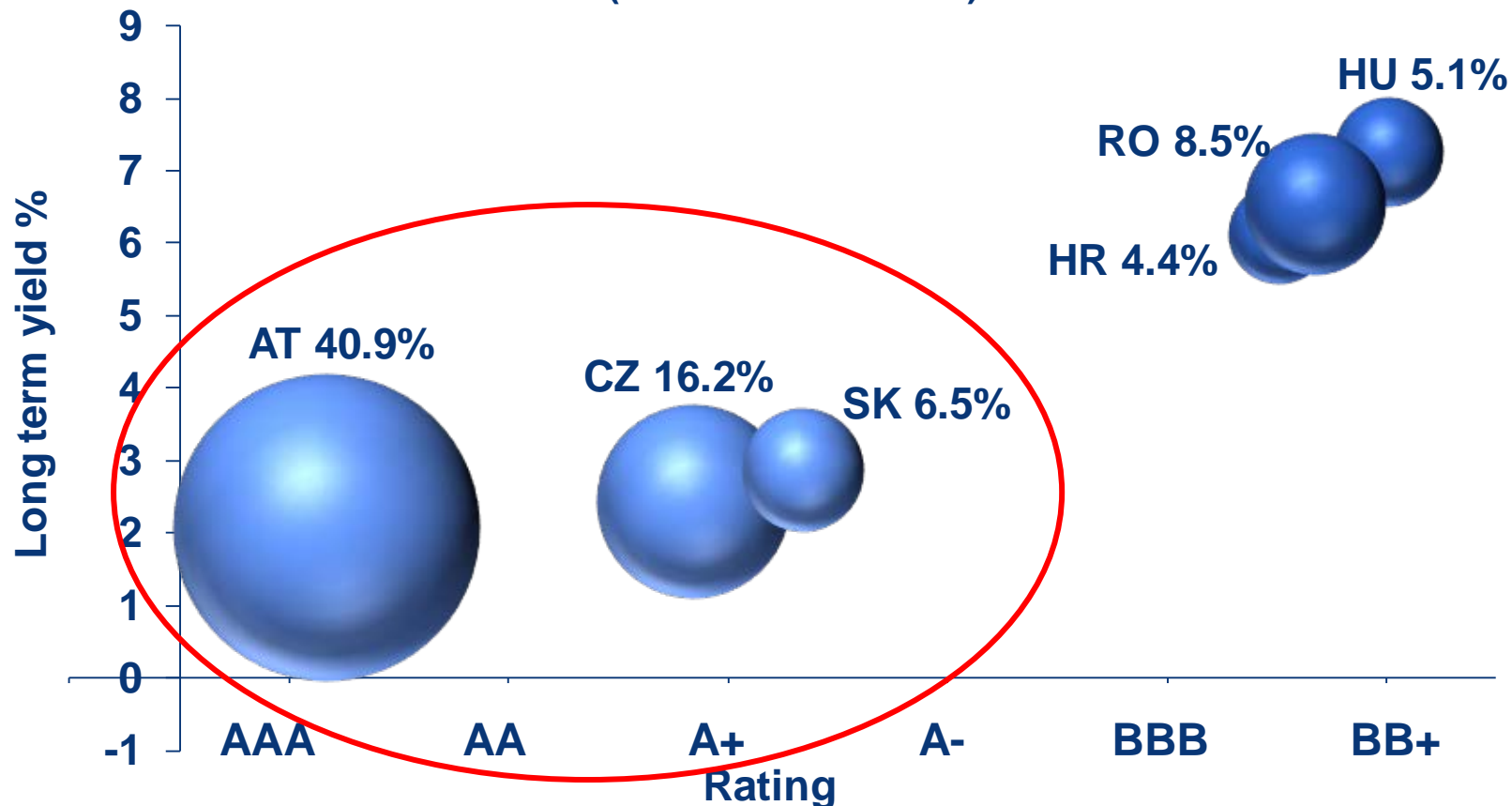
- Europe's growing region: Central and Eastern Europe
- **Erste way of building franchise value**
- Conclusion
- Appendix

The growing part of Europe – Erste Group's core markets



Solid underlying portfolio mix – 64% of total exposure in AT, CZ & SK

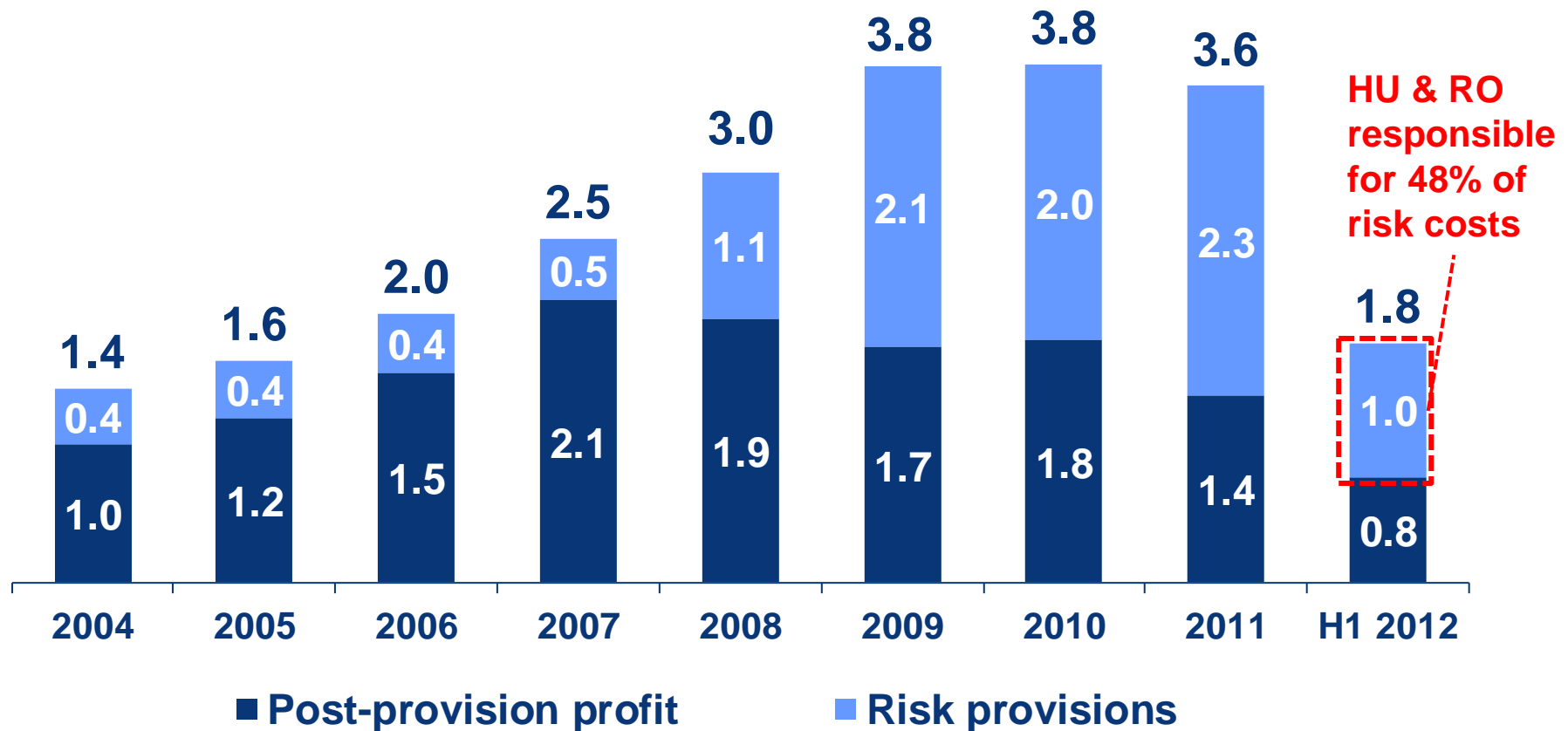
Total credit risk
(Jun 12: EUR 225bn)



* Average of S&P, Moodys and Fitch Rating

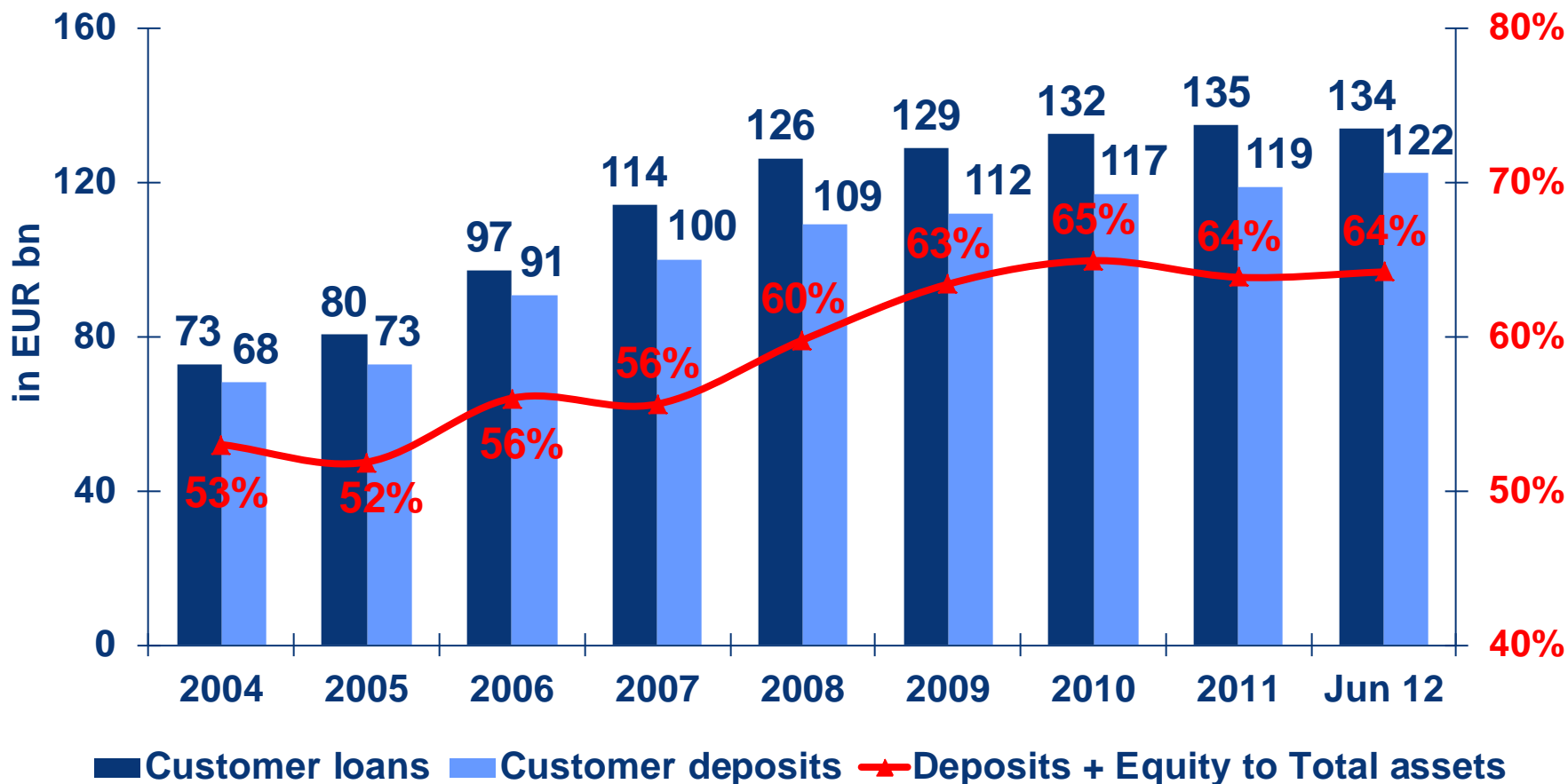
Operating result development – Risk costs driven by Hungary and Romania

Operating result
(in EUR bn)



Healthy liquidity and funding position – Retail deposits are core to our business model

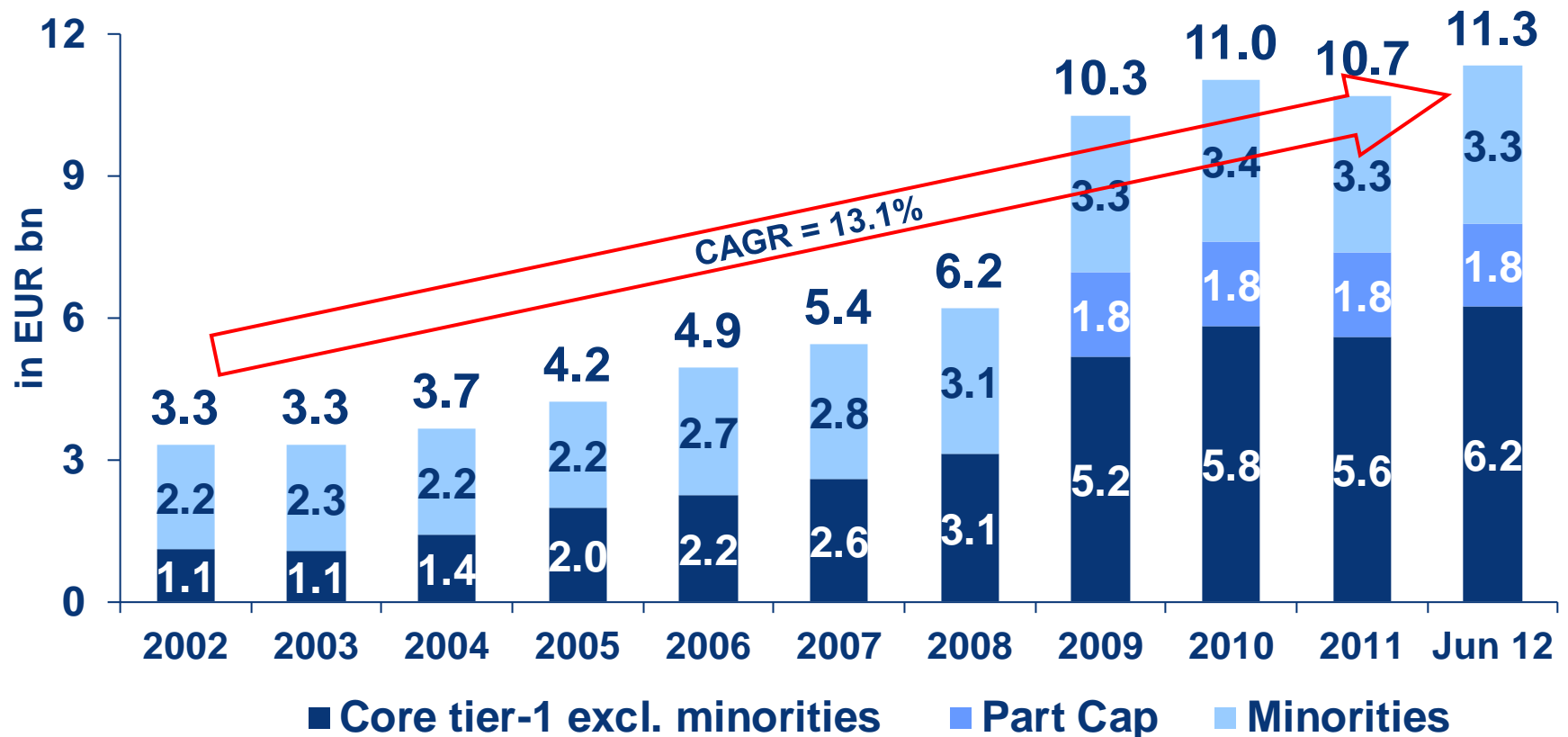
Balance sheet development



Significantly enhanced capital ratios –

Core tier-1 ratio of 10.4% as of June 2012

Development of CT-1 capital (excluding hybrid)

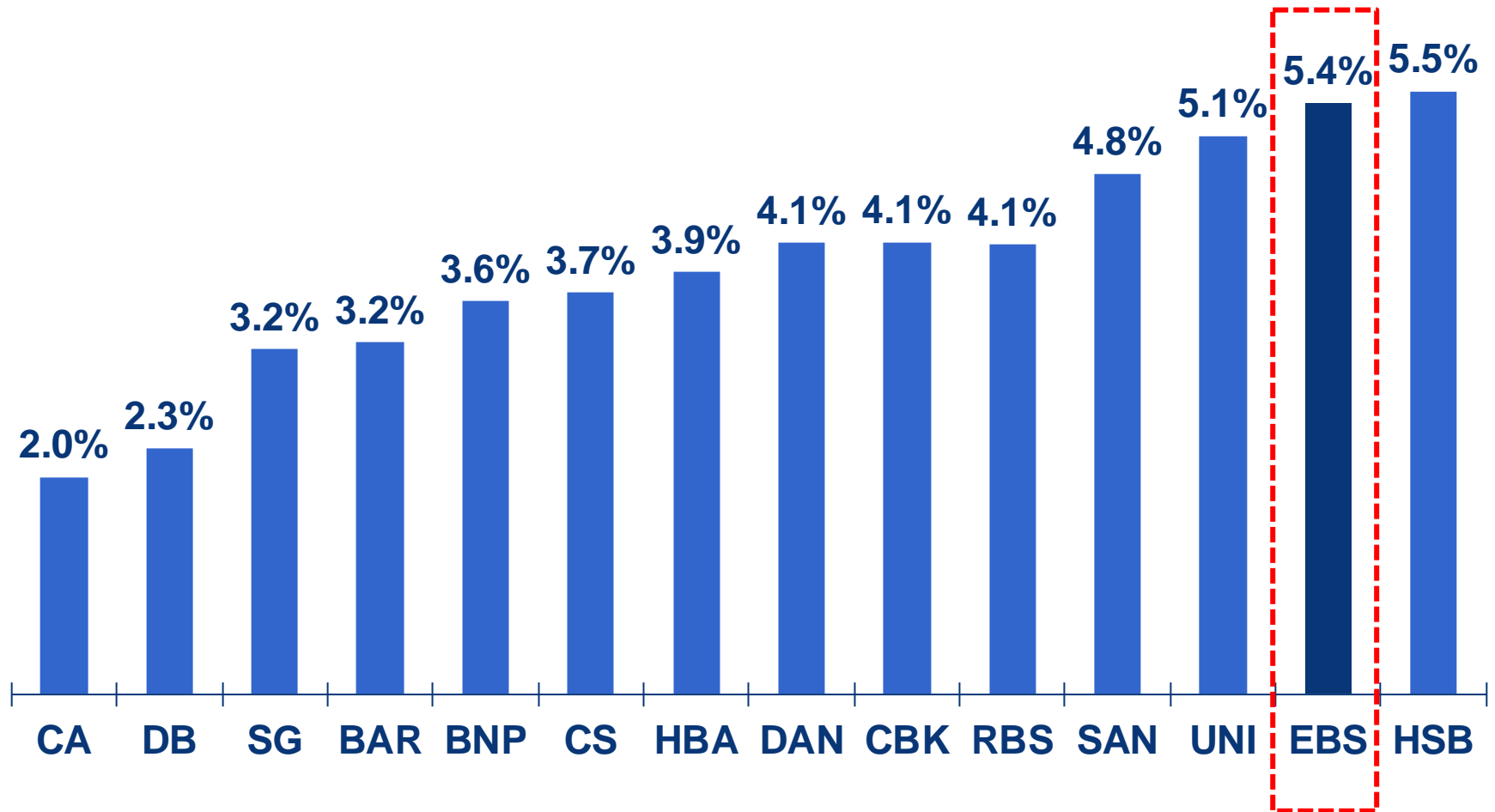


Balance sheet dominated by customer business – ERSTE

Tier 1 capital accounts for 5.4% of total assets

ERSTE GROUP

Tier 1 Capital to Total Assets



Sources: Bloomberg, Erste Group Research, as of June 2012

- Erste Group's core market: Central and Eastern Europe
- Building franchise value in CEE
- **Conclusion**
- Appendix

Conclusion

- **Leading retail and SME bank in Austria and Central & Eastern Europe**
- **Erste's core markets expected to outgrow the EU and provide opportunities for profitable growth**
- **Resilience of retail / SME focused business model was proven by performance through the crisis**
- **Solid funding base, largely through retail deposits**
- **Well-capitalised – 10.4% CT1 ratio at H1 2012 under Basel 2.5**

**Erste Group –
Bank of America Merrill Lynch Banking Conference**
25-27 September 2012, London

Thank you for your attention