

- > Central and Eastern Europe –  
A journey through Erste Bank's home market

- > 4<sup>th</sup> Capital Markets Day
- > Bucharest, 9 October 2006
- > Reinhard Ortner, CFO, Erste Bank

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# > Agenda

## Home market

- » Our region continues to grow
- » Our market in numbers
- » Well-balanced portfolio

## Hot topics

- » Macroeconomic characteristics of growth markets
- » Foreign exchange lending
- » Margin trend review

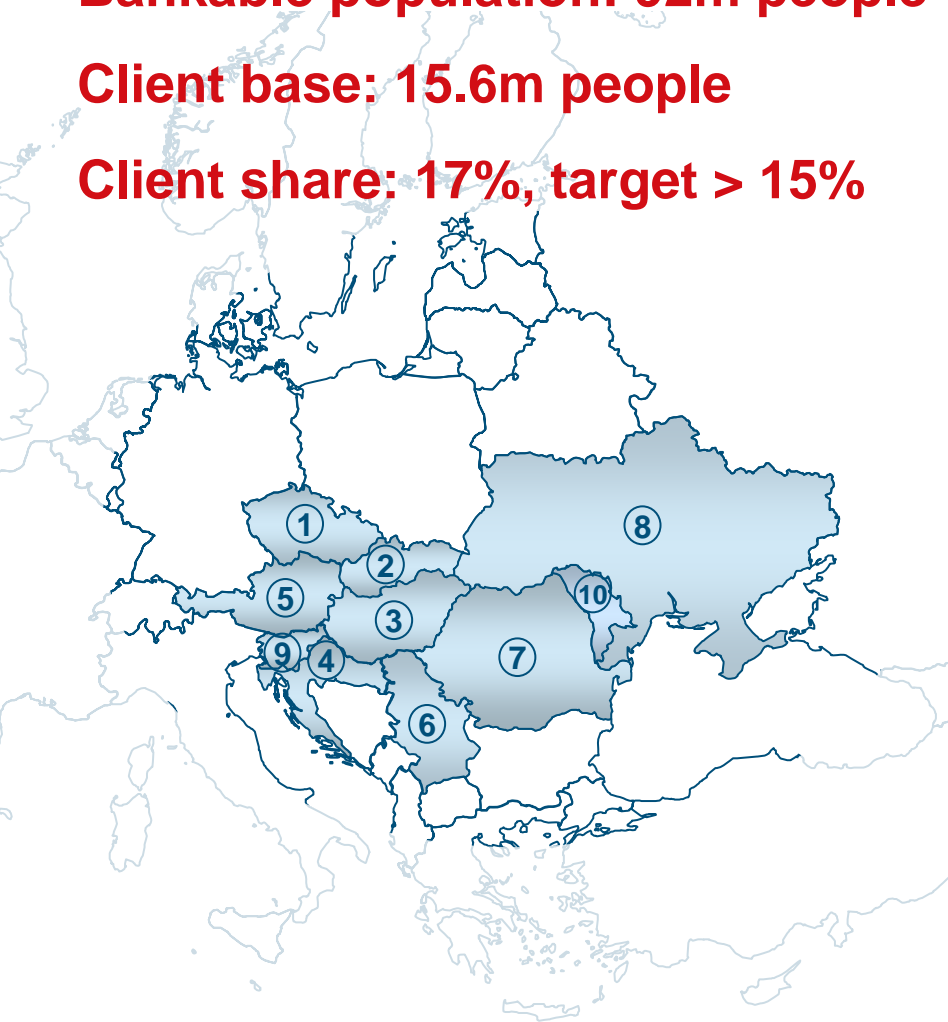
## Conclusion

# > The Bank for Central and Eastern Europe

**Bankable population: 92m people**

**Client base: 15.6m people**

**Client share: 17%, target > 15%**



① **ČESKÁ SPOŘITELNA**  
Clients: 5.3m; #1  
Retail deposit share: 33%  
Branches: 637

③ **ERSTE BANK**  
Hungary  
Clients: 0.9m; #2  
Retail deposits: 6%  
Branches: 171

⑤ **ERSTE BANK**  
Clients: 0.6m; #2  
Retail deposits (inc. SBs): 21%  
Branches:  
- „Own“ :142  
- Subsidiaries: 134

⑥ **ERSTE BANK**  
Serbia  
Clients: 0.2m; ~#9  
Retail deposits: 2%  
Branches: 66

⑧  **ПРЕСТИЖ**  
Комерційний Банк  
Bank Prestige  
Founded in Dec 2005

② **SLOVENSKÁ SPOŘITELNA**  
Clients: 2.5m; #1  
Retail deposits: 32%  
Branches: 300

④ **ERSTE BANK**  
Croatia  
Clients: 0.6m; #3  
Retail deposits: 11%  
Branches: 124

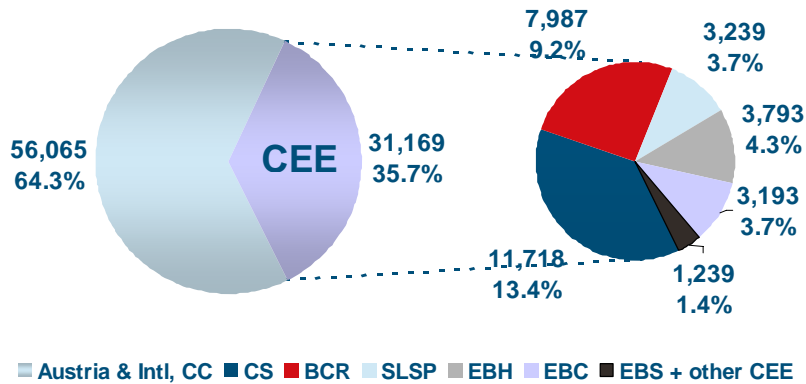
⑤ **SPARKASSE**  
Clients: 2.2m  
Branches: 708

⑦  **BANCA COMERCIALA ROMANA**  
⑩ Clients: 3.2m; #1  
Retail deposits: 32%  
Branches: 446 (08/06)

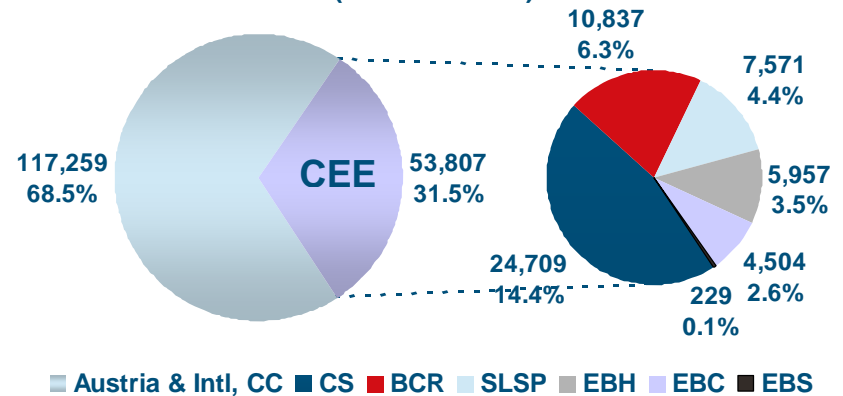
⑨ Indirectly represented  
through Kärntner Sparkasse

# > Home market in numbers\* – a snapshot

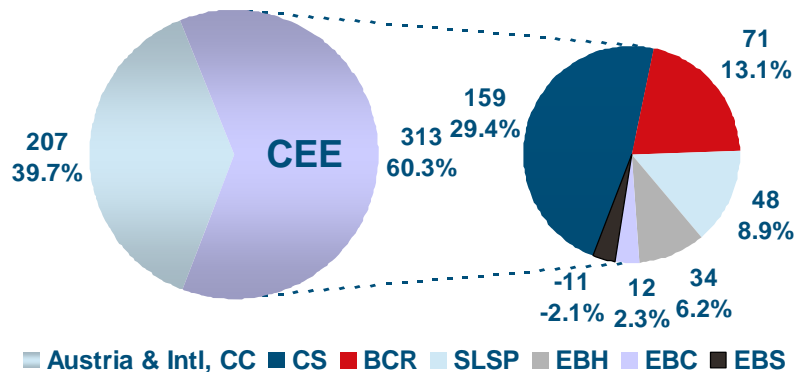
Proforma risk-weighted asset distribution (H1 06)  
(in EUR million)



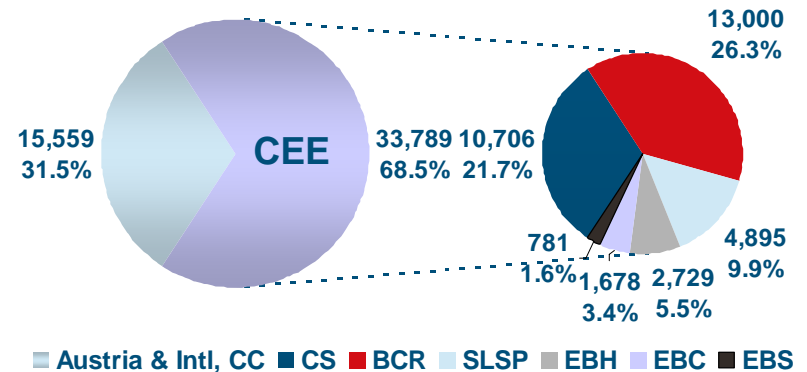
Proforma asset distribution (H1 06)  
(in EUR million)



Proforma net profit distribution (H1 06)  
(in EUR million)

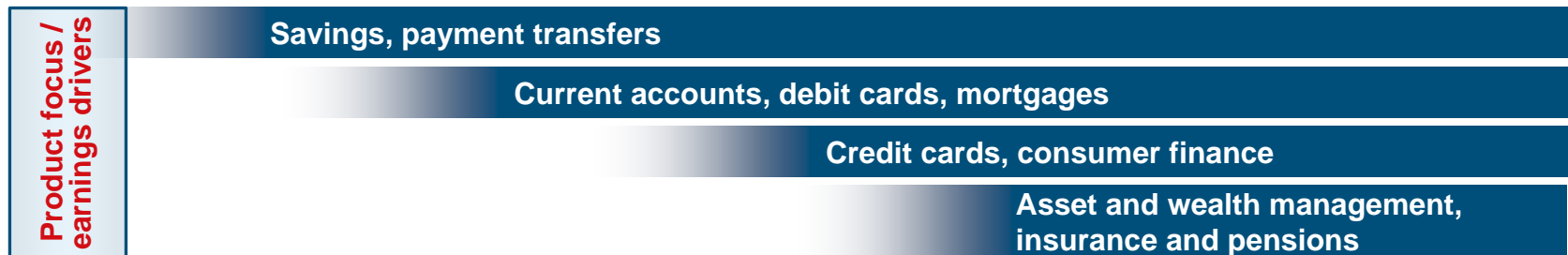
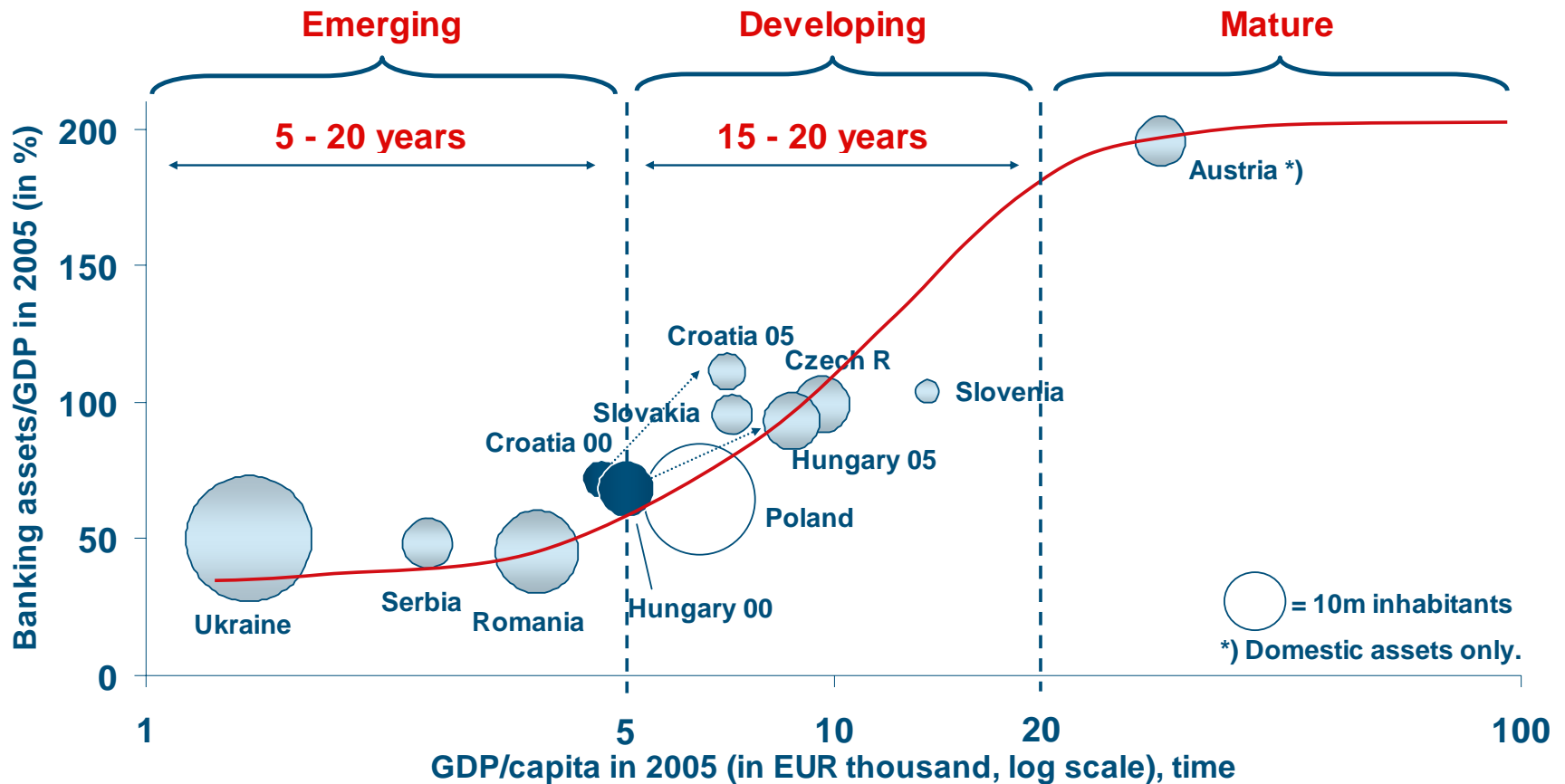


Employee distribution (H1 06)



\*) RWA distribution pursuant to Austrian Banking Act. Net profit distribution according to segment reporting. Asset distribution according to local IFRS data.

# > Portfolio balance geared towards long-term growth



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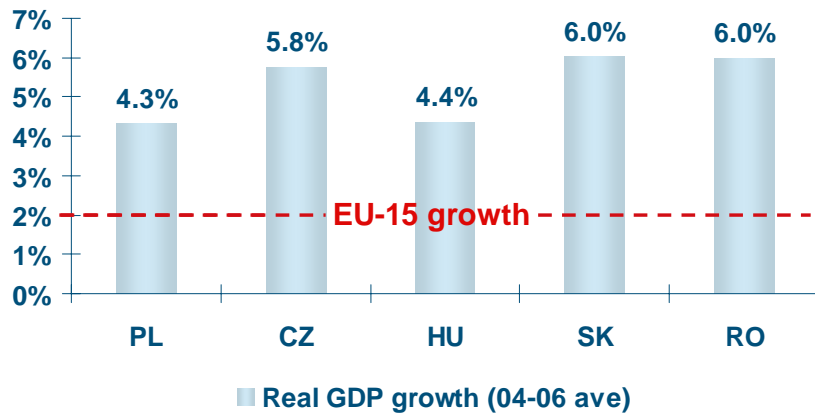
## Hot topics

- » **Macroeconomic characteristics of growth markets**
- » **Foreign exchange lending**
- » **Margin trend review**

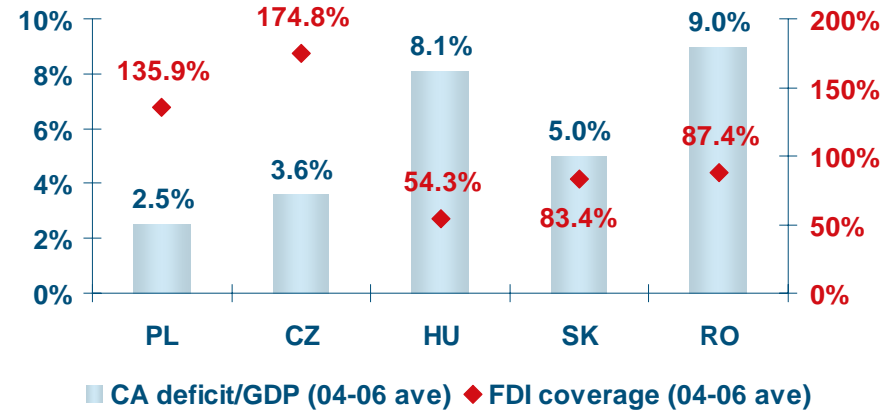
## Conclusion

# > Hot topics – macro characteristics of growth markets

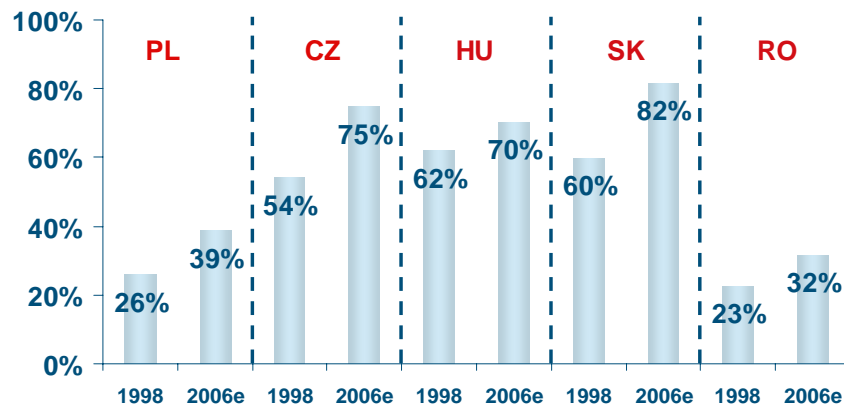
Real GDP growth - CEE vs EU15



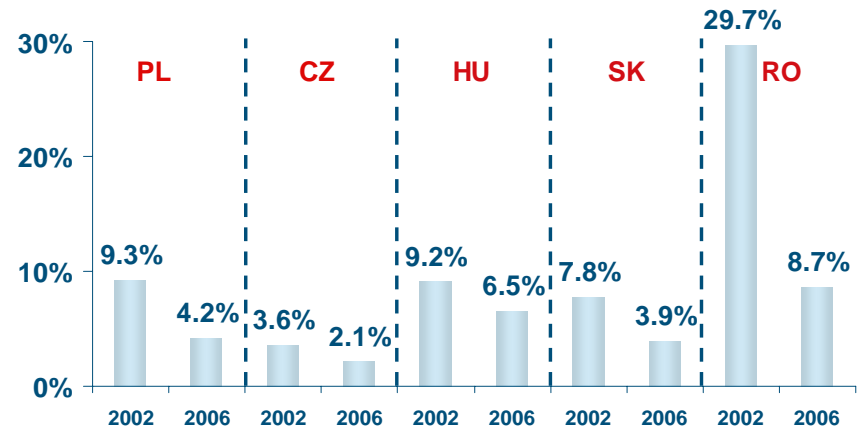
Current account deficits vs FDI coverage



Export quotas (% of GDP) in CEE



Interest rate convergence in CEE \*



Source for charts: Eurostat, local central banks. \*) 2006 data is year-to-date.



# > Hot topics – foreign exchange lending

## Central bank behaviour

- » Austria - public statements, but no action
- » Hungary - no direct measures, general monetary policy
- » Croatia, Romania, Serbia - introduction of various restrictions
  - » Reserve requirements on FX liabilities
  - » Reserve requirement for excess growth
  - » FX loans limited to multiple of capital

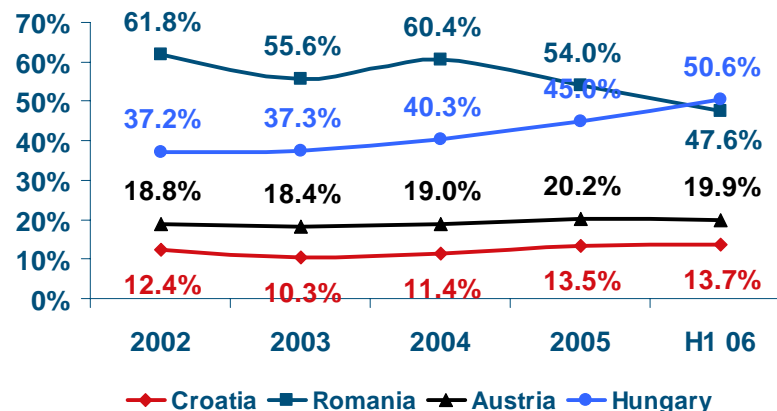
## Reasons for restrictions

- » Tackling foreign indebtedness, irrespective of source (public/private)
- » Reducing current account deficits
- » Reducing vulnerability to external shocks

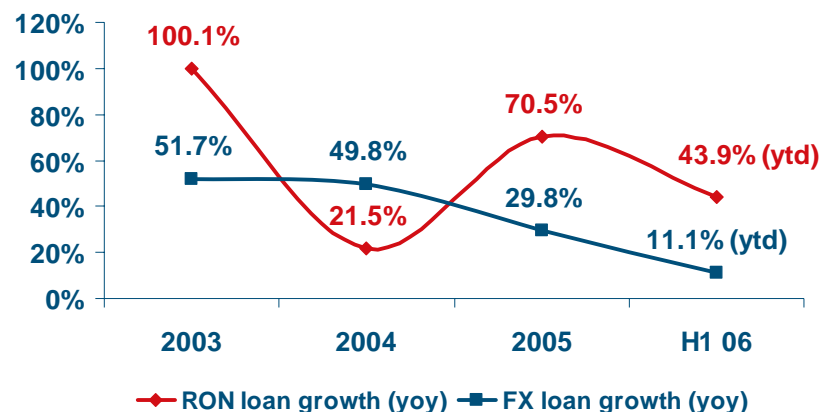
## How do our markets stack up?

- » FX loans are wide-spread in countries with positive interest spreads vs EURIBOR
- » Croatia and Romania are experiencing a moderation in FX loan growth

FX loan prevalence in key markets



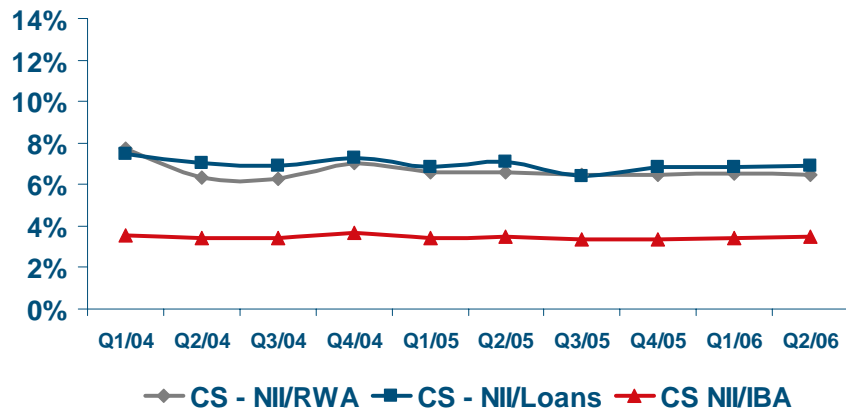
Romania - FX loans lagging RON loan growth



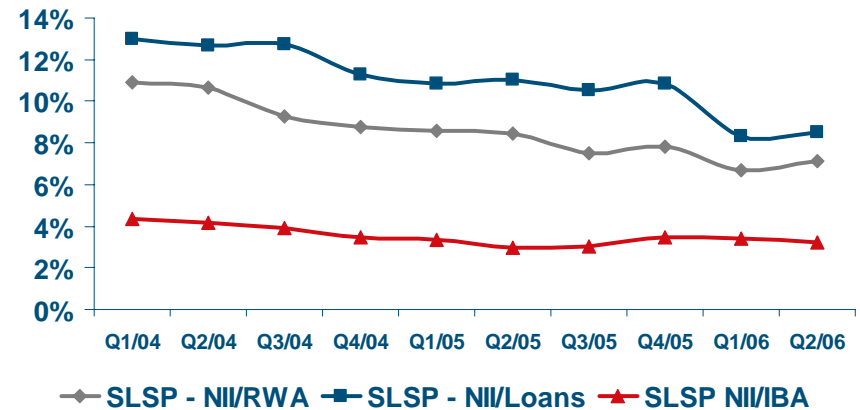
Source for charts: local central banks. FX loan data for Croatia as reported by Croatian National Bank – does not include HRK loans with FX clause.

# > Hot topics – consistent margin trends\*

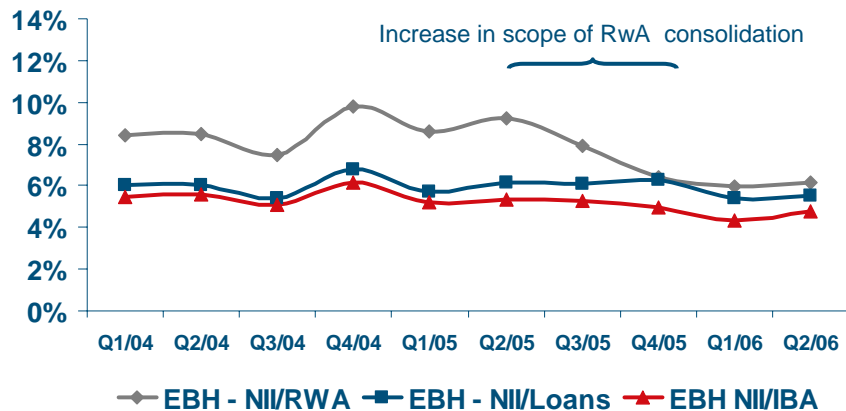
## CS margin development



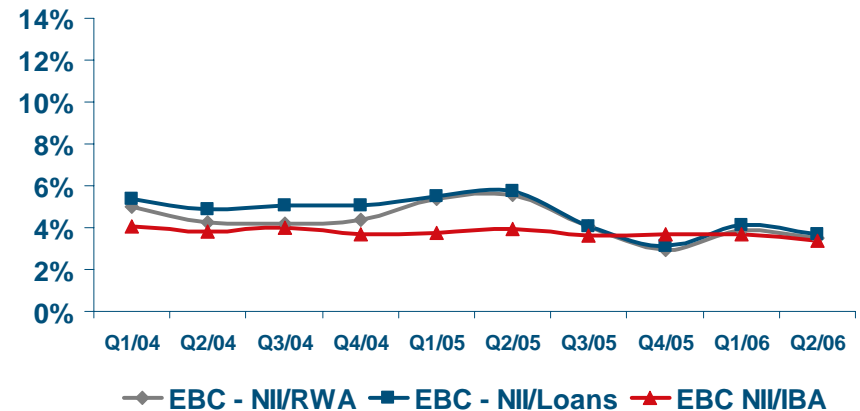
## SLSP margin development



## Erste Bank Hungary margin development



## Erste Bank Croatia margin development



\*) Calculation methodology: annualised quarterly net interest income to average quarterly risk-weighted assets, average quarterly interest bearing assets and eop loans. Risk-weighted assets pursuant to Austrian Banking Act.

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### **CEE economies are in good shape – positive outlook for 2007**

- » **Czech Republic, Slovakia and Romania to remain growth leaders**
- » **Inflationary environment to be equally positive**
  - » Single-digit inflation is expected in all countries in 2007
- » **Hungary will experience a difficult year, but should benefit in the medium term**

### **Banking markets will continue to grow**

- » **Penetration ratios expected to rise in all countries in 2007**
- » **Restrictions will slow growth to sustainable levels without hurting our model**
- » **Retail and mortgage loans will continue to be major growth drivers**

### **Erste Bank will profit from growing CEE exposure**

- » **Return on equity above 20% in all CEE countries in 2007**
  - » Only exceptions are:
    - Serbia – 2007 will be turn-around year
    - Ukraine – implementation of expansion strategy
- » **Cost/income ratio below 55% in all CEE countries in 2007**
  - » With the exception of Serbia and Ukraine (see above)