

5th Capital Markets Day

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Overview of Erste Group's global markets division – Update on short and long-term funding

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- **Structure and business strategy**
- Short-term funding in detail
- Long-term funding in detail

Structure and market view – Global Markets comprises 3 subdivisions



Structure and market view – Fundamentals look promising

Market growth	<ul style="list-style-type: none">– Continued economic growth expected in EG region– Growth of capital markets forecasted at 10 - 15% pa until 2010* (even stronger growth in new markets: Ukraine, Romania and Serbia)
Product proliferation	<ul style="list-style-type: none">– Region currently has under-developed CM product offering (equity, loans, FX)– Going forward likely to catch up with Western European standards
Competition	<ul style="list-style-type: none">– Erste Group maintains excellent market position despite increasing competition– Continued attraction of overall margins, but increasing product differential

* Source: McKinsey

Business strategy – Group Capital Markets

– Concentration on client driven revenues

- Revenue growth of 25% CAGR in client revenues from 2003 to 2006
- Risk positions entered into to some extent to build up future client business

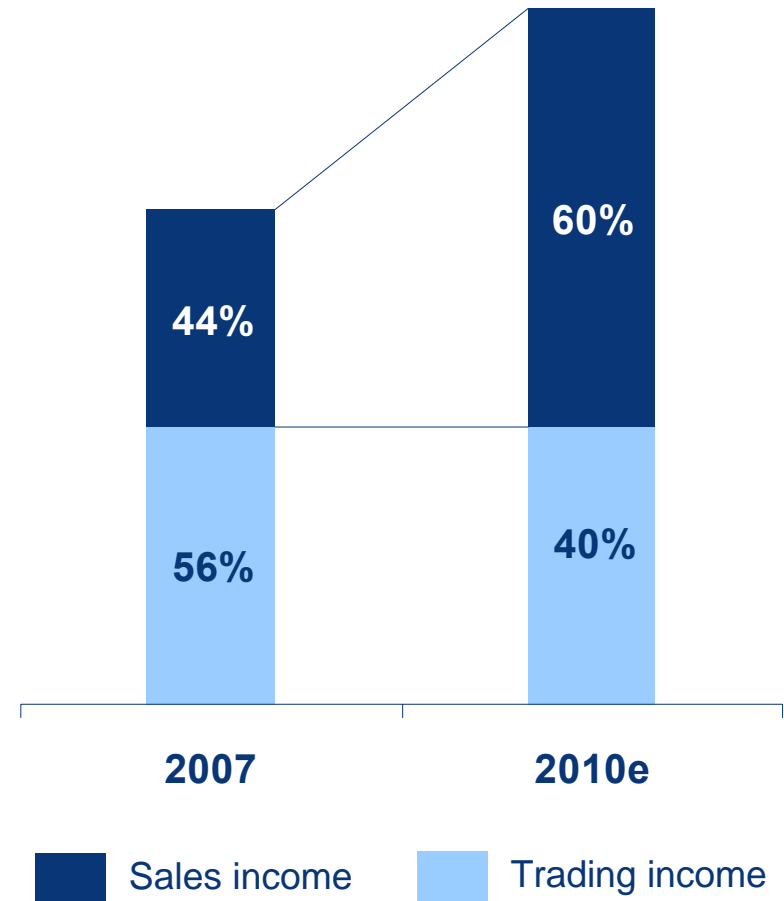
– Focus on business initiatives with high profit potential

- Concentration on structured products distribution

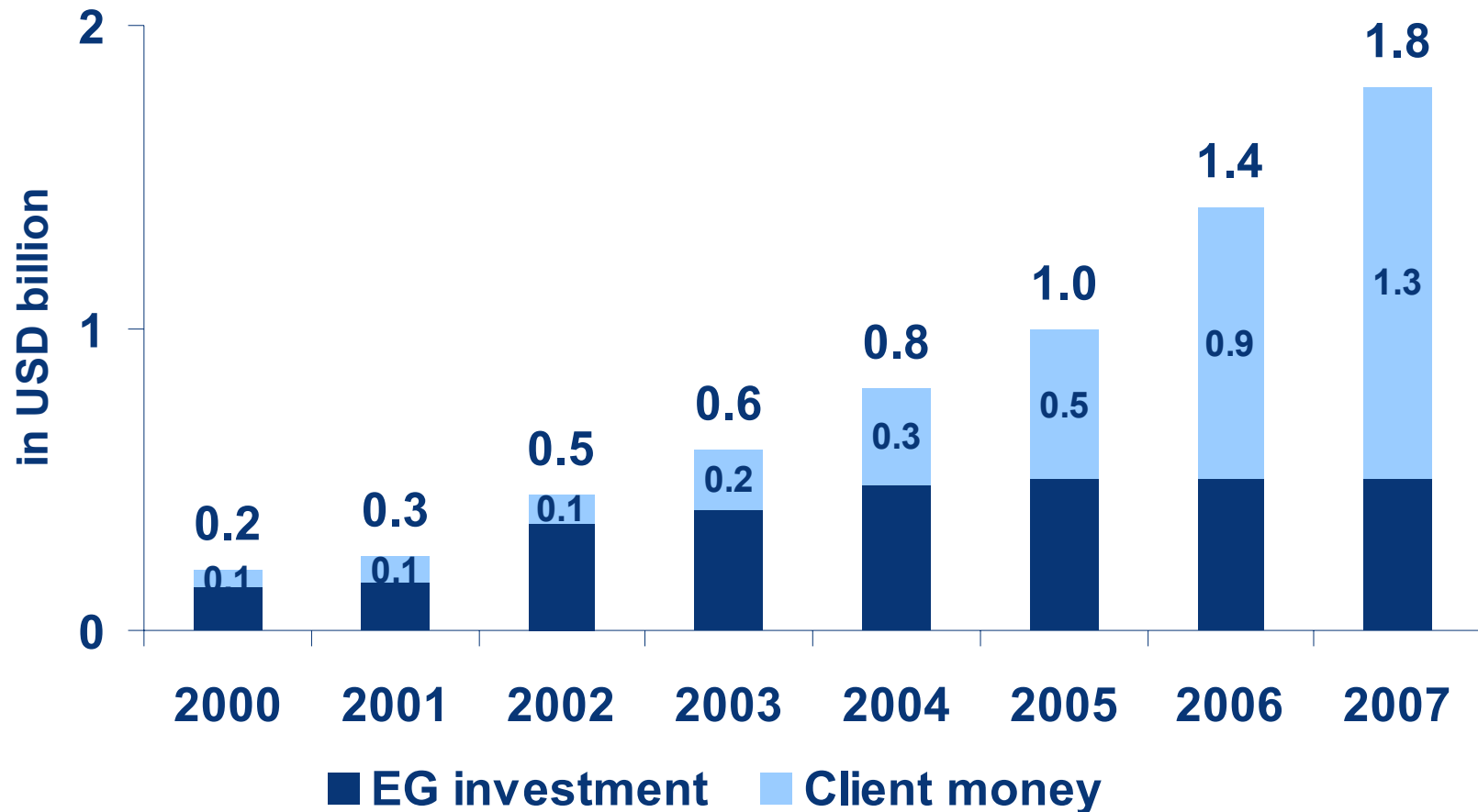
– Further improvement of very attractive cost/income ratio

- Actual cost/income ratio of about 42% is very competitive compared with other banks
- Further improvement to a level below 40% by 2010

Focus on client business



Business strategy – one example: Hedge funds



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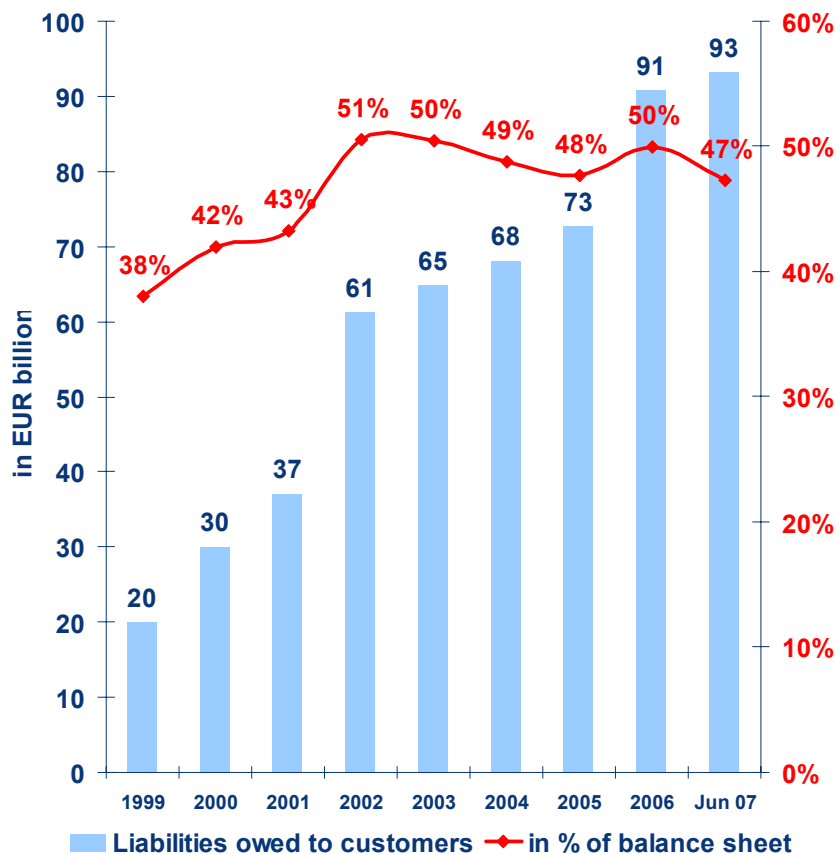
Funding overview – Erste Group's balance sheet

Balance sheet as at 30 June 2007 (in EUR billion)

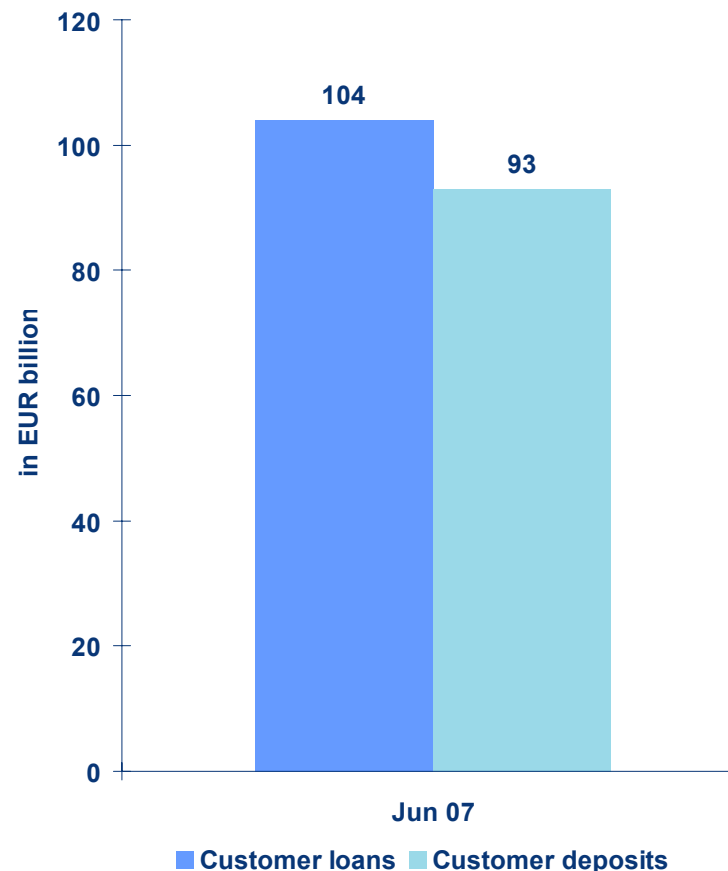
Loans and adv. to customers (104.3) + risk provisions (-3.2)	101	93	Amounts owed to customers (93.2)
Loans and adv. to credit inst. (28.2) + Trading assets (6.7)	28	41	Amounts owed to credit inst. (41.0)
	7		
Financial assets (38.4)	38	29	Debt securities in issue (29.1) + Subordinated capital (5.5)
		5	
Other assets (23.0)	23	29	Other liabilities (17.1) + Total equity (11.4)
	Assets	Liabilities	

Short-term funding in detail – Customer deposits are main funding source

Customer deposits are main funding source



Customer loans almost fully covered by customer deposits



Short-term funding in detail – Well diversified interbank funding sources

- **Tested credit lines from interbank liquidity providers**
 - 2006: EUR 62bn from 393 different banking groups
 - 2007: EUR 65bn from 370 different banking groups

- **Top 10 liquidity providers are providing only 23% of interbank funding**

- **Biggest lender around 5%**
 - Data per 13 August 2007 (in EUR million)

– Liquidity provider #1	1,362
– Liquidity provider #2	1,212
– Liquidity provider #3	609
– Liquidity provider #4	578
– Liquidity provider #5	509
– Liquidity provider #6	483
– Liquidity provider #7	396
– Liquidity provider #8	372
– Liquidity provider #9	356
– Liquidity provider #10	339

Short-term funding in detail – Ample high-grade collateral available

– Collateral situation as per 30 August 2007 (in EUR):

– Total collateral of EB Vienna	17.2bn
(HTM and AFS portfolios)	
– ECB eligible	7.0bn
– SNB eligible	2.2bn
– FED eligible	4.6bn
– In use	5.9bn
– ECB tender operations	2.6bn
– Swiss interbank repos	2.2bn
– Euro GC interbank repos	1.1bn
– Available collateral	11.3bn
– Available on ECB account	1.1bn
– Available at FED discount window	4.6bn
– Other collateral	5.6bn
– Additional EUR 3.8bn ECB eligible collateral available via securities lending facility with Erste Sparinvest and CEE subsidiaries	

Short-term funding in detail – Erste Group unaffected by liquidity squeeze

- Erste Group is constantly issuing CPs and CDs in Europe and the US
- Developments during tight market conditions have shown robust investor base:

	Outstanding issuance	Average duration
30 Jun 2007	EUR 6.0bn	76 days
7 Sept 2007	EUR 5.3bn	75 days

- During the tight market conditions since August 2007 Erste Group has not been required to use central bank facilities to a greater degree than under normal course of business
- The discount window of the Federal Reserve and tender operations of the Swiss National Bank were not utilised at all

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- Short-term funding in detail
- **Long-term funding in detail**

Long-term funding in detail – Commitment to develop a long-term funding base

- **Erste Group has developed a long term funding profile over the years, in addition to being a leading retail-oriented savings bank in Central and Eastern Europe**
- **Debt Issuance Programme (DIP) started in 1998 with EUR 2bn, now EUR 25bn with a utilisation of EUR 15.5bn**
 - EUR 5bn increase in long-term funding since 2005
- **Secured senior funding with two Aaa (Moody's) covered pools**
 - Mortgage and public sector covered pools
 - Issuance of 3 CHF mortgage covered bonds over the past year
 - Pooling of savings banks' assets
- **Issuance of capital benchmarks to fund the organic asset growth of the group**
- **Investor diversification**
 - 60% of long-term funding placed with buy-and-hold investors
 - Standard placement into Germany is being substituted with other European countries
 - Enlarge institutional investor base through diversification of traditional funding sources

Long-term funding in detail – 2007 saw funding of EUR 5 billion

- Total Funding of Erste Bank Vienna has increased by nearly EUR 5bn since 2005
- This year, as of end of August, EUR 5bn has been funded so far, which already includes prefunding of the redemptions of 2008

Funding per year in EUR m (excl. Tier 1)				
		Aug 2007	2006	2005
Senior issues	Austrian Retail	330	379	523
	Benchmark	3,111	1,249	-
	Private Placements Aut	173	1,483	416
	Private Placements Int.	985	716	773
	Total Senior	4,599	3,826	1,711
Capital issues	LT2	325	519	383
	UT2	78	66	0
Total		5,002	4,411	2,094
Total outstanding		19,923	16,840	15,165

Redemption profile

