

# 15th Annual General Meeting

Erste Bank der oesterreichischen Sparkassen AG

6 May 2008

Austria Center

Vienna

# Heinz Kessler

President of the Supervisory Board



# First item on the agenda

**Presentation of the approved financial statements and the status reports of the Management Board as well as the report of the Supervisory Board for the financial year 2007, and presentation of the Group financial statements and the Group status report for the financial year 2007**

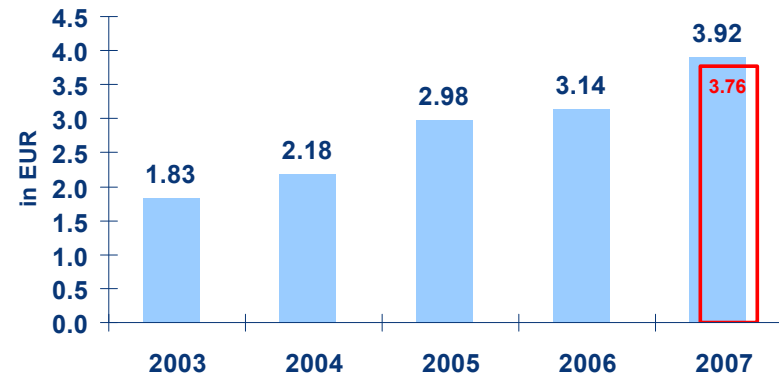
# Report

on the financial year 2007 for  
Erste Bank der oesterreichischen Sparkassen AG

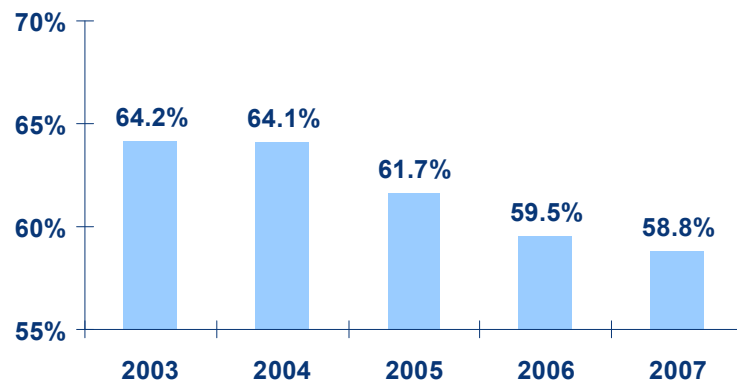
Andreas Treichl  
Chairman of the Management Board

# FY 2007 – Financial highlights

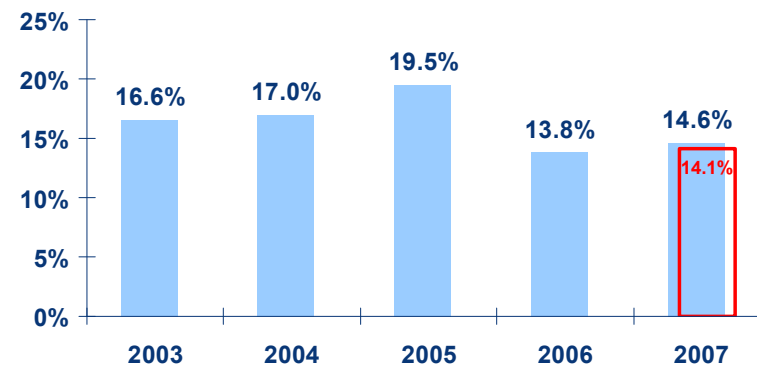
Cash earnings per share \*



Cost/income ratio



Cash return on equity \*



\*) Red bars for 2007 denote reported EPS and ROE respectively. Decline in reported and cash ROE reflects 2006 capital increase.  
EPS calculation based on average number of shares for the period (ex treasury shares and shares owned by savings banks with EB participations).

# FY 2007 – Financial highlights

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– Net interest income	+ 23.7%	to EUR 3,945.8 m
– Net fee and commission income	+ 28.5%	to EUR 1,857.9 m
– Operating income	+ 25.1%	to EUR 6,189.8 m
– General administrative expenses	+ 23.7%	to EUR 3,642.1 m
– Operating result	+ 27.2%	to EUR 2,547.7 m

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# FY 2007 – Financial highlights

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– Pre-tax profit	+ 26.6%	to EUR 1,927.6 m
– Net profit after minorities	+ 26.0%	to EUR 1,174.7 m
– Total assets	+ 10.4 %	to EUR 200.5 bn
– Tier 1 ratio	7.0 %	from 6.6 %

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# FY 2007 – Group Balance Sheet (IFRS) – Assets



ERSTE GROUP

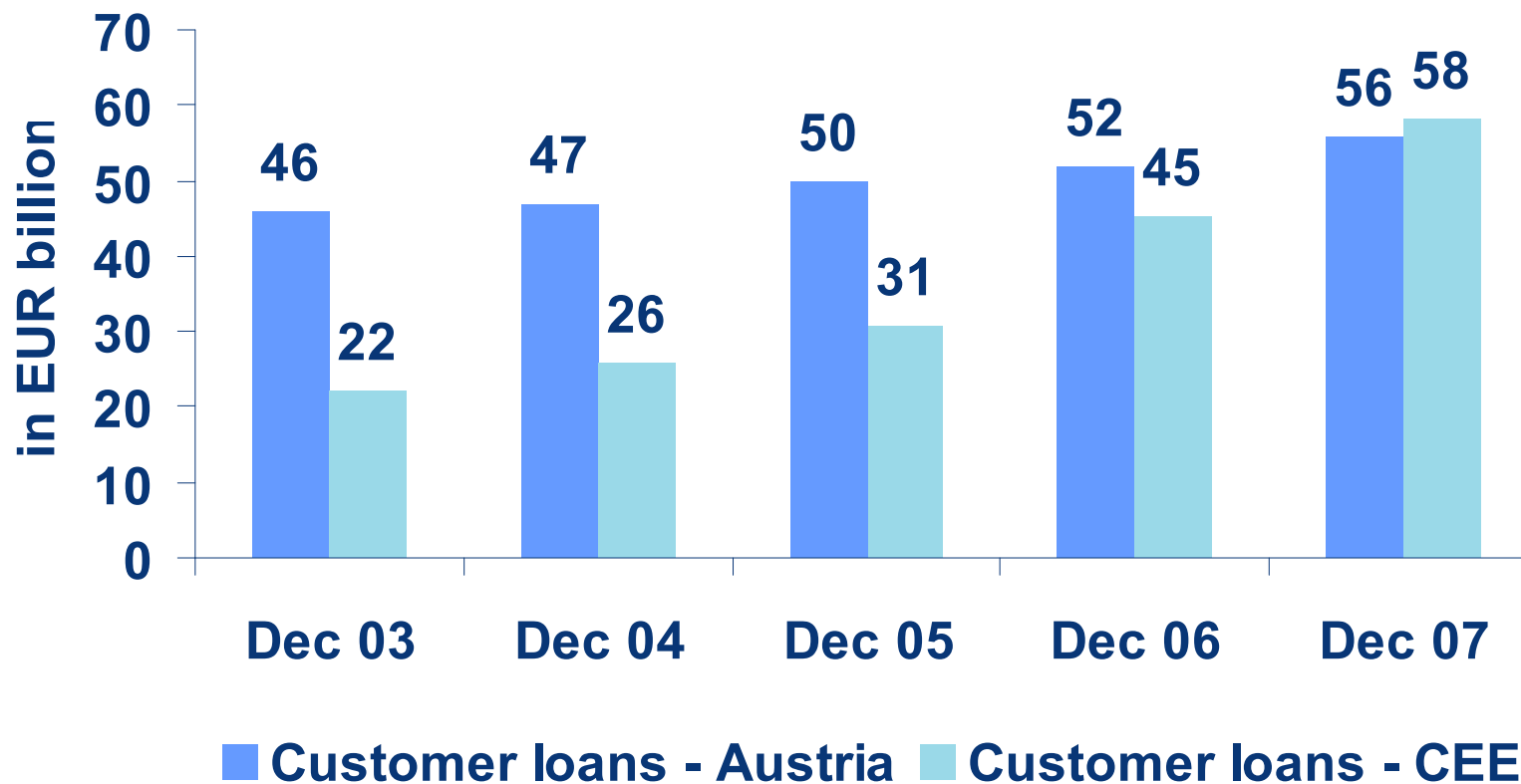
in EUR Million	Dec 07	Dec 06	Change
Cash and balances with central banks	7,615	7,378	3.2%
Loans and advances to credit institutions	14,937	16,616	(10.1%)
Loans and advances to customers	113,956	97,107	17.4%
Risk provisions for loans and advances	(3,296)	(3,133)	5.2%
Trading assets	6,637	6,188	7.2%
Financial assets - FV	4,534	4,682	(3.2%)
Financial assets - AfS	16,200	14,927	8.5%
Financial assets - HtM	16,843	16,700	0.9%
Investments of insurance companies	8,054	7,329	9.9%
At-equity holdings	285	383	(25.5%)
Intangible assets	5,962	6,092	(2.1%)
Tangible assets	2,289	2,165	5.7%
Tax assets	446	317	40.6%
Other assets	6,057	4,952	22.3%
<b>Total assets</b>	<b>200,519</b>	<b>181,703</b>	<b>10.4%</b>
<b>Risk-weighted assets</b>	<b>95,091</b>	<b>94,129</b>	<b>1.0%</b>

Risk-weighted assets calculated according to Basel II methodology as of 1 January 2007.



# Development of customer loans

## Strong growth in CEE



# FY 2007 – Group Balance Sheet (IFRS) – Liabilities



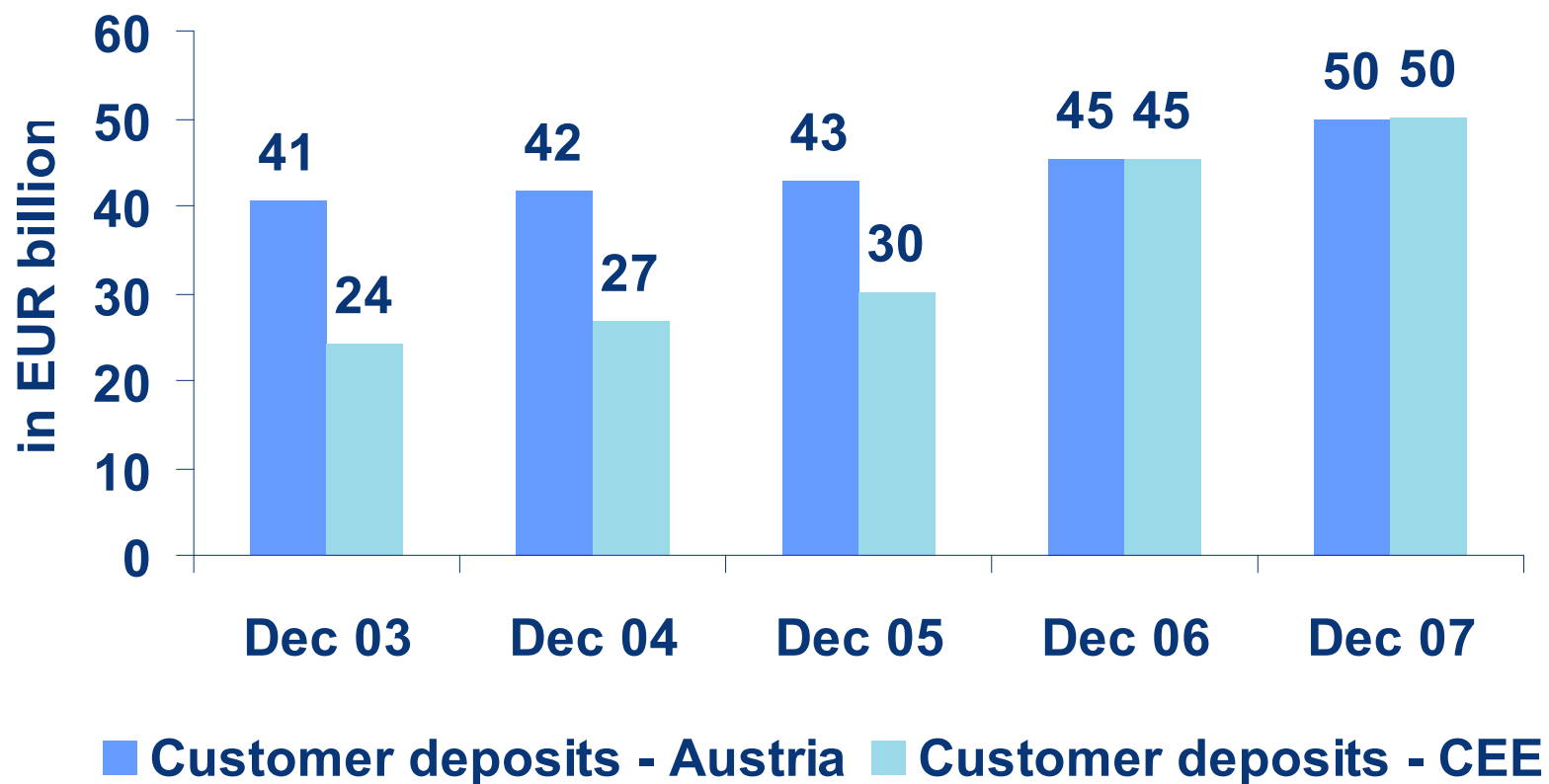
ERSTE GROUP

EUR Million	Dec 07	Dec 06	Change
Amounts owed to credit institutions	35,165	37,688	(6.7%)
Amounts owed to customers	100,116	90,849	10.2%
Debt securities in issue	31,078	21,814	42.5%
Trading liabilities	1,756	1,200	46.3%
Underwriting provisions	8,638	7,920	9.1%
Other provisions	1,792	1,780	0.7%
Tax liabilities	329	291	13.3%
Other liabilities	4,653	4,047	15.0%
Subordinated capital	5,589	5,210	7.3%
Total equity	11,403	10,904	4.6%
Shareholders' equity	8,452	7,979	5.9%
Minority interests	2,951	2,925	0.9%
<b>Total liabilities and equity</b>	<b>200,519</b>	<b>181,703</b>	<b>10.4%</b>
Tier 1 ratio	7.0%	6.6%	
Solvency ratio	10.5%	10.3%	

Tier 1 and solvency ratio calculated according to Basel II methodology as of 1 January 2007

# Development of customer deposits

## Strong funding base supported by 16 million customers



# Divisional P&L 2007

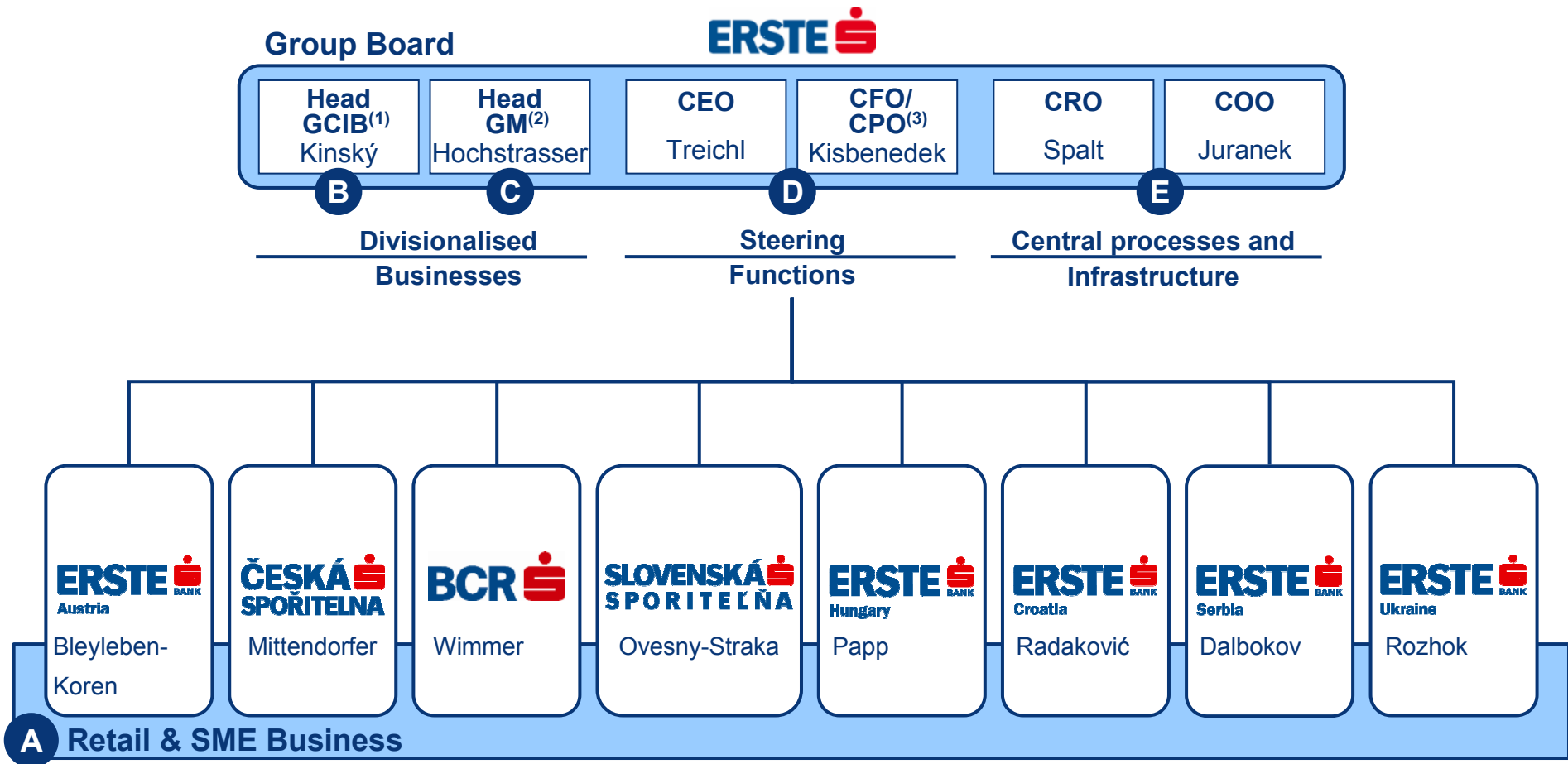
## Successful in CEE and Austria

in EUR million	Austria		CEE		Int'l Business		Corp. Center		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Net interest income	1,649.5	1,592.9	2,140.3	1,444.3	152.7	149.0	3.3	3.2	3,945.8	3,189.4
Risk provisions	(225.2)	(312.7)	(170.2)	(126.9)	9.9	2.1	(69.3)	(1.5)	(454.7)	(439.1)
Net fee and commission income	936.8	891.4	915.1	575.1	32.4	33.3	(26.3)	(53.8)	1,857.9	1,445.9
Net trading result	122.6	126.9	221.6	149.3	(0.0)	(0.2)	7.0	1.8	351.1	277.9
General administrative expenses	(1,678.1)	(1,645.1)	(1,816.9)	(1,227.5)	(36.5)	(34.3)	(110.7)	(38.3)	(3,642.1)	(2,945.3)
Income - insurance business	11.8	17.9	23.2	17.9	0.0	0.0	(0.0)	0.0	35.0	35.9
Other result	(27.2)	27.4	(66.7)	(23.7)	3.3	10.1	(74.9)	(56.2)	(165.4)	(42.3)
<b>Pre-tax profit</b>	<b>790.2</b>	<b>698.7</b>	<b>1,246.4</b>	<b>808.5</b>	<b>161.9</b>	<b>160.0</b>	<b>(270.8)</b>	<b>(144.9)</b>	<b>1,927.7</b>	<b>1,522.3</b>
Taxes on income	(166.3)	(153.6)	(232.5)	(191.2)	(39.9)	(41.8)	61.1	46.8	(377.6)	(339.9)
Minority interests	(249.4)	(199.1)	(144.4)	(53.6)	0.0	0.0	18.6	2.6	(375.3)	(250.2)
<b>Net profit after minorities</b>	<b>374.5</b>	<b>345.9</b>	<b>869.6</b>	<b>563.7</b>	<b>121.9</b>	<b>118.2</b>	<b>(191.2)</b>	<b>(95.6)</b>	<b>1,174.8</b>	<b>932.2</b>
Average risk-weighted assets	49,365.8	49,634.7	34,757.9	24,146.7	6,844.8	7,735.9	1,215.3	331.8	92,183.9	81,849.1
Average attributed equity	1,997.5	1,890.8	2,112.0	1,565.8	445.2	503.1	3,784.2	2,857.0	8,338.9	6,816.7
<b>Cost/income ratio</b>	<b>61.7%</b>	<b>62.6%</b>	<b>55.1%</b>	<b>56.1%</b>	<b>19.7%</b>	<b>18.9%</b>	<b>n.a.</b>	<b>n.a.</b>	<b>58.8%</b>	<b>59.5%</b>
<b>ROE based on net profit</b>	<b>18.7%</b>	<b>18.3%</b>	<b>41.2%</b>	<b>36.0%</b>	<b>27.4%</b>	<b>23.5%</b>	<b>n.a.</b>	<b>n.a.</b>	<b>14.1%</b>	<b>13.7%</b>

- 1** Establishment of the Holding Company  
- Separation of the Austrian business
- 2** New Cross-Guarantee Scheme (*“Haftungsverbund“*):  
- Austrian Supreme Court Decision on Cross-guarantee scheme and business combination
- 3** Central European Growth Market (particularly Romania)  
- Economic situation under scrutiny
- 4** Sale of s Versicherung  
- Rationale and financial impact
- 5** ABS/CDO Portfolio  
- Size and financial impact

# Topic 1: Establishment of the Holding Company

## Target structure following planned separation



(1) GCIB: Group Corporate & Investment Banking

(2) GM: Global Markets/Treasury

(3) CPO: Chief Performance Officer  
Wimmer as of 1 Sep 2008

# Benefits of the new structure

- **Clear Corporate Governance**
  - **Local banks responsible for core retail and SME business**
  - **Groupwide business initiatives for selected products through the Holding**
  - **Divisionalised business segments managed and steered on a group level**
  
- **Transparency, internal and external – Improved comparability and equality**
  
- **Clear-cut responsibilities**
  - **Group versus local business**
  - **Conscious combination of centralised and decentralised elements**
  - **Strengthened customer focus**
  
- **Intensified HR development and performance management**
  
- **Simultaneous focus on group synergies and local entrepreneurship**



**“TOP 9” COVERS TECHNICAL PROCEDURE**

### 6 Years of the Austrian Savings Banks Cross-Guarantee Scheme

**2002**

<b>Launch:</b>	<b>1.1.2002</b>
<b>Members:</b>	<b>Erste Bank and 54 Savings Banks</b>
<b>Non-members:</b>	<b>8 Regional Savings Banks</b>
<b>Objective:</b>	<b>Joint marketing and business policy</b> unified market appearance / combined product development / improved competitive strength
	<b>Early warning system</b> extensive monitoring of business development / standardised risk management system
	<b>Enhanced deposit security</b> Safeguard of customer deposits beyond the statutory guarantee, up to 100% of deposits



# 6 Years of the Austrian Savings Banks Cross-Guarantee Scheme

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**2003 / 2004**

**BA-CA lodges a complaint with the EU Commission, the Federal Competition Authority and the Antitrust Court against the Austrian Savings Banks' Cross-Guarantee Scheme**

**Allegation:**

**The Austrian Savings Banks' Cross-Guarantee Scheme constitutes a price- and anti-trust cartel**

# NEW Austrian Savings Banks Cross-Guarantee Scheme

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## **“New Cross-Guarantee Scheme” as a blueprint for the European banking sector**

- Given legal approval for combination from the Cartel Court / Competition Commission
- “1<sup>st</sup> phase” October 2007 / “2<sup>nd</sup> phase” January 2008

**Erste Bank and all except 2 of the Austrian Savings Banks are  
considered business combinations in accordance with anti-trust law**

**Process regarding Steiermärkische Sparkasse has to be formally  
approved by the EU Commission and is currently still pending with the  
Austrian Competition Commission**

# **NEW Austrian Savings Banks Cross-Guarantee Scheme**

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**NEW Cross-Guarantee Scheme allows  
unlimited co-operation between Erste Bank  
and Austrian Savings Banks and thereby  
strengthens their competitive position**

# Topic 3: Central European Growth Market

	GDP Growth		
	07e	08e	09e
<b>USA</b>	<b>+2.3%</b>	<b>+2.3%</b>	<b>+2.6%</b>
<b>CEE<sup>1)</sup></b>	<b>+5.3%</b>	<b>+4.5%</b>	<b>+4.6%</b>
<b>Euroland</b>	<b>+2.6%</b>	<b>+2.1%</b>	<b>+2.3%</b>



**CEE growing twice as fast as Euroland**

Source: Erste Bank-Group Research, 1) CEE weighted growth


# CEE's Economic Power

**Fact:**  
**The CURRENT hotspots are:**

<b>China</b> GDP/capita € 1,400 Growth 10,0%	
<b>Kazakhstan</b> GDP/capita € 2,700 Growth 9.7%	
<b>Russia</b> GDP/capita € 3,700 Growth 6.4%	

**But the “OLD” hotspots are not bad either...**



<b>Romania</b> GDP/capita € 5,500 Growth 5.7%	
<b>Czech Republic</b> GDP/capita € 12,400 Growth 6.1%	
<b>Slovakia</b> GDP/capita € 10,100 Growth 10.3%	

**Our market offers strong growth AND the stability and regulatory security of the European Union**

Source: IMF Homepage and World Bank figures 2006, Erste Bank research (2007)

## Topic 4: Sale of s Versicherung

- **Sale of Erste Group's insurance operations to Vienna Insurance Group (VIG)**
- **Total cash consideration equals EUR 1,445 million**
- **Signing of a 15 year distribution agreement**
- **Net positive contribution of EUR 600 million in 2008**
  - About EUR 400 million are differed over 15 years
- **Erste Bank Group retains 5% in each of the local life insurance entities**

# Topic 4: Sale of s Versicherung

## Focus on core banking business

- Focus on distribution of financial services and products in CEE

## Proven business partnership

- Logic consequence of a long-lasting and successful partnership

## Maximising cross-selling opportunities

- Ideal geographic overlap
- Access to VIG's more than 10 million customers across the CEE region

## Increased strategic flexibility

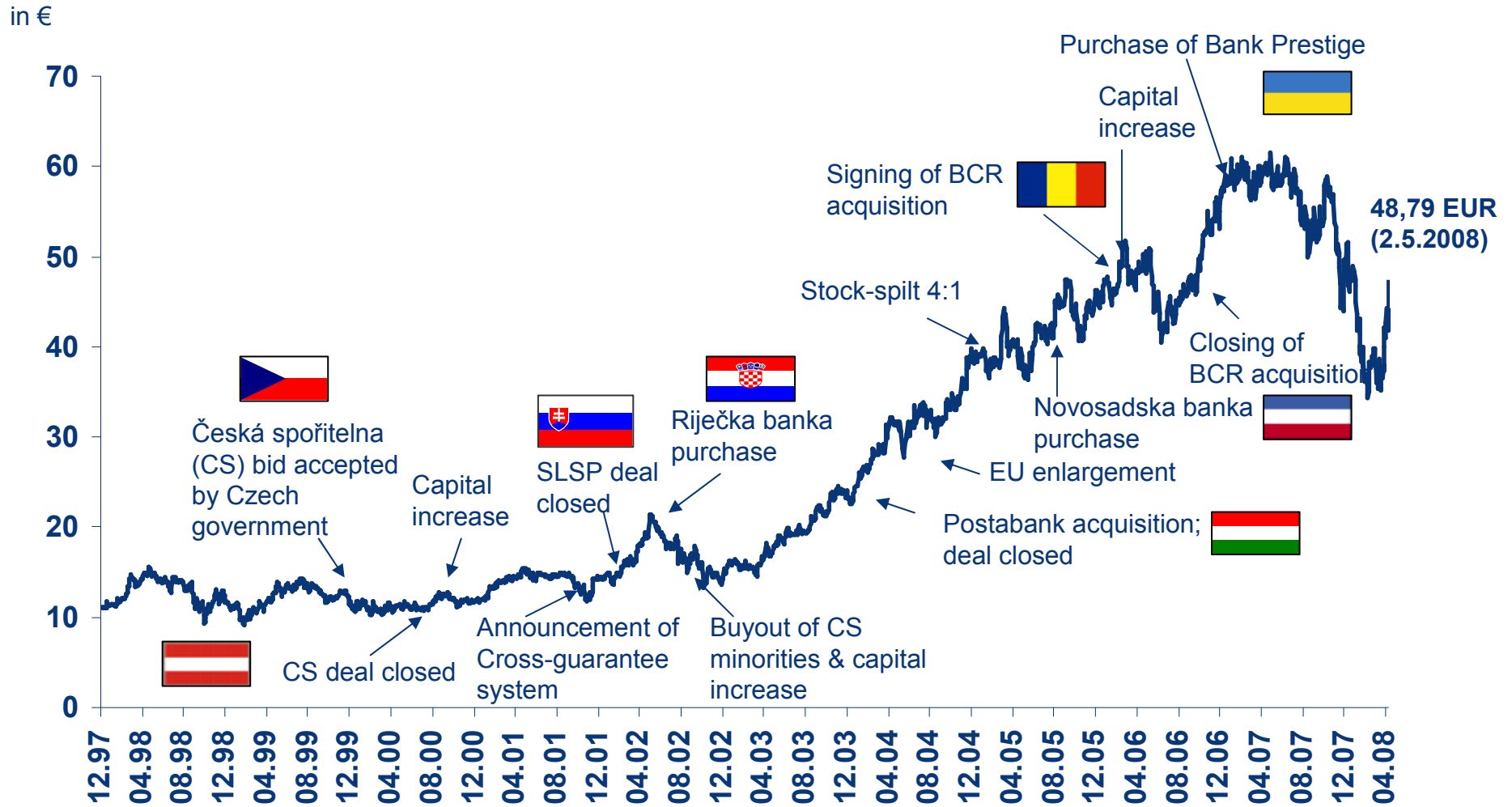
- Gain on disposal strengthens tier 1 ratio
  - Likely to surpass 8% at year-end 2008
  - Increasing Erste Group's strategic flexibility

## Topic 5: ABS/CDO portfolio

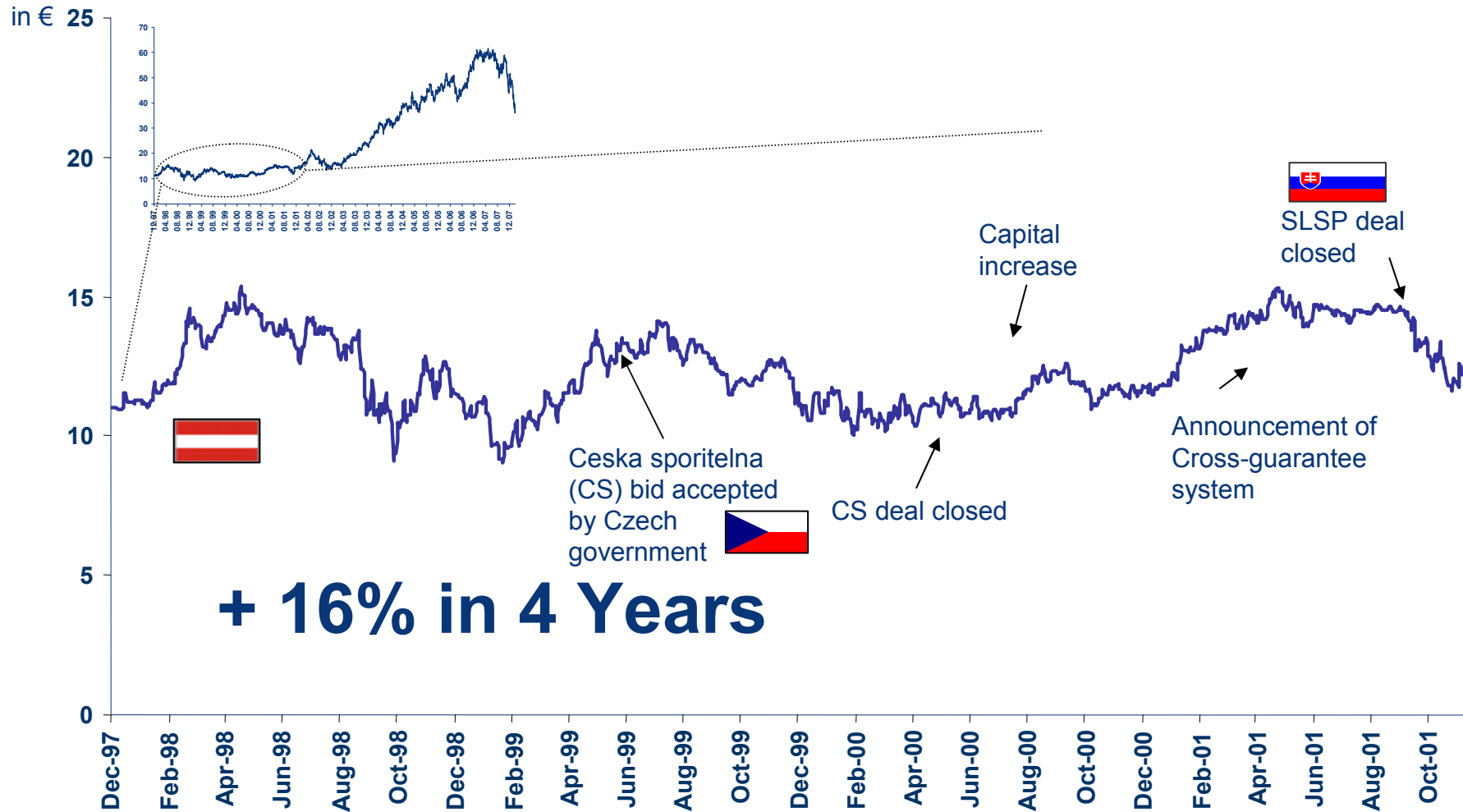
- **Total market value of ABS/CDO portfolio EUR 3.2 bn at 31.12.2007**
  - Reduction of Erste Bank portfolio to EUR 2.7 bn at 31.3.2008
- **2007 P&L impact: EUR 30 m, Q1 2008: EUR 33 m**
  - Additional EUR 81 m against equity capital in 2007 (Q1 2008: EUR 75 m)
- **No direct or indirect exposure to sub-prime**
  - No exposure to the US mortgage market
- **No impairments - all underlying assets performing to expectations**
- **Erste Bank evaluates its portfolio on a “mark-to-market” (MTM) basis**
- **No planned increase in the portfolio**
  - Selective replacement of redemptions intended



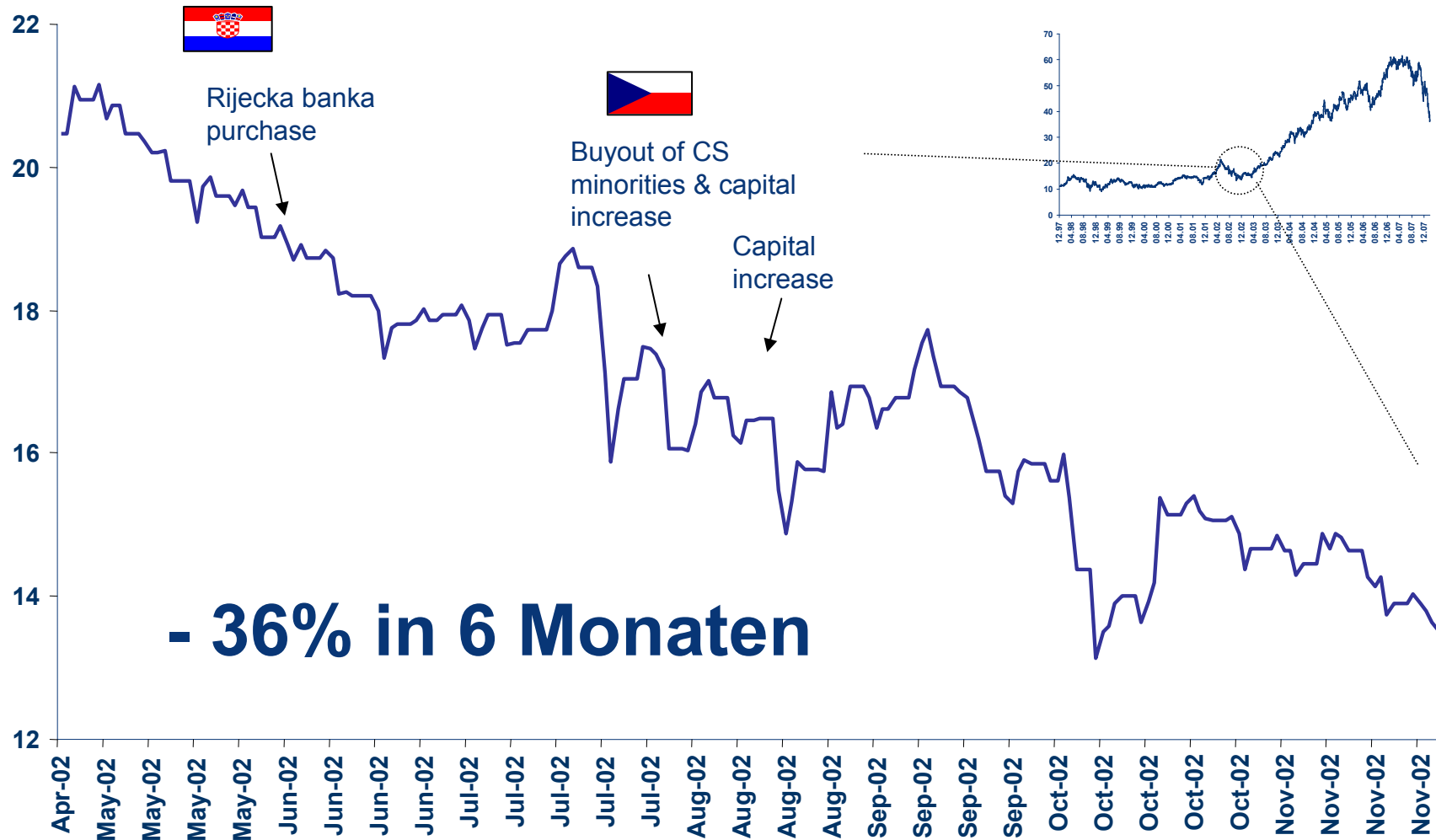
# Erste Bank share since 1997



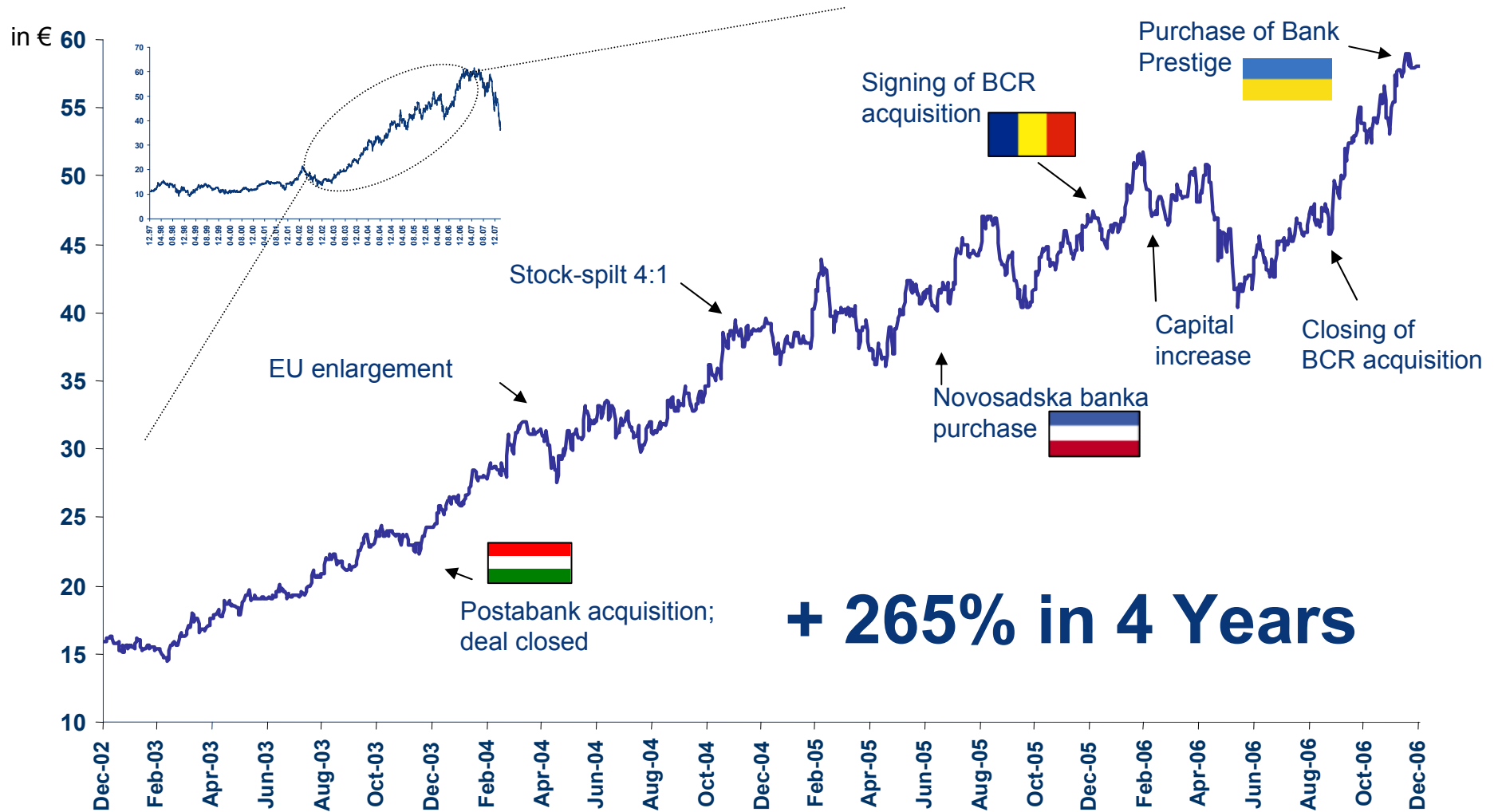
# There were 4 unspectacular years... (1997 to 2001)



# ...und significant falls... (in 2002)



# ... but from 2002 to 2006 there was only one direction



# Q1 2008 Highlights

- **Net interest income +27.4 % to EUR 1,151.1 m (EUR 903.7 m in Q1 07)**
- **Net fee and commission income +12.1 % to EUR 491.9 m (EUR 438.9 m in Q1 07)**
- **Operating income +16.7 % to EUR 1,731.0 m (EUR 1,483.0 m in Q1 07)**
- **Operating result +25.1 % to EUR 766.2 m (EUR 612.4 m in Q1 07)**
- **Pre-tax profit +3.8% to EUR 494.5 m (EUR 476.6 m in Q1 07)**
- **Net profit after minorities +4.5% to EUR 315.6 m (EUR 302.1 m in Q1 07)**

# Q1 2008 Highlights

- **Cost-income ratio 55.7% after 58.7% at YE 2007**
- **ROE 14.8% against 15.0 % at YE 2007**
- **Total assets +2% to EUR 204.5 bn after EUR 200.5 bn at YE 2007**
- **Tier 1 ratio at 7%; stable from YE 2007**
- **Quarterly EPS EUR 1.01 after EUR 0.97 (Q1 07)**

# Erste Bank Group - Outlook & Guidance

## Reflecting higher capital base

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- Q1 2008 performance confirms confidence of achieving FY targets
- ROE target for 2009 adjusted after sale of insurance operations
  - Tier 1 ratio expected to be well above 8% in 2009

**Net profit<sup>(1)</sup> growth**

**2008: > 20%**  
**2009: > 25%**

**Cost/income ratio**

**Below 55% in 2009**

**Return on equity<sup>(2)</sup>**

**Exceeding 16% in 2009**

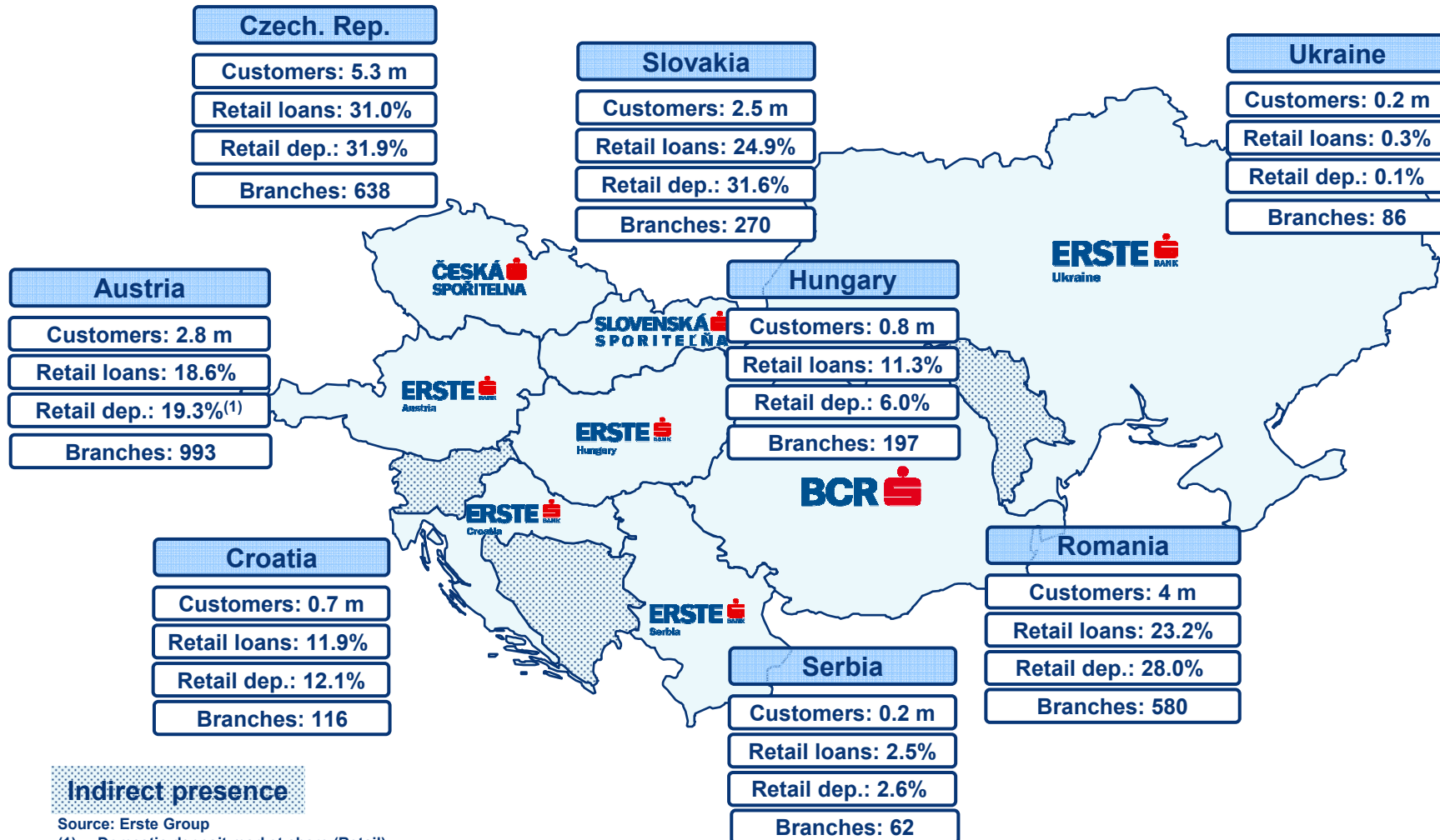
(1) Net profit after minorities

(2) Based on a Tier 1 ratio of 8%

# Strength of the Erste Bank Group Franchise



ERSTE GROUP





# Heinz Kessler

President of the Supervisory Board



## Second item on the agenda

### Resolution on the distribution of profits

#### Proposition:

**Distribution of EUR 0.75 per share**

## Third item on the agenda

### Grant of discharge to the members of

- a) the Management Board
- b) the Supervisory Board

with regard to the financial year 2007

## On agenda items 1, 2 and 3:

- **Report on the financial year 2007**
- **Resolution on the distribution of profits**
- **Grant of discharge to the members of the Management Board and Supervisory Board**

## Fourth item on the agenda

### **Resolution on the remuneration of the members of the Supervisory Board**

**Proposition:**

**Remuneration of EUR 350,000 for Supervisory Board as a whole.**

## Fifth item on the agenda

### **Election to the Supervisory Board**

#### **Proposition:**

**Dr. Theresa Jordis**

**Dr. Werner Tessmar-Pfohl**

## Sixth item on the agenda

**Appointment of an additional auditor and group auditor for the financial year 2009 in addition to the Savings Banks Auditors Association (Sparkassen-Prüfungsverband) as the statutory auditor**

**Proposition:**

**Ernst & Young Wirtschaftsprüfungsgesellschaft mbH**

# Seventh item on the agenda

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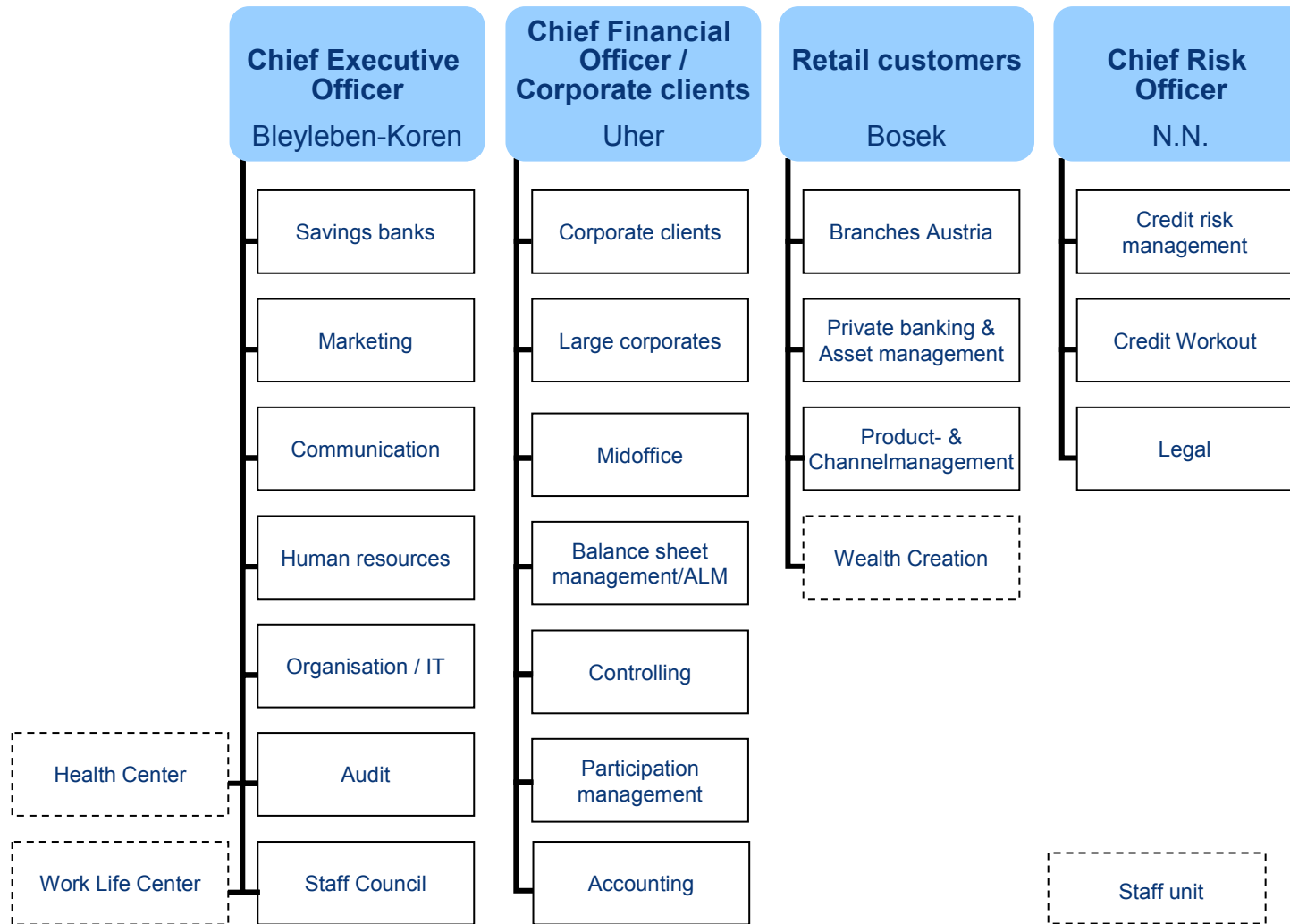
## Approval of the acquisition by Erste Bank of own shares for the purpose of securities trading



**Authorisation for the acquisition of own shares for no designated purpose subject to the exclusion of trading in own shares as purpose of the acquisition, and the authorisation to divest acquired shares as consideration for the acquisition or the financing of the acquisition of companies, businesses, business divisions or holdings in one or more corporations domestically or abroad, hence other than by sale via the stock exchange or via a public offering**

- A. Presentation of the De-Merger and Acquisition Agreement dated 26 March 2008 by the management board**
  
- B. Resolution on the proportionate de-merger by acquisition pursuant to sec 1 para 2 No 2 in connection with sec 8 para 1 of the Austrian De-Merger Act (Spaltungsgesetz; "SpaltG")**
  
- C. Resolution on amendments of the articles of association**

# Organizational chart of the future “Erste Bank der oesterreichischen Sparkassen AG”



# Selected figures of the future “Erste Group Bank AG” and “Erste Bank Oesterreich”

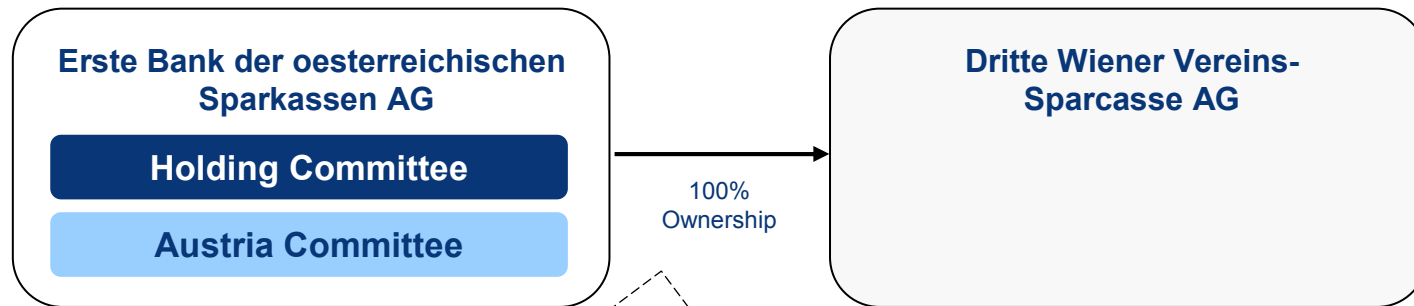
	<u>Future</u> <b>Erste Group Bank AG</b>	<u>Future</u> <b>Erste Bank der oesterreichischen Sparkassen AG</b>
<b>Total assets</b> (not consolidated)	75 bn EUR	22 bn EUR
<b>Employees</b>	c. 1,500	c. 3,200
<b>Clients</b>	c. 10,000	c. 2.8 m *

As of 31 December 2007

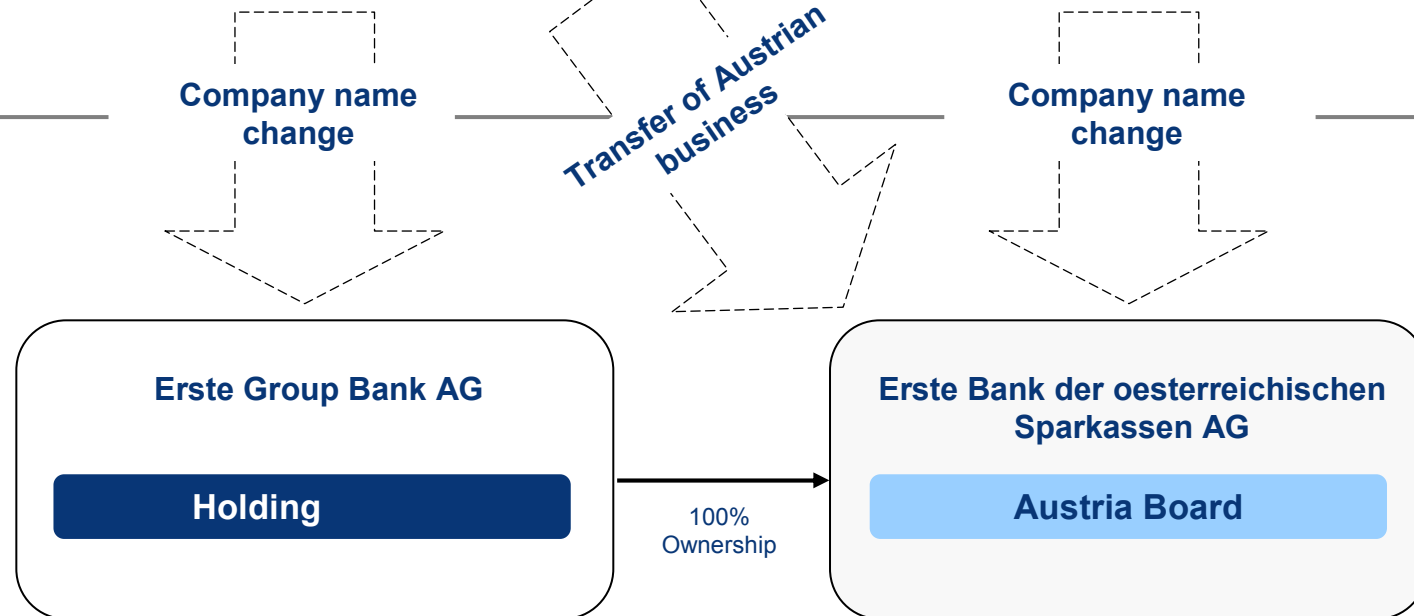
\* Including savings banks

# Schematic diagram depicting the spin-off of the Austrian business

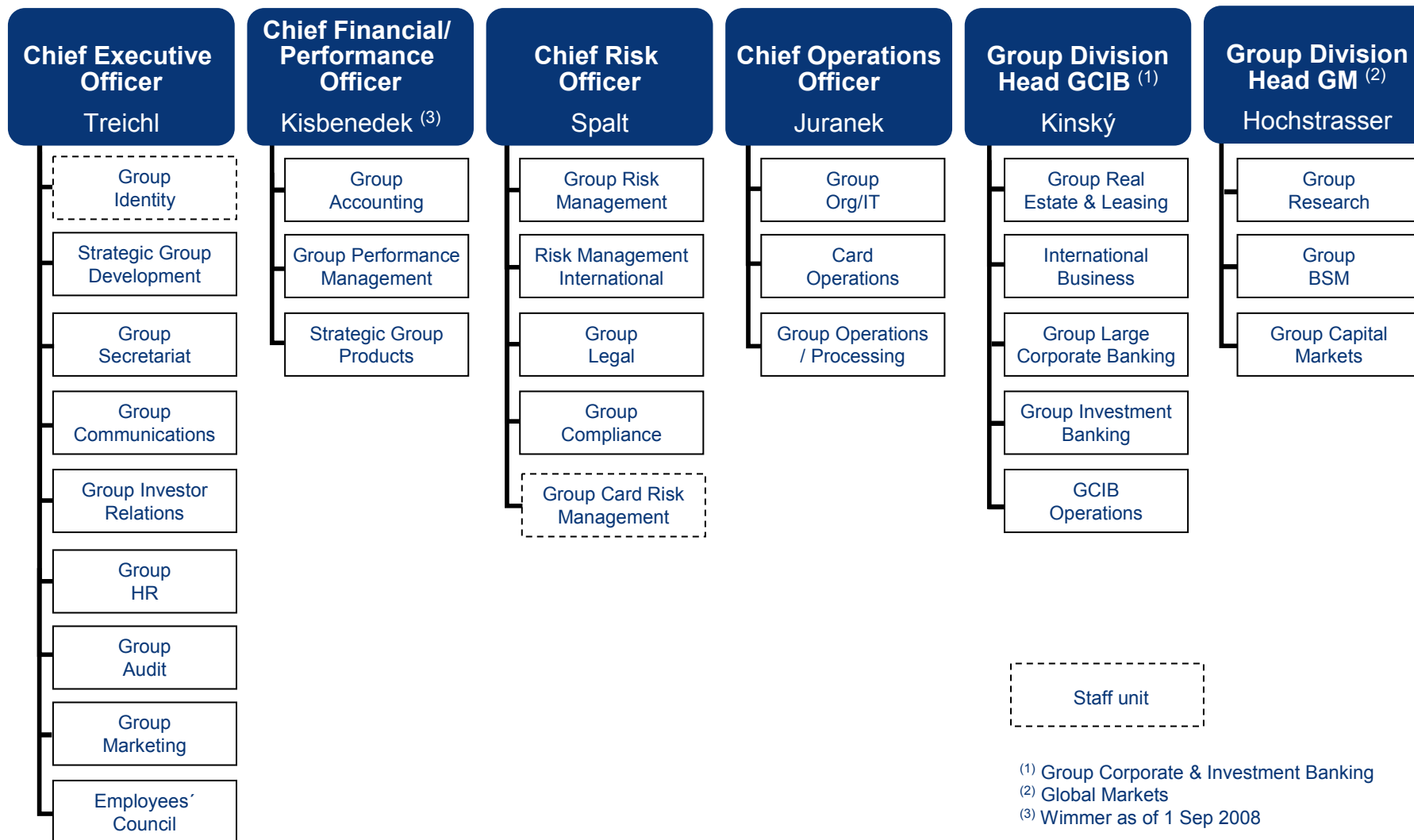
**Before Spin-off:**



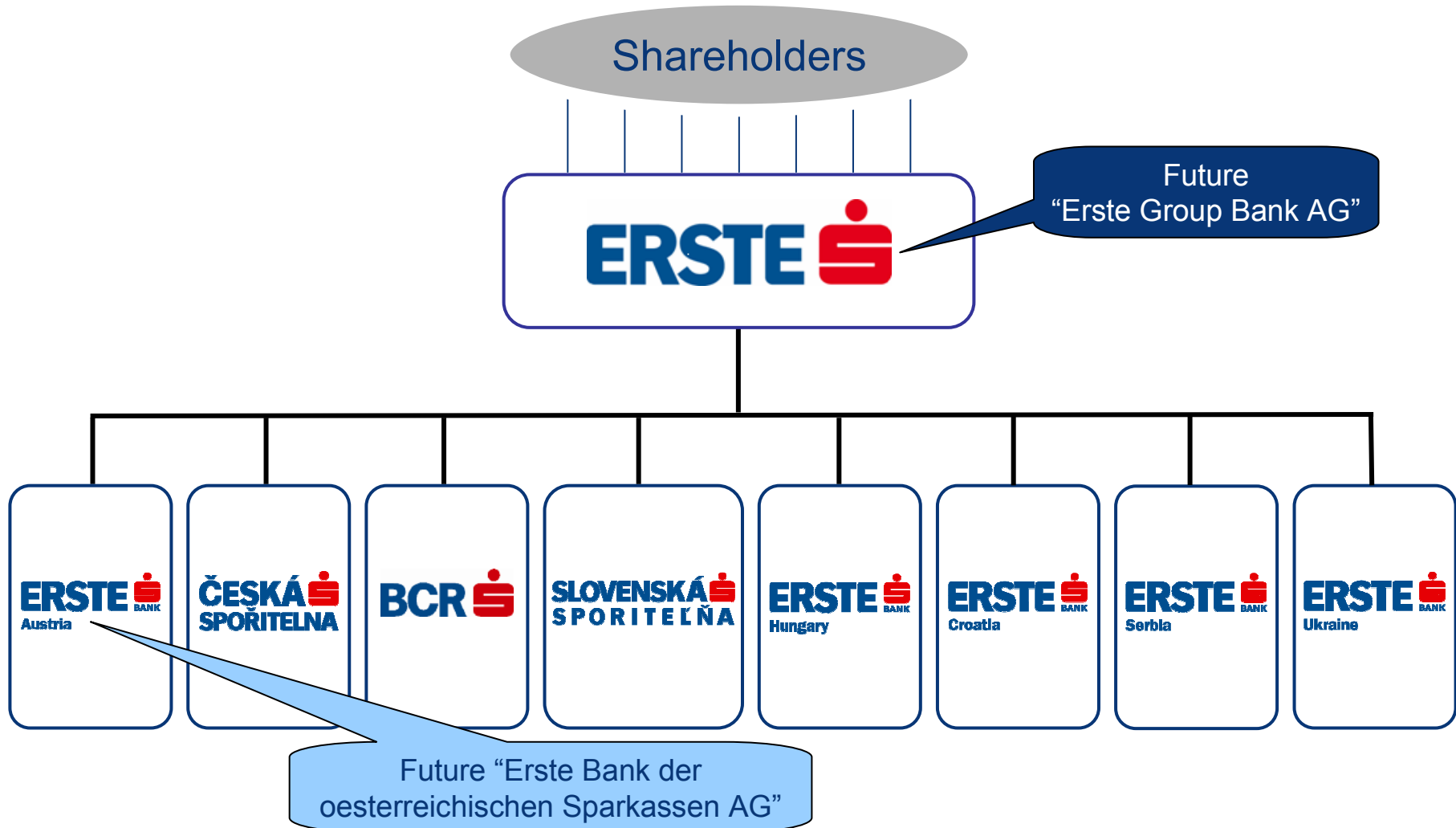
**After Spin-off:**



# Organizational chart of the future “Erste Group Bank AG” (Holding)



# Bank subsidiaries structure of future “Erste Group Bank AG” (Holding)



# Company data of future “Erste Group Bank AG” and “Erste Bank der oesterreichischen Sparkassen AG”

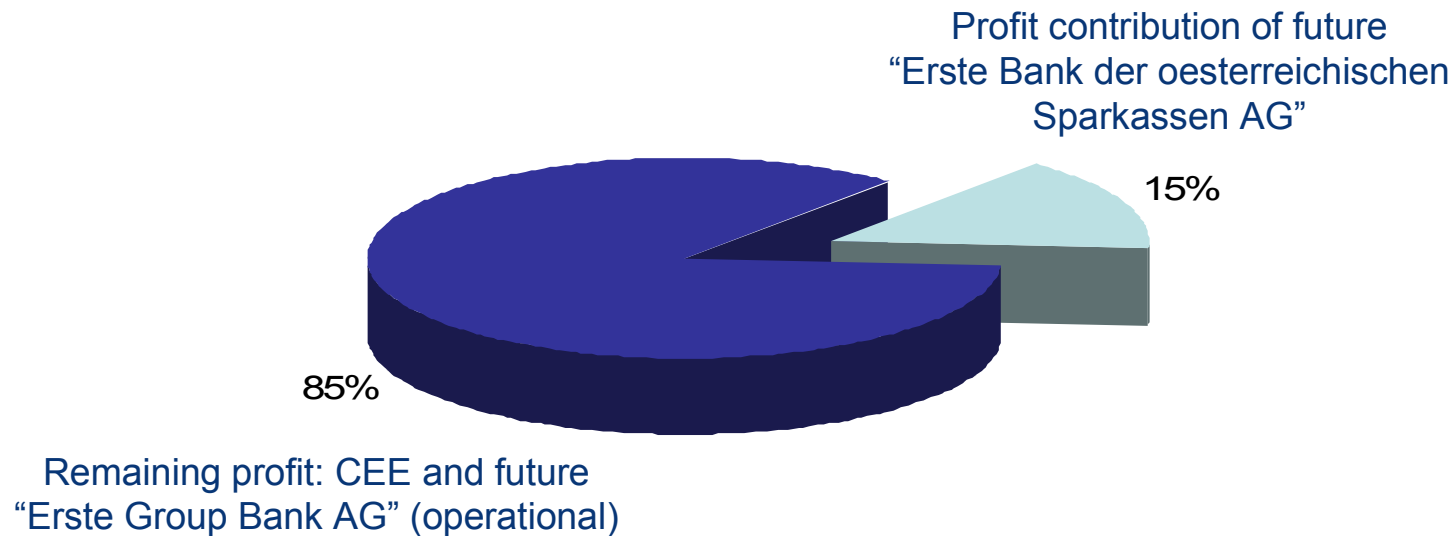


Holding		Austria
Erste Group Bank AG	Company Name	Erste Bank der oesterreichischen Sparkassen AG
	Logo	
Andreas Treichl	Chief Executive Officer	Elisabeth Bleyleben-Koren
Graben 21 A-1010 Vienna	Company Seat	Graben 21 A-1010 Vienna
33209m	Company Registration Number	286283f
20100	Bank Code	20111
GIBAATWG	Swift Code / BIC	GIBAATWW



# The future “Erste Bank Oesterreich” will contribute significantly to Erste Group’s net profit

Based on the year-end results 2007, the future “Erste Bank der oesterreichischen Sparkassen AG” contributes around 15% of Erste Group’s net profit.



## **Resolution on a new share option programme for Management Board, Senior Management and top performers**

### **Key details:**

**Scope:** 4,000 for Group Management Board and local CEOs  
3,000 for local Management Boards  
Local management responsible for allocation of local Bank quotas

**Strike price:** April 2008 average + 10% = EUR 47.00

**Validity :** 5 years, retention period 1 year

**Hurdle:** Return on Equity > 16%

# Eleventh item on the agenda

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## Resolution on amendments of the articles of association

15th Annual General Meeting  
Erste Bank der oesterreichischen Sparkassen AG

**Thank you for your  
Attention!**