

6th Capital Markets Day

12 December 2008, Vienna



Positioned to withstand the economic downturn

Peter Bosek, Member of the board, Erste Bank Oesterreich

– **Doing business in Austria**

- Austria still benefiting from EU accession

– **Austrian macroeconomic environment**

- Austrian economy more resilient than Euroland
- Unemployment 2009 expected to be unchanged to 2007

– **Austrian Banking market development**

- Some intervention but fundamentally solid
- Limited exposure to financial crisis

– **Erste Bank Oesterreich position and strategy**

- Financial highlights segment Erste Bank Oesterreich
- Loan book benefits from prudent approach
- Conservative risk policy maintains adequate asset quality
- Retail deposits key in funding

Doing business in Austria – Austria still benefiting of EU accession

– Growing and stable economy

- Austria is one of the wealthiest countries in Europe in term of per capita income
- It is a small, open and developed economy which has outperformed other Euroland economies since EU accession
- Austria's strong industrial base, highly developed service sector and outsourcing platform in CEE provides it with more resilient growth prospects
- Austria benefitted from the accession to the European Union as the export sector profited significantly and became an important driving factor of the domestic economy

– Austria – a country with an international focus

- In 2007 Austrian companies exported goods and services at the value of EUR 155.93bn
- Austria's current account has been in the black since 2002 to a record in 2007
- Cross-border trade accounts for EUR 6 in every EUR 10 generated by Austria
- Austria is the world's seventh largest exporter and is ranked among some of the world's major exporters such as Switzerland and Sweden

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Economic environment – Austrian economy more resilient than Euroland

– Austrian economic growth still outpaces Euroland, albeit at more moderate levels

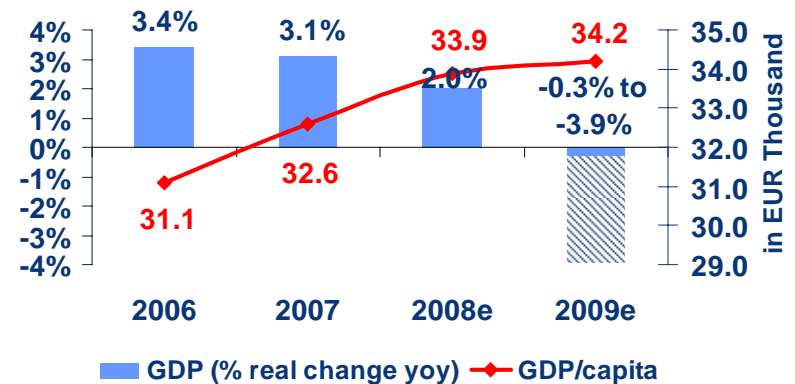
- In contrast to some other EU-countries the Austrian economy was still growing in 3Q 08 (+0.1%)
- Real GDP growth expected to slow down to 2% in 2008 and is expected to go further down to -0.3% by the end of 2009

– Austria's growth expected to remain stronger than the Eurozone average

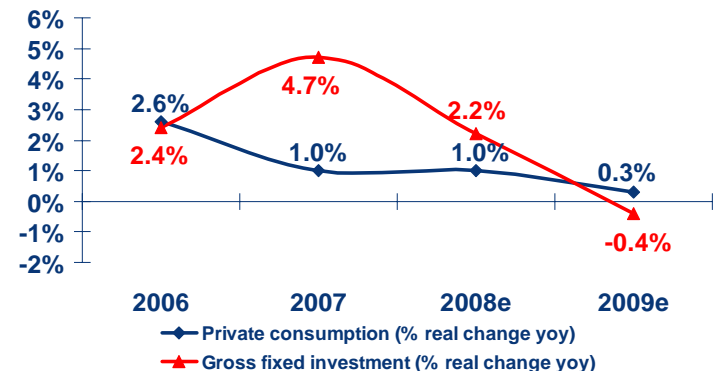
– Increase of per-capita-income (on an inflation adjusted basis after taxes): +0.7% in 2009

– In 2009 private consumption expected to grow by 0.3%

Key economic indicators



Analysis of growth drivers



Source: OeNB, Erste Group Research

Economic environment – Unemployment 2009 expected to be unchanged to 2007

– Unemployment rate expected to rise to 4.2% in 2009

- On a positive note, the economic slowdown will only have limited effect on the labour market.
- Unemployment rate 2009 expected to remain almost unchanged compared to 2007
- Number of unemployed in 2009 expected to rise by 11.5% (24,000 persons)

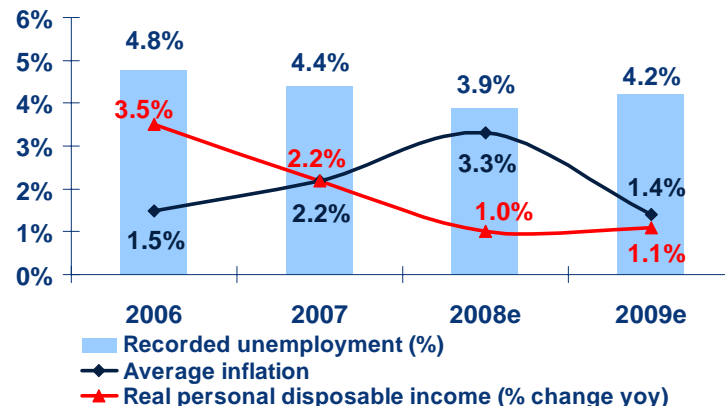
– Inflation predicted to fall to 1.4% by 2009

- The drop is mainly caused by decreasing prices of food, fuel and heating oil

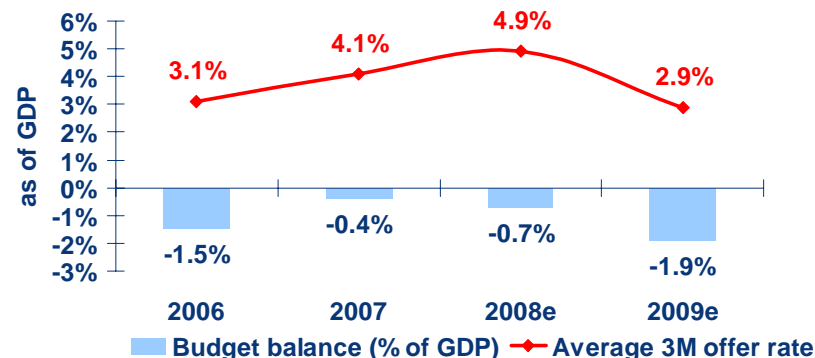
– Stable real estate market in Austria

- Slow growth during recent years: Austrian Central Bank real estate price index (base year 2000 = 100) at 113.5 in Q3 2008

Unemployment vs inflation vs wage growth



Interest rates vs government balance



Source: OeNB, Erste Group Research

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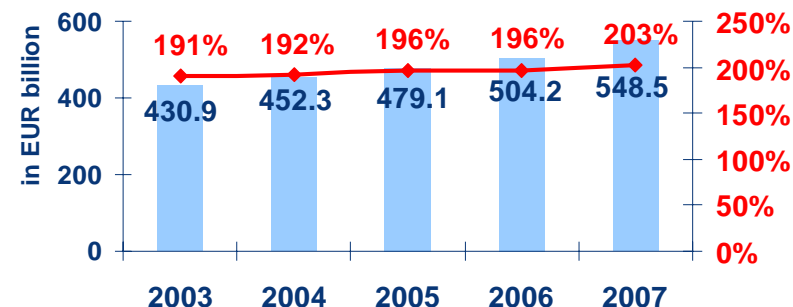
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Banking market – Some intervention but fundamentally solid

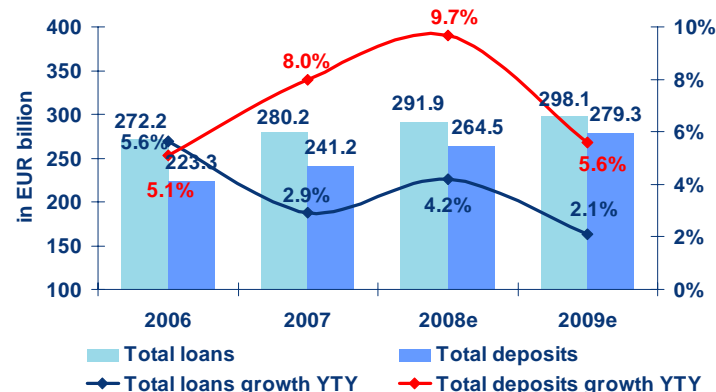
- Constantia Privatbank AG was taken over by the 5 leading Austrian banks due to looming liquidity squeeze
- Kommunalkredit was taken over by public authorities.
- Change in regulation of deposits insurance guarantee retroactively as of October 1st, 2008
 - Retail customers: 100% deposit guarantee valid until Dec 31 2009, then max. EUR 100,000 per person
 - Micro enterprise: 90% (max. EUR 50,000)
 - SME: 90% (max. EUR 20,000)
- **Wealth creation still very important**
 - main focus on investment funds and equity markets during recent years
 - now a slight trend towards conservative investments such as savings accounts, building savings contract, life insurance

Banking market summary



■ Total domestic assets ◆ Total domestic assets/GDP

Banking market - loans and deposits development



Source: OeNB, Erste Group Research

Banking market – Limited exposure to financial crisis

- **Austrian banks cut the granting of FX loans in mid-October 2008 on the advice of financial authorities (FMA)**

- FX loans mainly taken out for mortgages
- At present, a quarter of the total retail loan volume is denominated in FX (mainly CHF)

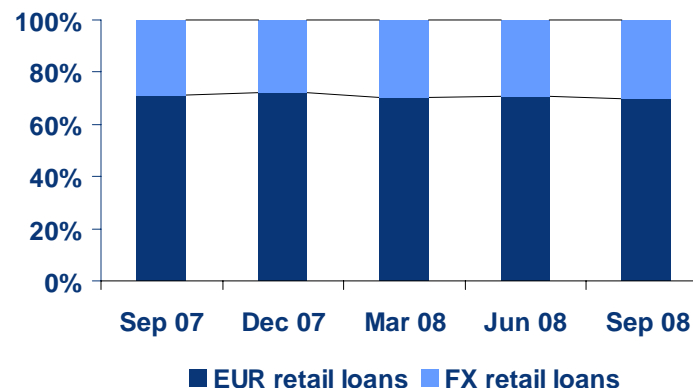
- **Impacts of financial crisis on private households will be moderate:**

- just 5.7% of monetary assets are invested in equity
- 43.4% of monetary assets are deposits
- Ratio of loans to monetary assets is 34%

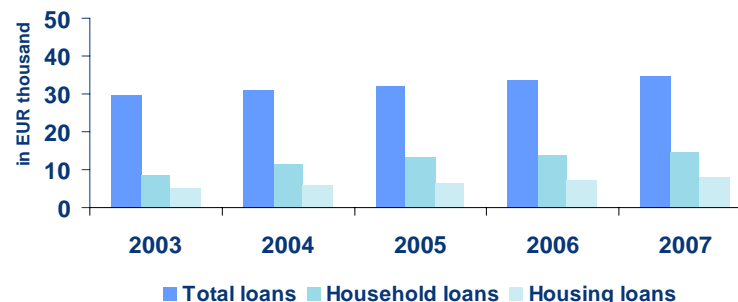
- **Enterprises acted also very carefully:**

- Ratio of loans to monetary assets is 78%
- Since 1995 external finance has been continuously reduced to currently 50%

Banking market - FX share in retail lending



Per capita indebtedness



Source: OeNB, Erste Group Research

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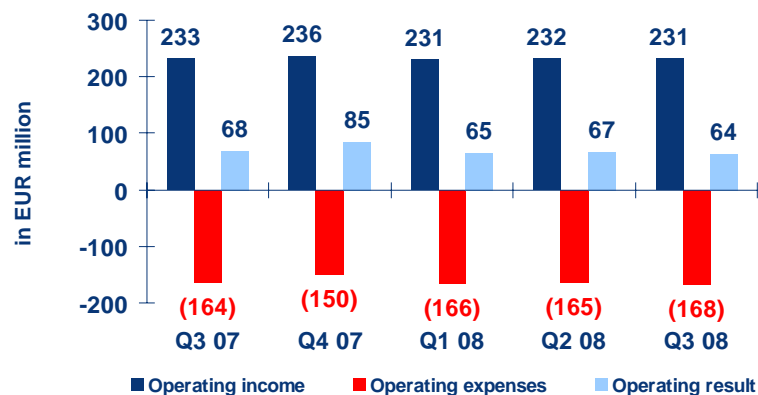
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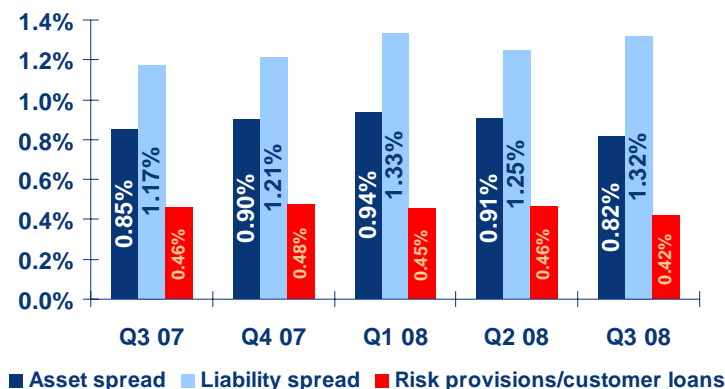
EBOe Position and strategy – Financial highlights Segment EB Oesterreich

- **NII rose from EUR 432.0m Q3 07 to EUR 445.5m Q3 08 (+ 3.1%)**
 - Due principally to margin improvements and a better refinancing structure based on higher deposits
- **Operating results + 3.2% ytd**
 - Lower operating costs (-0,3% ytd) mainly caused by reduced general office expenses
- **CIR improved to 71.8% (from 72.5% in 2007)**
 - mainly from lower operating expenditure and lower product costs

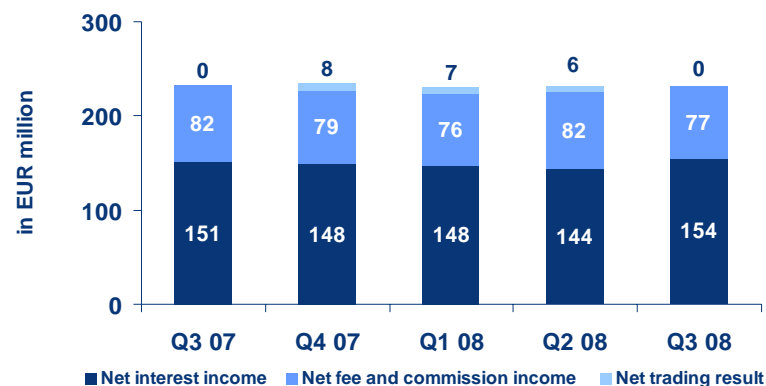
Segment operating performance



Quarterly spreads vs risk costs



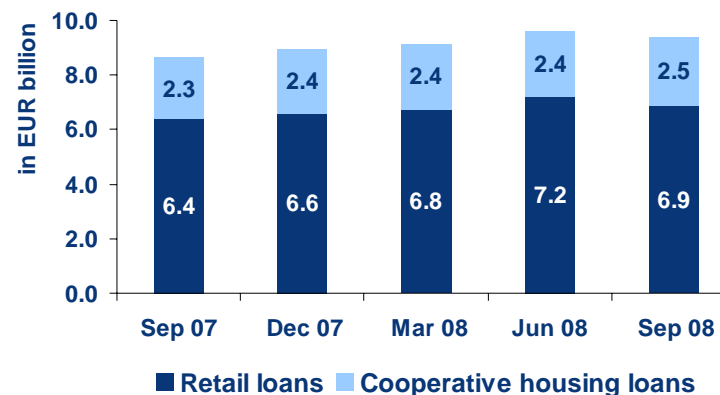
Operating income per quarter



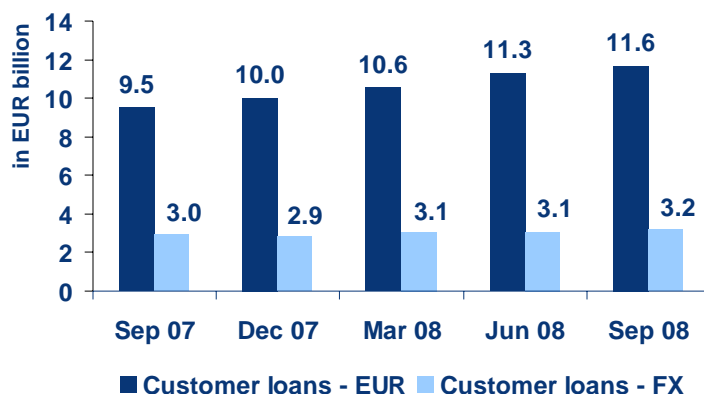
EBOe Position and strategy – Loan book benefits from prudent approach

- During the last years cautious risk policy in the corporate segment: Good risk at good prices
- New allocation of public administration loans from Group to EBOe: + EUR 1bn at Q3 08
- Percentage of FX loans fell to 21% in Q3 08 from 24% in Q3 07

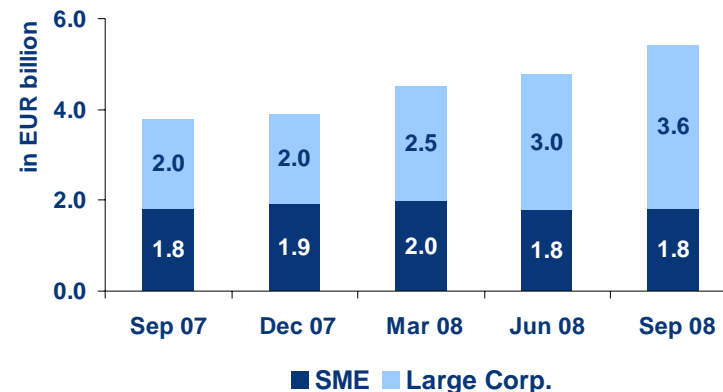
Retail loan portfolio development



Customer loans: EUR vs FX

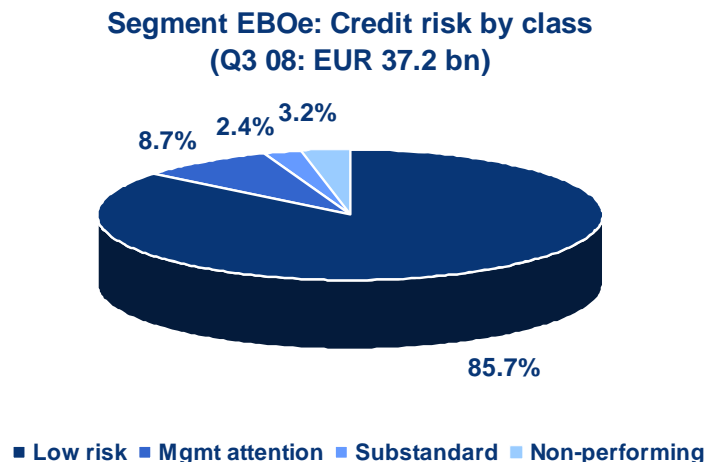


Corporate loan portfolio development



EBOe Position and strategy – Conservative risk policy maintains adequate asset quality

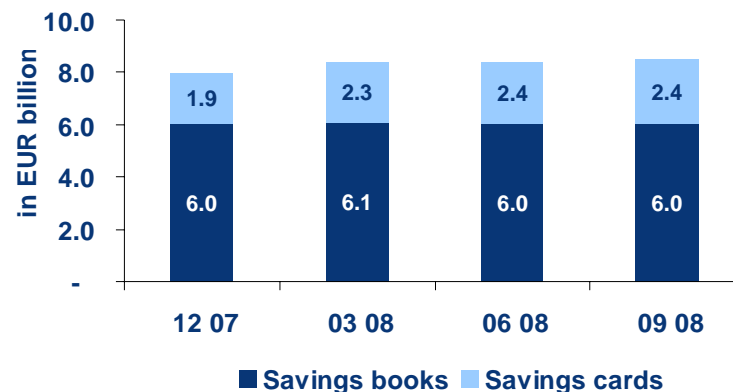
- **NPL ratio is at 3.2%**
 - methodology issue - if one product owned by a customer is non performing their whole portfolio is added to NPL
 - slightly higher NPL ratio is expected in 2009
- **Overall portfolio quality is good, limiting expected effects of a downturn on EBOe**
- **Real estate portfolio is high quality with a stable market outlook**



EBOe Position and strategy – Retail deposits key in funding

- Considerable increase in retail deposits from EUR 7.9 bn YE 07 to EUR 8.4 bn per Q3 08 (+7.6%)
- + 4% retail customer growth in 2008
- Wealth creation initiative: developed and implemented different offers for different client segments – taking “life-cycle” into consideration
- “Finanzpartner” - Tschibo
- Segment oriented sales force combined with new cooperation model with savings banks in corporate business

Savings books vs savings cards



Retail vs corporate deposits

