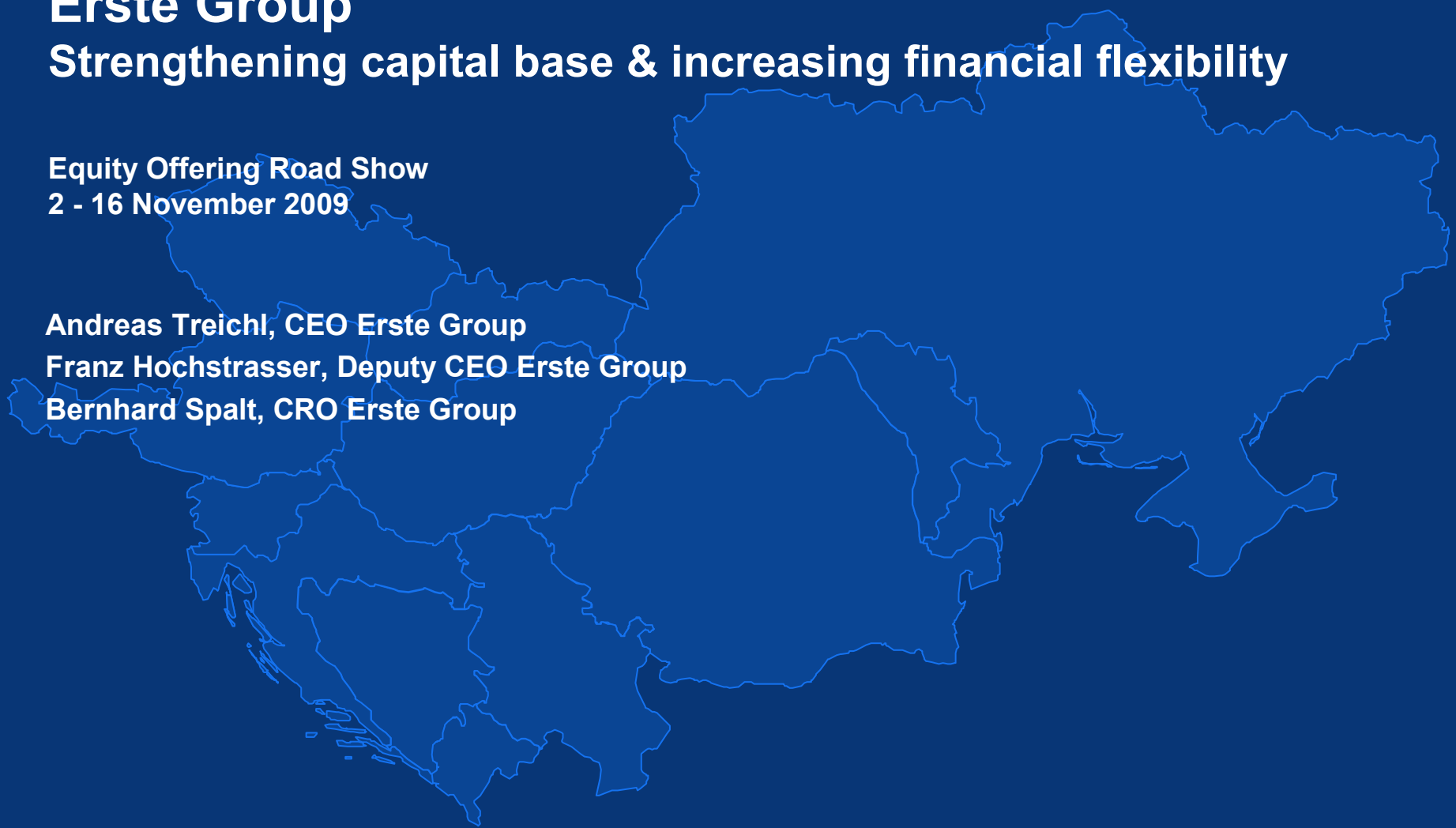


# **Erste Group**

## **Strengthening capital base & increasing financial flexibility**

**Equity Offering Road Show**  
**2 - 16 November 2009**

**Andreas Treichl, CEO Erste Group**  
**Franz Hochstrasser, Deputy CEO Erste Group**  
**Bernhard Spalt, CRO Erste Group**



# Agenda



ERSTE GROUP

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- **Transaction overview & rationale**
- Erste Group's strengths & strategy
- Summary financial results (1-9 2009)
- Conclusion

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# Overview of the rights issue – Transaction details



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<b>Offer Shares</b>	<ul style="list-style-type: none"><li>• Erste Group Bank ordinary no-par value voting bearer shares</li></ul>
<b>Offering structure</b>	<ul style="list-style-type: none"><li>• Public offering in Austria, the Czech Republic and Romania</li><li>• Private placement to institutional investors including US QIBs (Reg S and Rule 144A)</li></ul>
<b>Offer size</b>	<ul style="list-style-type: none"><li>• “At market” rights issue of up to 60 million new ordinary bearer shares</li></ul>
<b>Maximum offer price</b>	<ul style="list-style-type: none"><li>• EUR 32 per share</li></ul>
<b>Subscription rights / ratio</b>	<ul style="list-style-type: none"><li>• Pre-emptive rights for existing shareholders in the ratio of 3 new shares for 16 existing shares</li><li>• No subscription rights trading</li></ul>
<b>Use of proceeds</b>	<ul style="list-style-type: none"><li>• Strengthening of Erste Group’s capital base and increasing financial flexibility</li></ul>
<b>Lock-up</b>	<ul style="list-style-type: none"><li>• 180 days for Erste Group Bank AG and Erste Stiftung</li></ul>
<b>Dividend entitlement</b>	<ul style="list-style-type: none"><li>• Full dividend entitlement for new shares as of January 1, 2009</li></ul>
<b>JGCs / Joint Bookrunners</b>	<ul style="list-style-type: none"><li>• Erste Group, Goldman Sachs International, J.P. Morgan</li><li>• Co-Lead Managers: Citi, Credit Suisse, UBS Investment Bank</li></ul>

# Key dates of the rights issue – Expected timetable

<b>October 30, 2009</b> <i>Friday</i>	<ul style="list-style-type: none"><li>• Approval and publication of prospectus</li><li>• Record date</li></ul>
<b>November 2, 2009</b> <i>Monday</i>	<ul style="list-style-type: none"><li>• <b>Start of offer period and subscription period</b></li><li>• Start of management roadshow</li></ul>
<b>November 16, 2009</b> <i>Monday</i>	<ul style="list-style-type: none"><li>• End of subscription period</li></ul>
<b>November 17, 2009</b> <i>Tuesday</i>	<ul style="list-style-type: none"><li>• <b>End of offer period</b></li><li>• Pricing and allocation</li></ul>
<b>November 19, 2009</b> <i>Thursday</i>	<ul style="list-style-type: none"><li>• First day of trading of new shares</li></ul>
<b>November 20, 2009</b> <i>Friday</i>	<ul style="list-style-type: none"><li>• Settlement &amp; Closing</li></ul>

# Transaction rationale – Enhance capital ratios and increase financial flexibility

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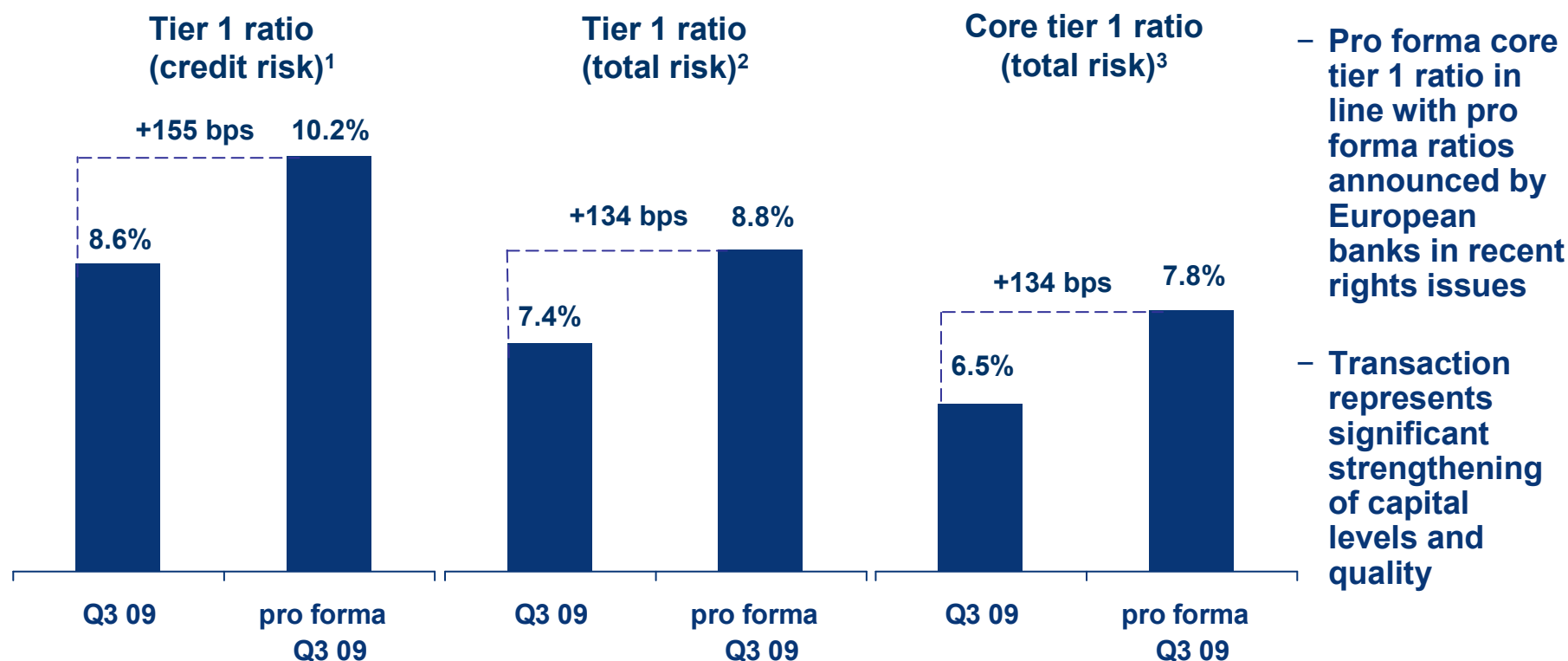
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- **Further increase capital ratios and improve capital structure<sup>1</sup>**
  - Increases core tier 1 capital by more than 20% resulting in core tier 1 ratio of 7.8%
  - Improves capital mix with core tier 1 contribution to tier 1 capital increasing to 89%
  - Raises common equity in public markets instead of previously planned issuance of government-sponsored hybrid capital
  - Builds on successful issuance of EUR 1,764 million participation capital at market rates to Republic of Austria and private investors in the first half of 2009
  
- **Provide flexibility for potential new or changed regulatory capital requirements and address market expectations of higher capitalisation levels**
  
- **Maintain ability to benefit from future growth opportunities in CEE**
  - CEE economies are expected to grow faster than EU-15
  - CEE banking market development to benefit from lower financial intermediation levels than in EU-15

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<sup>1</sup> Pro forma capital ratios and other figures as of 30 September 2009. Assumes rights issue proceeds based on a share price of EUR 27.5 (closing price at Vienna Stock Exchange) as of 29 October 2009.

# Transaction rationale – Stronger capital ratios post EUR 1.65 bn rights issue



Note: Assumes rights issue proceeds based on a share price of EUR 27.5 (closing price at Vienna Stock Exchange) as of 29 October 2009.

1) Tier 1 ratio (credit risk) = tier 1 capital incl. hybrid and after regulatory deductions divided by credit RWA.

2) Tier 1 ratio (total risk) = tier 1 capital incl. hybrid and after regulatory deductions divided by total RWA (which includes credit risk, market and operational risk).

3) Core tier 1 ratio (total risk) = tier 1 capital excl. hybrid and after regulatory deductions divided by total RWA (which includes credit risk, market and operational risk).

# Participation of shareholders – Criteria will subscribe to 36% of the offering

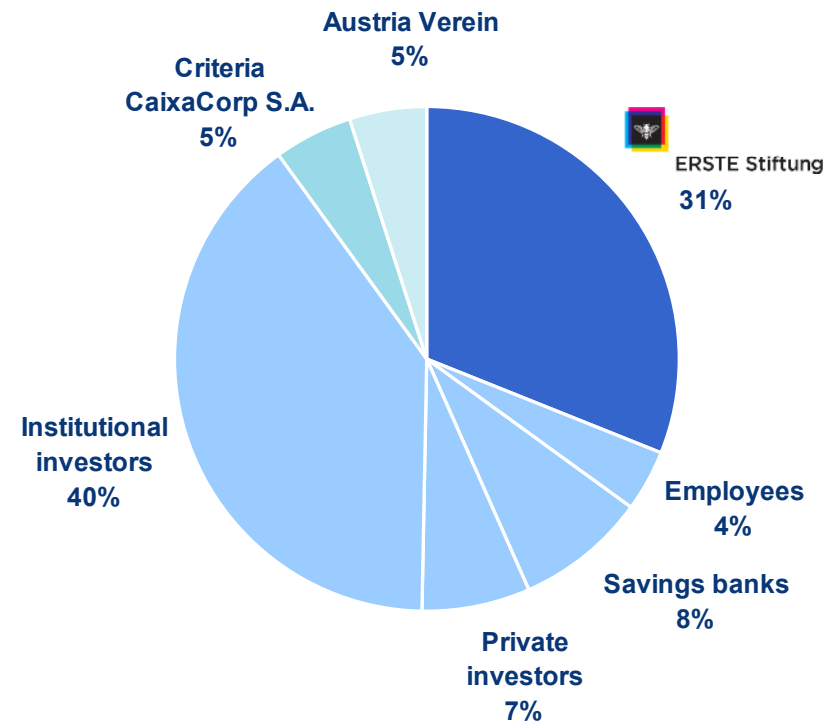
## Criteria CaixaCorp, S.A.

- Criteria announced that it will:
  - exercise all of its own subscription rights,
  - has acquired and will exercise all of Erste Stiftung's subscription rights
- This amounts in total to approx. 36% of all subscription rights
- Erste Group entered into cooperation agreement in June 2009
  - Partners: Criteria and La Caixa, one of Spain's largest banking groups
  - Scope: Non-exclusive commercial cooperation

## Erste Stiftung

- Erste Stiftung has agreed to transfer all of its subscription rights to Criteria

## Shareholder structure<sup>1</sup>



<sup>1</sup> As of October 2009



# Agenda

- Transaction overview & rationale
- **Erste Group's strengths & strategy**
- Summary financial results (1-9 2009)
- Conclusion

# Key strengths of Erste Group –

## Proven business model ensures strategic stability



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### Leading market positions in retail and SME banking<sup>1</sup>

- Austria and key EU member/EU candidate states in CEE
  - Approx. 20-30% retail market shares in Austria, the Czech Republic, Romania and Slovakia
  - Approx. 5-15% retail market shares in Hungary and Croatia
- Minor market positions (<3%) in comparably higher risk markets Serbia and Ukraine

### Proven and resilient business model

- Track record of profitability – ever since IPO in 1997
  - Profitable on operating as well as on net income level in each year
  - Consistent increase in operating profit before provisions...
  - ...provides risk absorption capacity throughout the crisis
  - Creates upside potential once the credit cycle reverses
- Focus on deposit funding – with stable loan-to-deposit ratio of 115%
- Risk profile benefits from balanced business mix

### Well-known brand

- Focus on affordable banking services to large proportion of population
- Resulted in customers increasing deposit amounts with Erste Group during crisis in 2008 and 2009

### Continued growth potential

- Nearly all CEE economies expected to resume positive GDP growth
- CEE macroeconomic convergence expected to continue
- Still comparably low banking penetration
- Expected increasing demand for sophisticated banking products
- Substantial, untapped cross-selling opportunities

<sup>1</sup>) Based on Erste Group internal data.

# Erste Group in CEE –

A market leader in the eastern part of the European Union



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### EU fact sheet of Erste Group

Total population: 60m

Customer base: 17.1m

20-30% retail market share:  
Austria, Czech Republic, Romania and Slovakia

5-15% retail market share:  
Hungary, Croatia

EU share of loans and deposits > 99%



### Total group facts

Total population: 120m

Bankable population: 92m

Total customers: 17.5m

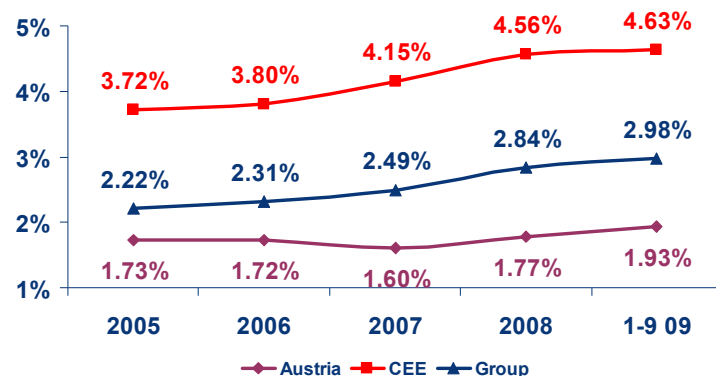
EU or EU-candidate country

Non-EU or non-EU candidate country

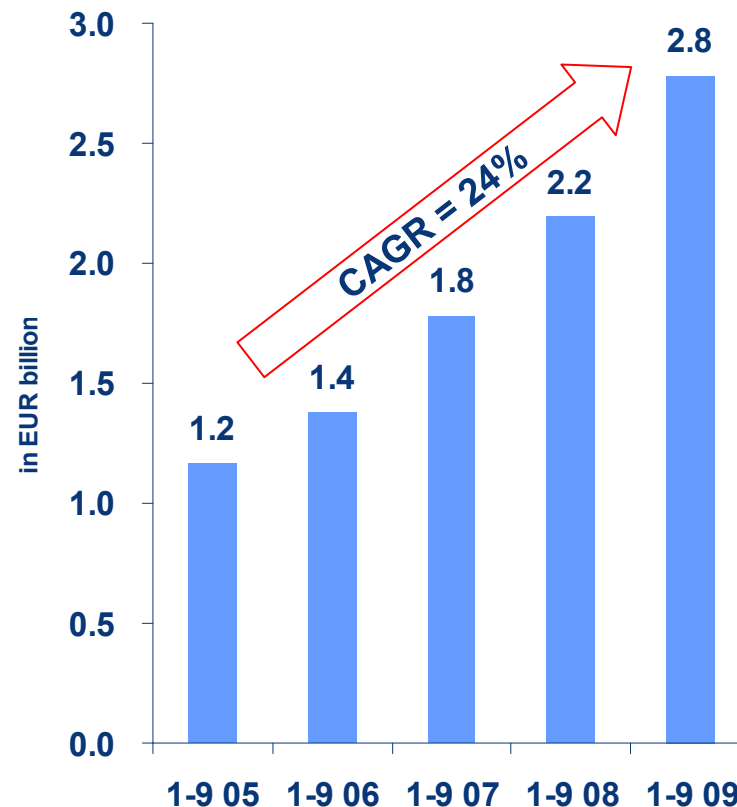
Indirect presence

# Long-term track record of profitability – Higher margins & efficiency drive operating profit

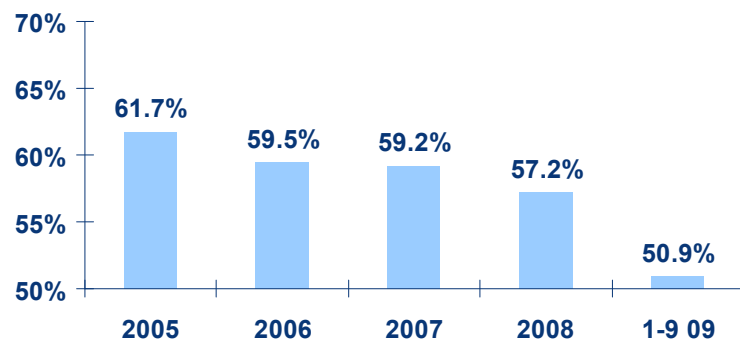
Net interest margin development



Operating profit of Erste Group



Cost/income ratio



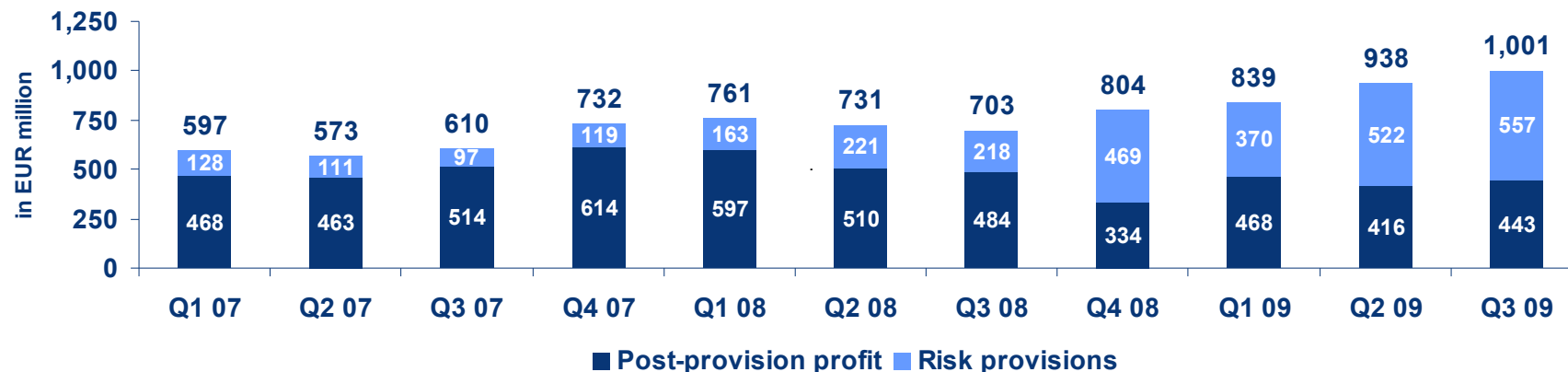
Note: Net interest margin computed on average interest bearing assets and local entity IFRS consolidated results. Cost/income ratio = general administrative expenses as a percentage of operating income (net interest income + net fee and commission income + net trading result); operating result = operating income - general administrative expenses.

# Long-term track record of profitability – Growing pre- and resilient post-provision profit generation

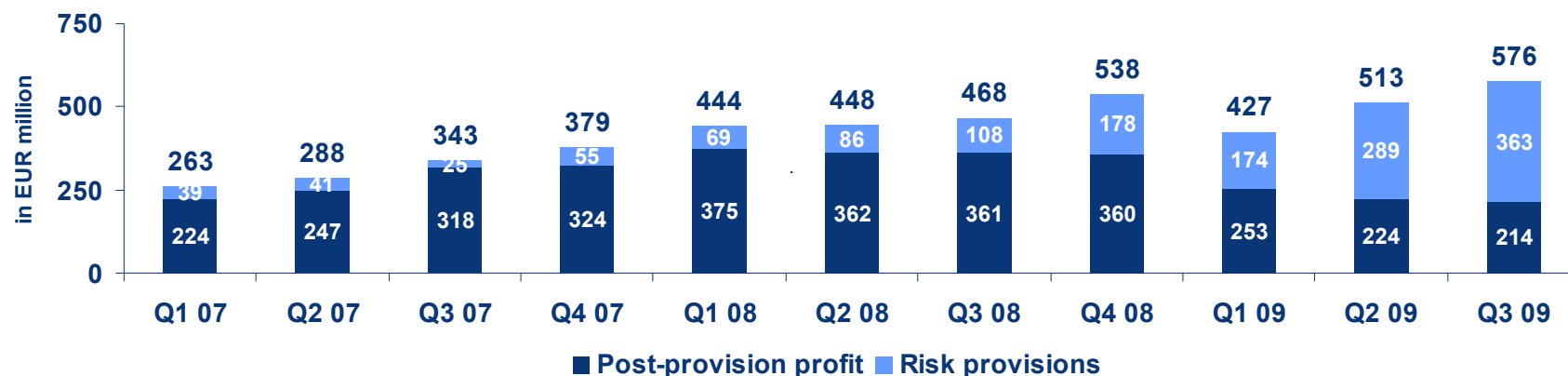


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**Erste Group's operating profit history (pre-provision profit)**



**Segment CEE (Retail & SME) - Operating profit history (pre-provision profit)**



# Risk profile benefits from business mix – Erste Group's loan book is well diversified



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## – Attractive customer mix

- Retail loans constitute about half of the total loan book
  - Majority of retail book secured due to focus on mortgage lending
- SME/Local corporates constitute majority of corporates
- Public sector business with favourable risk profile

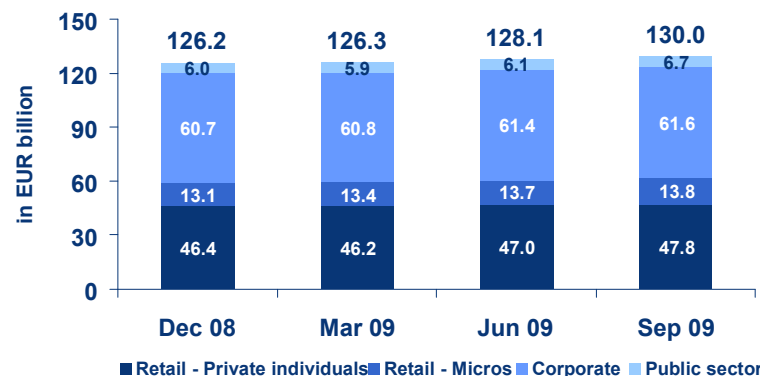
## – Regional mix with focus on EU countries

- Austrian Retail & SME business contributes 47% to Erste Group's loan volume
- CEE countries well diversified and provide growth opportunities

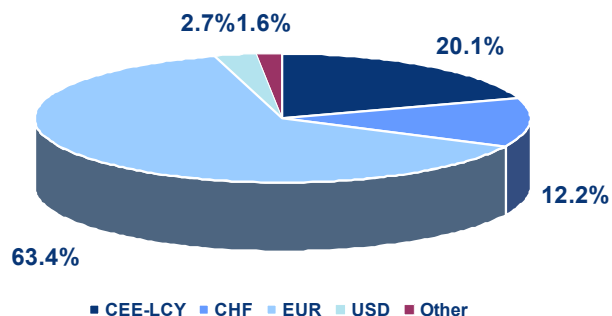
## – Retail FX lending expected to decline

- Erste Group ceased retail CHF and USD lending

Customer loans by Basel II customer segments

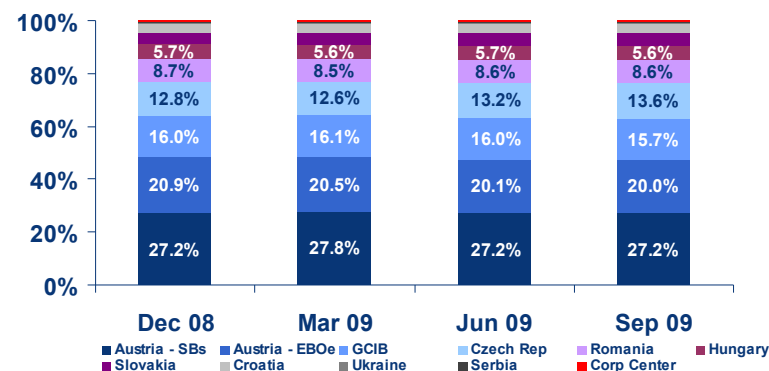


Customer loans by currency  
(30 September 2009: EUR 130.0 bn)



Source: Erste Group internal data.

Customer loans by reporting segment



# Risk profile benefits from business mix – Deceleration of NPL formation and improved coverage



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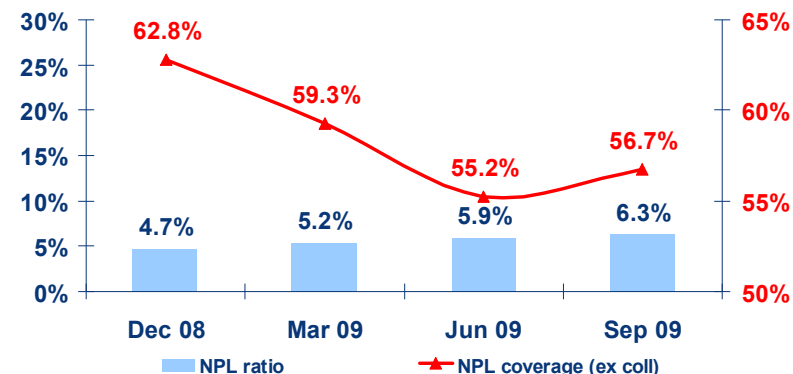
## – NPL growth slowed down in Q3 09

- NPL ratio rose by 40 bps to 6.3% after a rise of 70 bps in Q2 09 on the back of slowing new formation in CEE and a decline in NPL ratio in Austria
- Slowdown of new NPL formation in corporate business was more significant than in the retail business
- CEE NPL ratios deteriorated most in Romania and Ukraine, while Hungary performed comparatively well

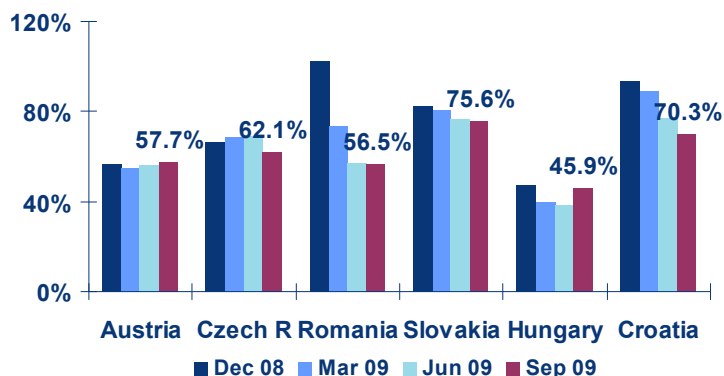
## – NPL coverage improved in Q3 09

- Stabilising coverage ratios in Romania and Hungary
- Continued high collateral coverage

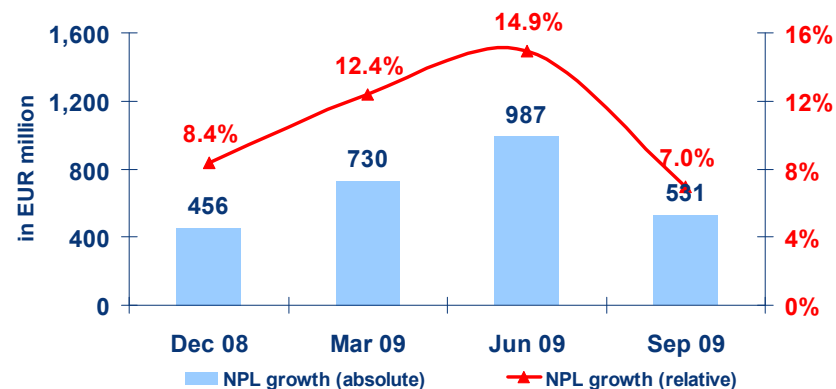
Erste Group: NPL ratio vs NPL coverage



NPL coverage ratios in key markets



Quarterly NPL growth (absolute/relative)



Note: NPL coverage ratios in key markets based on country of origination concept. Overall NPL ratio and NPL coverage ratio based on customer loans.

# Strongly improving capital position – Increasing share of high quality, core tier 1 capital

## – Strengthen capital base

- Increase Erste Group's overall financial flexibility
- Prepare Erste Group for potential changes in the regulatory environment and investors' expectations
- Allow Erste Group to finance growth in CEE

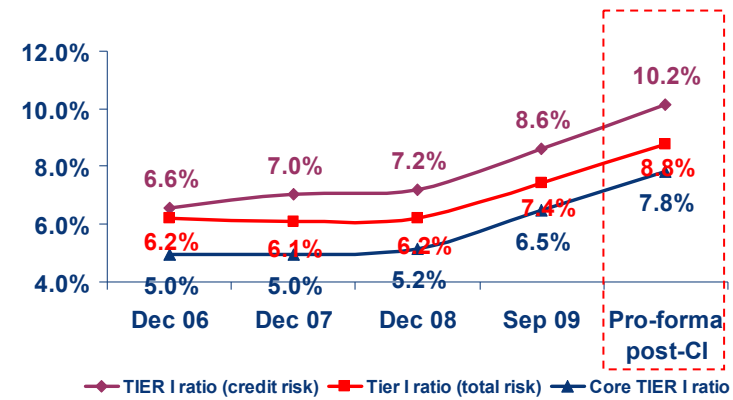
## – Higher quality capital structure

- Share of core tier 1 capital in capital structure to rise to 89%, while hybrid capital will decline to 11%
- Common equity raised in the public markets instead of previously planned issuance of government-sponsored hybrid capital

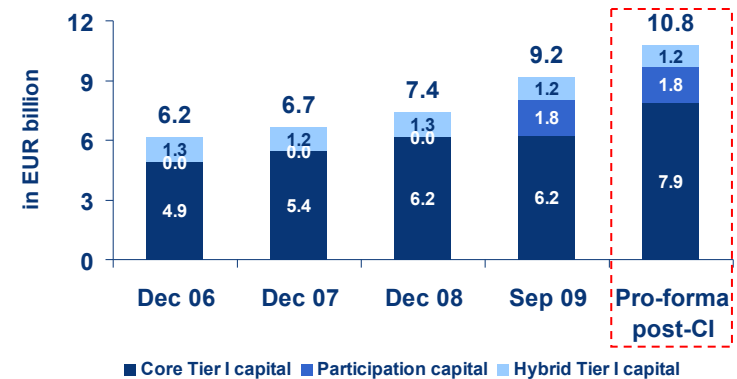
## – Participation capital to be retained

- Raised at market terms with Republic of Austria and private investors
- Government investment limited to EUR 1,224m
- Core tier 1 eligible

Key capital ratios



Tier 1 capital composition



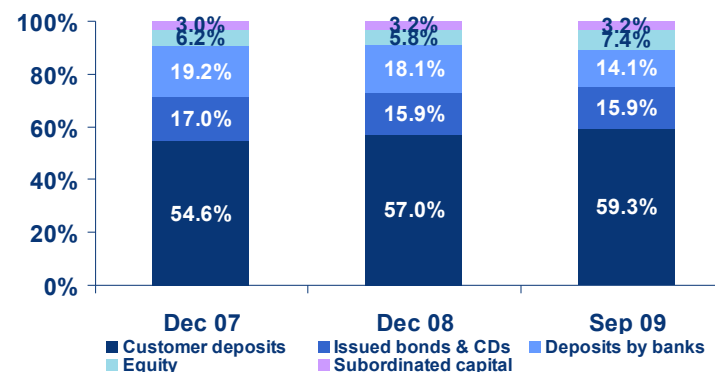
<sup>1</sup> Assumes rights issue proceeds based on Erste Group share price of EUR 27.5 (closing price at Vienna Stock Exchange) as of 29 October 2009.



# Focus on deposit funding – Retail funding supports sustainable growth

- **Customer deposits are main source of funding**
  - Providing a solid funding base in all local currencies
  - Translating into stable loan/deposit ratio of 115%
  - Increased share of customer deposits during crisis
  
- **Short-term funding needs well covered**
  - Declining share of short-term funding
  - Collateral capacity exceeds funding needs
  
- **Limited long-term funding required**
  - Less than EUR 5 bn redemptions per annum
  - In 2009 already EUR 7.8 bn issued
    - Successful issuance of the first jumbo Pfandbrief
  - Further focus on extension of maturity profile

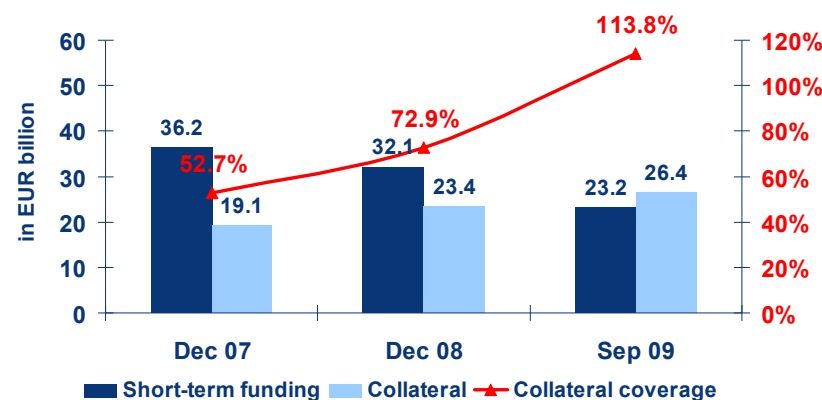
Evolution of Erste Group's funding mix



Redemption profile of Erste Group



Short-term funding vs collateral coverage



# Continued growth potential – CEE economies expected to recover in 2010

– **CEE economies expected to contract in 2009 but intensity of macro pressure is easing**

- First signs of stabilisation, supported by global stabilisation packages

– **Consumer confidence on the rise**

- Gradual improvement in CZ, RO, HU and SK

– **Improving current account balances**

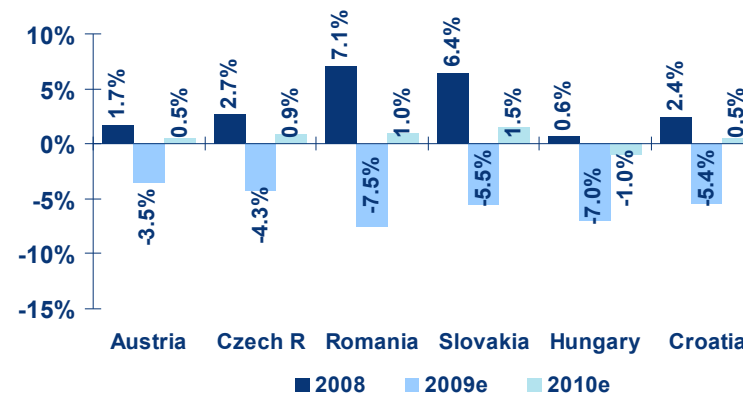
- Romanian current account deficit almost fully covered by foreign direct investments in 2009

– **Lower levels of public debt**

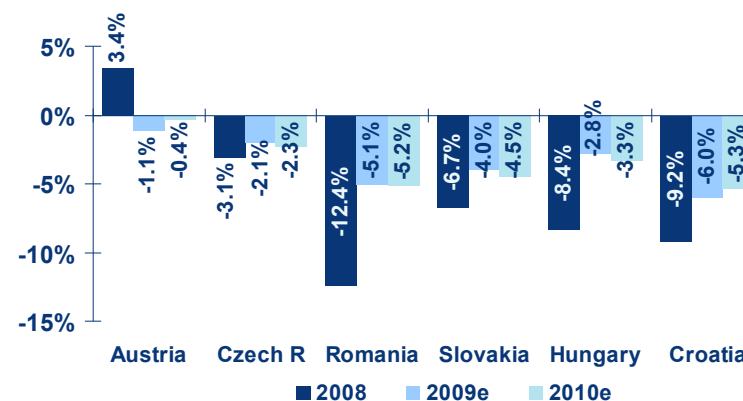
– **CEE's competitive advantages are still in place**

- CEE remains an attractive investment destination
- Attractive tax regimes
- Labour market flexibility and productivity
- Educated workforce

Real GDP outlook for CEE



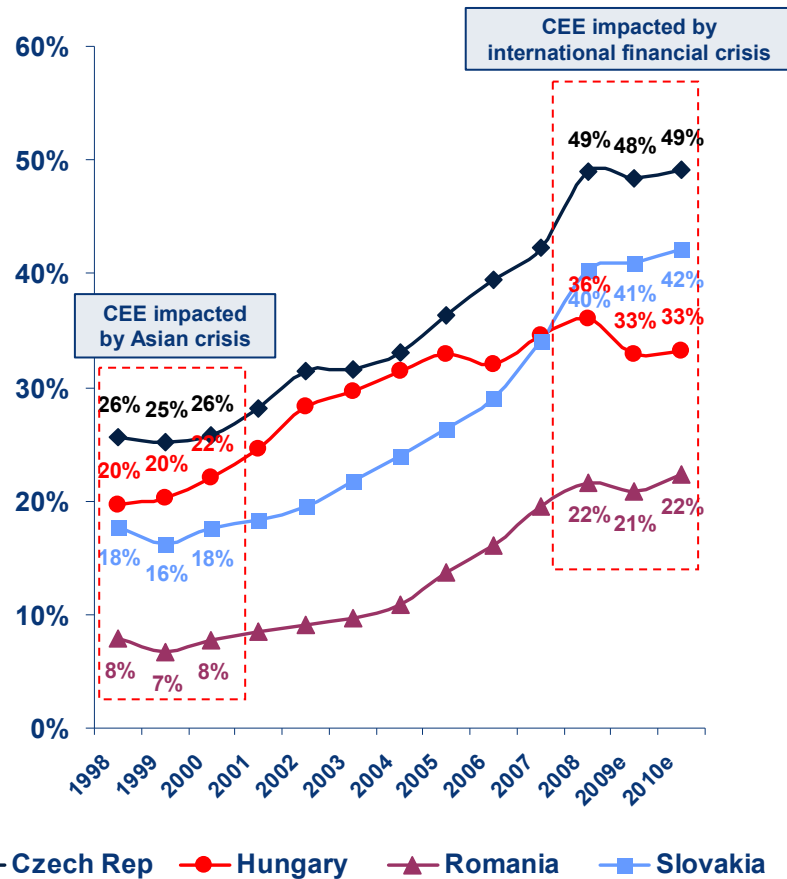
Current account balance outlook for CEE



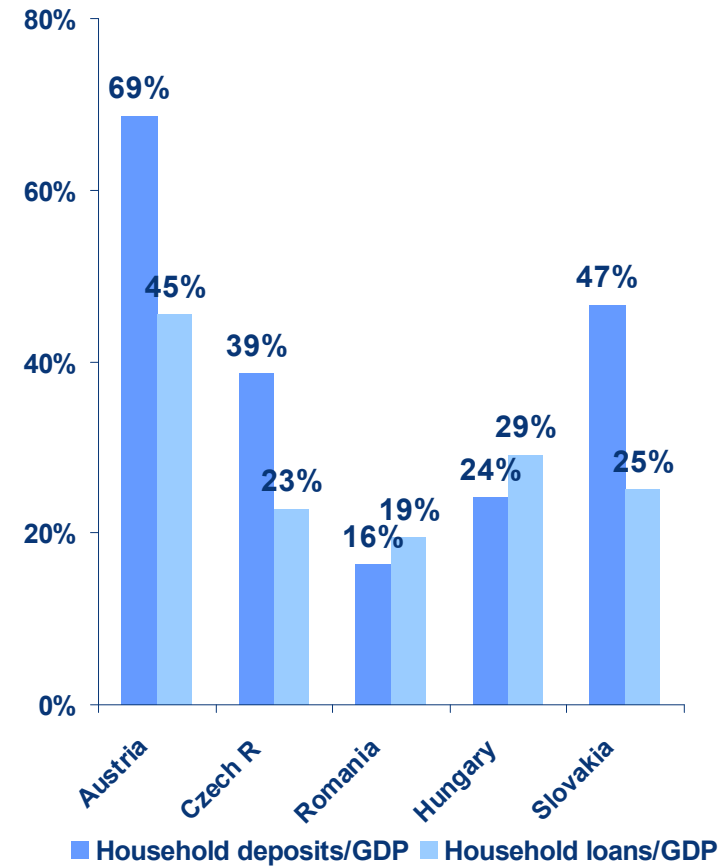
Source: Chart data based on Economist Intelligence Unit.

# Continued growth potential – CEE macroeconomic convergence is set to continue

CEE GDP/capita as % of EU-15 GDP/capita



Financial intermediation in CEE (2008)



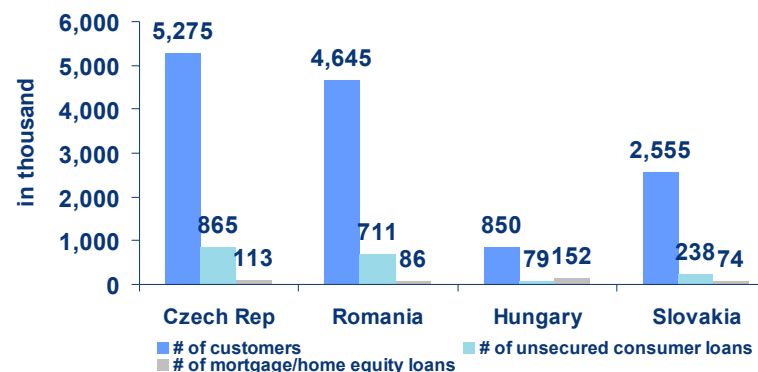
Source: Economist Intelligence Unit (left), Eurostat & national banks of the respective countries (right).

# Continued growth potential – Underpenetration creates demand for banking services

## – Product ownership of Erste Group’s CEE customer base remains low

- Only 10%-20% of existing customers have an unsecured consumer loan
- Only 2%-20% of existing clients have a mortgage or home equity loan
- Erste Group expects to benefit from cross-selling opportunities among the existing customer base

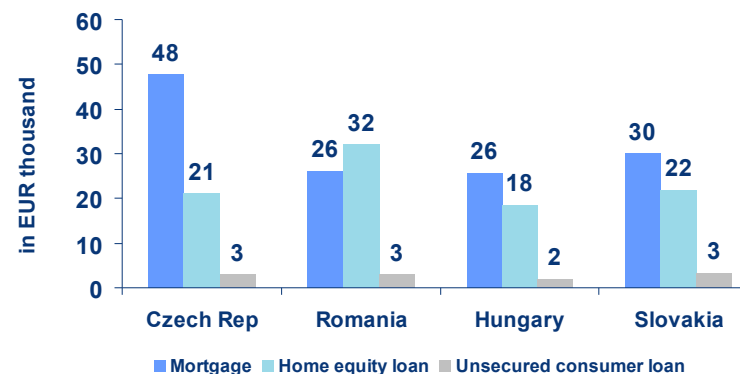
# of customers vs # of loan accounts (Aug 09)



## – Average loan sizes still small

- Size of mortgages is comparatively low as consequence of
  - Early stage of market development
  - Erste Group risk management approach
- Ability to grow lending volumes with existing customer base

Average loan sizes (Aug 09)



Source: Chart data based on Erste Group internal data (bank only).

# Agenda



ERSTE GROUP

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- Transaction overview & rationale
- Erste Group's strengths & strategy
- **Summary financial results (1-9 2009)**
- Conclusion

# 1-9 09 financial highlights – Executive summary



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- **Erste Group’s strong performance continued with a record operating result of EUR 2,776.9m in the first nine months 2009**
  - Operating result increased by 26.6% compared to 1-9 08 – supported by a 7.8% increase in revenues and a substantial decline in administrative expenses (- 5.7%)
  - Best ever operating result of EUR 1,000.5m in Q3 09 was supported by a record operating performance in the core Retail & SME segment in Austria and CEE in Q3 09
  - Stable net interest margin at 2.98% per 1-9 09 (H1 09: 2.84%)
  - CIR improved to record low of 50.9%
  
- **Operating environment remained challenging despite first signs of recovery in 1-9 09**
  - Moderately growing loan demand both from retail and corporate customers in Austria and CEE
    - Total customer loans at Erste Group increased by 3.0% compared to YE 08
  - Improved NPL coverage<sup>1</sup>, as risk costs increased and formation of new NPLs decelerated
    - NPL ratio based on total customer loans increased to 6.3% in 1-9 09 (H1 09: 5.9%)
    - Quarterly increase of NPL ratio of 40bps in Q3 09 well below 70bps in Q2 09
    - Risk costs on average loans of 151bps in 1-9 09 (H1 09: 141bps)
    - NPL coverage based on total customer loans improved to 56.7% (H1 09: 55.2%)
  
- **Tier 1 ratio (credit risk) improved to 8.6% (YE 08: 7.2%)**
  - Tier 1 ratio (total risk) improved to 7.4% (YE 08: 6.2%)
  - Core tier 1 ratio (total risk) improved to 6.5% (YE 08: 5.2%)
  - Including EUR 1.76bn of participation capital issued in H1 09
  - Increase of RWA by 2.8% compared to YE 08

1) To improve transparency all ratios with regards to asset quality are referring to total customer loans. NPLs over total exposure increased to 3.8% in Q3 09 (after 3.6% at H1 09).

# Group income statement (IFRS) – Cost/income ratio improves to historic low



ERSTE GROUP

in EUR million	1-9 09	1-9 08	Change	Q3 09	Q2 09	Q3 08
Net interest income	3,840.9	3,573.3	7.5%	1,335.6	1,279.3	1,267.3
Risk provisions for loans and advances	(1,449.2)	(602.3)	>100.0%	(557.1)	(521.9)	(218.2)
Net fee and commission income	1,313.3	1,489.0	(11.8%)	425.1	443.6	486.8
Net trading result	503.0	184.9	>100.0%	159.9	199.3	0.5
General administrative expenses	(2,880.3)	(3,053.7)	(5.7%)	(920.1)	(984.3)	(1,052.1)
Other operating result	(201.8)	(141.0)	(43.1%)	(114.3)	(47.6)	(56.2)
Result from financial assets - FV	56.4	(114.9)	na	68.5	32.0	(35.0)
Result from financial assets - AfS	(106.4)	(11.6)	na	(87.7)	(7.9)	(5.1)
Result from financial assets - HtM	2.0	(1.9)	na	2.9	(0.8)	(2.0)
<b>Pre-tax profit from continuing operations</b>	<b>1,077.9</b>	<b>1,321.8</b>	<b>(18.5%)</b>	<b>312.8</b>	<b>391.7</b>	<b>386.0</b>
Taxes on income	(269.6)	(264.4)	2.0%	(78.3)	(107.3)	(77.2)
Post-tax profit from discontinuing ops	0.0	610.2	na	0.0	0.0	600.1
Minority interests	(88.2)	(204.6)	(56.9%)	(6.5)	(24.4)	(82.5)
<b>Net profit after minorities</b>	<b>720.1</b>	<b>1,463.0</b>	<b>(50.8%)</b>	<b>228.0</b>	<b>260.0</b>	<b>826.4</b>
Operating income	5,657.2	5,247.2	7.8%	1,920.6	1,922.2	1,754.6
Operating expenses	(2,880.3)	(3,053.7)	(5.7%)	(920.1)	(984.3)	(1,052.1)
<b>Operating result</b>	<b>2,776.9</b>	<b>2,193.5</b>	<b>26.6%</b>	<b>1,000.5</b>	<b>937.9</b>	<b>702.5</b>
Cost/income ratio	50.9%	58.2%		47.9%	51.2%	60.0%
Return on equity	10.3%	21.7%		8.8%	11.4%	34.2%

# Group balance sheet (IFRS) – Moderate loan growth continues



ERSTE GROUP

in EUR million	Sep 09	Dec 08	Change
Cash and balances with central banks	5,458	7,556	(27.8%)
Loans and advances to credit institutions	13,938	14,344	(2.8%)
Loans and advances to customers	129,954	126,185	3.0%
Risk provisions for loans and advances	(4,713)	(3,783)	24.6%
Trading assets	8,389	7,534	11.3%
Financial assets - FV	3,752	4,058	(7.5%)
Financial assets - AfS	16,187	16,033	1.0%
Financial assets - HtM	14,163	14,145	0.1%
At-equity holdings	260	260	0.0%
Intangible assets	4,975	4,805	3.5%
Property and equipment	2,411	2,386	1.0%
Tax assets	630	859	(26.7%)
Assets held for sale	31	526	(94.1%)
Other assets	8,118	6,533	24.3%
<b>Total assets</b>	<b>203,553</b>	<b>201,441</b>	<b>1.0%</b>
<b>Risk-weighted assets<sup>1</sup></b>	<b>106,564</b>	<b>103,663</b>	<b>2.8%</b>

1) RWA for credit risks. Total RWA (credit, market and operational risks) stood at EUR 123.2 bn in Sep 09 (Dec 08: EUR 120.0 bn).



# Group balance sheet (IFRS) –

## Customer deposits continue to outgrow loans



ERSTE GROUP

in EUR million	Sep 09	Dec 08	Change
Deposits by banks	26,920	34,672	(22.4%)
Customer deposits	113,317	109,305	3.7%
Debt securities in issue	30,431	30,483	(0.2%)
Trading liabilities	3,175	2,519	26.0%
Other provisions	1,670	1,620	3.1%
Tax liabilities	459	389	18.0%
Liabilities associated with assets held for sale	0	343	na
Other liabilities	7,314	4,968	47.2%
Subordinated liabilities	6,184	6,047	2.3%
Total equity	14,083	11,095	26.9%
Shareholders' equity	10,667	8,079	32.0%
Minority interests	3,416	3,016	13.3%
<b>Total liabilities and equity</b>	<b>203,553</b>	<b>201,441</b>	<b>1.0%</b>
<b>Tier 1 ratio (credit risk)</b>	<b>8.6%</b>	<b>7.2%</b>	
<b>Solvency ratio</b>	<b>10.9%</b>	<b>9.8%</b>	

# Agenda

- Transaction overview & rationale
- Erste Group's strengths & strategy
- Summary financial results (1-9 2009)
- **Conclusion**

# Conclusion –

## Improved capital ratio allows to leverage the franchise

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### – **Our key strengths...**

- Leading market positions in retail and SME banking
- Proven and resilient business model
- Well-known brand
- Continued growth potential

### – **... and our strategic focus...**

- Business focus on retail and SME banking
- Geographic focus on Austria and CEE
- Efficiency focus

### – **... result in attractive profile ...**

- Stability of business model demonstrated by performance throughout crisis
- Largely deposit-funded
- Earnings generation – despite currently elevated provisioning levels during the crisis

### – **... which will be supported by further strengthened capital ratio**