

**Erste Group –
8th Capital Markets Day**
9 December 2011, Vienna

Erste Group's capital markets business
Stefan Dörfler, Head of Group Capital Markets (GCM)



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– GCM in a nutshell

- Structure and performance
- The business lines in detail
 - Sales
 - Trading

– GCM strategy

- Alignment with group strategy
- Commitment to customer and profitability focus
- Challenges

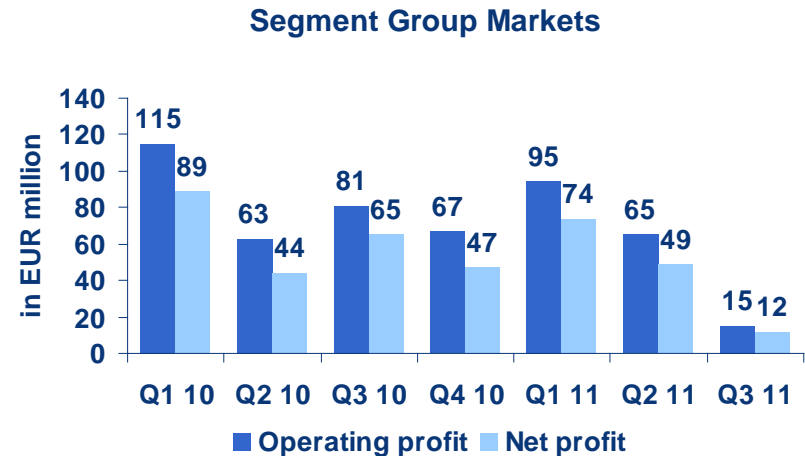
– GCM success stories

– Appendix

- GCM segment figures
- Transaction track record

GCM in a nutshell – Structure and performance

- **GCM is the core element of the Group Markets reporting segment**
- **GCM is a divisionalised business unit**
 - GCM employs about 500 staff in multiple locations, who report to the division head
- **GCM comprises three areas:**
 - Sales, subdivided into three business lines:
 - Retail & Savings Banks Sales
 - Institutional & Corporate Sales
 - Institutional Equity Sales
 - Trading, subdivided into two business lines:
 - Treasury Trading
 - Capital Markets Trading
 - Support & Mid Office
- **GCM has a good long-term track record of profitability**



The business lines in detail – Sales

Retail & savings banks sales

Retail Sales	2010	1-9 2011
Operating result contrib.	18%	23%
Full time equivalents	138	137

Responsibilities

Organisation of all processes of capital market products sold to private clients

Product origination, product management, distribution, order management, sales, sales support, webpage, training, after sales services

Additional responsibility as account manager for Erste Asset Management and all Austrian banks

Products

MM, FX, Fixed Income, Certificates, Equities, Funds, Structured Products, Derivatives in all asset classes

Clients

No direct customer contact; sales via branch networks incl. private banking

Operating group-wide for 17m private clients in our region

Corporate sales

Corporate sales	2010	1-9 2011
Operating result contrib.	15%	17%
Full time equivalents	49	47

Responsibilities

Organisation of all processes of capital market products sold to corporate clients

Product origination, distribution, sales, sales support, after sales services

Products

MM, FX, interest rate- and FX-derivatives, commodities, structured hedges
GCM structure ensures high quality across CEE
competitive advantage to diversify revenues in less developed markets

Clients

Covered directly and in close cooperation with the corporate account managers

Classification into corporate (large, SME) clients plus real estate and public sector

Corporate client coverage is performed by strong teams locally, classification is similar across countries, however adjusted to respective market and economy

Institutional sales

Institutional Sales	2010	1-9 2011
Operating result contrib.	13%	13%
Full time equivalents	85	90

Split into: Institutional Sales CEE, Institutional Sales Germany, Institutional Sales International (A & Western Europe ex Germany), Institutional Equity Sales

Responsibilities

Institutional Sales

Equity Sales: execution, market making in Europe. US is covered by a cooperation with Auerbach-Grayson (AT, CZ, HU, CRO, SR)

Products

Fixed Income (plain, structured) in primary and secondary markets, credit products (plain, structure), interest rate- and FX-derivatives

Cash equities in secondary & primary market for all markets with research coverage, i.e. Erste Group region & PL, TR

Clients

Banks, insurance companies, asset managers, mutual-, pension- and hedge-funds, foundations

Business lines in detail – Trading

– Responsibilities

Treasury Trading	2010	1-9 2011
Operating result contribution	54%	47%
Full time equivalents	139	142

- Treasury trading: market making, structuring, repo trading, short term liquidity management, mandatory reserve management, collateral management for tender activities and communication with Central banks, close cooperation with Balance Sheet Management across the group, sales contact and flow products
- Capital markets trading: market making, flow trading and structuring in all CEE capital market products, loan syndication and corporate solutions, alternative investment portfolio management

– Products

- Treasury trading: foreign exchange, money market, bank notes and bullions, FX options, commodities
- Capital markets trading: government bonds, credit (corporate bonds, covered bonds, financial bonds, CDS), syndicates loans, interest rate derivatives (IRS, caps & floors, swaptions, CMS), equities (cash equities, options, certificates, index linked products), alternative investments

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GCM strategy –

GCM is embedded in Erste Group's overall strategy

Customer banking in Central and Eastern Europe

Eastern part of EU

Retail banking

Focus on local currency mortgage and consumer loans funded by local deposits

FX loans only where funded by local FX deposits (RO & HR)

Savings products, asset management and pension products

Potential future expansion into Poland

Corporate banking

Large, local corporate and SME banking

Advisory services, with focus on providing access to capital markets and corporate finance

Real estate business that goes beyond financing

Potential future expansion into Poland

Focus on CEE, limited exposure to other Europe

Capital markets

Focus on customer business, incl. customer-based trading activities

In addition to core markets, presences in Poland, Turkey, Germany and London with institutional client focus and selected product mix

Building debt and equity capital markets in CEE

Public sector

Financing sovereigns and municipalities with focus on infrastructure development in core markets

Any sovereign holdings are only held for market-making, liquidity or balance sheet management reasons

Interbank business

Focus on banks that operate in the core markets

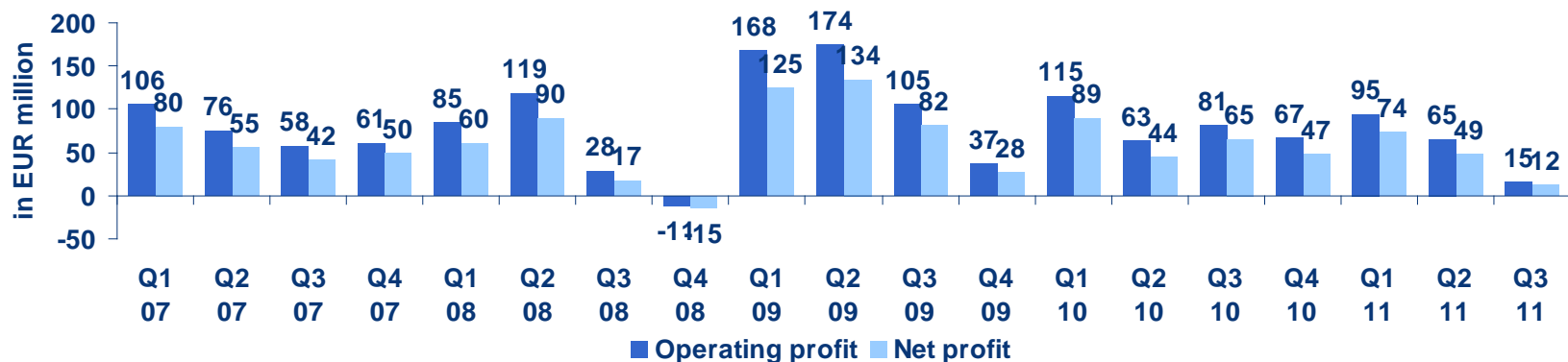
Any bank exposure is only held for liquidity or balance sheet management reasons or to support client business

GCM strategy –

Customer and profitability focus

- Focus on customer business in Erste Group's core banking markets (AT, CZ, SK, HU, RO, HR)
- Additional presences in complementary markets, such as Poland, Turkey, Germany and partially London with focus on institutional clients and selected product mix
- Tight integration with retail and corporate units within Erste Group
- Simple and understandable products that follow customer needs
- Efficient application of production capabilities across customer groups and geographies

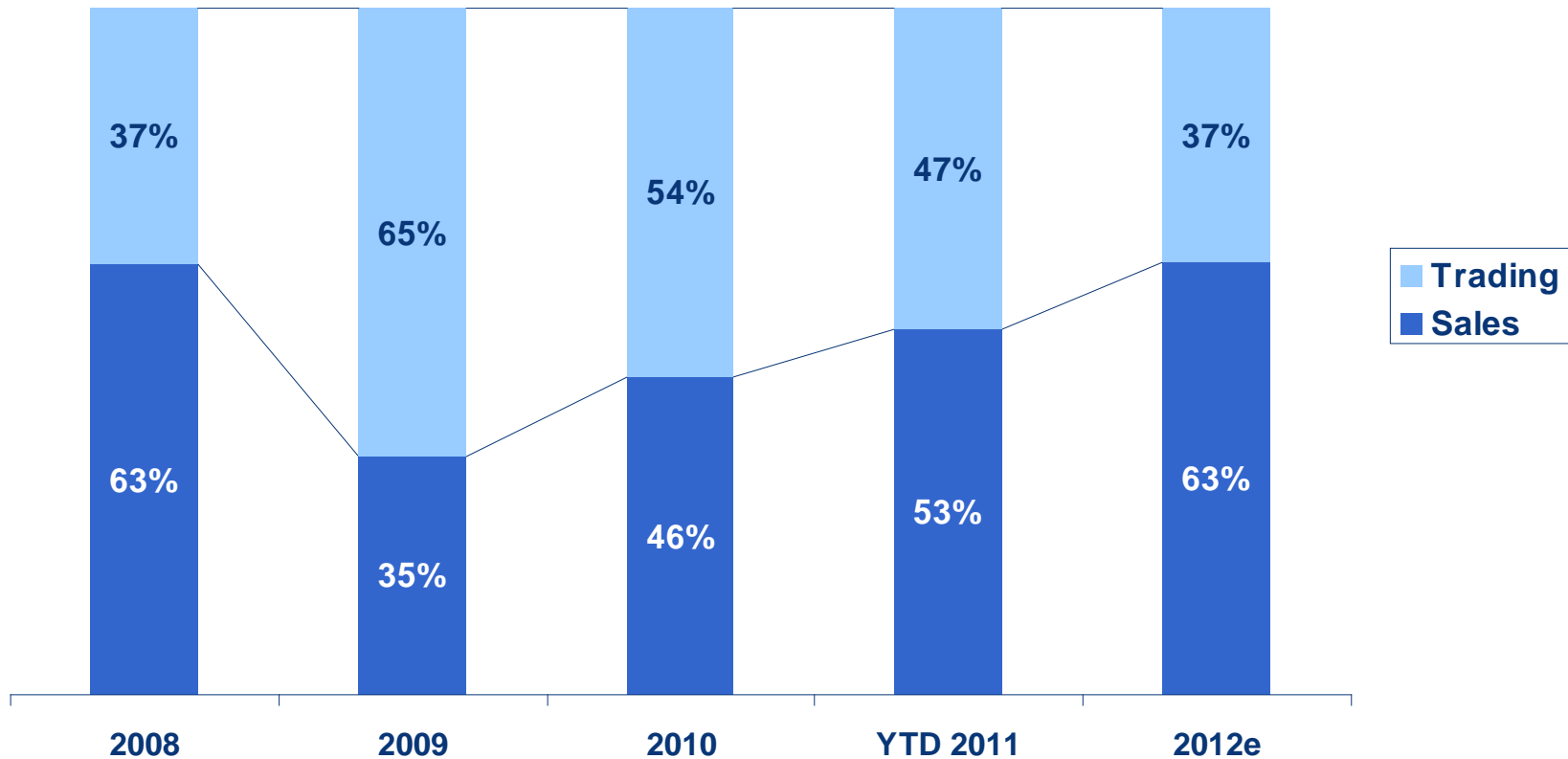
Segment Group Markets: strong profitability track record



GCM strategy –

Strong commitment to increasing client share

Distribution between Sales and Trading revenues



– EMIR regulation

- Applicable from 1 January 2013
- clearing obligation of standardised OTC derivatives; reporting @ trade repositories
- => Selection of Direct Clearing Member (short list defined, workshops ongoing)
- => Solution for corresponding clearing (on-boarding of our clients)

– MiFID directive/regulation

- Possibly applicable from 1 January 2015
- update of MiFID directive / WAG 2007, trading obligation of standardised derivatives, additional reporting requirements, enhanced transparency requirements for extended scope (bonds, derivatives)
- => Consulting activities (2nd round consultation)
- => Project setup will be prepared 2012 (high technical implications)

– CRD IV and V; Basel III

- Applicable from 1 January 2013 (Austria requires earlier implementation)
- additional capital requirements for trading book assets
- => Strict RWA steering and reduction project in implementation
- Liquidity: setup of Liquidity coverage ratio and Net stable funding ratio
- => Changed funding profile for short term liquidity management

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GCM success stories – Leader in bond origination

CEE Bond Underwriter
League Table 2011 YTD

Rank	Underwriter	Market Share (%)	Vol (EUR mn)
1	Erste Group Bank	13.4	4,328
2	Deutsche Bank AG	11.9	3,834
3	UniCredit	11.5	3,701
4	Societe Generale	10.0	3,239
5	BNP Paribas Group	9.2	2,967
6	HSBC Bank PLC	7.1	2,309
7	RBI	6.3	2,044
8	ING Groep NV	5.1	1,658
9	Credit Agricole CIB	3.9	1,248
10	Barclays Capital	3.8	1,243

CEE Bond Underwriter
League Table 2010

Rank	Underwriter	Market Share (%)	Vol (EUR mn)
1	Erste Group Bank	11.9	5,129
2	HSBC Bank PLC	11.6	4,968
3	UniCredit Group	11.2	4,794
4	Deutsche Bank AG	7.9	3,381
5	RZB Group	5.8	2,492
6	Societe Generale	5.7	2,436
7	Barclays Capital	5.1	2,175
8	BNP Paribas Group	5.0	2,134
9	Morgan Stanley	4.0	1,721
10	ING Groep NV	3.4	1,480

Sovereigns

September 2010



Czech Republic
EUR 2,000,000,000
10y Fixed Rate Bonds

Joint Bookrunner

Lowest 10y coupon out of CEE
2010 to date

January 2010 & January 2011



Republic of Austria
EUR 8,000,000,000
7y/11y Fixed Rate Bonds

Joint Bookrunner

Largest Republic of Austria
syndicated issue in 2 years

1x 2010 / 2x 2011



Slovak Republic
EUR 3,750,000,000
5y/9y Fixed Rate Bonds (tap)

Joint Bookrunner

Largest syndicated Taps of
existing issues by Slovak Rep

June 2011



Romania
EUR 1,500,000,000
5y Fixed Rate Bonds

Joint Bookrunner

Romania's largest Euro
benchmark issue

June 2011



Republic of Croatia
HRK 1,500,000,000/ EUR 600,000,000
5y/11y Fixed Rate Bonds

Joint Bookrunner

Strong domestic demand in the
CEE region despite jittery
markets

Agencies

January 2010



KIG
(g'teed. by State of Styria)
EUR 500,000,000
7y Fixed Rate Bonds

Joint Lead Manager

Successful issue of its second
benchmark Eurobond

June 2010



ÖBB Infrastruktur AG
EUR 1,250,000,000
15y Fixed Rate Bonds

Joint Bookrunner

First 15y agency issue following
Greek debt crisis

July/ December 2010



Czech Export Bank
EUR 300,000,000 total
3y/6y/NC4 Floating Rate Bonds

Sole / Joint Bookrunner

2 consecutive trades in 2010 for
opportunistic issuer

September 2010



ASFINAG
EUR 1,250,000,000
15y Fixed Rate Bonds

Joint Bookrunner

Lowest yielding 15y SSA-issue
since introduction of the Euro

4x 2011



Czech Export Bank
EUR 440,000,000 total
2y/7y/2x 10y Bonds

Sole / Joint Bookrunner

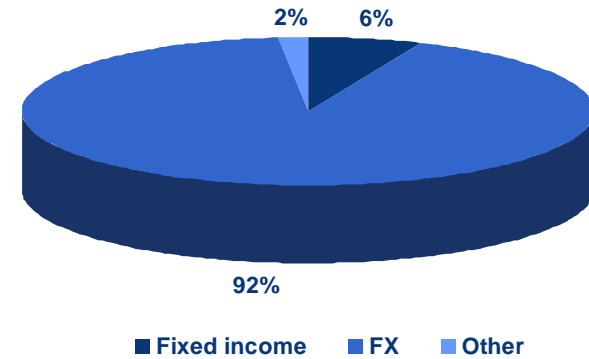
4 consecutive trades in 2011 for
opportunistic issuer

Source: Bloomberg; EUR denominated Bond issues from Austria and CEE excl. Russia (1/1 – 11/25/2011; 1/1 – 12/31/2010).

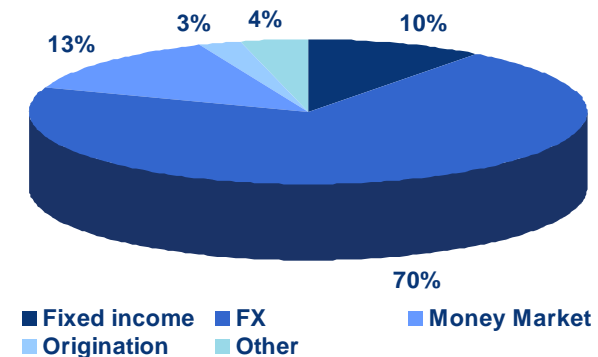
GCM success stories – Romanian sales business

- **Overall sales earnings increased significantly in difficult market environment – mainly driven by corporate sales**
 - Growth in FY 2010: +9%
 - Growth ytd 2011: +14%
- **Distribution of earnings much more diversified 1-9 2011 versus 2009**
 - FX part of earnings from 92% to 70%
 - FI and Origination increased from 6% to 13%

Romanian GCM revenue split
(based on 2009 data)

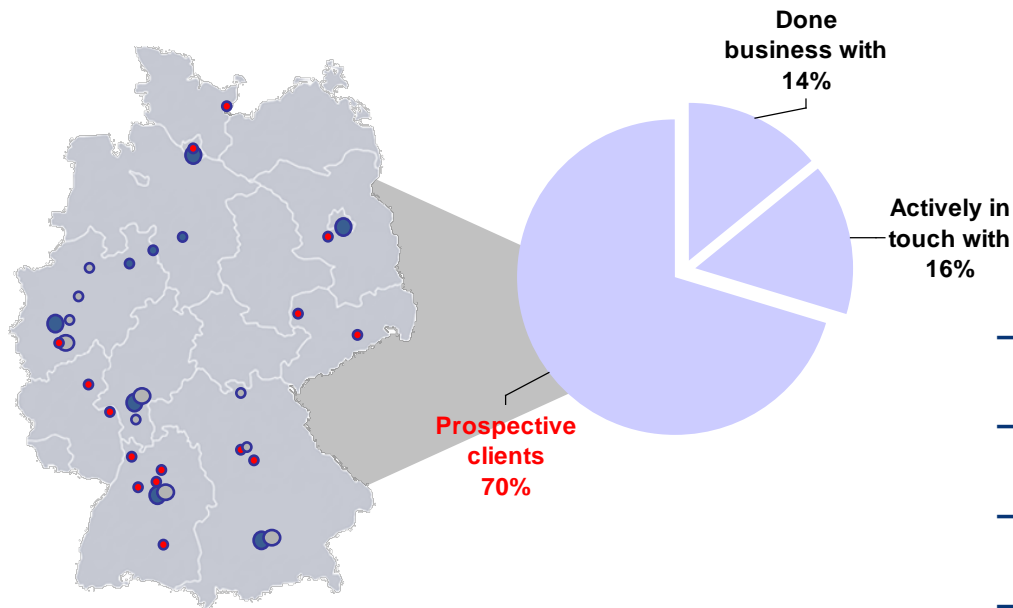


Romanian GCM revenue split
(based on 1-9 2011 data)



GCM success stories –

Institutional sales drive in Germany



- Market potential in Germany: >1000 clients
- Good progress so far:
 - **Actively in touch with more than 370 clients**
 - **Done business with more than 180 clients, most of them new clients for Erste Group**
 - **Institutional clients: We have been added to the broker list of major insurance companies and have seen good demand especially for new issues and own funding**
 - **Active coverage of about 30% of the German market at the moment**
- Steady growth in the savings- and cooperative banking sector
- Many institutions seek additional counterparties in Germany
- Banks: primarily active in the derivatives and new issues sector
- In process: negotiation and finalisation of CSAs with some remaining clients
- Break-even reached in Q3 11 after half a year of full operation

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GCM segment figures –

Key contributor to the Group Markets segment

GM excl EAM							
in EUR Mio	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011
Net interest income	32.2	26.4	30.9	71.3	25.7	42.0	34.9
Risk provisions for loan and adv.	0.0	0.0	-0.0	0.0	0.0	-0.0	0.0
Net commission income	21.3	17.3	17.0	14.0	16.6	13.4	14.6
Net trading result	97.1	50.2	77.9	20.9	95.5	50.7	11.0
General administrative expenses	-42.3	-39.3	-44.1	-52.0	-46.5	-43.5	-44.9
Other results	4.4	-3.2	1.3	-3.8	1.7	-0.6	2.6
Pre-tax profit	112.6	51.3	83.0	50.4	92.9	62.0	18.2
Taxes on income	-23.7	-12.6	-17.8	-7.2	-19.7	-12.9	-7.2
Post-tax profit from cont. ops for period	88.9	38.7	65.3	43.2	73.2	49.1	11.0
Profit from discount. ops net of tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit for the period/year	88.9	38.7	65.3	43.2	73.2	49.1	11.0
attr. to non-controlling interests	5.8	1.9	1.7	2.6	2.9	3.1	0.4
attr. to owners of the parent	83.1	36.8	63.6	40.5	70.3	46.0	10.6
operating income	150.5	93.9	125.8	106.2	137.8	106.1	60.4
operating expenses	-42.3	-39.3	-44.1	-52.0	-46.5	-43.5	-44.9
operating result	108.2	54.6	81.7	54.2	91.3	62.6	15.5
operating result - risk costs	108.2	54.6	81.7	54.2	91.3	62.6	15.5
Average risk-weighted assets	3,001.5	2,978.8	2,893.8	2,820.8	2,577.9	2,665.9	2,808.4
Average attributed equity	300.3	329.8	261.2	297.5	276.7	278.5	289.8
Cost/Income Ratio	28.1%	41.9%	35.0%	49.0%	33.8%	41.0%	74.3%

























SSA Sector – Selected Sovereign Credentials

**Erste Group as a
top bookrunner for
international
government
Eurobonds in its
core region Austria
and CEE**

<p>July 2011</p>  <p>Republic of Croatia HRK 1,500,000,000 & EUR 600,000,000 5y/11y Fixed Rate Bonds Joint Bookrunner ERSTE </p>	<p>June 2011</p>  <p>Romania EUR 1,500,000,000 5y Fixed Rate Bond Joint Bookrunner ERSTE </p>	<p>May 2011</p>  <p>Republic of Hungary EUR 1,000,000,000 7y Fixed Rate Bond Co-lead Manager ERSTE </p>	<p>April 2011</p>  <p>Montenegro EUR 180,000,000 5y Fixed Rate Bond Co-lead Manager ERSTE </p>
<p>April 2011</p>  <p>Slovak Republic EUR 1,000,000,000 (tap) 10y Fixed Rate Bond Joint Bookrunner ERSTE </p>	<p>February 2011</p>  <p>Slovak Republic EUR 1,250,000,000 (tap) 5y Fixed Rate Bond Joint Bookrunner ERSTE </p>	<p>January 2011</p>  <p>Republic of Austria EUR 4,000,000,000 11.25y Fixed Rate Bond Joint Bookrunner ERSTE </p>	<p>November 2010</p>  <p>Republic of Croatia HRK 4,000,000,000 7y Fixed Rate Bond Co-lead Manager ERSTE </p>
<p>September 2010</p>  <p>Czech Republic EUR 1,500,000,000 5y Fixed Rate Bond Joint Bookrunner ERSTE </p>	<p>July/March 2010</p>  <p>Republic of Croatia EUR 350,000,000 & EUR 650,000,000 10y Fixed Rate Bond Joint Bookrunner ERSTE </p>	<p>April 2010</p>  <p>Slovak Republic EUR 1,500,000,000 10y Fixed Rate Bond Joint Bookrunner ERSTE </p>	<p>January 2010</p>  <p>Republic of Austria EUR 4,000,000,000 7y Fixed Rate Bond Joint Bookrunner ERSTE </p>

























Corporate Sector – Selected Credentials

Erste Group as a leading bookrunner for corporate bonds

<p>November 2011</p>  <p>AT & S</p> <p>EUR 100,000,000 5y Fixed Rate Bonds</p> <p>Joint Bookrunner</p> 	<p>June 2011</p>  <p>České dráhy (Czech Railways)</p> <p>EUR 300,000,000 5y Fixed Rate Bonds</p> <p>Joint Bookrunner</p> 	<p>May 2011</p>  <p>Alpine Holding</p> <p>EUR 90,000,000 5y Fixed Rate Bonds</p> <p>Joint Bookrunner</p> 	<p>May 2011 / 3x2010</p>  <p>CEZ AS</p> <p>EUR 2,600,000,000 (total) 5y/10y/12y/15y Fixed Rate Bonds</p> <p>Joint Bookrunner & Dealer Mgr</p> 
<p>May 2011/2010</p>  <p>STRABAG SE</p> <p>EUR 275,000,000 5y/7y Fixed Rate Bond</p> <p>Joint Bookrunner</p> 	<p>May 2011</p>  <p>Frauenthal Group</p> <p>EUR 100,000,000 5y Fixed Rate Bonds</p> <p>Joint Bookrunner</p> 	<p>February 2011</p>  <p>EGGER Holzwerkstoffe</p> <p>EUR 200,000,000 7y Fixed Rate Bonds</p> <p>Joint Bookrunner</p> 	<p>January 2011</p>  <p>voestalpine</p> <p>EUR 500,000,000 7y Fixed Rate Bonds</p> <p>Joint Bookrunner</p> 
<p>Oct/Jan 2010</p>  <p>NOVOMATIC AG</p> <p>EUR 150,000,000 EUR 200,000,000 7y/5y Fixed Rate Bond</p> <p>Joint Bookrunner</p> 	<p>October 2010/2009</p>  <p>PORR AG</p> <p>EUR 125,000,000 EUR 100,000,000 5y Fixed Rate Bond</p> <p>Joint Bookrunner</p> 	<p>July 2010</p>  <p>Phoenix Pharmahandel</p> <p>EUR 506,150,000 4y Fixed Rate Bond</p> <p>Joint Bookrunner</p> 	<p>April 2010</p>  <p>Borealis AG</p> <p>EUR 200,000,000 7y Fixed Rate Bond</p> <p>Joint Bookrunner</p> 

Financial Sector – Selected Credentials

Erste Group has a solid track record in the financial sector

<p>October 2011</p> <p> Unicredit Bank Austria</p> <p>EUR 1,000,000,000 3y Covered Bond</p> <p>Co-lead Manager </p>	<p>October 2011</p> <p> Hypo NOE</p> <p>EUR 500,000,000 3y Covered Bond</p> <p>Joint Bookrunner </p>	<p>June 2011</p> <p> Aareal Bank</p> <p>EUR 500,000,000 5y Covered Bond</p> <p>Co-lead Manager </p>	<p>May 2011</p> <p> Goldman Sachs</p> <p>EUR 1.250.000.000 5y Fixed Rate Bond</p> <p>Joint Lead Manager </p>
<p>May 2011</p> <p> NATIXIS</p> <p>CZK 400.000.000 2y FRN</p> <p>Sole-lead Manager </p>	<p>May 2011</p> <p> Unicredit Bank Austria</p> <p>EUR 1.000.000.000 3y Covered Bond</p> <p>Joint Bookrunner </p>	<p>April 2011</p> <p> LA CAIXA</p> <p>EUR 1.250.000.000 5y Fixed Rate Bond</p> <p>Co-lead Manager </p>	<p>Jan/Feb 2011</p> <p> Raiffeisen Bank International</p> <p>2x EUR 1.000.000.000 2y/3y Fixed Rate Bond</p> <p>Co-lead Manager </p>
<p>February 2011</p> <p> NATIXIS</p> <p>CZK 400.000.000 5y Fixed Rate Bond</p> <p>Sole-lead Manager </p>	<p>February 2011</p> <p> EIB</p> <p>EUR 500.000.000 7y FRN (Tap)</p> <p>Joint Bookrunner </p>	<p>August 2010</p> <p> BAWAG P.S.K</p> <p>EUR 500.000.000 3y Covered Bond</p> <p>Joint Bookrunner </p>	<p>June 2010</p> <p> Aarhus Lokalbanc Aarhus Lokalbanc A/S (g'teed by the Kingdom. of Denmark)</p> <p>EUR 50.000.000 3y Fixed Rate Bond</p> <p>Sole-lead Manager </p>