ERSTE GROUP

Erste Group – 1-9 2011 trading update

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Major one-off charges, limited impact on core capital

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Presentation topics

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- Executive summary
- CDS reclassification & euro zone peripheral exposure
- Hungary
- Other items
  - Romania
  - IFRS 9 (effective interest rate method) alignment
- Capital position
  - Participation capital strategy
- Outlook

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Executive summary (1) –
Major one-off charges, limited impact on core capital

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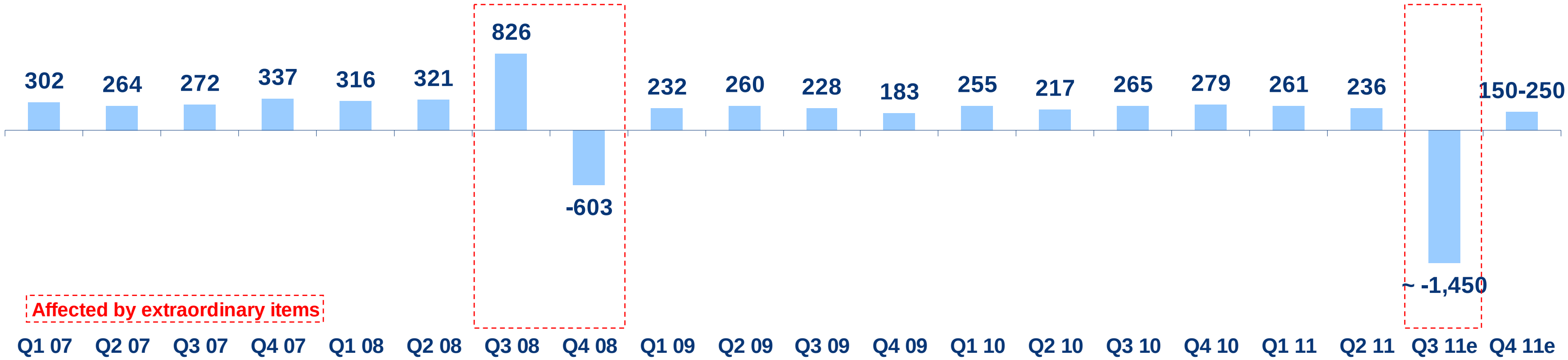
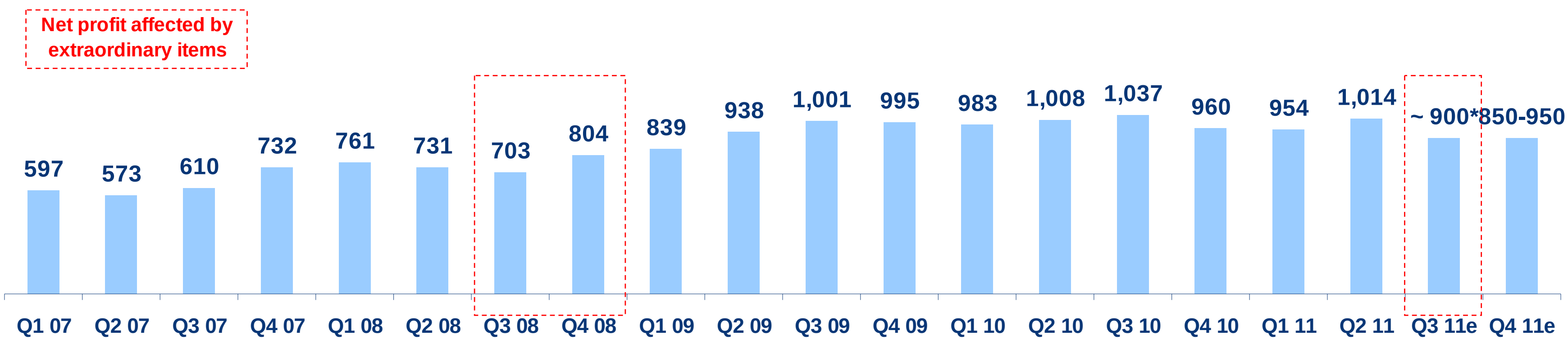
- **Taking decisive action in Hungary**
  - The new political/economic reality requires a complete strategic rethink
  - Write-down of entire goodwill (EUR 312 million pre- and post-tax)
  - Provision for forced FX conversion (early repayment law) of EUR 200 million (pre- and post-tax)
  - Increase in target NPL coverage ratio to 62%, leading to an additional one-time risk charge of EUR 250 million (pre- and post-tax)
- **Making progress in Romania**
  - Weaker economic performance of Romania and slower development of the banking market leads to partial goodwill write-down of EUR 700 million pre-tax (EUR 627 million post-tax)
  - Successful SIF transaction will result in consolidation of substantially larger share of BCR's cash flow
- **Reclassification of CDS portfolio**
  - CDS portfolio (protection sold) amounted to EUR 5.2 billion at 30 September 2011
  - Reclassification from financial guarantees (amortised cost) to derivatives (mark-to-market)
  - Restatement of historic financials will have the following impacts
    - EUR -280 million against shareholders' equity for the years prior to 2011
    - 1-9 2011 income statement: EUR -180 million (post-tax)
  - Strong focus on accelerated portfolio and risk reduction
- **Moving ahead of the curve on euro zone peripheral exposure**
  - Significant reduction in euro zone peripheral exposure (GR, IE, PT, IT and ES) since start of the year from EUR 5.1 billion at year-end 2010 to EUR 3.6 billion at 30 September 2011
  - Reduction in sovereign exposure from EUR 1.9 billion to EUR 0.6 billion at 30 September 2011
  - Greek sovereign exposure is no longer material
  - 95% of EUR 0.6 billion sovereign exposure to GR, IE, PT, IT and ES is marked-to-market
- **Core tier 1 ratio (total risk) to remain unchanged at about 9.2% in 2011 vs year-end 2010**
  - Repayment of state portion of participation capital (EUR 1.2 billion) to be postponed by at least one year

Executive summary (2) –
Track record of strong underlying profitability *

Quarterly reported net profit (in EUR m)



Quarterly operating profit (in EUR m)



*) Figures prior to Q3 11 not restated. Q3 11e operating profit adjusted for CDS valuation and close-out impact.

Reclassification of CDS portfolio –
History and key data

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- **Business was done until 2008 as part of the International Business**
  - Advantages seen at that time: unfunded, yield pick up, portfolio diversification
  - Single reference entities, no basket default swaps; top banks and sovereigns
  - Hedges were bought in 2011 and some trades terminated/transferred
  - Today reported under the GCIB segment

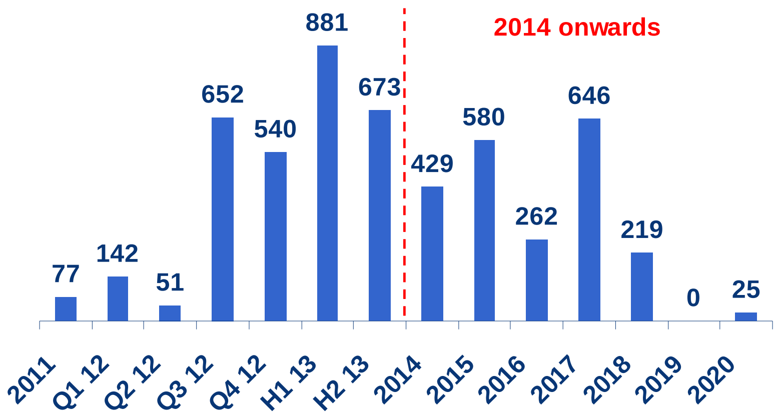
- **Accounting treatment**
  - Originally booked as financial guarantees (off balance sheet credit surrogates) at amortised cost
  - Following IASB staff paper interpretation dated 28 July 2011 reclassified as derivatives and marked-to-market

- **Volume details as at 30 September 2011**
  - Nominal value: EUR 5.2 billion
  - Market value: EUR 4.9 billion

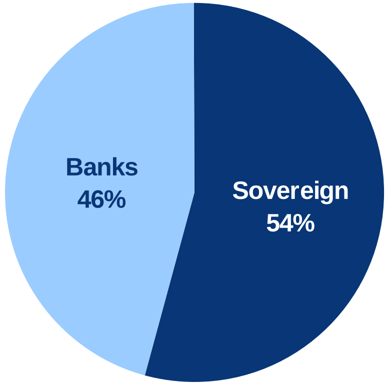
- **Impact on financial statements**
  - Restatement of historic accounts:
    - Impact for years prior to 2010 booked against 2010 equity: EUR 149 million
    - Thereafter valuation result is included in the income statement:
      - 2010: EUR 132 million
      - 2011: EUR 180 million

Reclassification of CDS portfolio –
Portfolio analysis

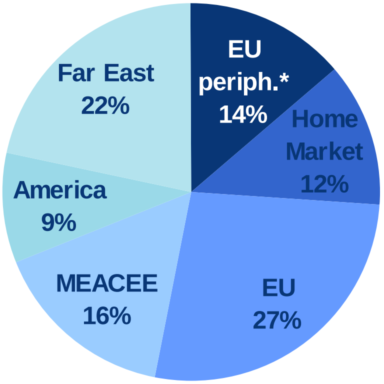
Maturity profile of CDS portfolio



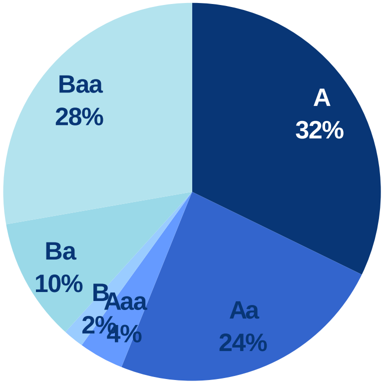
CDS split by entities



CDS split by region



CDS split by rating

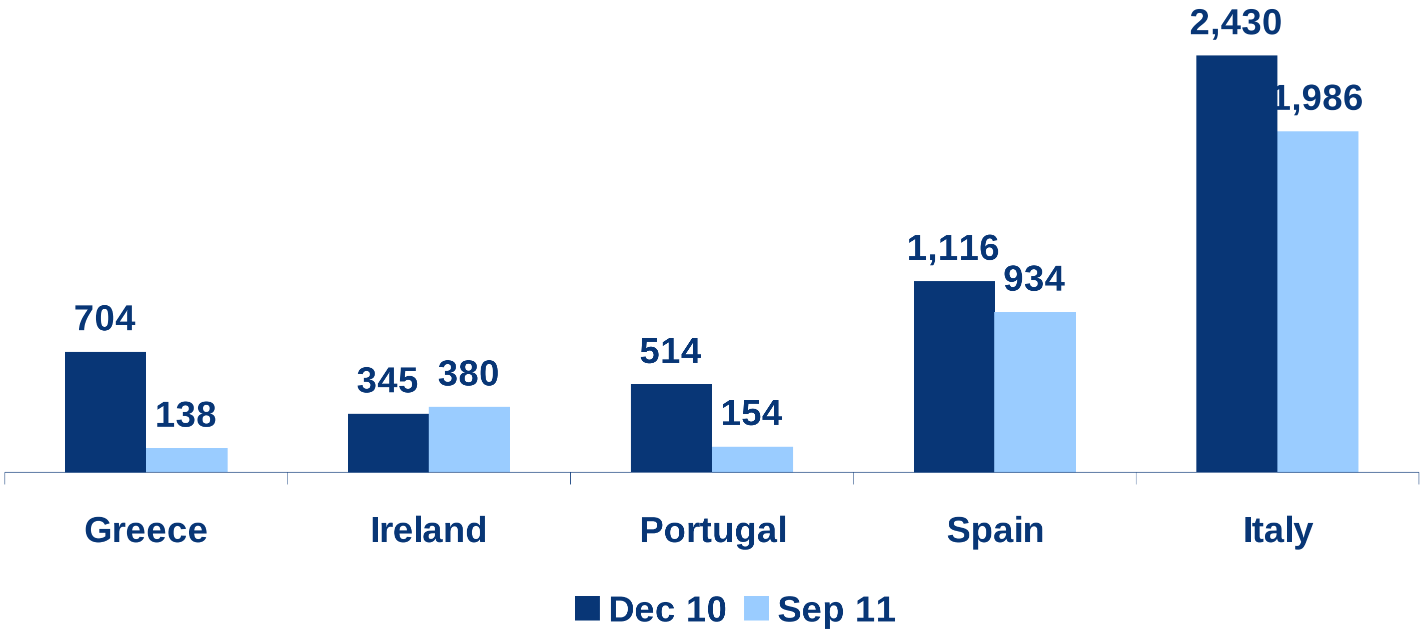


*Greece, Ireland; Portugal, Spain, Italy

Update on euro zone peripheral exposure (1) –
Significant risk reduction across the board

- **Aggressive disposal programme ytd with focus on risk reduction**
  - Strongest decline in Greek and Portuguese exposure
  - EUR 400 million of Italian exposure matures in January 2012

Net exposure of Erste Group* to euro zone periphery (in EUR million)



*) Excludes savings banks in Austria.

Update on euro zone peripheral exposure (2) –
95% of sovereign exposure is marked-to-market

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– **No meaningful sovereign exposure to GR, IE, ES, PT as at 30 September 2011**
– **81% of exposure is related to Italy and Spain (includes corporate and retail)**

Total net exposure of Erste Group (excluding savings banks) to selected European countries:

in EUR million	Sovereign		Bank		Other		Total net exposure	
	Dec 10	Sep 11	Dec 10	Sep 11	Dec 10	Sep 11	Dec 10	Sep 11
Greece	525.7	13.1	172.0	118.6	5.8	5.9	703.5	137.6
Ireland	63.3	74.1	227.6	253.1	54.4	53.1	345.4	380.3
Portugal	224.0	-3.8	280.5	144.6	9.9	9.1	514.5	153.7
Spain	92.4	18.4	679.7	567.6	343.4	348.1	1,115.5	934.1
Italy	985.4	542.5	908.6	929.8	536.5	513.6	2,430.5	1,985.8
Sum total	1,890.9	648.1	2,268.5	2,013.7	950.0	929.8	5,109.3	3,591.6

Sovereign net exposure by country and portfolio:

in EUR million	FV		AfS		At amortised cost		Total net exposure	
	Dec 10	Sep 11	Dec 10	Sep 11	Dec 10	Sep 11	Dec 10	Sep 11
Greece	456.5	7.9	1.0	0.0	68.2	5.3	525.7	13.1
Ireland	59.7	59.4	0.0	0.0	3.6	14.7	63.3	74.1
Portugal	168.4	-3.8	0.0	0.0	55.6	0.0	224.0	-3.8
Spain	35.1	-23.6	29.8	29.8	27.5	12.2	92.4	18.4
Italy	907.2	510.1	58.7	29.9	19.5	2.4	985.4	542.5
Sum total	1,627.0	553.7	89.5	59.8	174.4	34.6	1,890.9	648.1

Bank net exposure by country and portfolio:

in EUR million	FV		AfS		At amortised cost		Total net exposure	
	Dec 10	Sep 11	Dec 10	Sep 11	Dec 10	Sep 11	Dec 10	Sep 11
Greece	0.1	2.5	0.0	0.0	171.9	116.1	172.0	118.6
Ireland	141.8	123.0	65.8	95.7	20.0	34.4	227.6	253.1
Portugal	71.7	40.1	56.4	30.6	152.4	73.9	280.5	144.6
Spain	341.0	360.1	108.7	47.4	229.9	160.0	679.7	567.6
Italy	322.8	432.7	58.5	20.7	527.2	476.3	908.6	929.8
Sum total	877.5	958.4	289.6	194.5	1,101.4	860.8	2,268.5	2,013.7

Hungary –
Coping with a difficult operating environment

- **Heavy government intervention in the banking market**
  - Introduction of a disproportionate banking tax as of 2010
  - Nationalisation of private pension system
  - Early repayment (of FX loans) act
  - Threat of renegotiating county and municipality debt
  - Limited or no consultation with affected parties in the law making process
  - Implications for the economy are likely to be severe

- **Actions taken by Erste Group**
  - Write down entire Hungarian goodwill of EUR 312 million (pre- and post-tax)
  - Provide for expected loss from early repayment of FX mortgages of EUR 200m pre- and post-tax
  - Create an additional provision of EUR 250 million (pre- and post-tax) for raising the target NPL coverage ratio to 62% due to a changed political, economic and legal environment and in support of continued asset quality deterioration
    - In total Hungarian risk costs will amount to about 750 million in 2011
  - Due to an expected 2011 net loss of EUR 500 million at Erste Bank Hungary, Erste Group will inject up to EUR 600 million in new equity

- **Strategic implications for Erste Bank Hungary (EBH)**
  - Termination of cooperation with external loan sales agents
  - Focus on local currency business from locally sourced liquidity
  - Reduce dependence on parent company funding
  - Full strategy review under way

Hungary: Early repayment of FX mortgages –
Overview of the law

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Summary of the early repayment law	• The Hungarian Parliament has recently passed a bill that allows full early repayment of FX retail mortgage loans at a fixed exchange rate • Banks would be responsible for covering all transaction-related costs, including the difference between the fixed exchange rate and the current market rate
Exchange rates to be used for early repayment	• CHF-based loans: 180 versus HUF • EUR-based loans: 250 versus HUF • YEN-based loans: 2 versus HUF
Details of the law	• Eligible customers can either repay their FX mortgages in full or apply for a HUF-based loan • The law does not make it compulsory for banks to offer HUF-based loans • Clients who took out loans above these exchange rates would be excluded from the program • Borrowers can apply for early repayment until December 30, 2011
Erste Group: impacted volume*	• CHF-based retail mortgage loans: EUR 3bn • EUR-based retail mortgage loans: EUR 0.5bn

* Maximum impacted volume including 90 days overdue and clients who took out loans above the fixed exchange rate levels

Other items –
Romanian goodwill write-down, EIR alignment

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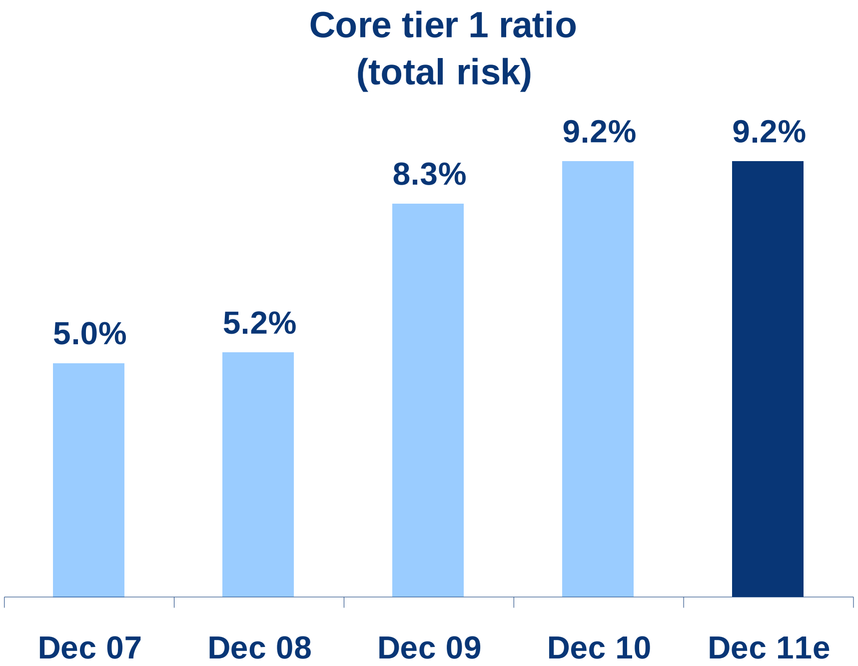
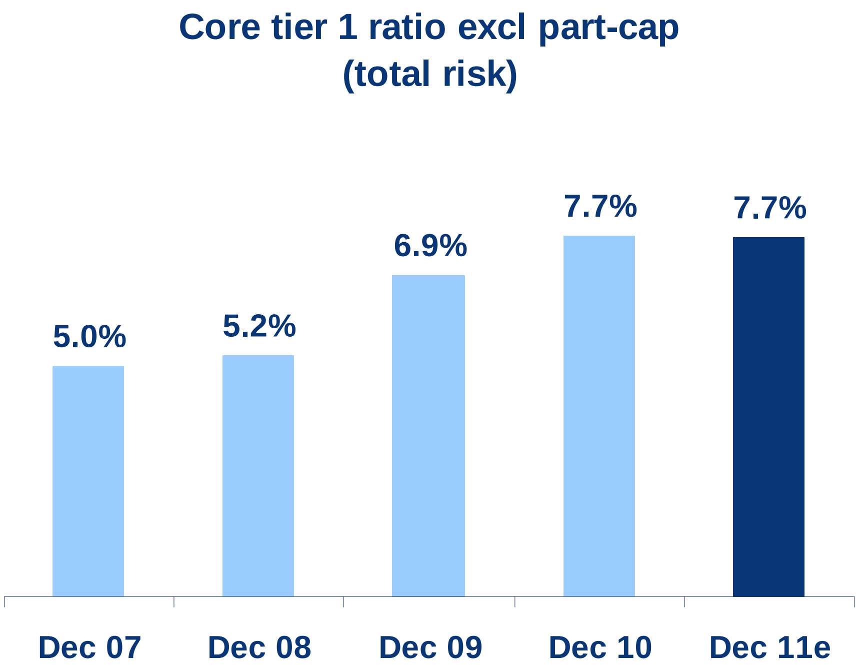
- **Partial goodwill write-down in Romania**
  - EUR 700 million pre-tax (EUR 627 million post-tax)
  - Adjustment due to weaker economic performance of Romania and slower development of the banking market
  - Remaining goodwill of EUR 1.1 billion to be supported by higher share of BCR cash flow on the back SIF minority buyout – following completion of the transaction Erste Group will own a 94% stake in BCR

- **Effective interest rate (EIR) method alignment across Erste Group**
  - In anticipation of implementation of IFRS 9 Erste Group is carrying out a group-wide alignment project regarding EIR methods and methodologies used
    - EIR method requires loan-related income to be recognised over the life of a loan, rather than at the time of payment
  - Restatement impact for years prior to 2011 amounts to:
    - About EUR 210 million and about EUR 100 million, booked as a one-time charges against shareholders' equity and minority capital, respectively
    - 1-9 2011 income statement impact is about EUR 10 million (post-tax).
  - These amounts will be recouped through the income statement over the life of the loans

Regulatory capital –
Despite charges capital position remains strong





In response to the significantly deteriorated outlook for the euro zone economies and as precautionary measure Erste Group will postpone the early repayment of the state portion of the participation capital by at least one year.

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

Outlook –
Renewed internal capital generation in 2012

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- **Erste Group's operating performance to remain a pillar of strength in 2011**
  - Expected to offset the negative impact on regulatory capital from extraordinary charges
  - Core Tier 1 ratio (total risk) at about 9.2% is expected to remain unchanged vs 2010
- **Risk costs on group level are expected to amount to EUR 2.3bn in 2011**
  - Before extraordinary charges: EUR 1.8bn
- **Erste Group expects to post a net loss of about EUR 700-800 million in 2011**
  - Before extraordinary charges: net profit of about EUR 850-950 million
- **Recommendation to 2012 AGM**
  - Continued payment of participation capital coupon
  - No dividend for ordinary shareholders for FY 2011
- **Funding remains a key strength of Erste Group**
  - Vastly improved short-term funding profile: collateral coverage of 113% (H1 2011)
  - Long-term funding needs fully completed for 2011; pre-funding of 2012 has started

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