ERSTE GROUP

Major one-off charges, limited impact on core capital

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Major one-off charges, limited impact on core capital

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- Significant reduction in euro zone peripheral exposure
  - Reduction in sovereign exposure from EUR 1.9 billion to EUR 0.6 billion at 30 September 2011
  - Greek and Portugal sovereign exposure reduced to 10 mn
- Reclassification of CDS portfolio
  - 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
  - Strong focus on accelerated portfolio and risk reduction
- Taking decisive action in Hungary
  - The new political/economic reality requires a complete strategic rethink
  - Write-down of entire goodwill (EUR 312 million)
- 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
- 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

Hungary –
Coping with a difficult operating environment

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- Heavy government intervention in the banking market
  - Introduction of a disproportionate banking tax as of 2010
  - Nationalisation of private pension system
  - Implications for the economy are likely to be severe
  - Early repayment (of FX loans) act

- 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
  - Create an additional provision of EUR 250 million 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
  - 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

Reclassification of CDS portfolio

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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, top banks and sovereigns

- 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 (2011: EUR 180 million)

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

- 100% of the portfolio is mark-to-market

Reclassification of CDS portfolio –
Portfolio analysis

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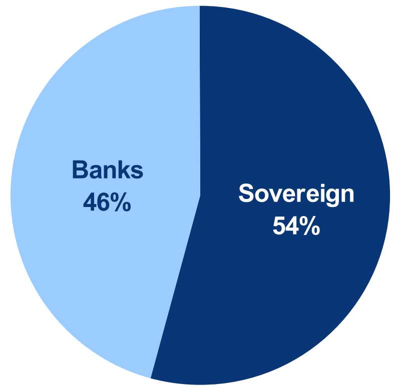
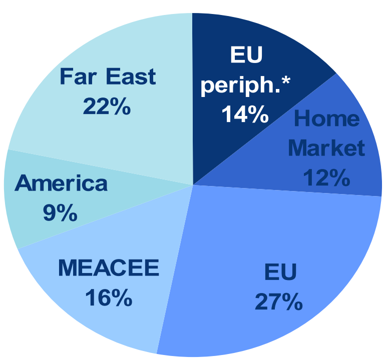
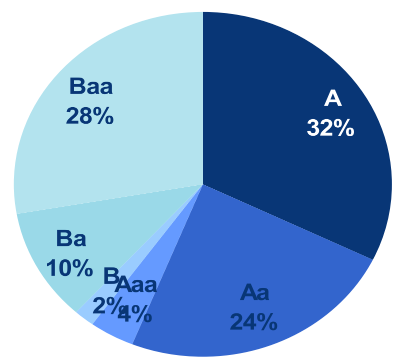
CDS split by entities



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

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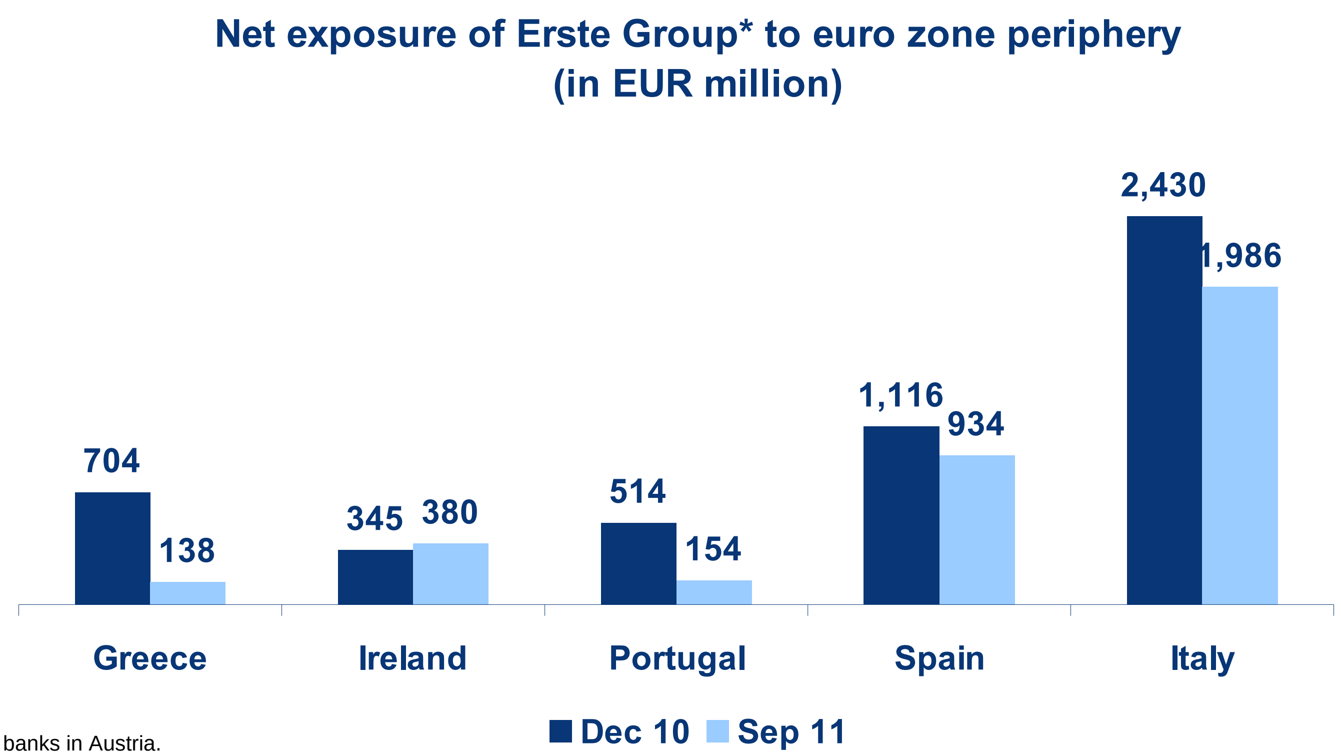
- Aggressive disposal programme ytd with focus on risk reduction
  - Strongest decline in Greek and Portuguese exposure
  - EUR 400 million of Italian exposure matures in January 2012



*) 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

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
    - 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

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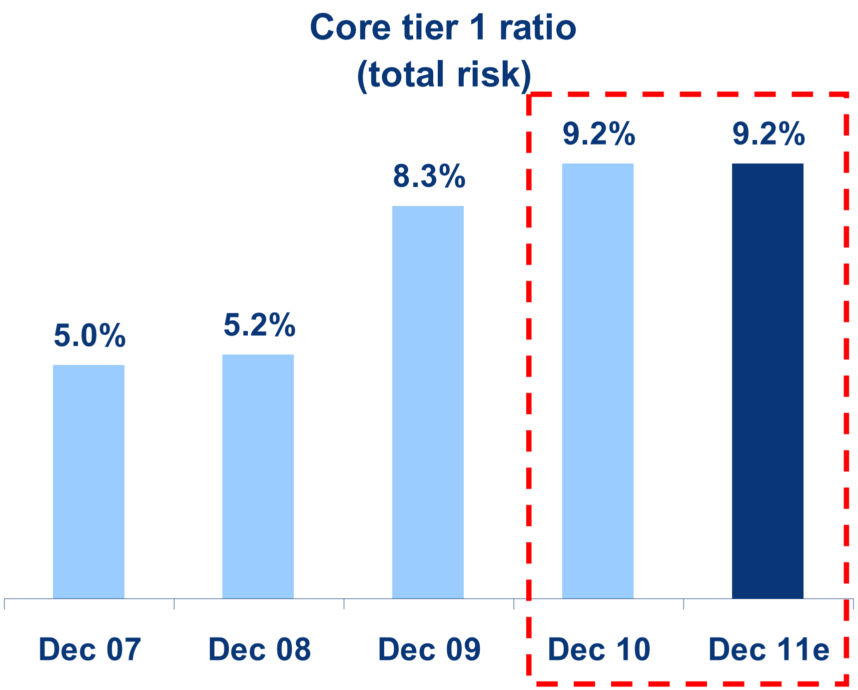

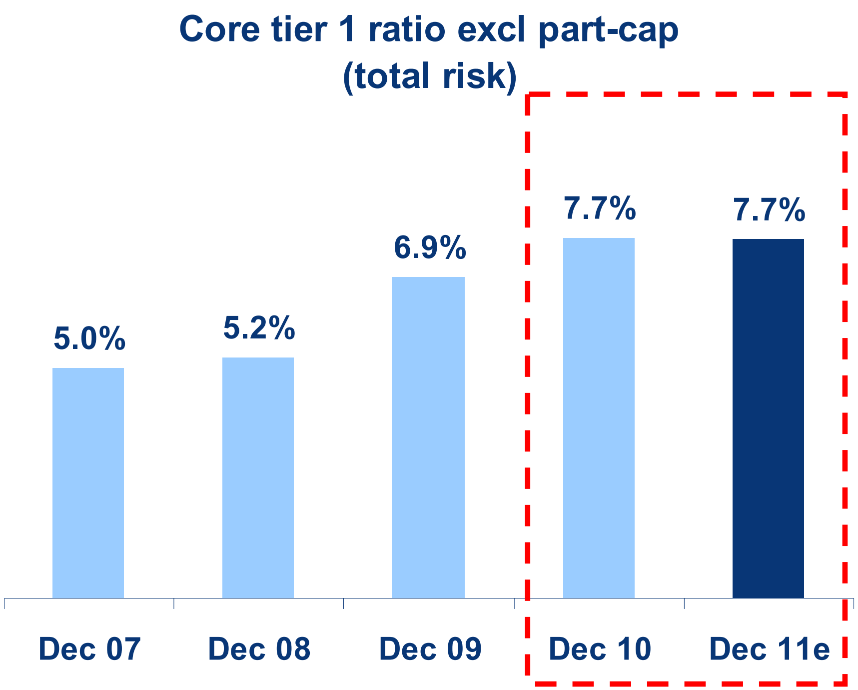

Core tier 1 ratio (total risk) = tier 1 capital excl. hybrid and after regulatory deductions divided by total RWA - including credit risk, market and operational risk.

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

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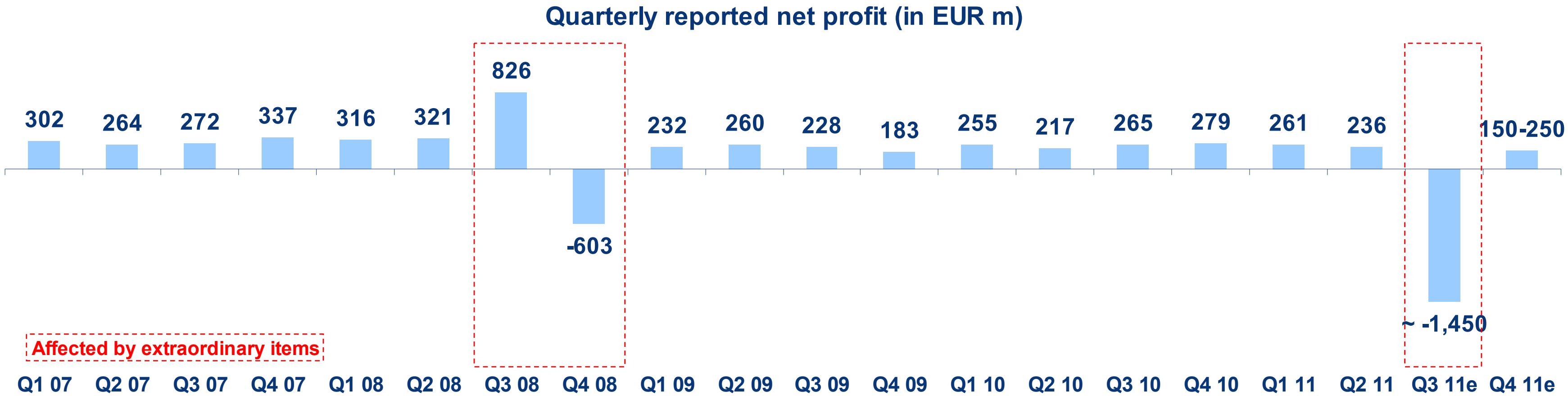

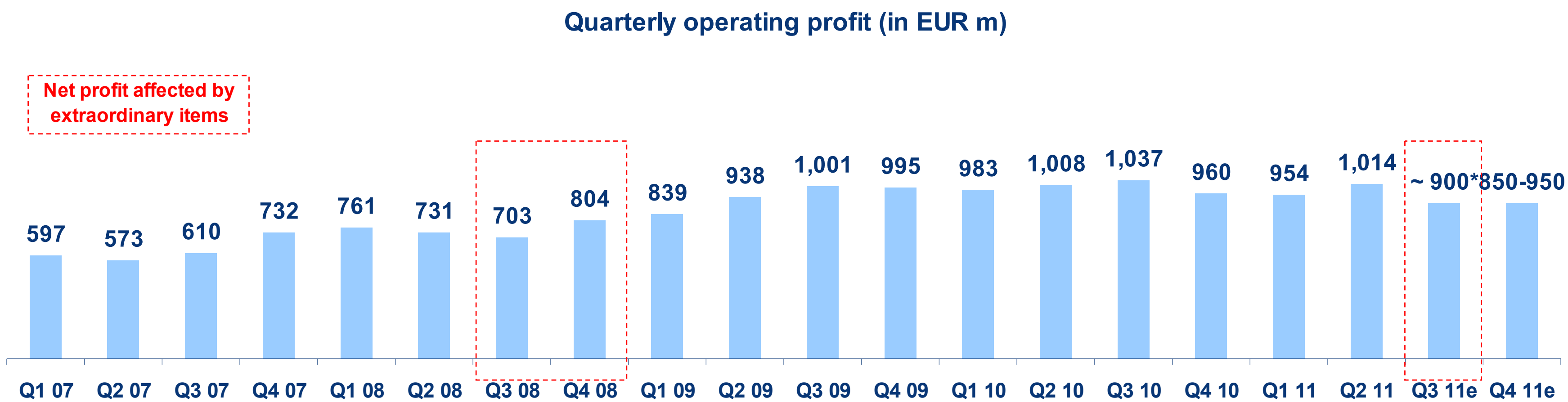

*) Figures prior to Q3 11 not restated. Q3 11e operating profit adjusted for CDS valuation and close-out impact.

The strategy is right

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Over the past 5 years Erste Group earned some EUR 3.1bn **net profit in CEE** – this represents almost **2/3** of the total net profit of Erste Group over this period of time

In the same period **only 1/3** of the risk weighted **assets** of Erste Group have been invested in CEE

Net profit EUR m	Austria + Holding(*)	%	CEE	%
2006	368,5	39,5%	563,7	60,5%
2007	424,8	36,2%	750,0	63,8%
2008	34,7	4,0%	824,9	96,0%
2009	429,8	47,6%	473,6	52,5%
2010	513,1	50,5%	502,3	49,5%
Σ 5 yrs	**1.770,9**	**36,3%**	**3.114,5**	**63,7%**

RWA EUR bn	Austria + Holding(*)	%	CEE	%
2006	57,5	70,5%	24,1	29,3%
2007	61,5	66,7%	30,7	33,3%
2008	65,5	65,7%	34,8	34,3%
2009	70,4	66,0%	36,2	34,0%
2010	68,1	65,0%	36,6	35,0%
Ø 5 yrs	**64,9**	**66,6%**	**32,5**	**33,4%**

Sources: Segment reports Erste Group
*) Segments Austria, GM, GCIB

Outlook

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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
- **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
- **Core Tier 1 ratio (total risk) at about 9.2% is expected to remain unchanged vs 2010**
- **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