Erste Group Bank AG
Half year results 2012

31 July 2012, Vienna

Solid bottom line performance complemented by improved capital position

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Presentation topics

ERSTE GROUP

- **Erste Group's development in HY 2012**
- Central and Eastern Europe
- Outlook 2012

H1 2012 executive summary –

EBA capital ratio reaches 9.9% (ex retained earnings)

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- **Net profit of EUR 453.6m in H1 2012 impacted by one-off items:**
  - Gain on buyback of tier 1 and tier 2 instruments
  - Goodwill adjustment for BCR
  - Costs related to the FX mortgage interest subsidy legislation in Hungary
- **Asset quality in AT, CZ & SK good, in RO & HU still challenging**
  - Risk costs increased to EUR 981.8m (146bps) driven predominantly by Romania in H1 2012
  - NPL ratio based on customer loans was 9.2% as of Jun 2012 (Dec 2011: 8.5%)
  - NPL coverage ratio increased to 61.2% (Dec 2011: 61.0%)
  - No meaningful sovereign exposure to peripheral Europe
- **Strong deposit inflows improved loan-to-deposit ratio (109.6%)**
  - Long term funding needs for 2012 fully covered by June due to successful market-based issuance
  - Additional investments in highly liquid assets further improved liquidity ratios as of June 2012
- **Basel 2.5 CET1 ratio at 10.4%, EBA CET1 ratio rose to 9.9% as of June 2012**
  - Reduction of non-core assets declines RWA by 4.4%
  - Including retained earnings EBA CET 1 ratio improved to 10.4%

Income statement H1 2012 –

Pre-tax profit down driven by weaker net trading result

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in EUR million	1-6 12	1-6 11	Change	Comment
Net interest income	2.651,7	2.703,9	(1,9%)	Reduction in non-core business
Risk provisions for loans	(981,8)	(920,8)	6,6%	Extraordinarily high provisions in RO in H1 2012
Net fee and commission income	865,5	906,1	(4,5%)	Weak securities & investment banking business
Net trading result	121,5	288,8	(57,9%)	Valuation gains in H1 2011
General administrative expenses	(1.887,4)	(1.926,3)	(2,0%)	Strict cost control across the group
Other operating result	(68,1)	(260,2)	(73,8%)	Buybacks and goodwill adjustment (BCR)
Result from financial instruments - FV	42,4	(19,9)	na	
Result from financial assets - AfS	3,7	14,1	(73,8%)	
Result from financial assets - HtM	(19,8)	2,0	na	
Pre-tax profit/loss	727,7	787,7	(7,6%)	
Taxes on income	(196,6)	(175,4)	12,1%	
Net profit/loss for the period	531,1	612,3	(13,3%)	
Non-controlling interests	77,5	91,5	(15,3%)	
Owners of the parent	453,6	520,8	(12,9%)	

– One-off income of EUR 413.2m pre-tax from buyback of tier 1 and tier 2 instruments (other operating result)
– Goodwill adjustment of EUR 210.0m (other operating result)
– Banking taxes increased to EUR 114.5m in H1 2012 (Austria EUR 82.9m, Hungary EUR 24.5m and EUR 7.1m Slovakia) vs EUR 95.6m in H1 2011

Income statement Q2 2012 –

Buybacks and goodwill adjustment affected net income

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in EUR million	Q2 12	Q1 12	Change	Comment
Net interest income	1.314,8	1.336,9	(1,7%)	Reduction in non-core business
Risk provisions for loans	(401,2)	(580,6)	(30,9%)	HU provison shift, improvement in AT, CZ & SK
Net fee and commission income	435,2	430,3	1,1%	Improvement in payments & credit business qoq
Net trading result	27,9	93,6	(70,2%)	
General administrative expenses	(942,3)	(945,1)	(0,3%)	Stringent cost control across the group
Other operating result	(199,3)	131,2	na	Buybacks and goodwill adjustment (BCR)
Result from financial instruments - FV	0,9	41,5	(97,8%)	
Result from financial assets - AfS	18,4	(14,7)	na	
Result from financial assets - HtM	(13,8)	(6,0)	>100.0%	
Pre-tax profit/loss	240,6	487,1	(50,6%)	
Taxes on income	(89,4)	(107,2)	(16,6%)	
Net profit/loss for the period	151,2	379,9	(60,2%)	
Non-controlling interests	44,1	33,4	32,0%	
Owners of the parent	107,1	346,5	(69,1%)	

- One-off income of EUR 162.6m pre-tax from buyback of tier 1 and tier 2 instruments (other operating result) in Q2
- One-off income of EUR 250.6m pre-tax from buyback of tier 1 and tier 2 instruments (other operating result) in Q1
- Goodwill adjustment of EUR 210.0m (other operating result) in Q2
- Income on selling properties of EUR 42.7m in Q2
- Risk costs decreased qoq including a shift of extraordinary provisions (EUR 60.6m) in HU relating to the interest subsidy scheme for performing FX loans into other operating result
- Weak net trading result

Balance sheet H1 2012 –
Sustained RWA reduction in non-core business

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in EUR million	Jun 12	Dec 11	Change	Comment
Cash and balances with central banks	5,737	9,413	(39.1%)	
Loans and advances to credit institutions	13,311	7,578	75.7%	Excess liquidity deposited with central banks
Loans and advances to customers	133,944	134,750	(0.6%)	Reduction in HU (FX law) & Intern. Business
Risk provisions for loans and advances	(7,612)	(7,027)	8.3%	Driven by Hungary & Romania
Derivative financial instruments	11,974	10,931	9.5%	
Trading assets	5,953	5,876	1.3%	
Financial assets - FV	845	1,813	(53.4%)	Reduction of non-core assets
Financial assets - AfS	22,514	20,245	11.2%	Basel 3, excess liquidity and deposit
Financial assets - HtM	17,905	16,074	11.4%	growth invested (bonds, CEE region)
Equity holdings in associates	169	173	(2.3%)	
Intangible assets	3,211	3,532	(9.1%)	Goodwill adjustment (BCR)
Property and equipment	2,244	2,361	(5.0%)	
Current tax assets	117	116	0.9%	
Deferred tax assets	586	702	(16.5%)	
Assets held for sale	118	87	35.6%	
Other assets	4,212	3,382	24.5%	
Total assets	**215,228**	**210,006**	**2.5%**	
Risk-weighted assets	**108,969**	**114,019**	**(4.4%)**	Reduction of non-core assets across group

- Decreased total RWAs (EUR 5.1bn)
- Financial assets (sovereign bonds) rose as a result of preparatory actions to meet Basel III liquidity requirements as of 2014 (e.g. LCR) and because of investing surplus liquidity from growth in customer deposits
- Loans to customers decreased slightly compared to YE 2011 on reduction of non-core business in International Business (GCIB) and as result of FX conversion law in Hungary

Balance sheet H1 2012 –

Loan-to-deposit ratio improved to 109.6%

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in EUR million	Jun 12	Dec 11	Change	Comment
Deposits by banks	24,844	23,785	4.5%	LTRO inflow
Customer deposits	122,252	118,880	2.8%	Growth mainly in AT, CZ & SK
Debt securities in issue	30,254	30,782	(1.7%)	Successful issuance of covered & unsecured
Derivative financial instruments	10,550	9,337	13.0%	
Trading liabilities	431	536	(19.6%)	
Provisions	1,579	1,580	(0.1%)	
Current tax liabilities	61	34	79.4%	
Deferred tax liabilities	351	345	1.7%	
Other liabilities	4,705	3,764	25.0%	
Subordinated liabilities	4,309	5,783	(25.5%)	Buyback of own issues
Total equity	15,892	15,180	4.7%	Strong net profit and OCI in H1 2012
Non-controlling interests	3,267	3,143	3.9%	
Owners of the parent	12,625	12,037	4.9%	
Total liabilities and equity	**215,228**	**210,006**	2.5%	
Core tier 1 ratio	**10.4%**	**9.4%**		

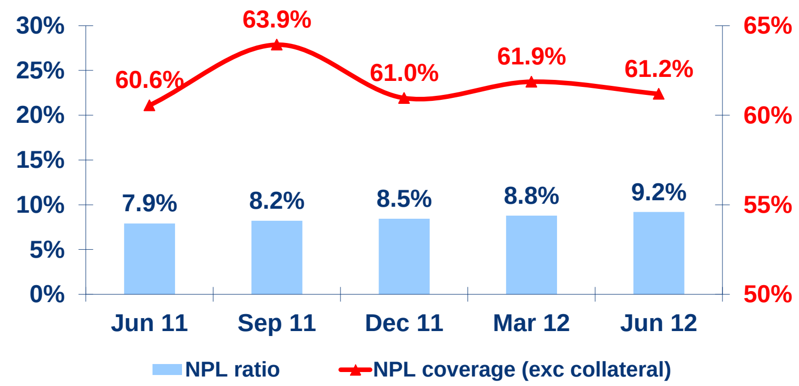
- Increased equity
- Deposits grew mainly in core Retail & SME business in Austria, Czech Republic and Slovakia
- Increased capital ratios

Asset quality review –

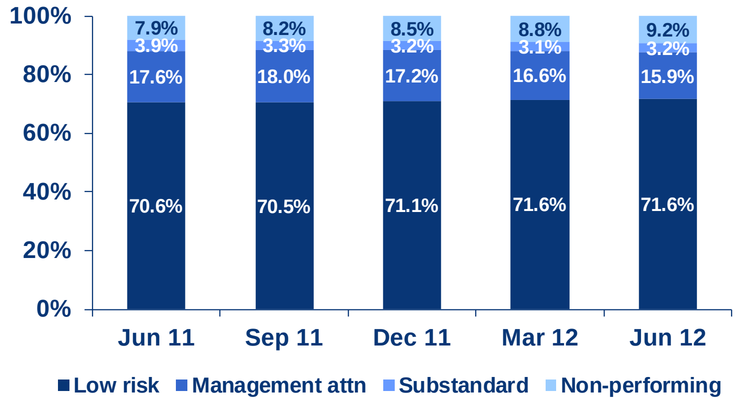
Loan demand remains low

- **New NPL formation mainly driven by Real Estate business and Romania**
  - Reduced NPL sales in Q2 2012
- **NPL coverage ratio up to 61.2% ytd**
  - NPL coverage ratio slightly declined qoq as new NPL mainly in Real Estate business with high collaterals
- **Mixed migration trend on group level**
  - Low risk share in Austria increasing, off-set by declining low risk share and increasing share of management attention and substandard in the segments CEE and GCIB

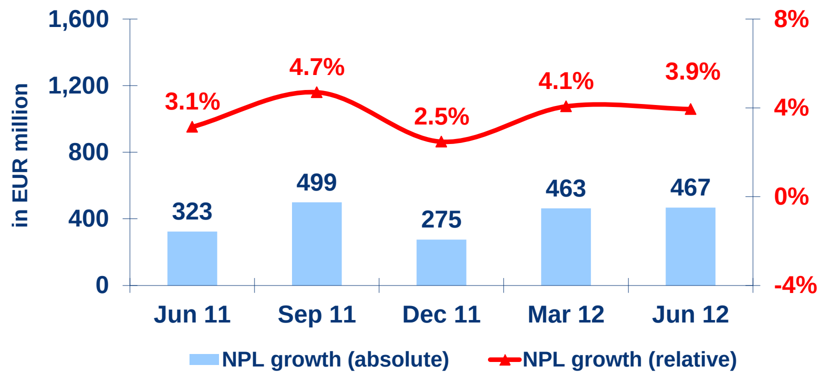
Erste Group: NPL ratio vs NPL coverage



Customer loans by risk class



Quarterly NPL growth (absolute/relative)



Asset quality review –

Segment round-up: HU and RO remained challenging

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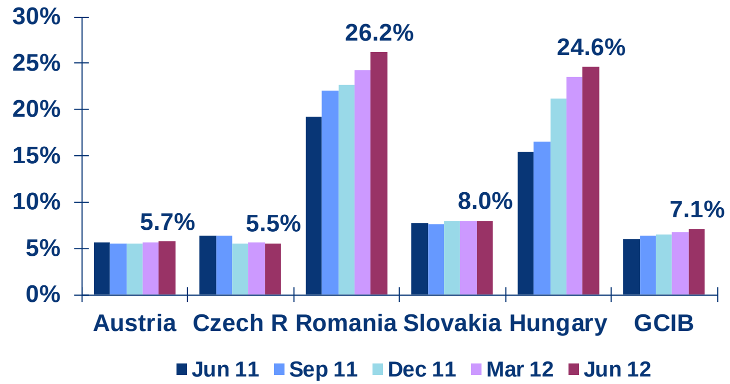
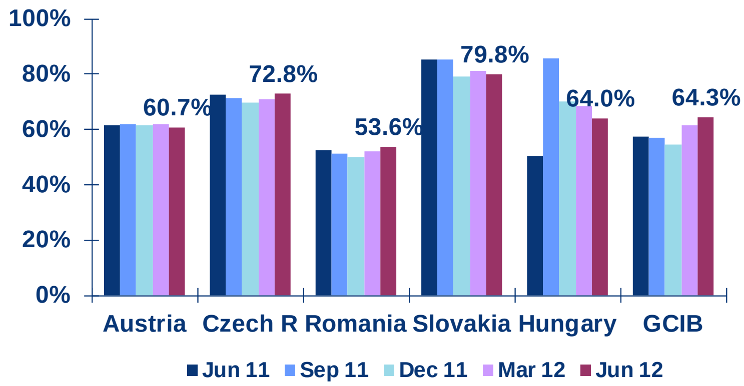
- **Austria, Czech Republic & Slovakia: Positive trend continued**
  - Austria: Risk costs remained at low level, NPL coverage ratio remained at comfortable level
  - Slovakia: Good quality loan growth continued, risk cost further decreased
  - Czech Republic: Portfolio stable year-to-date, risk cost stable at low level
- **Hungary, Romania & Croatia: still challenging**
  - Hungary: New defaults mainly in Retail and Real Estate business, shrinking portfolio due to low demand and stricter lending criteria
  - Romania: Still significant NPL inflow, especially in Corporate and Real Estate segment, improved NPL coverage (53.6%)
  - Croatia: NPL coverage ratio expected to increase in H2 2012
- **Group Corporate & Investment Banking: reduction of International Business portfolio & Romania drive asset quality**
  - International Business actively reduced exposure in H1 2012 to EUR 4.2bn from EUR 5.5bn as of YE 2011
  - New corporate defaults, mainly in Romania
  - Stable qoq risk cost development

NPL ratios in key segments



NPL coverage ratios in key segments (excluding collateral)



Funding update –

Erste Group constantly strengthened funding profile

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Customer deposits grew by 2.8% compared to YE 2011

- Most visible inflow in Czech Rep, Slovakia and EBOe
- Retail & SME deposits increased by 2.3% ytd

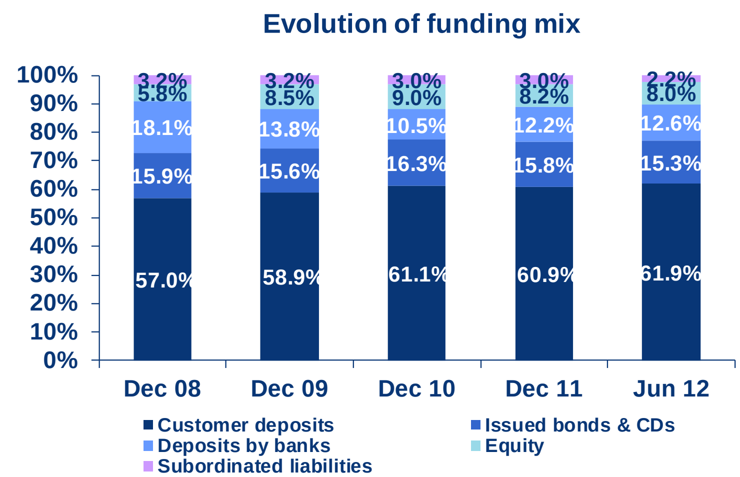
Loan/deposit ratio improved to 109.6% as of Jun 2012 (YE 2011: 113.3%)

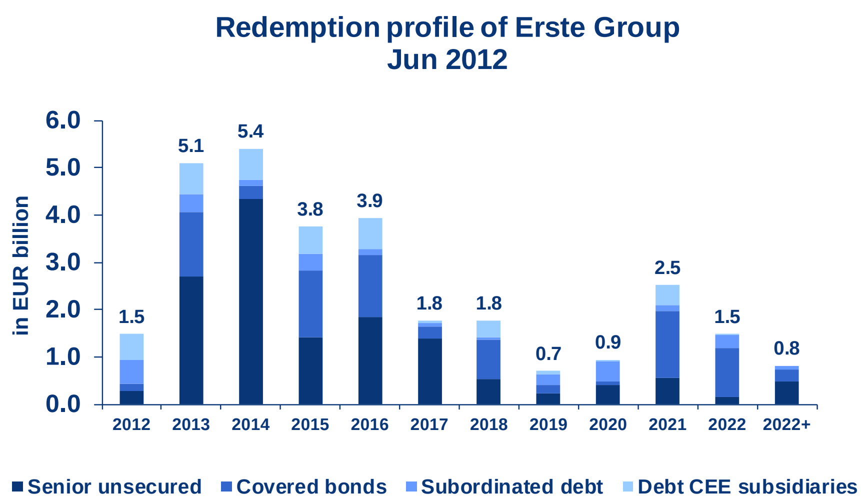
Short-term funding needs very well covered

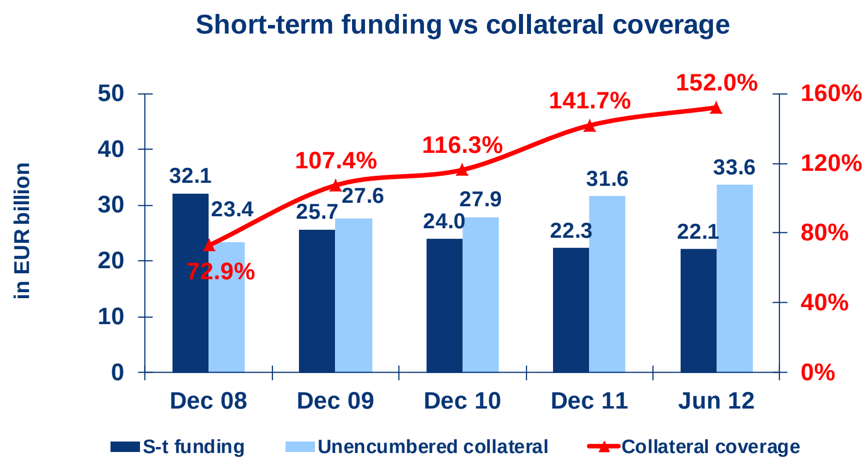
- Investment in highly liquid assets emphasized by continuously rising collateral coverage of short-term funding needs

Long-term funding requirements fully covered for 2012

- Total issuance of EUR 3.4bn ytd
- Average maturity: 7.0 years







Capital requirements –
more than fulfilled at Erste Group and its subsidiaries

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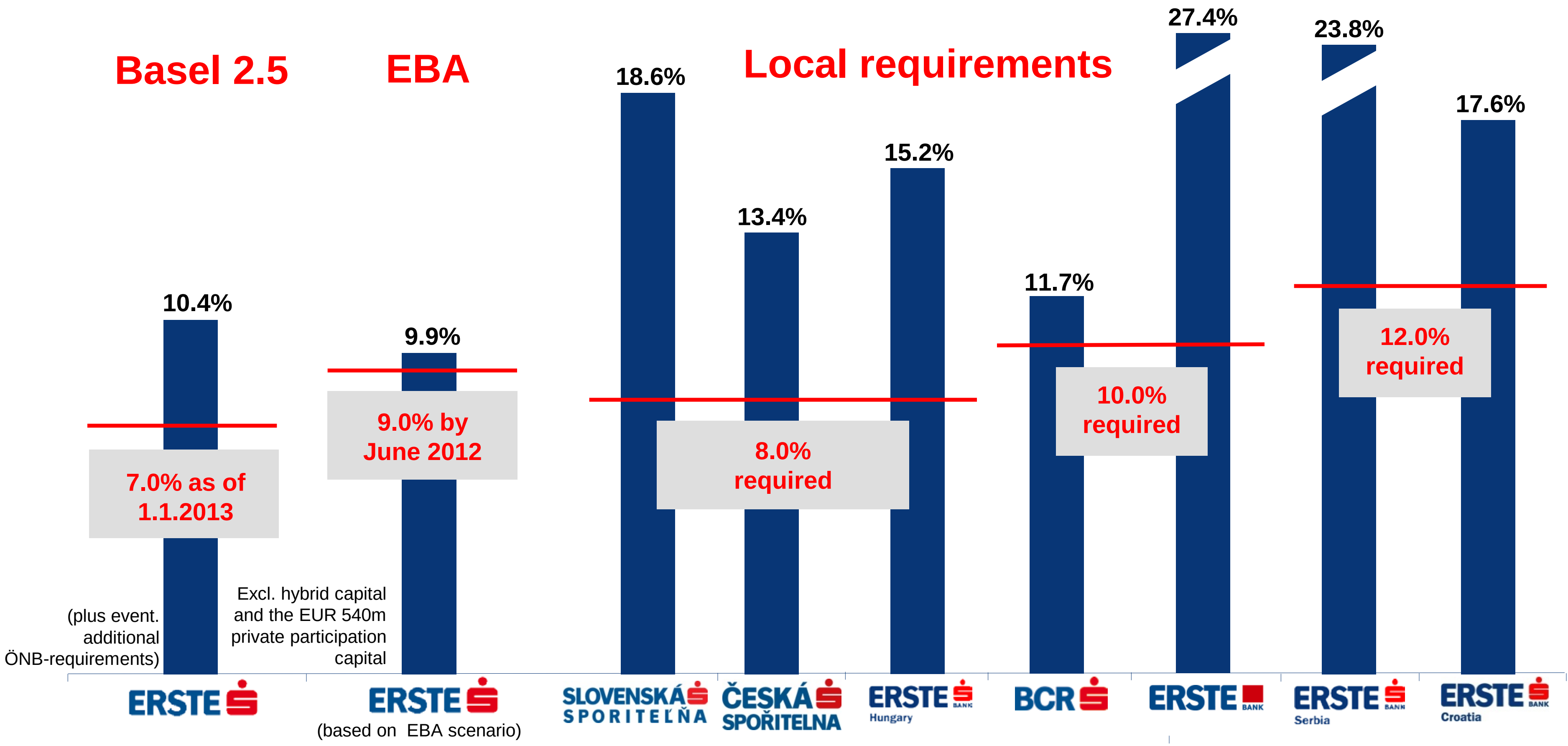

Erste Group shows core tier 1 ratios (total risk): tier-1-capital excl. hybrid and after regulatory deductions divided by total RWA – incl. credit risk, market and operational risk.

Local subsidiaries show solvency ratios.

Data as of HY 2012

Drill-down on selected asset classes –
No significant exposure to peripheral Europe

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

in EUR million	Sovereign			Bank			Other			Total net exposure		
	Dec 10	Dec 11	Jun 12	Dec 10	Dec 11	Jun 12	Dec 10	Dec 11	Jun 12	Dec 10	Dec 11	Jun 12
Greece	602.2	4.4	0.8	172.0	57.9	5.0	7.7	7.6	10.9	781.9	69.9	16.7
Ireland	88.6	46.5	82.5	252.2	204.4	58.5	81.7	78.2	48.3	422.6	329.1	189.3
Portugal	234.6	5.6	3.2	280.5	94.0	77.6	14.3	13.0	10.3	529.5	112.6	91.1
Spain	114.2	23.8	11.2	734.6	282.2	167.8	383.6	425.6	235.5	1,232.4	731.6	414.5
Italy	1,075.8	472.6	69.7	1,164.8	806.8	671.0	1,082.0	582.0	563.2	3,322.6	1,861.4	1,303.9
Sum total	2,115.5	553.0	167.4	2,604.2	1,445.2	979.8	1,569.3	1,106.4	868.2	6,288.9	3,104.6	2,015.4

Sovereign net exposure by country and portfolio:

in EUR million	FV			AfS			At amortised cost			Total net exposure		
	Dec 10	Dec 11	Jun 12	Dec 10	Dec 11	Jun 12	Dec 10	Dec 11	Jun 12	Dec 10	Dec 11	Jun 12
Greece	456.5	-8.5	0.0	77.5	10.3	0.7	68.2	2.6	0.0	602.2	4.4	0.8
Ireland	59.7	0.0	0.0	25.3	31.8	67.8	3.6	14.7	14.7	88.6	46.5	82.5
Portugal	168.4	0.0	0.0	10.6	5.6	3.2	55.6	0.0	0.0	234.6	5.6	3.2
Spain	35.1	-27.1	-31.6	51.6	38.7	40.6	27.5	12.2	2.2	114.2	23.8	11.2
Italy	907.2	399.9	0.0	149.1	70.9	69.7	19.5	1.8	0.0	1,075.8	472.6	69.7
Sum total	1,627.0	364.3	-31.6	314.1	157.3	182.0	174.4	31.3	16.9	2,115.5	553.0	167.4

Bank net exposure by country and portfolio:

in EUR million	FV			AfS			At amortised cost			Total net exposure		
	Dec 10	Dec 11	Jun 12	Dec 10	Dec 11	Jun 12	Dec 10	Dec 11	Jun 12	Dec 10	Dec 11	Jun 12
Greece	0.1	0.0	0.1	0.0	0.0	0.0	171.9	57.9	4.9	172.0	57.9	5.0
Ireland	141.8	99.4	46.1	90.4	92.0	5.0	20.0	13.0	7.4	252.2	204.4	58.5
Portugal	71.7	9.4	12.8	56.4	29.7	15.0	152.4	54.9	49.8	280.5	94.0	77.6
Spain	341.0	61.9	40.8	163.6	64.5	38.2	229.9	155.8	88.7	734.6	282.2	167.8
Italy	322.8	233.6	74.4	152.7	180.6	144.8	689.2	392.6	451.8	1,164.8	806.8	671.0
Sum total	877.5	404.3	174.2	463.3	366.8	830.1	1,263.4	674.2	602.6	2,604.2	1,445.2	979.8

Presentation topics

- Erste Group’s development in 2011
- **Central and Eastern Europe**
- Outlook 2012

Operating environment: macro trends –
CEE continued to outgrow the euro zone in Q2 2012

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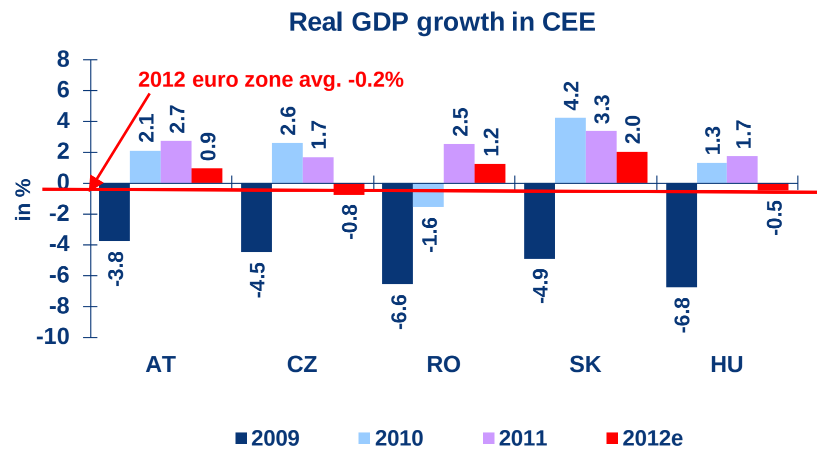
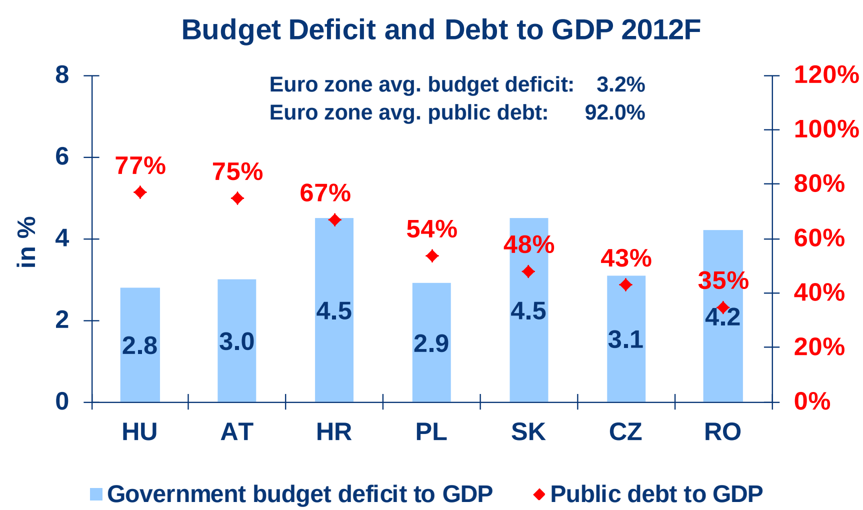
- **Deterioration of economic sentiment triggered downward revisions for GDP growth in CEE**
  - AT: slowing down, but continuously outgrowing euro zone
  - CZ: economy impacted by fiscal consolidation and slowing exports
  - SK: growth clearly driven by performance of exports
  - RO: infrastructure related projects will support economy, new government commits to EU/IMF, but still causes concerns in FX markets and EU Commission
  - HU: still fragile economic environment
- **IMF forecast*): CEE will post cumulative growth of 17% in 2013-2017 vs. 7% in the Eurozone**
- **CEE will benefit from lower indebtedness and favourable economic fundamentals**
- **Unit labour costs are still less than half of Eurozone costs; CEE labour productivity outperforms the Euro area**

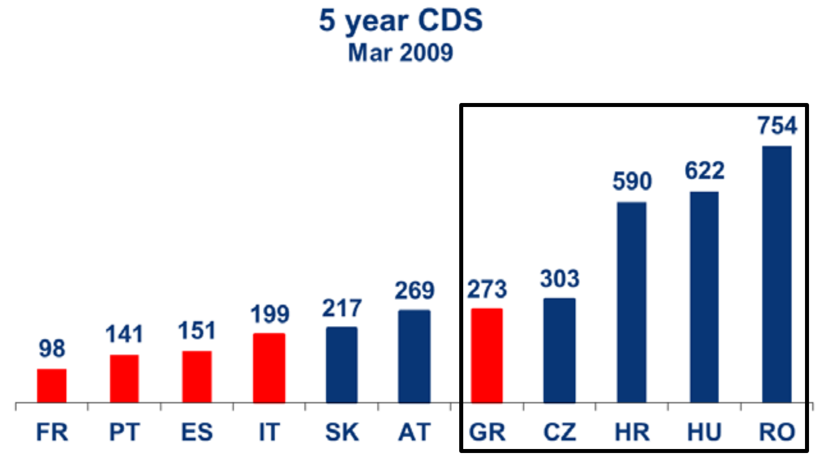


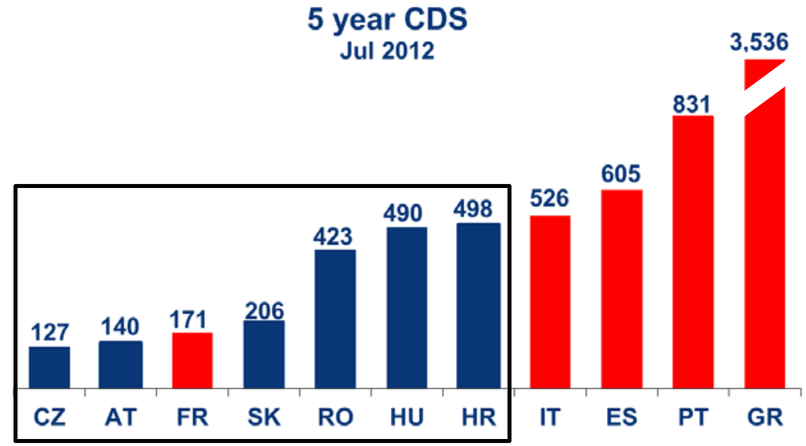


*) World Economic Outlook, IMF, April 2012

Operating environment: macro trends –
Despite growth slowdown, encouraging market signals

- **CEE debt markets finding favour with investors as the region has remained largely unscathed from the euro-zone debt crisis**
  - Strong demand from foreign investors especially for Czech and Polish government bonds
- **Markets seem to acknowledge structural advantages of the CEE region**
- **There is no cross-border deleveraging affecting funding for CEE**
  - Despite massive cross-border deleveraging in peripheral euro area banks, no substantial reduction of foreign funding in CEE
- **Currency development**
  - Broadly stable, with HUF outperforming recently
- **Mixed interest rate environment**
  - EUR: rate cut, further cut in H2 12 possible
  - CZK: cut to 0.5%, another 25bp cut in Q312 expected
  - HUF: stable base rate at 7% in Q2 12
  - RON: 5.25%, no change due to upcoming elections





Austrian banks keep the funding in CEE stable

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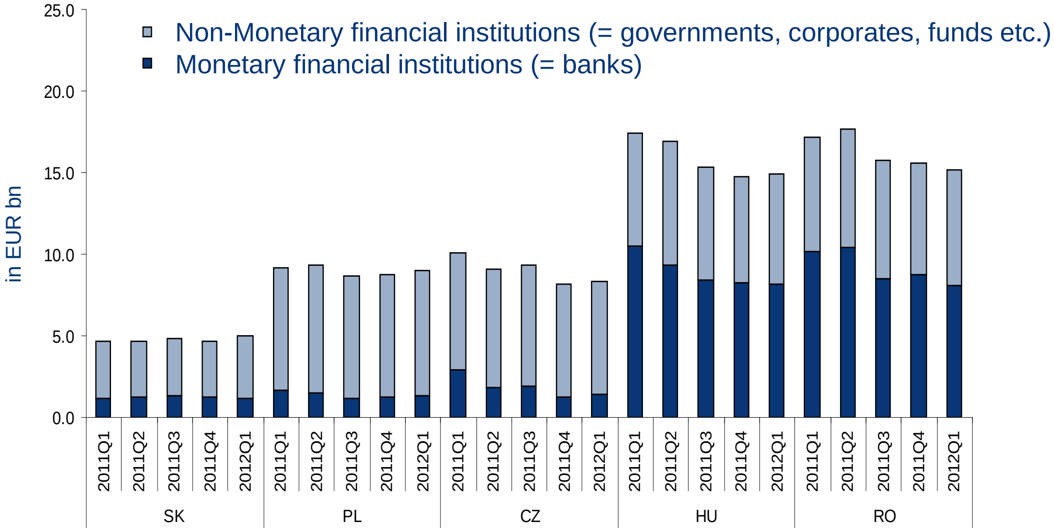
- In an international comparison, deleveraging in CEE has been moderate (except for HU), for exp. less than half of the deleveraging in France, 1/3 of Italy, 1/5 of UK
- CEE6[1] net external financing need halved vs. pre-Lehman era
- FDIs and net EU flows now cover almost the entire current account in CZ, CRO, SK and HU
- The domestic deposit base has been increasing, building a more stable funding model for the future

Cross-border funding of Austrian banks to selected countries in CEE[2]
(unconsolidated, as of quarter end)



Source: ECB, Erste Group Research

1) CEE6: Croatia, Czech Republic, Hungary, Poland, Romania and Slovakia
2) The chart shows direct lending – how much of funding was provided by Austrian banks to the CEE region. For instance, Austrian banks (more precisely groups on consolidated basis) had a high exposure in Slovakia (EUR 23bn, according to BIS data without Unicredit Group, which is treated as Italian banking group) as they own their local subsidiaries. But the Austrian units provide only little funding to Slovakia - EUR 4.3bn out of which only EUR 1.2bn was provided to the banking sector.

Erste Group's Segment highlights –

CZ, AT & SK strong, in RO and HU restructuring ongoing

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in EUR million	Czech Republic 1-6 12	Czech Republic 1-6 11	Czech Republic Change	Slovakia 1-6 12	Slovakia 1-6 11	Slovakia Change	EBOe 1-6 12	EBOe 1-6 11	EBOe Change
Operating income	792	853	(7.2%)	268	279	(4.0%)	472	486	(2.9%)
Operating expenses	(359)	(366)	(1.9%)	(113)	(109)	4.0%	(306)	(303)	1.2%
Operating result	433	487	(11.1%)	155	170	(9.2%)	166	184	(9.6%)
Risk costs	(85)	(139)	(38.8%)	(32)	(41)	(21.7%)	(54)	(65)	(16.7%)
Other result	(21)	(47)	(55.7%)	(11)	(15)	(25.5%)	18	(6)	na
Net profit/loss	253	239	5.6%	89	91	(2.6%)	98	85	15.7%

in EUR million	Hungary 1-6 12	Hungary 1-6 11	Hungary Change	Romania 1-6 12	Romania 1-6 11	Romania Change
Operating income	215	245	(12.3%)	383	440	(12.9%)
Operating expenses	(82)	(101)	(19.1%)	(173)	(194)	(10.8%)
Operating result	133	143	(7.6%)	210	246	(14.6%)
Risk costs	(107)	(155)	(31.0%)	(365)	(224)	62.8%
Other result	(93)	(37)	>100.0%	(17)	(26)	(35.8%)
Net profit/loss	(73)	(51)	42.0%	(141)	(2)	>100.0%

Erste Group's loans granted in CEE –
Are by more than 90% funded by local deposits

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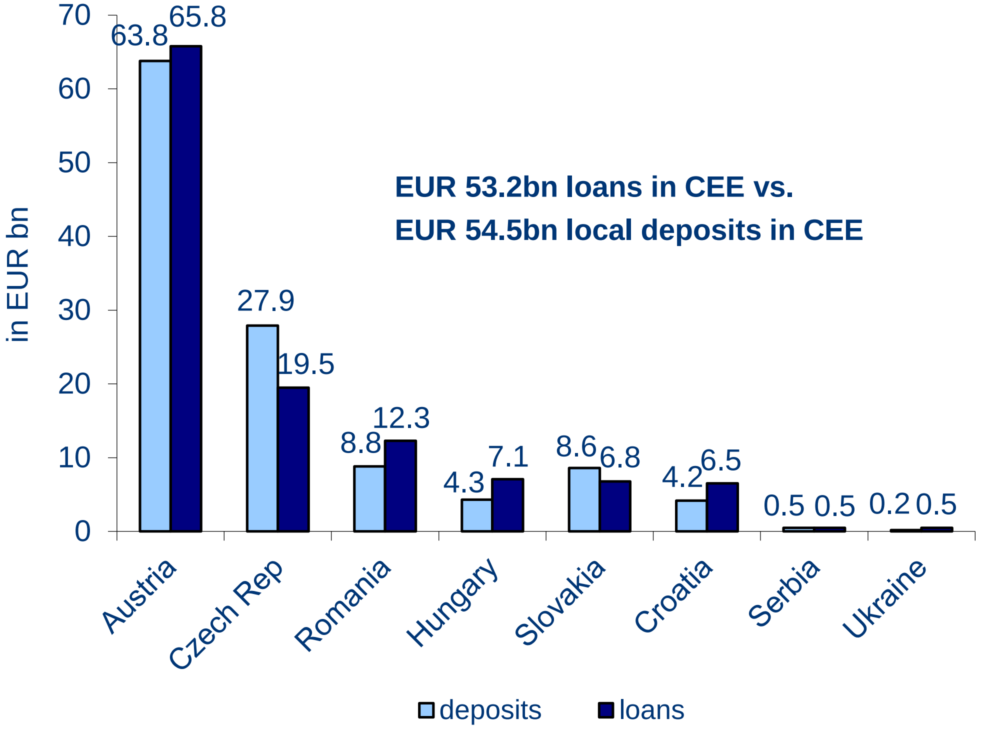
- **Retail business in CEE**
  - Local customer deposits are key pillar for refinancing
- **Erste Group had as of HY 2012:**
  - EUR 53.2bn loans in CEE, which were by EUR 54.5bn funded by local deposits
- **In order to extend local funding the following steps are necessary:**
  - Development of local capital markets in CEE
  - Initiatives for local Covered Bonds



Status quo Hungary and Romania

Operating in a challenging environment

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- **Hungary: Final agreement with IMF/EU expected in Q4 2012**
  - Hungarian markets expected to be volatile until agreement is reached
  - Financial transaction tax to be introduced in 2013
- **EBH: with new strategy to profitability in 2014**
  - Focus on local currency lending from locally sourced liquidity reducing the dependence on parent company funding
  - Smaller size reflects market circumstances
- **Romania: New government committed to continue reforms undertaken within the agreement with the IMF/EC**
  - Slight progress in EU funds absorption: currently 9.2% effective absorption rate
  - Political actions lead to criticism from EU
    - RON depreciated noticeably in Q2 2012 on domestic political factors and weaker external sentiment
  - Public debt at 34.9% of GDP as of May 2012: Ministry of Finance keen on extending maturities of debt instruments
    - Two thirds of gross funding needs for 2012 already covered in H1 2012
- **BCR: with new strategy to profitability in 2013**
  - Improving asset quality: improved workout, restructuring and recovery capabilities
  - Top line growth: identification of potentials on asset and liability side under way
  - Improving cost efficiency: savings potential of up to EUR 50m pa as of 2013 (vs 2011), network review
  - Financial excellence: moving to local currency based lending

Presentation topics

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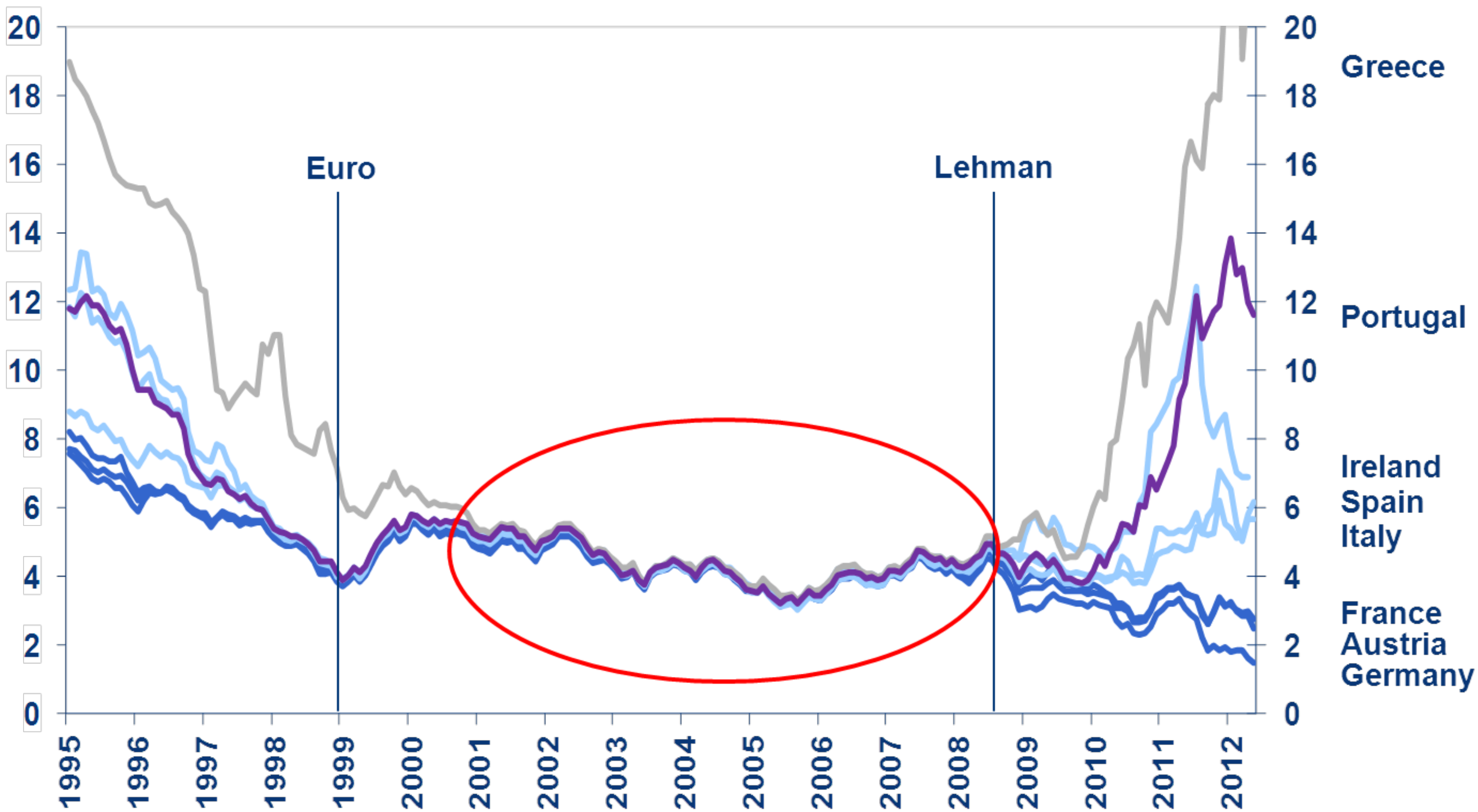
- Erste Group’s development in 2011
- Central and Eastern Europe
- **Outlook 2012**

Interest rate environment in Europe

Development of 10y government bonds



Conclusion –
Outlook

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- **Erste Group's core markets expected to show a mixed economic performance in 2012**
  - Austria, Romania and Slovakia: expected to post some economic growth
  - Erste Group's other core CEE markets: expected to contract in 2012
- **In line with the weakening economic outlook across Europe, Erste Group expects:**
  - to post a 2012 operating result that will be somewhat lower than in 2011
    - reflecting the continued reduction of non-core assets, the mix shift in the loan book as well as the fact that 2012 is a transformational year for BCR
  - Risk costs expected to decline to about EUR 2.0 billion in 2012
    - Despite risk costs peaking in Romania this year
  - BCR is expected to return to profitability in 2013
- **Accordingly, Erste Group's priorities till YE 2012 are:**
  - Maintenance of strong capital and liquidity position
  - Strict cost management
  - Enhancement of customer service in AT and CEE
- **Erste Group expects to comfortably and sustainably meet all capital requirements (EBA, Basel 3) as and when required**