

Morgan Stanley European Financials Conference

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Erste Group –

Driving performance differentiation in challenging markets

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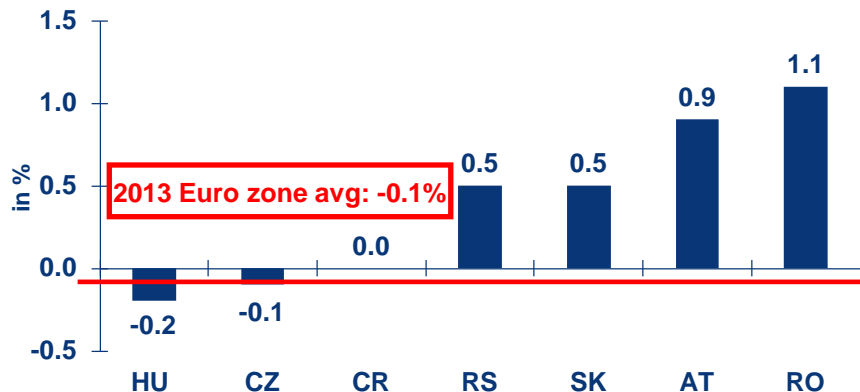
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- Macroeconomic snapshot**
- Update on banking markets**
- Erste Group**
 - Operating performance
 - Asset quality review
 - Liquidity and funding
 - Capital
- Outlook**
- Appendix**

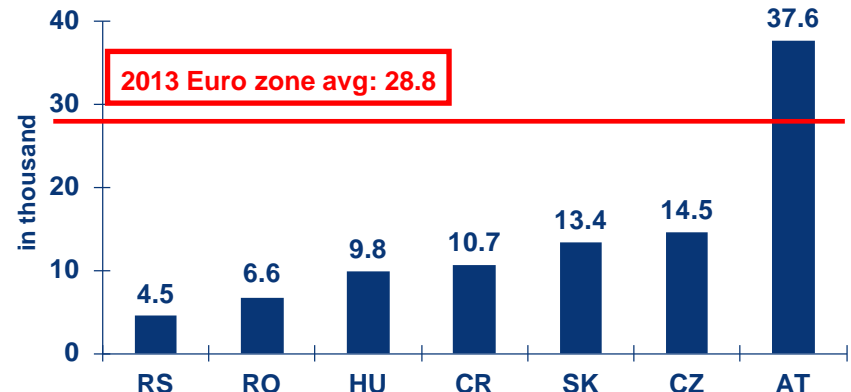
Macroeconomic snapshot – CEE to benefit from strong fundamentals

- **CEE continuously outgrows the Eurozone**
 - Growth mainly driven by export while domestic consumption is sluggish
 - Eurozone's weakness still a drag on current economic developments in CEE
- **CEE will benefit from its favorable economic fundamentals**
 - CEE is an excellent region for exports with ideal location next to big consumer markets
 - Strong industrial basis
 - CEE converges to EU levels of productivity with still low labor costs
 - Competitiveness expected to improve compared to Western Europe
 - Relatively low indebtedness

Real GDP growth (2013e)



GDP per capita (2013e)

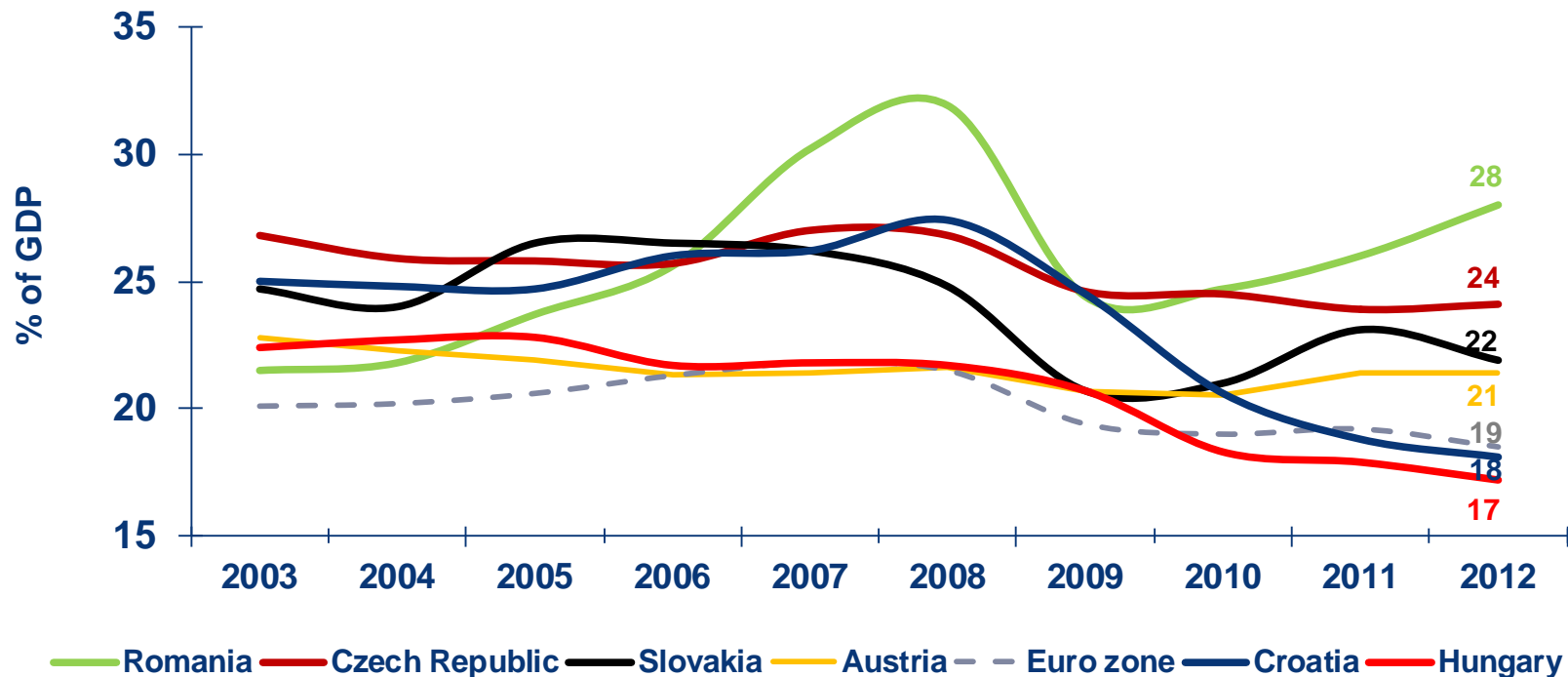


Source: Erste Research

Macroeconomic snapshot – Healthy investment figures in CEE

- Current investments determine growth for the future
- Gross fixed capital formation in CEE reflects attractiveness of the region
- Hungary has the lowest and declining investments as a % of GDP due to unpredictable economic policies

Investments in CEE: Gross fixed capital formation

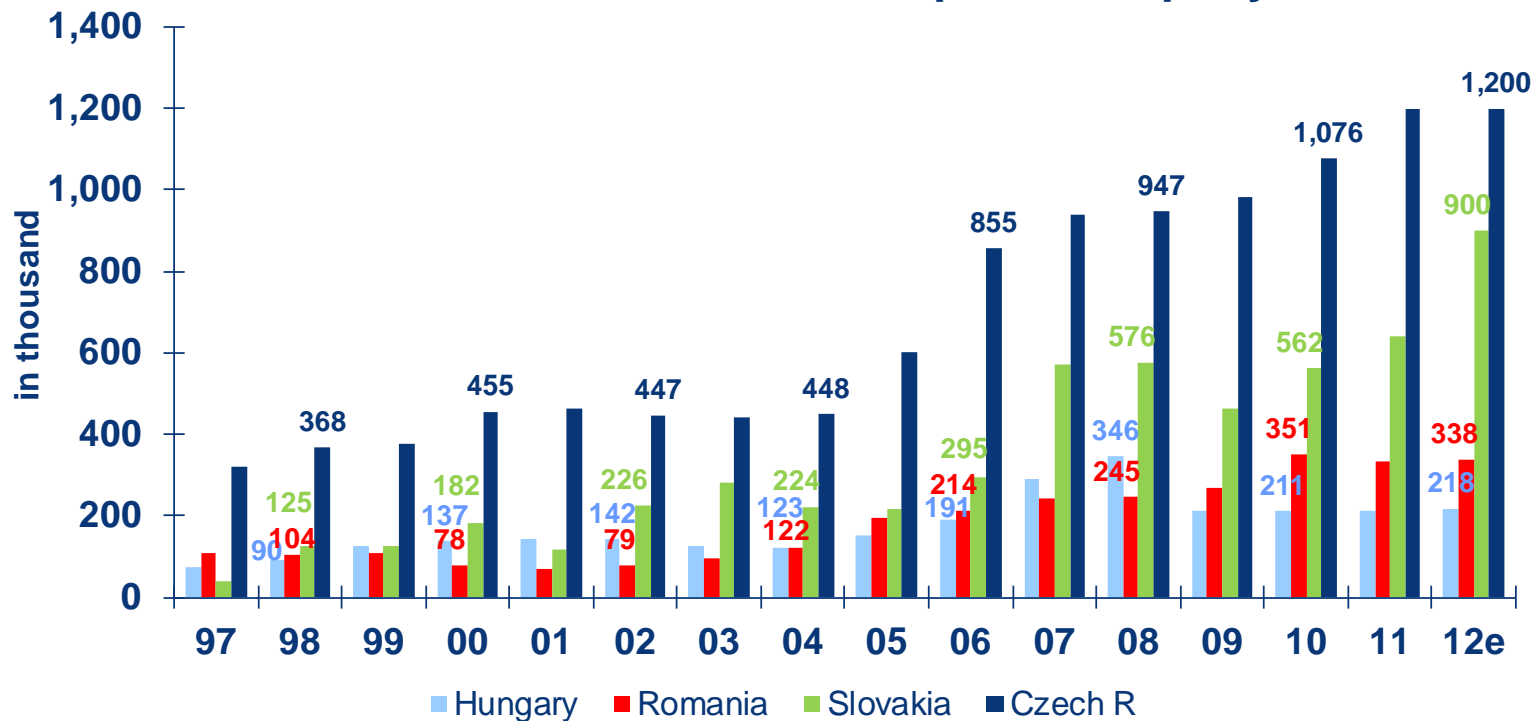


Source: Eurostat

Macroeconomic snapshot – Car production in Central Eastern Europe

- CEE has turned into a car producing powerhouse
 - CEE produces 22% of cars made in the European Union
 - Cars are one of the most important export products of the region
- Slovakia: highest car manufacturing per capita in the world

Selected CEE countries: cars produced per year



Source: International Organization of Motor Vehicle Manufacturers, Erste Research

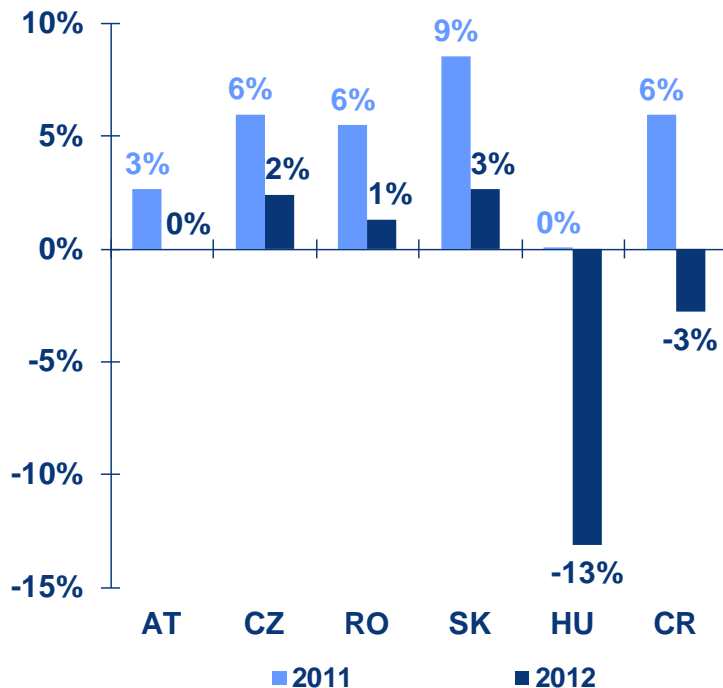
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Banking markets in CEE –

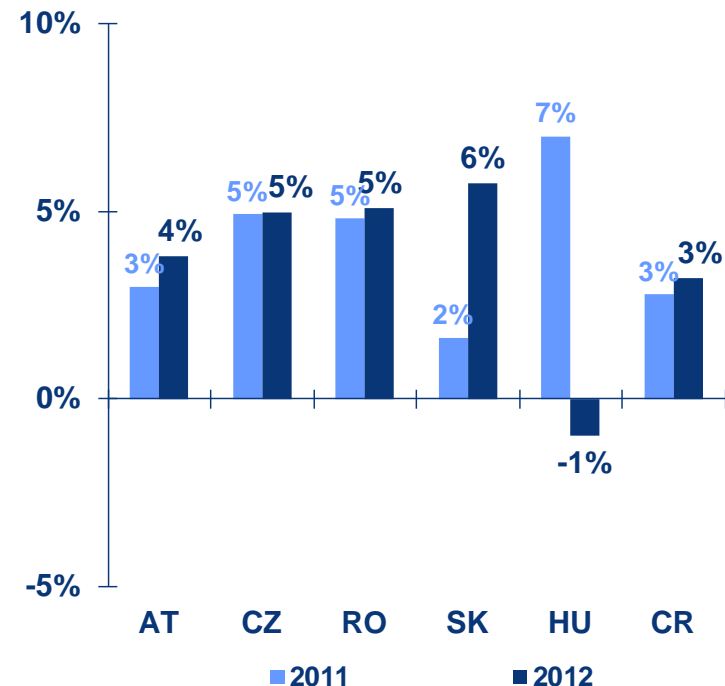
Deposits have outgrown loans across the region

- **Loan growth reflects limited demand across the region**
 - Expected to rebound following economic growth and considering low penetration figures
 - Significant decline in Hungary due to FX loan repayment
- **Continued strong deposit inflows**
 - Most pronounced in Austria, Czech Republic, Romania, and Slovakia

Loan growth in the region



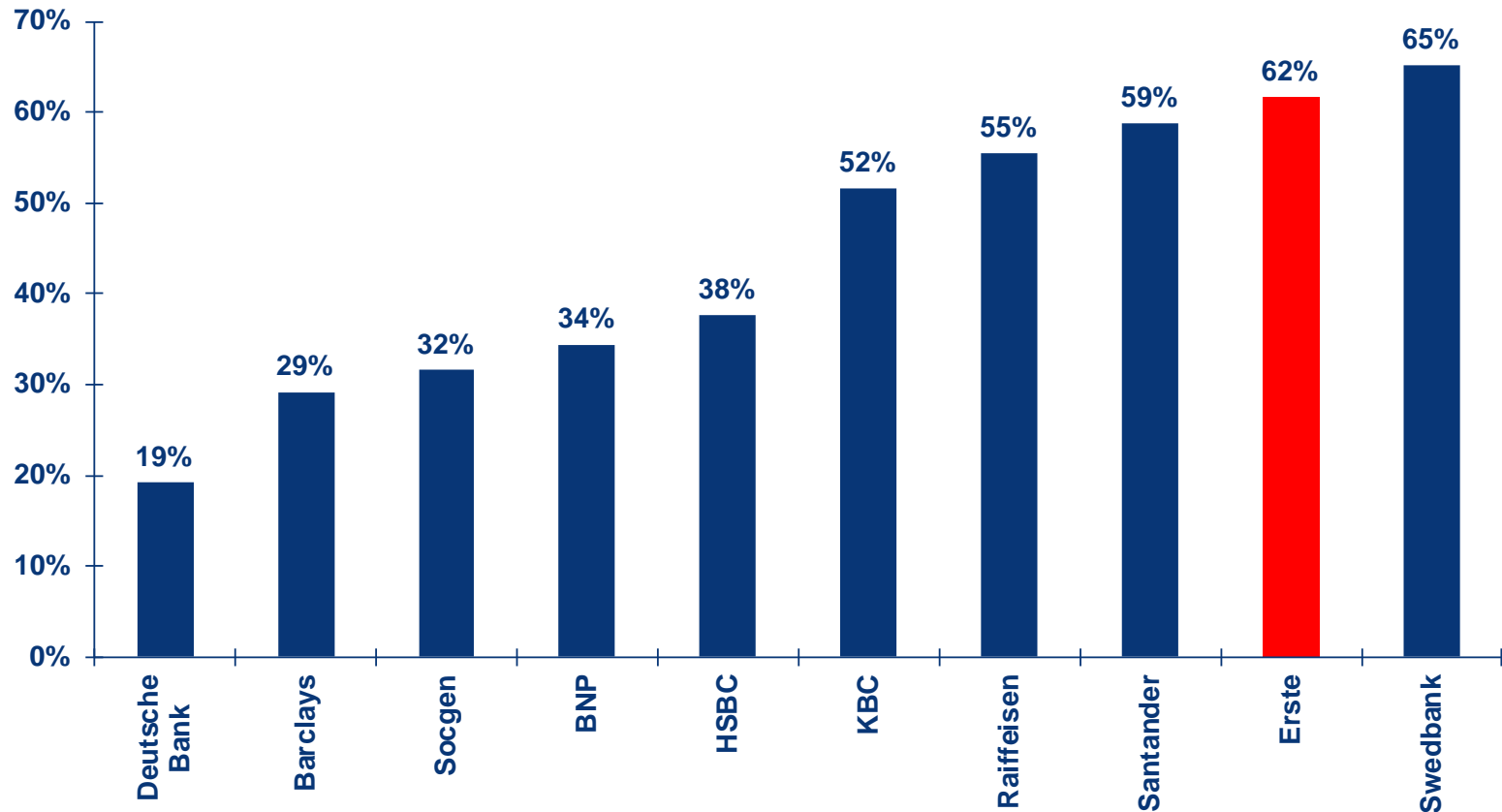
Deposit growth in the region



Source: National banks

Banking markets in CEE – Customer driven business models

Selected European banks: Customer loans / Total assets

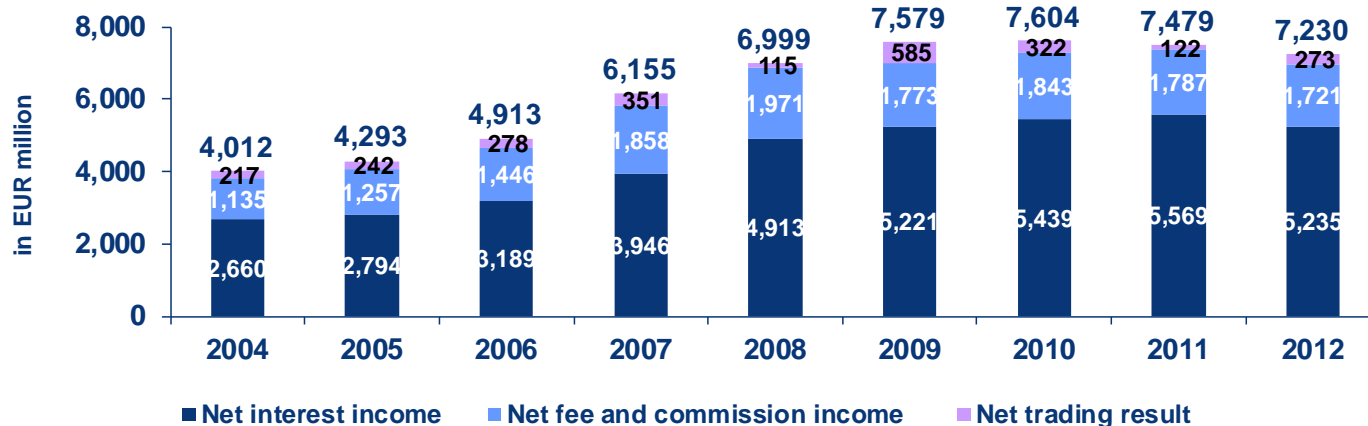


Source: Bloomberg

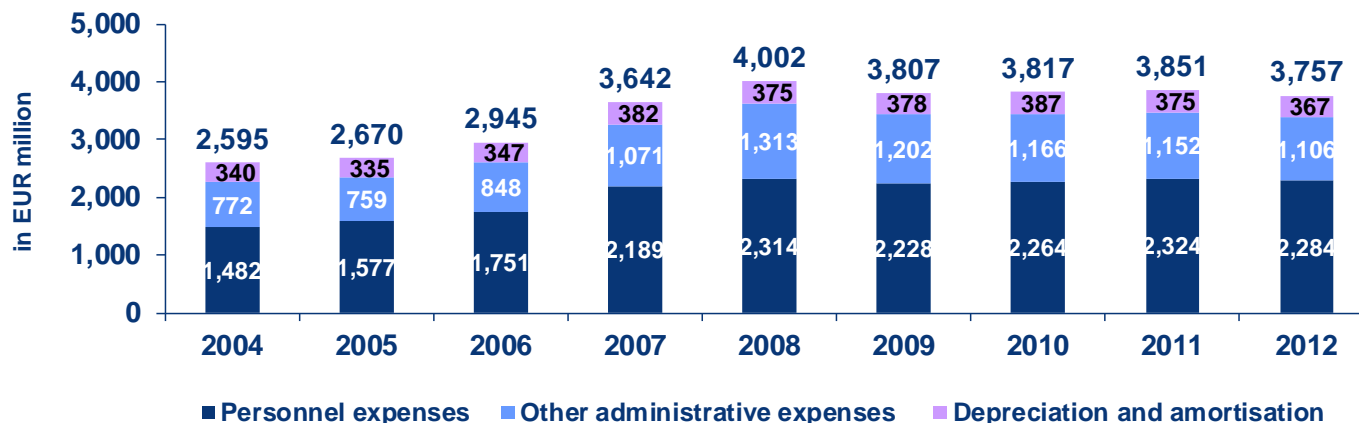
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Operating performance – Development of operating income and expense

Erste Group's operating income history



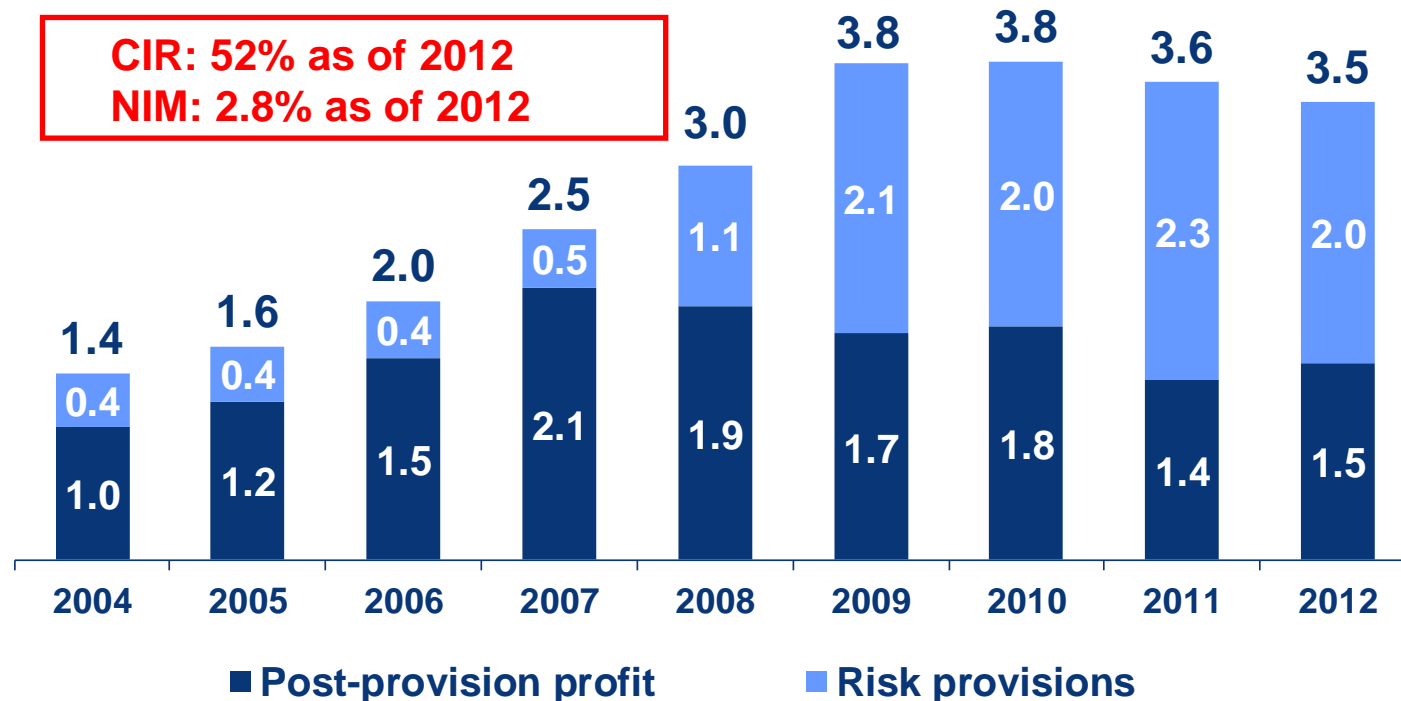
Erste Group's operating expense history



Operating performance – Solid revenues and strict cost control

- Sound underlying operating performance
 - Cost/income ratio reflects continuous and very strict cost control
 - Resilient margins despite the very low interest rate environment
 - Net interest income and net fee income account for 96% of operating income

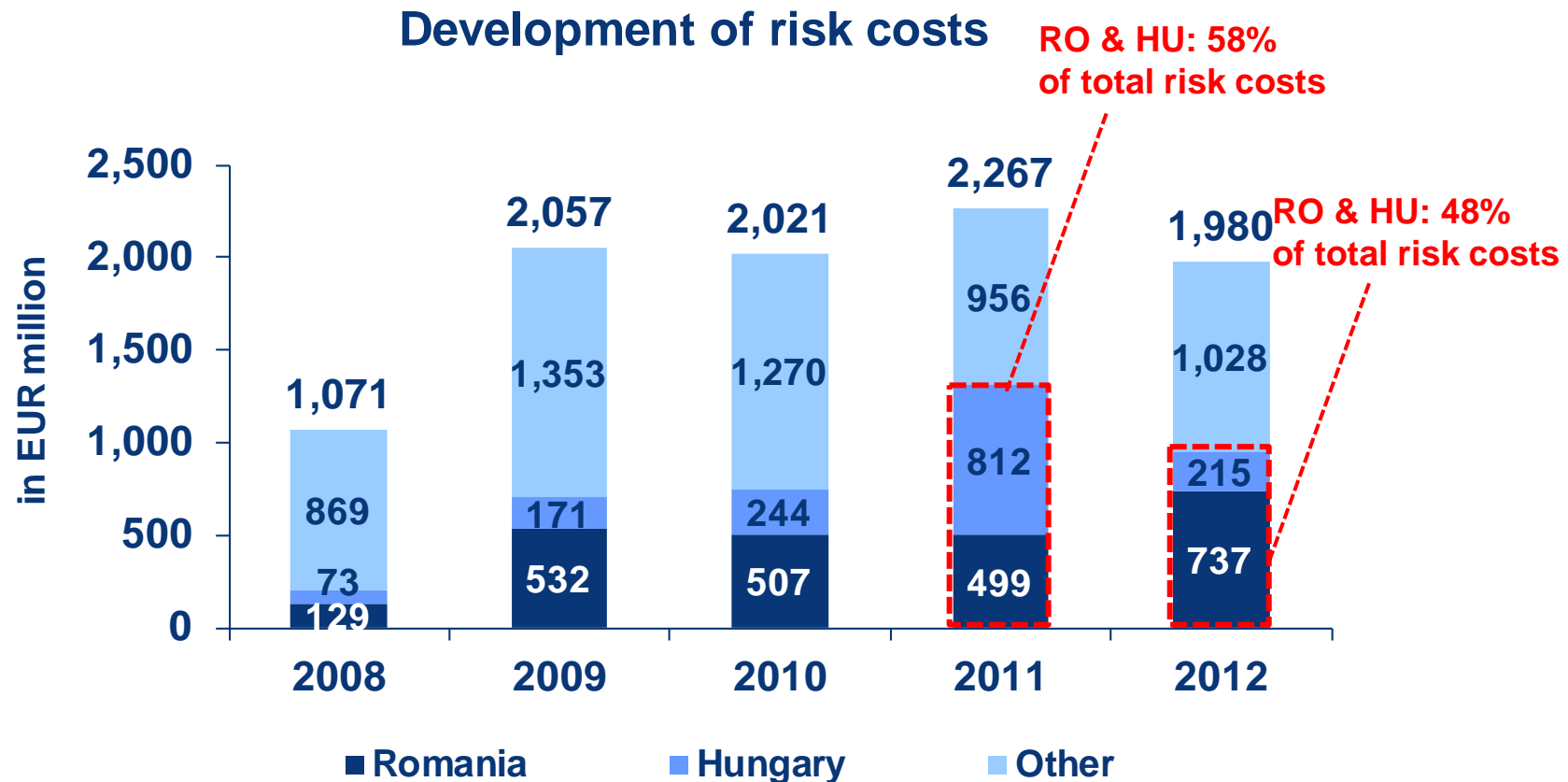
Operating result (in EUR bn)



Asset quality review –

Risk costs mainly driven by Romania and Hungary

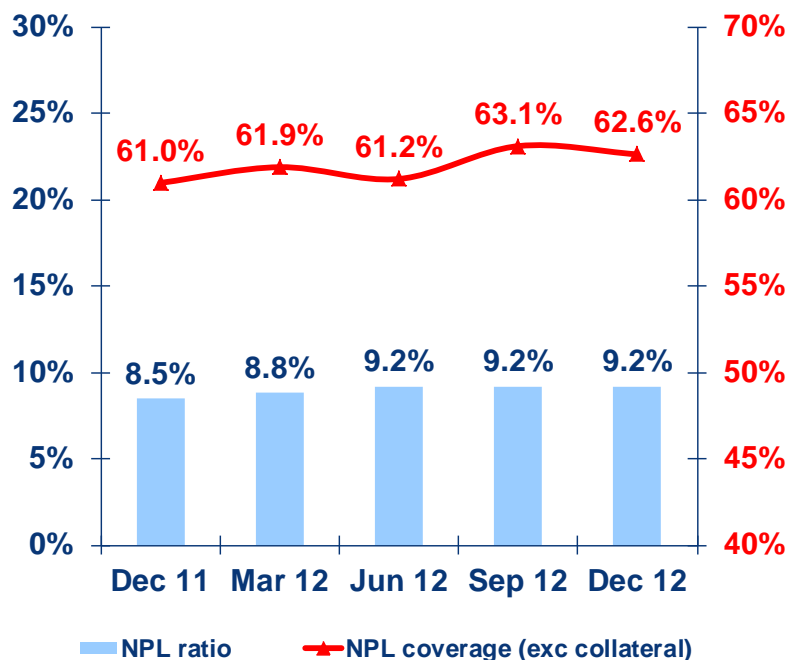
- Romania: additional provisioning requirements and improved coverage ratio (58.6% as of Dec 2012)
 - Risk costs peaked in 2012
- Hungary: unorthodox economic policies / regular government intervention significantly impact risk provisions
 - Risk costs peaked in 2011



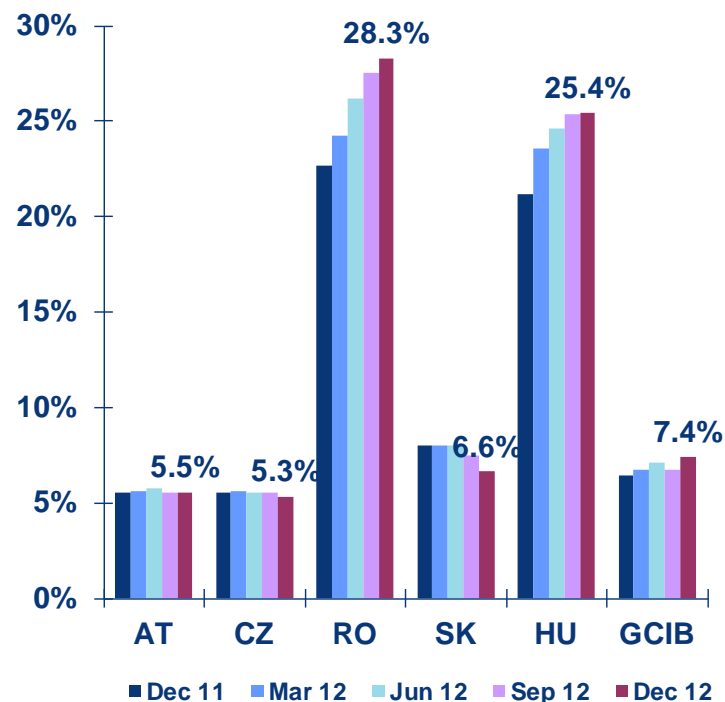
Asset quality review – NPL ratio stable for 2nd consecutive quarter

- Overall slight NPL reduction by EUR 147mn qoq in Q4 2012
 - Supported by NPL sales, mainly in BCR
- NPL coverage ratio increased by 1.6pp yoy
- Signs of positive migration with yoy increase of low risk share in Austria, Czech Republic, and Slovakia

Erste Group: NPL ratio vs NPL coverage



NPL ratios in key segments

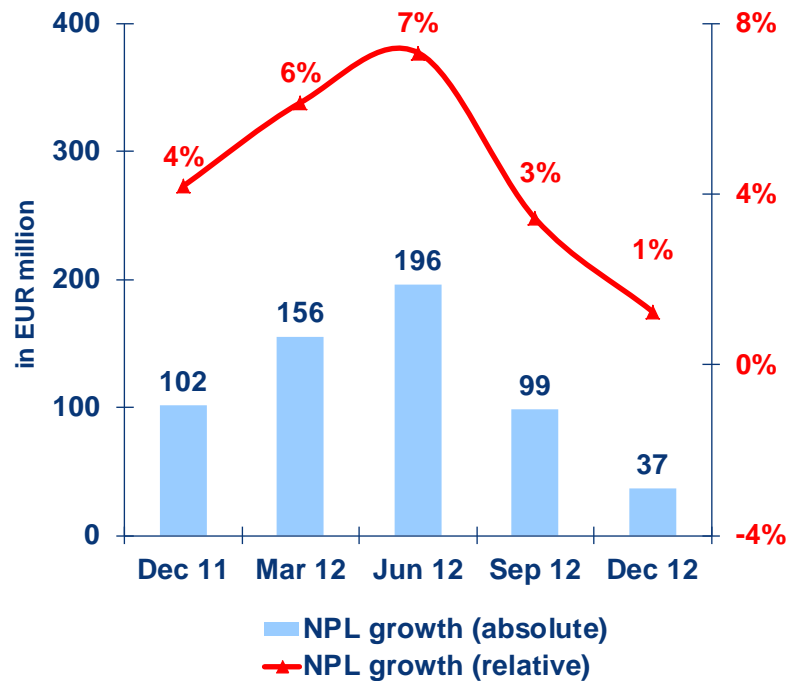


Asset quality review –

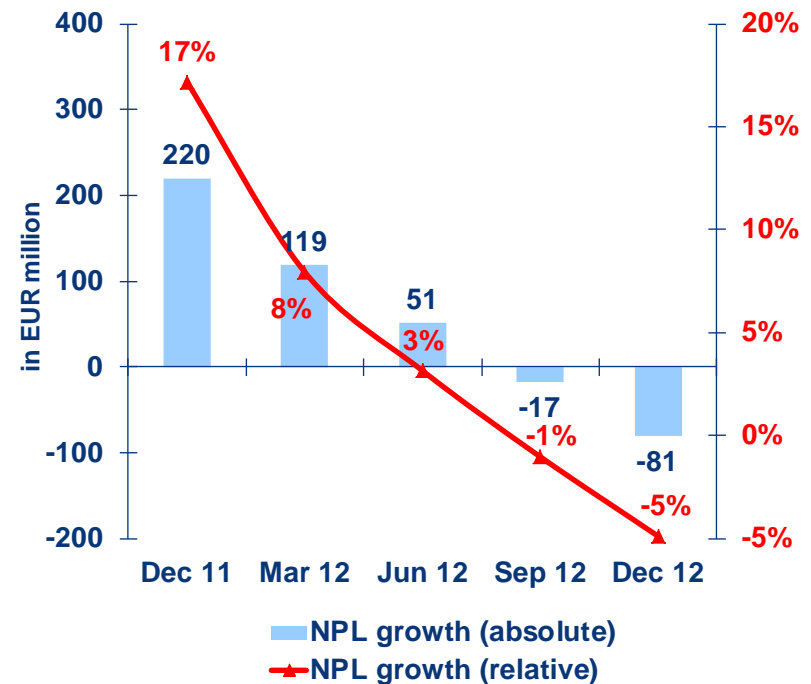
Decline in 2013 risk costs will be driven by Romania

- Austria, Czech Republic, Slovakia: further improvement in asset quality
- Romania: slowing, but still significant NPL inflows
 - NPL volume expected to peak in 2013
- Hungary: second consecutive quarter of NPL volume decrease

Romania: Quarterly NPL growth (absolute/relative)



Hungary: Quarterly NPL growth (absolute/relative)

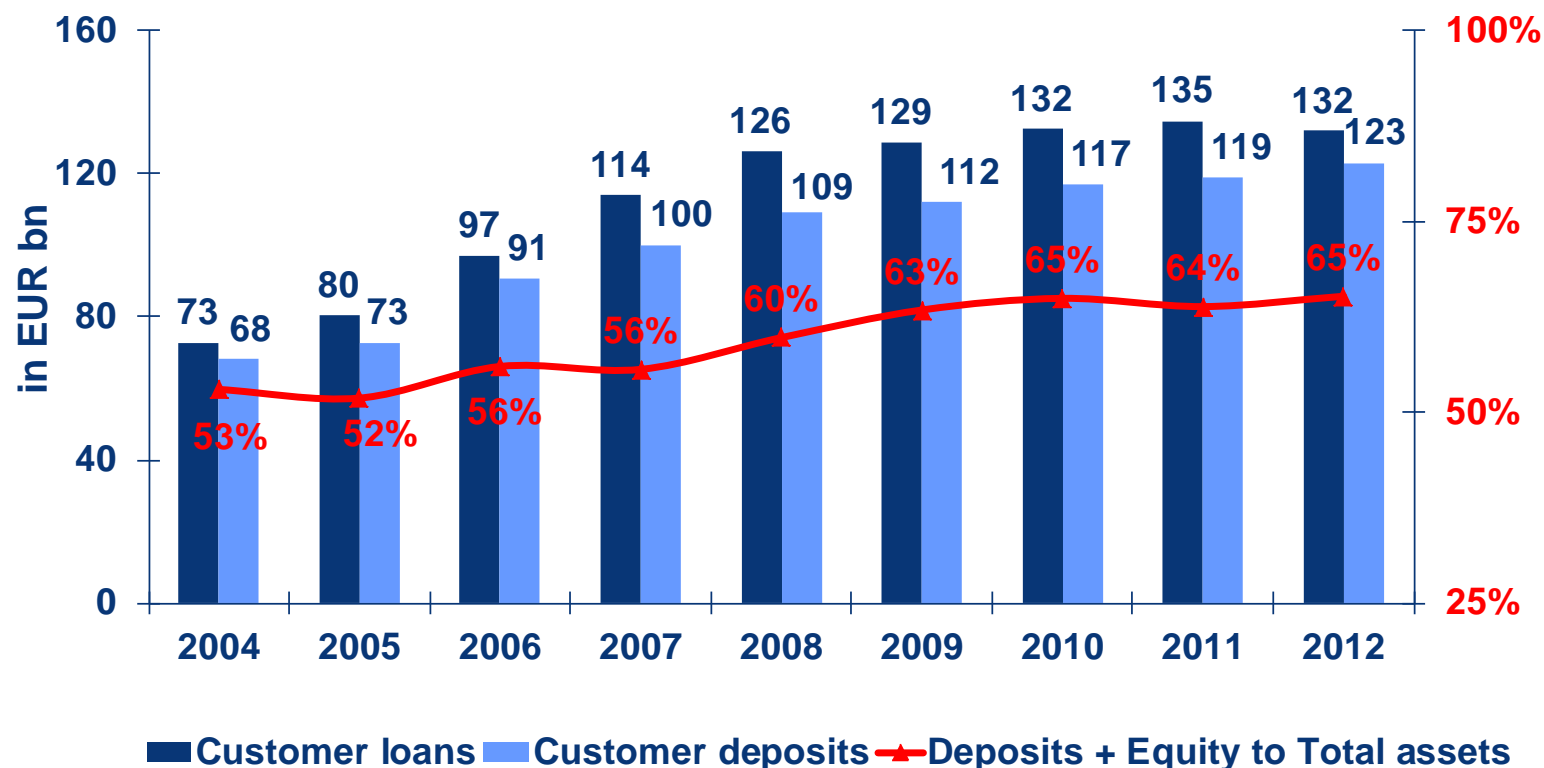


Liquidity and funding –

Continued strong customer deposit inflows

- Customer loans are the key asset component (62% as of Dec 2012)
- Deposits from private individuals and SMEs represent 92% of customer deposits
- Loan/deposit ratio improved to 107% as of December 2012 (2008: 115%)
- Substantial increase of equity (EUR 16.3bn as of Dec 2012) over time (2008: EUR 11.1bn)

Balance sheet development

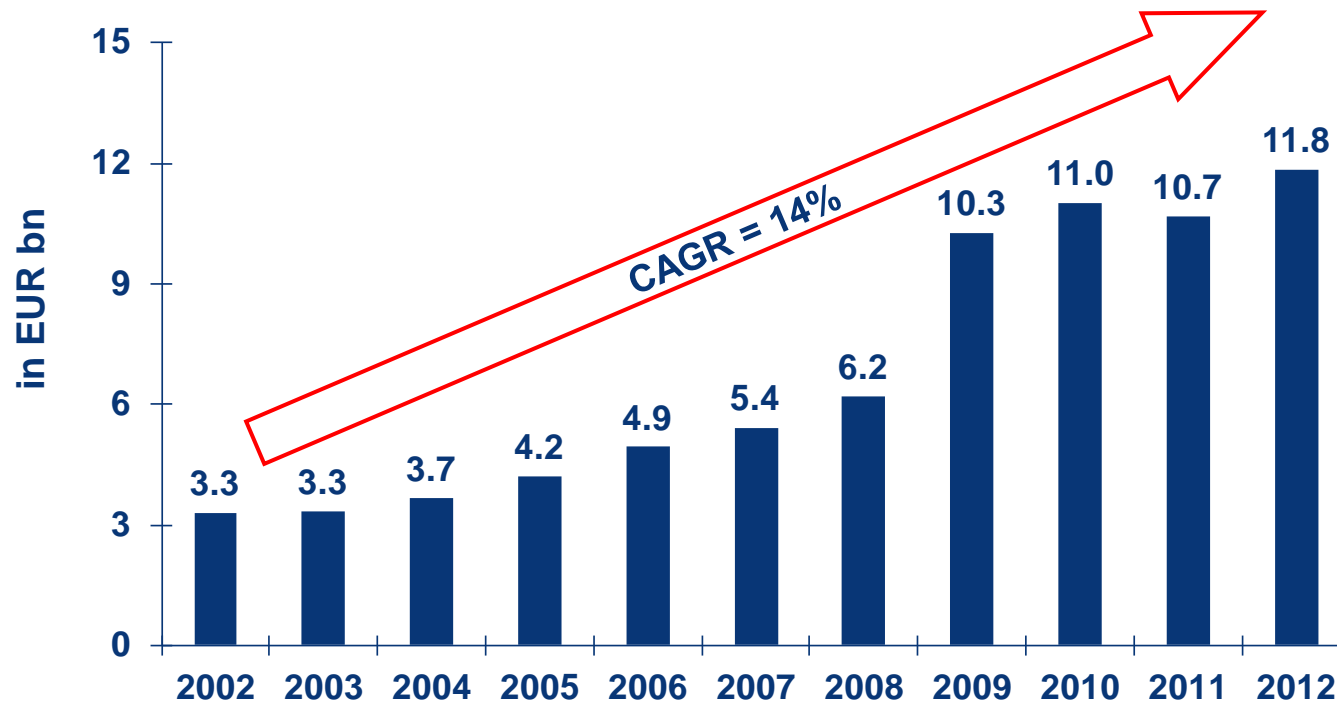


Capitalisation –

Strong and vastly improved capitalisation

- CT1 capital improved to record high in 2012 driven by:
 - Retained earnings
 - Full recognition of collateral for defaulted loans in Romania
- Participation capital of EUR 1,764mn with 8% coupon (step ups from 2014)
- Savings banks represent vast majority of minorities (EUR 3.4bn as of 2012)

Development of CT-1 capital (excluding hybrid)

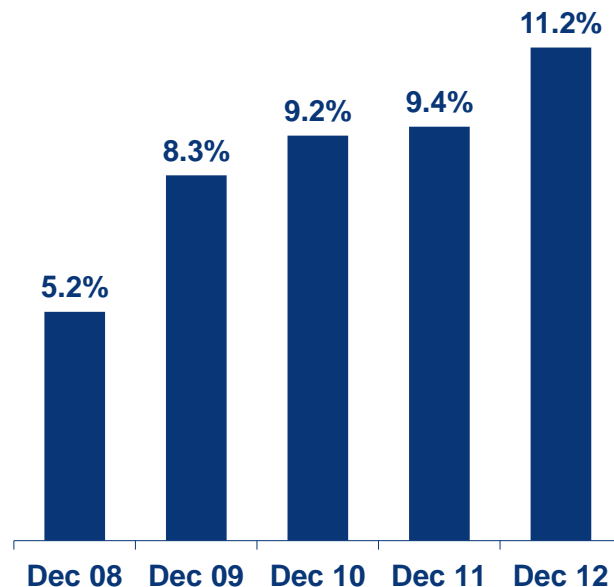


Capitalisation –

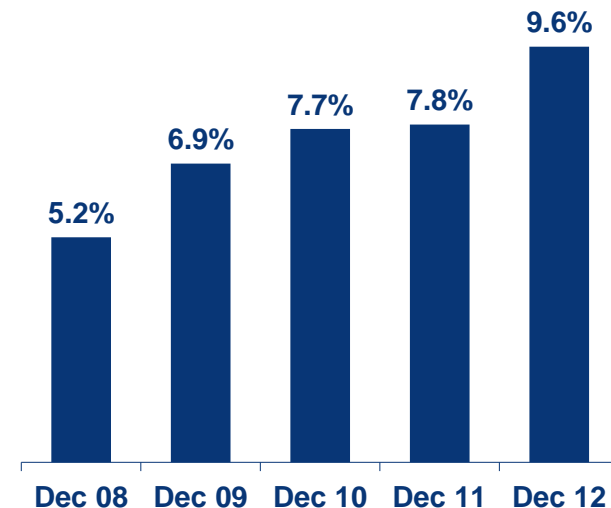
CT1 ratio increased significantly in FY 2012

- Proposed dividend payment of EUR 0.4 per share for 2012 as well as participation capital dividend already included in capital ratios
- RWA decreased by EUR 8.7bn (-7.6%) yoy mainly on reduction of non-core business and moderate loan demand
- Political agreement on full recognition of the Savings banks' minority capital

**Core Tier 1 ratio
(total risk)**



**Core Tier 1 ratio excl. part capital
(total risk)**



Core tier 1 ratio (CT1 ratio) = tier 1 capital excl. hybrid and after regulatory deductions divided by total RWA, including credit risk, market and operational risk. Based on Basel 2.5.

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Conclusion – Outlook

- **Erste Group expects a slight improvement in economic performance for Central and Eastern Europe in 2013, even though growth will remain moderate**

- **For 2013 Erste Group targets a stable operating result compared to 2012**
 - Slightly lower operating income as a result of moderate loan demand and the low interest rate environment is expected to be offset by lower operating costs
 - Better year-on-year operating performance in the last three quarters of 2013 than in the first quarter of 2013

- **A double-digit percentage decline is expected for group risk costs in 2013**
 - Mainly due to declining risk costs in Romania

- **BCR is expected to return to profitability in 2013**

- **Management proposes dividend of EUR 0.4 per share to AGM**

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Strategy –

Customer banking in the eastern part of the EU

Austria	Czech Republic	Slovakia
Clients: 3.3m	Clients: 5.3m	Clients: 2.4m
Retail loans: 19.3%	Retail loans: 23.8%	Retail loans: 26.5%
Retail dep.: 18.9%	Retail dep.: 27.7%	Retail dep.: 25.7%
Branches: 1,006	Branches: 658	Branches: 297

– Leading retail and corporate bank with 16.9 m customers in 8 geographically connected countries

– Favourable mix of mature & emerging markets with low penetration rates

– Potential for cross selling and organic growth in CEE



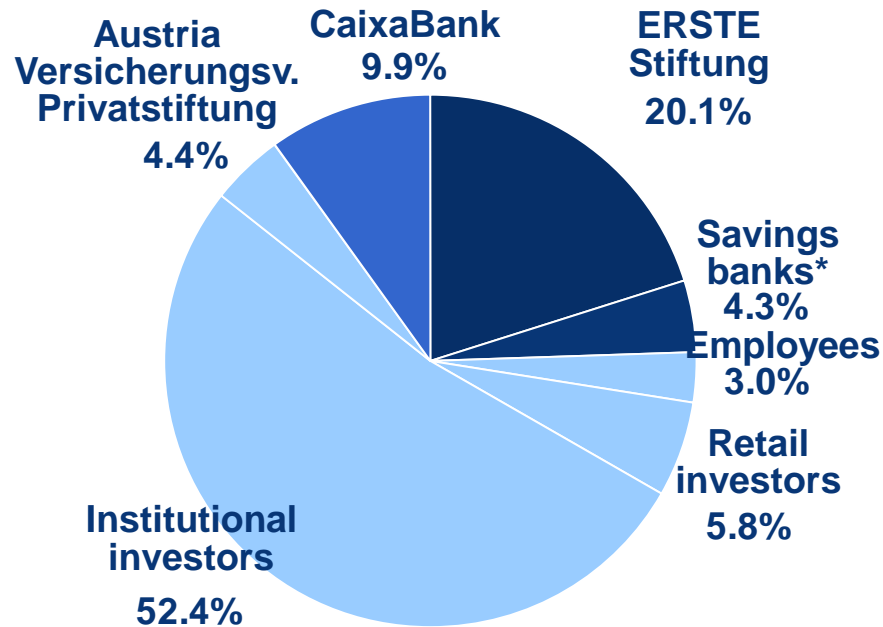
Romania	Hungary	Croatia	Serbia	Ukraine
Clients: 3.5m	Clients: 0.9m	Clients: 1.0m	Clients: 0.3m	Clients: 0.3m
Retail loans: 18.3%	Retail loans: 14.3%	Retail loans: 14.0%	Retail loans: 3.3%	Retail loans: 1.2%
Retail dep.: 20.4%	Retail dep.: 8.3%	Retail dep.: 13.0%	Retail dep.: 2.5%	Retail dep.: 0.4%
Branches: 623	Branches: 141	Branches: 150	Branches: 68	Branches: 120

EU or EU candidate
Non-EU or non-EU-candidate
Indirect presence

Shareholder structure –

Total number of shares: 394,568,647

By investor



Free float: 65.5%

* including foundations of savings banks

By region

