ERSTE GROUP

Erste Group Bank AG
Annual results 2012

28 February 2013

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Manfred Wimmer, Chief Financial Officer
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Presentation topics

- **Erste Group's development in YE 2012**
- Central and Eastern Europe
- Outlook 2013

Net profit adjusted for extraordinary effects

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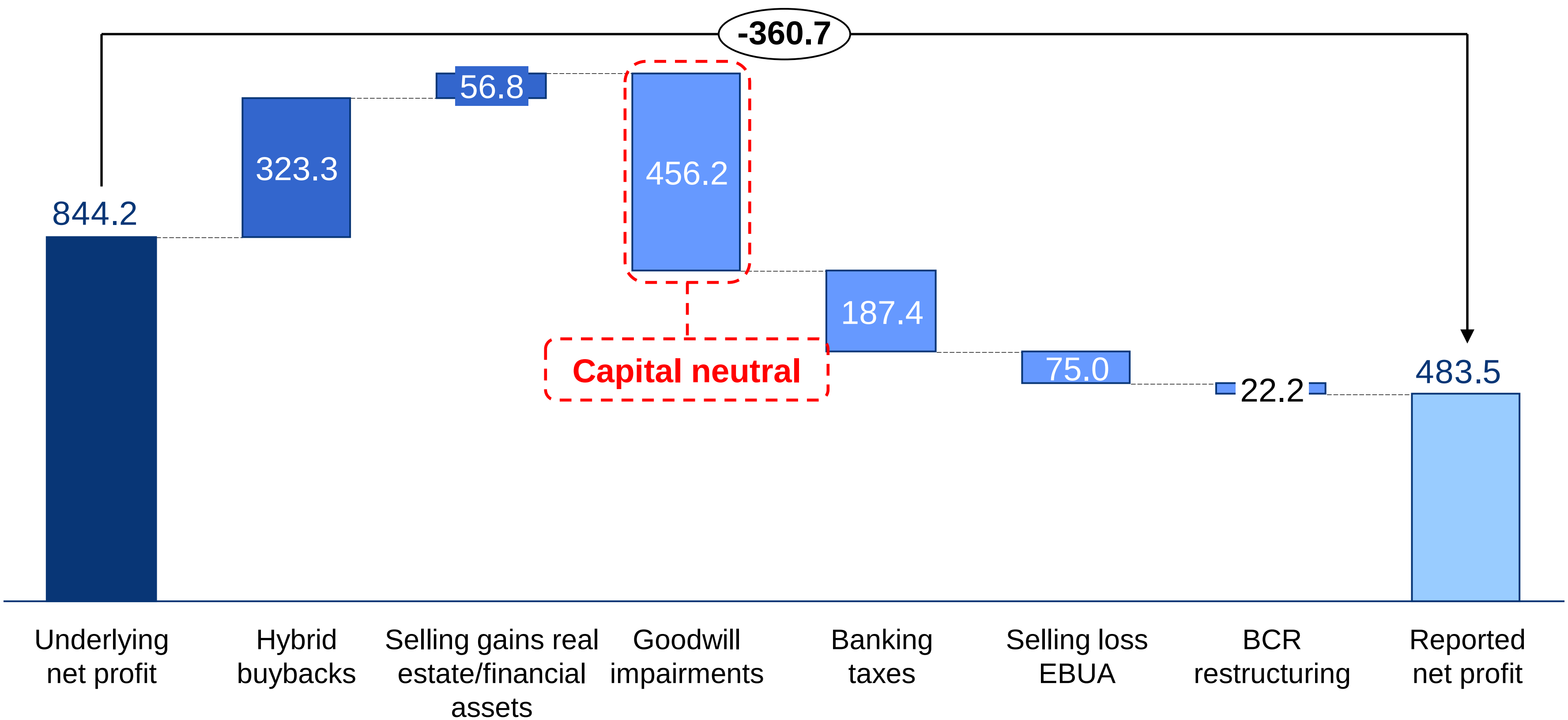
- **2012 positive extraordinary effects: EUR 380.1m (post-tax)**
- **2012 negative extraordinary effects: EUR 740.8m (post-tax)**



EUR m

Income statement (IFRS) FY 2012

ERSTE GROUP

in EUR million	2012	2011	Change	Comment
Net interest income	5,235.3	5,569.0	(6.0%)	Declining margins, non-core business reduction
Risk provisions for loans	(1,980.0)	(2,266.9)	(12.7%)	Extraordinary risk costs (HU in 2011, RO in 2012)
Net fee and commission income	1,720.8	1,787.2	(3.7%)	Reduced securities business in 2012, uptick in Q4
Net trading result	273.4	122.3	>100.0%	2011 impacted by negative one-offs
General administrative expenses	(3,756.7)	(3,850.9)	(2.4%)	Strict cost control across the group
Other operating result	(724.3)	(1,589.9)	(54.4%)	Buybacks, goodwill adjustments & Ukraine in 2012
Banking taxes	*(244.0)*	*(132.1)*	*84.7%*	
Result from financial instruments - FV	(3.6)	0.3	na	
Result from financial assets - AfS	56.2	(66.2)	na	Selling gains on financial assets
Result from financial assets - HtM	(19.9)	(27.1)	(26.6%)	Selling losses & impairments on non-core assets
Pre-tax profit/loss	801.2	(322.2)	na	
Taxes on income	(170.2)	(240.4)	(29.2%)	
Net profit/loss for the period	631.0	(562.6)	na	
Non-controlling interests	147.5	156.3	(5.6%)	
Owners of the parent	483.5	(718.9)	na	

- 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 514.9m (other operating result)
- Selling loss on disposal of Erste Bank Ukraine EUR 75.0m

Balance sheet (IFRS)

ERSTE GROUP

in EUR million	Dec 12	Dec 11	Change	Comment
Cash and balances with central banks	9,740	9,413	3.5%	
Loans and advances to credit institutions	9,074	7,578	19.7%	Excess liquidity deposited with central banks
Loans and advances to customers	131,928	134,750	(2.1%)	Reduction in GCIB, HU (FX law) & EB Ukraine
Risk provisions for loans and advances	(7,644)	(7,027)	8.8%	Driven by Hungary & Romania
Derivative financial instruments	13,289	10,931	21.6%	
Trading assets	5,178	5,876	(11.9%)	
Financial assets - FV	716	1,813	(60.5%)	Reduction of non-core assets
Financial assets - AfS	22,418	20,245	10.7%	Basel 3, excess liquidity and deposit
Financial assets - HtM	18,975	16,074	18.0%	growth invested (bonds, CEE region)
Equity holdings in associates	174	173	0.6%	
Intangible assets	2,894	3,532	(18.1%)	Goodwill adjustments
Property and equipment	2,228	2,361	(5.6%)	
Investment properties	1,023	1,139	(10.2%)	
Current tax assets	128	116	10.3%	
Deferred tax assets	657	702	(6.4%)	
Assets held for sale	708	87	>100.0%	Erste Bank Ukraine
Other assets	2,338	2,243	4.2%	
Total assets	**213,824**	**210,006**	**1.8%**	
Risk-weighted assets	**105,323**	**114,019**	**(7.6%)**	Reduction of non-core assets across group

- Customer loans declined on reduction in International Business (GCIB) and real estate business, FX conversion law in Hungary and the reclassification of Ukrainian loans as assets held for sale
- Reduction of non-core assets, limited loan demand also led to decrease of EUR 8.7bn in total RWAs
- Financial assets (sovereign bonds) rose as a result of preparatory actions to meet Basel 3 liquidity requirements as of 2014 (e.g. LCR) and because of investing surplus liquidity from growth in customer deposits

Balance sheet (IFRS) –
Net profit and OCI drove substantial increase in equity

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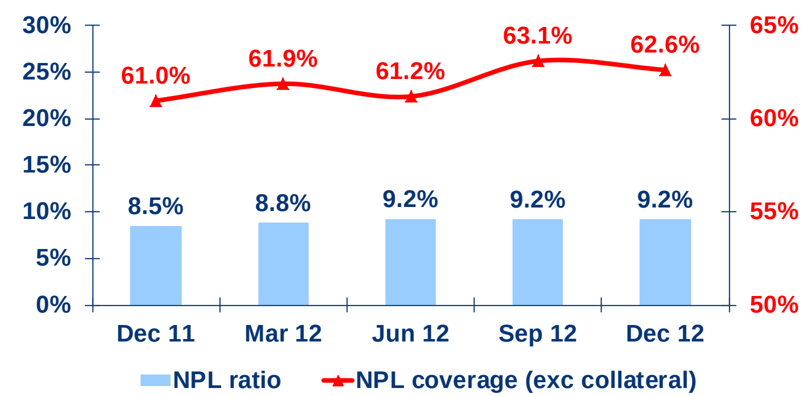
in EUR million	Dec 12	Dec 11	Change	Comment
Deposits by banks	21,822	23,785	(8.3%)	Lower funding requirements
Customer deposits	123,053	118,880	3.5%	Growth mainly in AT, CZ, SK & HU
Debt securities in issue	29,427	30,782	(4.4%)	Lower funding requirements
Value adjustment for portfolio fair value hedges	1,220	915	33.3%	
Derivative financial instruments	10,878	9,337	16.5%	
Trading liabilities	481	536	(10.3%)	
Provisions	1,488	1,580	(5.8%)	
Current tax liabilities	53	34	55.9%	
Deferred tax liabilities	324	345	(6.1%)	
Liabilities associated with assets held for sale	339	0	na	Erste Bank Ukraine
Other liabilities	3,078	2,849	8.0%	Increase attributable to FV hedges
Subordinated liabilities	5,323	5,783	(8.0%)	Buyback of own issues
Total equity	16,338	15,180	7.6%	Strong net profit and OCI in 2012
Non-controlling interests	3,483	3,143	10.8%	
Owners of the parent	12,855	12,037	6.8%	
Total liabilities and equity	**213,824**	**210,006**	1.8%	
Core tier 1 ratio	**11.2%**	**9.4%**		

- Deposits grew mainly in core Retail & SME business in Austria, Czech Republic, Croatia, Slovakia and Hungary
- Capital ratios improved substantially on retained earnings for the year and lower RWAs

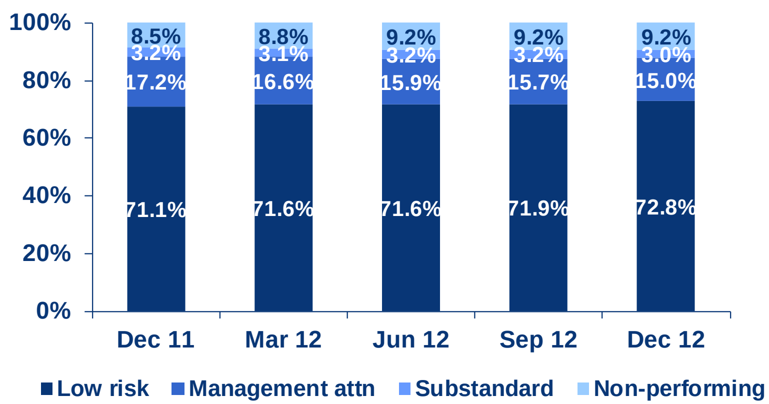
Asset quality review –
NPL ratio stable for 2nd consecutive quarter

- **Overall slight NPL reduction by EUR 147m qoq**
  - NPL sales of EUR 212m in Q4 2012, mainly in BCR
  - Qoq NPL volume decreased in all countries except Croatia and Serbia; NPL volume also increased in large corporates business
- **NPL coverage ratio increased by 1.6pp yoy**
  - Increased provisioning for Romania and GCIB business, especially in GLC
- **Signs of positive migration**
  - Yoy visible increase of low risk share in AT, CZ and SK

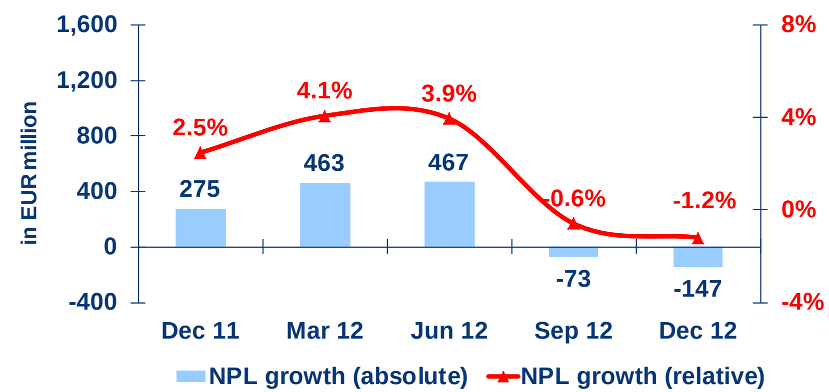
Erste Group: NPL ratio vs NPL coverage



Customer loans by risk class



Quarterly NPL growth (absolute/relative)



Asset quality review –
AT, CZ & SK improved, HU & RO remained challenging

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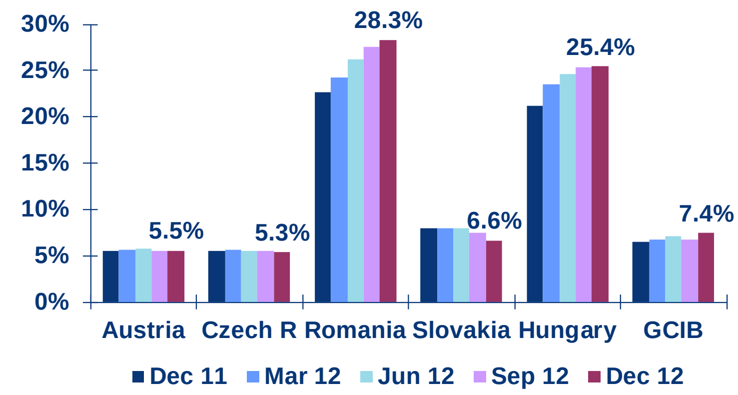
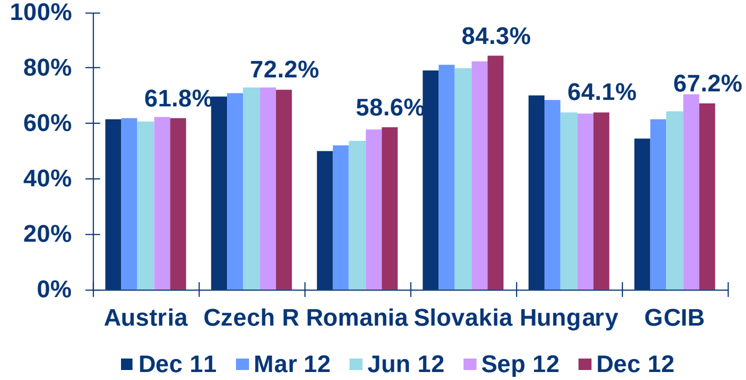
- **Austria, Czech Republic & Slovakia: asset quality stable year-over-year**
  - Retail & SME/Austria: Risk costs remained at low level
  - Slovakia: NPL ratio significantly reduced from 8.0% to 6.6% yoy, loan growth mainly driven by retail housing loans
  - Czech Republic: NPL volume decreased notably qoq, portfolio growth mainly in low risk segments
- **Hungary & Romania: remain challenging**
  - Hungary: Low demand and stricter lending criteria lead to shrinking portfolio, especially in corporate segment
  - Romania: slowing, but still significant NPL inflows in corporate and real estate business
- **GCIB: reduction of Group Real Estate and International Business portfolio**
  - NPL coverage ratio increased to 67.2% from 54.6% yoy
  - Decline of Group Real Estate loans by EUR 1.1bn
  - International Business actively reduced exposure to EUR 3.2bn as of YE 2012 (YE 2011: EUR 5.5bn)

NPL ratios in key segments



NPL coverage ratios in key segments (excluding collateral)



Loan book review –

Limited demand reflected in loan book

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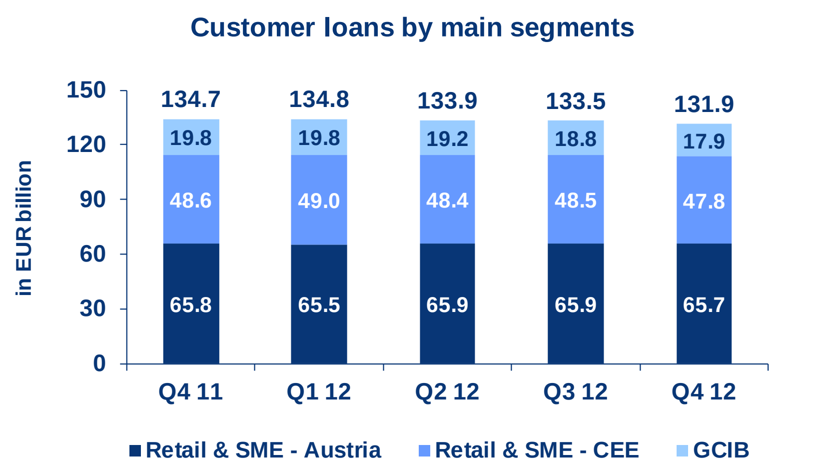
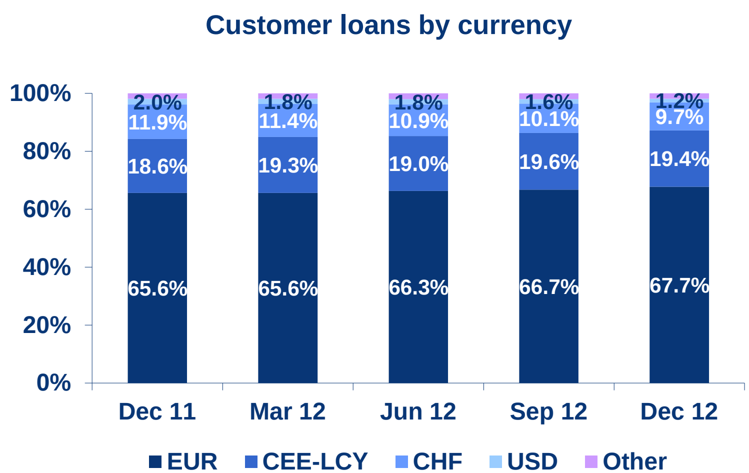
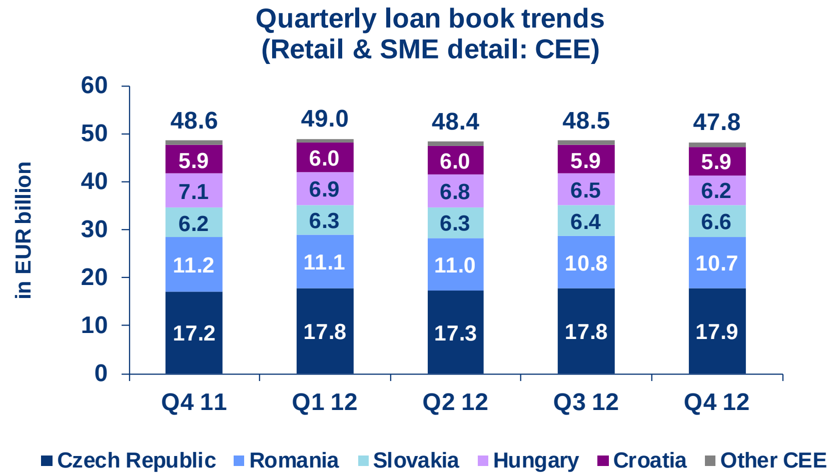
- **Customer loans decreased by 2.1% yoy mainly on reduction in Hungary, GCIB and Ukraine**
  - Decline in Hungary (FX conversion), Group Real Estate business and targeted reduction in International Business (both GCIB)
  - EB Ukraine exclusion leads to EUR 497m reduction
- **Increased share of CEE-LCY loans**
  - Share of CHF loans down to 9.7% of total loan book as of Dec 2012 due to persistent efforts to convert CHF loans in Austria and on reduction in Hungary
  - New business dominated by private mortgages which led to increased share of secured lending, mainly in CZ and SK







Funding update –

Excess liquidity position underpins LTRO repayment

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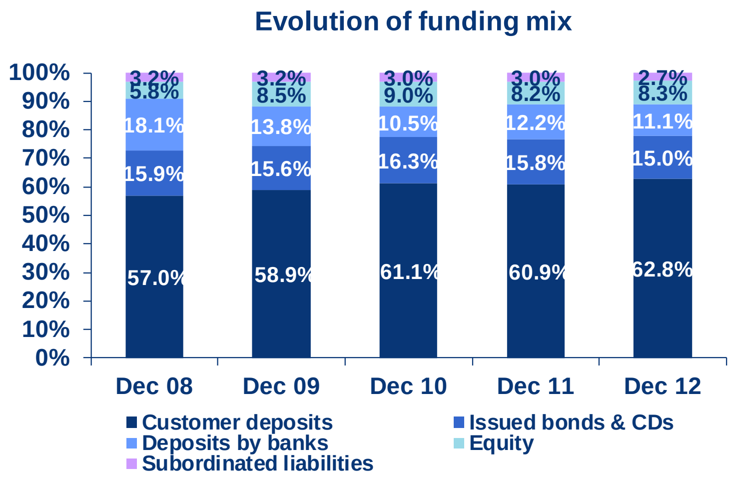
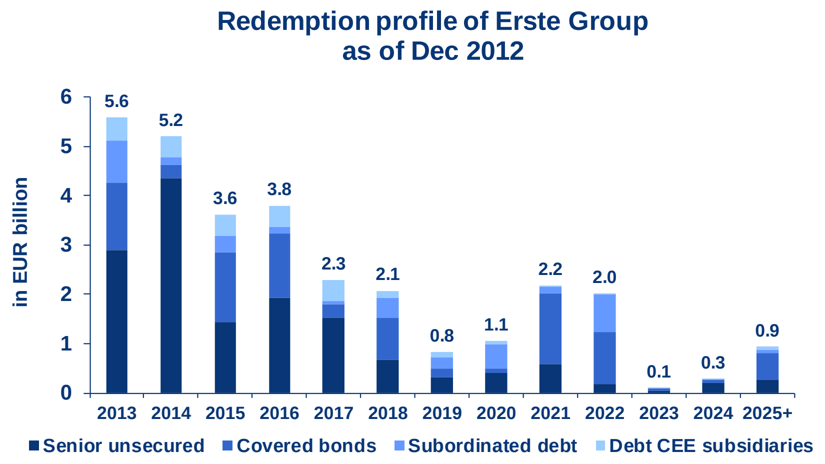
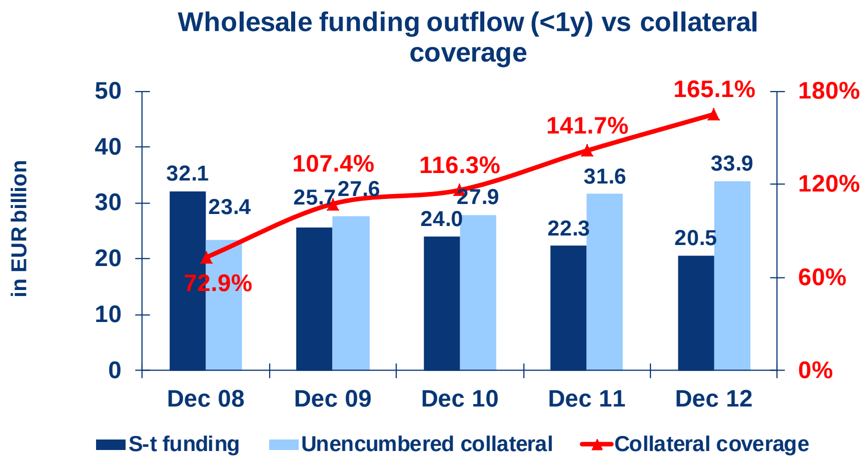
- **Short-term funding needs very well covered**
  - Investment in highly liquid assets led to continuously rising collateral coverage of short-term funding needs in 2012
- **EUR 4.0bn in LTRO funds repaid ytd**
  - EUR 150m in LTRO funds remain
- **Long-term funding**
  - 2012: Total issuance of EUR 4.7bn, average maturity 7.1 yrs
  - 2013: Moderate financing needs of approx. EUR 3bn due to increase in deposits







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

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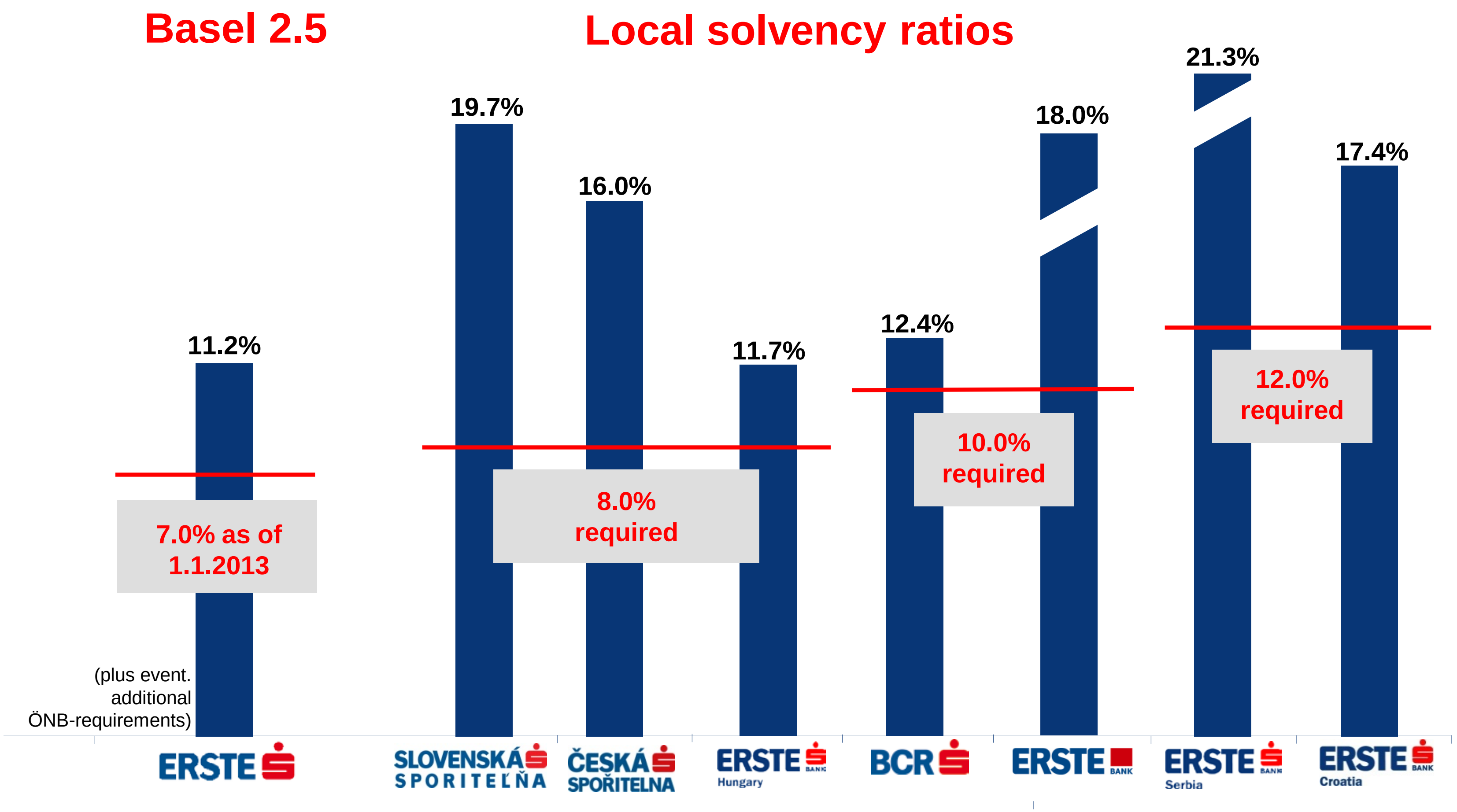

Erste Group shows core tier 1 ratios (total risk):
tier-1-capital excl. hybrid and after regulatory deductions divided by total RWA – incl. credit risk, market and operational risk.

Local subsidiaries show solvency ratios.

Data as of YE 2012

Erste Group's Segment highlights –
Improvement in CZ, EBOe, GM and HU, bottom in RO

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Top segment performers in FY 2012:

	Czech Republic			Slovakia			EB Oesterreich			Group Markets		
in EUR million	2012	2011	Δ	2012	2011	Δ	2012	2011	Δ	2012	2011	Δ
Operating income	1,581	1,634	(3%)	538	553	(3%)	953	1,007	(5%)	511	479	7%
Operating expenses	(692)	(714)	(3%)	(236)	(224)	5%	(615)	(609)	1%	(216)	(245)	(12%)
Operating result	889	920	(3%)	302	329	(8%)	338	397	(15%)	295	234	26%
Risk costs	(140)	(211)	(34%)	(53)	(74)	(27%)	(96)	(101)	(5%)	0	(12)	na
Other result	(93)	(122)	(24%)	(38)	(40)	(6%)	13	(64)	na	2	10	(80%)
Net profit/loss	518	456	14%	169	173	(2%)	192	178	8%	228	167	37%

Special management attention on:

	Hungary			Romania		
in EUR million	2012	2011	Δ	2012	2011	Δ
Operating income	411	520	(21%)	763	852	(10%)
Operating expenses	(170)	(201)	(15%)	(356)	(376)	(5%)
Operating result	242	319	(24%)	407	475	(14%)
Risk costs	(215)	(812)	(74%)	(737)	(499)	48%
Other result	(73)	(57)	28%	(49)	(31)	58%
Net profit/loss	(55)	(567)	(90%)	(294)	(23)	>100%

Presentation topics

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- Erste Group’s development in YE 2012
- **Central and Eastern Europe**
- Outlook 2013

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

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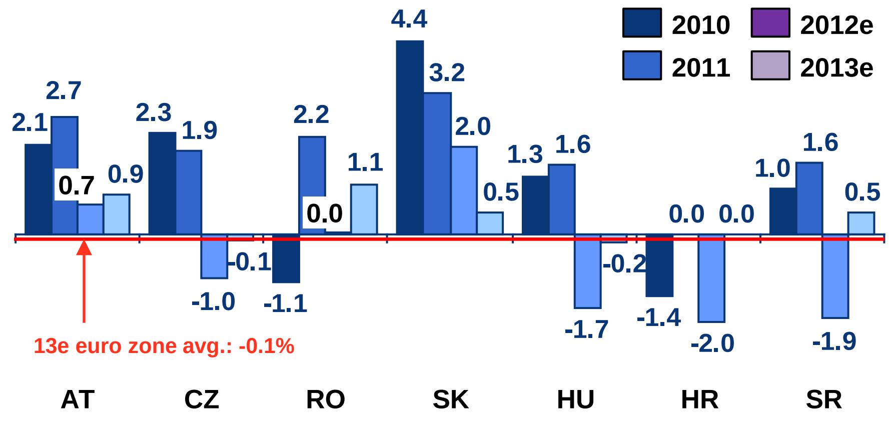
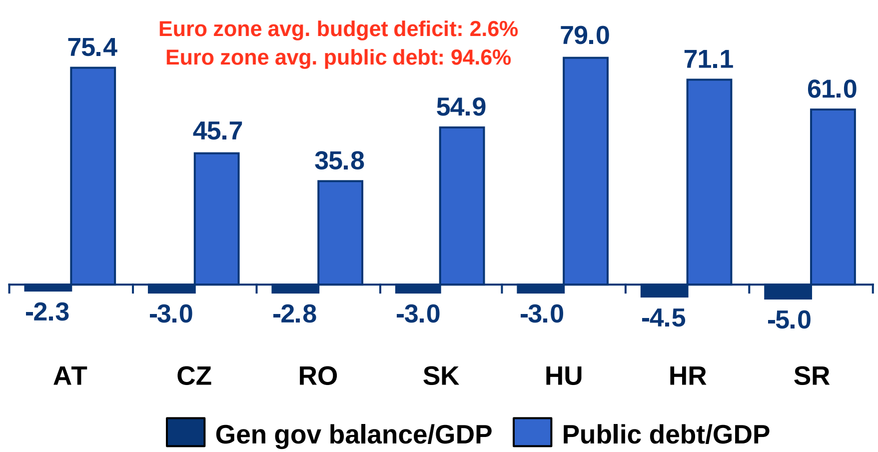
- **Eurozone's weakness still a drag on economic development in CEE**
- **Several countries following through with austerity measures to limit public debt**
- **CEE will benefit from lower indebtedness and positive economic fundamentals**
  - AT: Austria's export orientated economy started to be affected by declining demand in several of its key markets
  - CZ: Economy in shallow but protracted recession, but underlying fundamentals remain strong (deficit, net exports, current account, banking sector)
  - SK: Industrial production up 11.0% yoy in 2012 driven by car industry
  - HU: Difficult economic environment continues to weigh on country
  - RO: Renegotiation of IMF agreement, growth orientated reforms and improvement of EU subsidies absorption rate are key topics for newly elected government

Real GDP growth in Erste Group's core markets (in %)



Public debt in Erste Group's core markets (in %, 13e)



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

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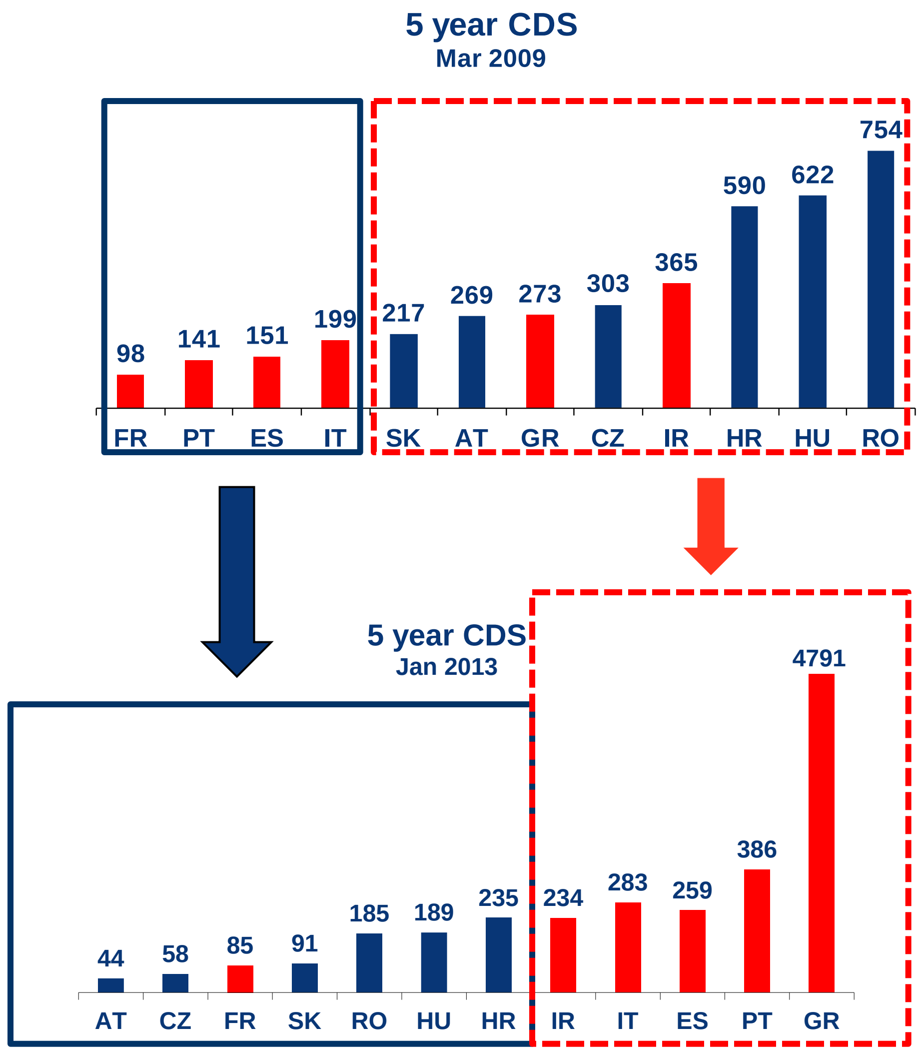
- **HU and RO successfully tapped international markets with USD bond issues lately**
- **CEE debt markets finding favour with investors as the region has remained largely unscathed from the euro-zone debt crisis**
  - Still low level of public debt and relatively small contingent liabilities in the banking sector
  - Strong demand from foreign investors especially for Czech and Polish government bonds
- **Markets seem to acknowledge structural advantages of the CEE region**
- **Limited cross-border deleveraging in CEE**
  - Despite massive cross-border deleveraging in peripheral euro area banks, no substantial reduction of foreign funding in CEE (with exception of Hungary)
- **Mixed interest rate environment**
  - HUF: NBH continued to cut interest rate to currently 5.25%
  - RON central bank rate at 5.25%, forecast to remain stable



Erste Group Remains #1 Bookrunner in CEE

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Sovereigns

June 2012	June 2012	June 2012	February/ October 2012	November 2012
Republic of Poland EUR 1,500,000,000 10y Fixed Rate Bonds	Republic of Austria EUR 5,000,000,000 7y/32y Fixed Rate Bonds	Republic of Croatia HKR 2,000,000,000 & EUR 400,000,000 4y/10y Fixed Rate Bonds	Czech Republic EUR 750,000,000 (tap) 10y Fixed Rate Bonds	Slovak Republic EUR 1,250,000,000 12y Fixed Rate Bonds
Joint Bookrunner	Joint Bookrunner	Joint Bookrunner	Joint Bookrunner	Joint Bookrunner
Perfect timing led to attractive pricing	Newly issued dual tranche flat to secondary trading levels	Strong domestic demand allowed to increase target size	Priced with low single digit new issue premium to secondary curve	Lowest coupon of long-term fixed rate bond

Corporates & Financial Inst.

July 2012	June 2012	September 2012	September 2012	October 2012
Andritz AG EUR 350,000,000 7y Senior Unsecured	Czech Export Bank (g'teed by Czech Rep.) CZK 3,870,000,000 6y Floating Rate Note	OMV AG EUR 1,500,000,000 10y/15y Fixed Rate Bond	Credit Agricole EUR 1,000,000,000 7y Covered Bond	EP Energy EUR 500,000,000 7y Fixed Rate Bond
Joint Bookrunner	Sole Lead Manager	Joint Bookrunner	Joint Lead Manager	Joint Bookrunner
Largest retail bond in year 2012	6 consecutive trades in 2011/12 for opportunistic issuer	Largest Austrian corporate transaction ever	First public sector covered bond in new SCF format	Inaugural bond successfully issued as part of debt refinancing

CEE Bond Underwriter League Table 2012 YTD

Rank	Underwriter	Vol (EUR mn)
1	**Erste Group Bank**	**5,149**
2	UniCredit Group	4,958
3	HSBC Bank	4,069
4	Barclays	3,933
5	Societe Generale	3,669
6	Goldman Sachs	2,500
7	Deutsche Bank	2,270
8	RBI	2,071
9	BNP Paribas	2,027
10	Commerzbank	2,013

CEE Bond Underwriter League Table FY 2011

Rank	Underwriter	Vol (EUR mn)
1	**Erste Group Bank**	**4,288**
2	Deutsche Bank AG	4,084
3	UniCredit Group	3,882
4	Societe Generale	3,439
5	BNP Paribas Group	2,942
6	HSBC Bank PLC	2,399
7	RBI	2,247
8	ING Groep NV	1,658
9	Citi	1,565
10	Credit Agricole CIB	1,248

CEE Bond Underwriter League Table FY 2010

Rank	Underwriter	Vol (EUR mn)
1	**Erste Group Bank**	**6,112**
2	HSBC Bank PLC	4,818
3	UniCredit Group	4,794
4	Deutsche Bank AG	3,521
5	Societe Generale	2,399
6	RBI	2,321
7	Barclays Capital	2,175
8	BNP Paribas Group	2,134
9	Morgan Stanley	1,721
10	ING Group NV	1,480

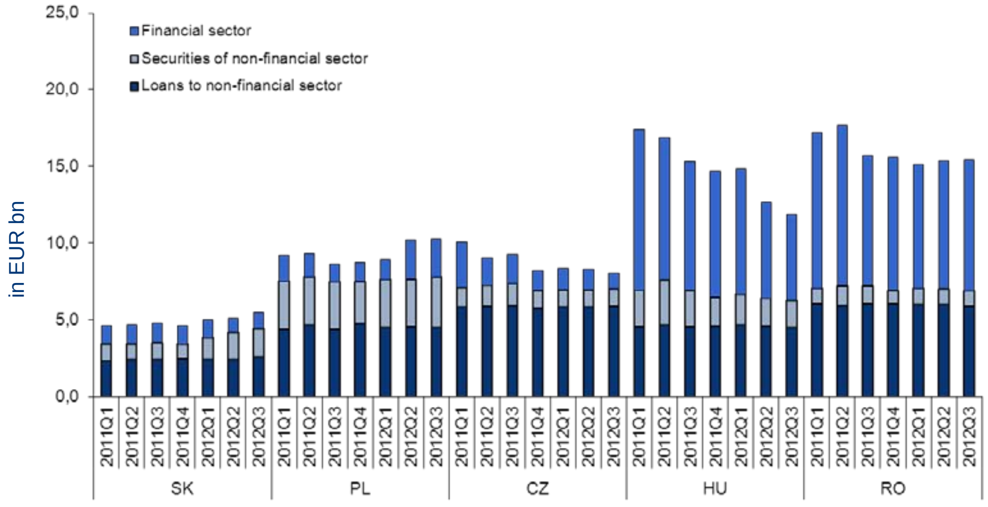
Source: Bloomberg EUR denominated Bond issues from Austria and CEE excl. Russia (1/1-11/13/2012; 1/1-12/31/2011; 1/1-12/31/2010)

Austrian banks keep the funding in CEE stable

ERSTE GROUP

- In an international comparison, deleveraging in CEE has been moderate (except for HU)
- CEE6[1] has reduced their external vulnerability – 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

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.

Erste Group's loans granted in CEE

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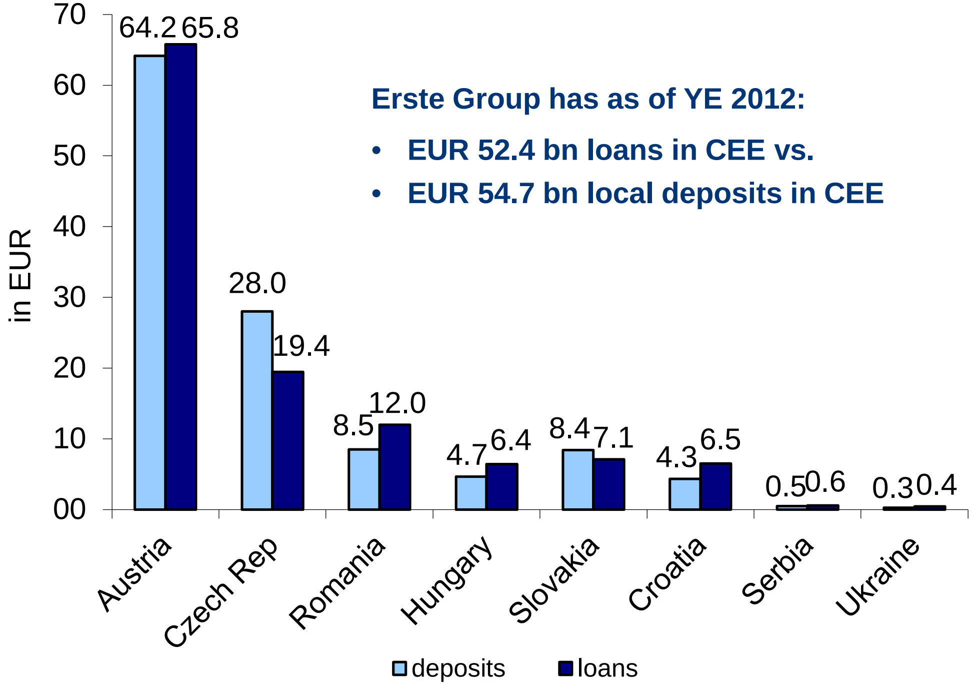
- **Retail business in CEE**
  - Local customer deposits are key pillar for Erste's refinancing
- **Erste Group had as of YE 2012:**
  - EUR 52.4 bn loans in CEE, which were by EUR 54.7 bn funded by local deposits
- **In order to extend local funding the following steps are necessary:**
  - Development of local capital markets in CEE
  - Initiatives for local Covered Bonds



Presentation topics

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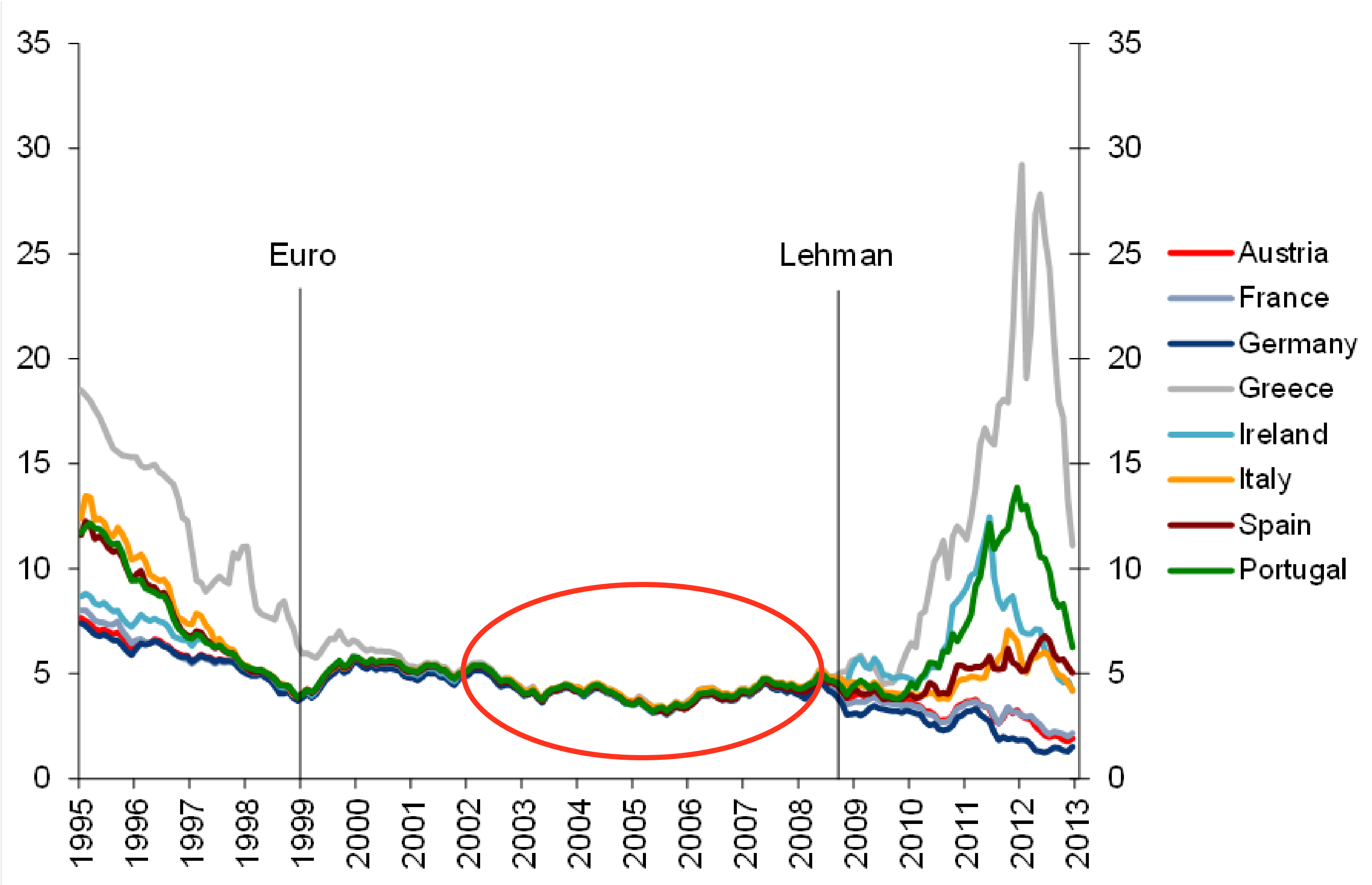
– Erste Group’s development in YE 2012

– Central and Eastern Europe

– **Outlook 2013**

Interest rate environment in Europe

Development of 10y government bonds



Executive summary –
Erste Group improved capital substantially in 2012

Income statement – FY 2012 view	• **Net profit of EUR 483.5m impacted by positive and negative one-off items** • All extraordinary items together resulted in a net negative effect of EUR 360.7m; banking tax alone amounted to EUR 187.4m post-tax (EUR 244.0m pre-tax) • **Risk costs decreased to EUR 1,980.0m (FY 2011: EUR 2,266.9m)**
Balance sheet	• **Customer deposits up yoy on strong inflows in CZ, HU, HR and SK** • **Loan/deposit ratio improved to 107.2% (YE 2012) vs 113.3% at YE 2011** • **EUR 4.0bn in LTRO funds repaid ytd, reflecting strong funding position**
Asset quality	• **NPLs decreased for 2nd consecutive quarter, NPL ratio at 9.2% (Dec 12)** • **NPL coverage ratio increased to 62.6% (Dec 11: 61.0%)** • **Positive migration trends with low risk share increasing in AT, CZ and SK**
Capital	• **Core tier 1 ratio (Basel 2.5) at 11.2% as of Dec 12 (Dec 11: 9.4%)** • **Solvency ratio up to 15.5% as of Dec 12 (Dec 11: 14.4%)** • **Decrease in risk-weighted assets by 7.6% yoy**

Erste Group in 2013 –
Outlook

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- **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**