ERSTE GROUP

Erste Group Bank AG
Half year results 2013

Solid retail & SME business
Sound funding and capital position

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Presentation topics

ERSTE GROUP

- **Erste Group's development in HY 2013**
- Central and Eastern Europe
- Repayment of participation capital
- Outlook 2013

Income statement (IFRS) HY 2013

ERSTE GROUP

in EUR million	1-6 13	1-6 12	Change
Net interest income	2,431.2	2,651.7	(8.3%)
Risk provisions for loans	(831.8)	(981.8)	(15.3%)
Net fee and commission income	895.9	865.5	3.5%
Net trading result	160.5	121.5	32.1%
General administrative expenses	(1,842.9)	(1,887.4)	(2.4%)
Other operating result	(397.7)	(68.1)	>100.0%
Banking taxes + FTT	*(184.6)*	*(114.5)*	*61.2%*
Result from financial instruments - FV	(59.0)	42.4	na
Result from financial assets - AfS	10.5	3.7	>100.0%
Result from financial assets - HtM	2.6	(19.8)	na
Pre-tax profit/loss	369.3	727.7	(49.3%)
Taxes on income	25.0	(196.6)	na
Net profit/loss for the period	394.3	531.1	(25.8%)
Attributable to non-controlling interests	93.1	77.5	20.1%
Attributable to owners of the parent	301.2	453.6	(33.6%)

- NII impacted by gradual decline in loan book, mainly in retail and SME business, and lower reinvestment yields for financial assets; also impacted by changed presentation of Czech pension fund result (H1 12 NII impact: EUR 19.3m)
- Decline in risk provisions across most countries, most notably Romania; increase in large corporate and real estate business
- H1 12 other operating result impacted by positive one-off income in the amount of EUR 413.2m (pre-tax)
- Strict cost control across the group results in further decline of general administrative expenses

Balance sheet (IFRS) – assets

ERSTE GROUP

in EUR million	Jun 13	Dec 12	Change
Cash and balances with central banks	9,626	9,740	(1.2%)
Loans and advances to credit institutions	10,163	9,074	12.0%
Loans and advances to customers	129,756	131,928	(1.6%)
Risk provisions for loans and advances	(7,820)	(7,644)	2.3%
Derivative financial instruments	9,355	13,289	(29.6%)
Trading assets	7,751	5,178	49.7%
Financial assets - FV	642	716	(10.4%)
Financial assets - AfS	20,447	22,418	(8.8%)
Financial assets - HtM	18,575	18,975	(2.1%)
Equity holdings in associates	220	174	26.2%
Intangible assets	2,807	2,894	(3.0%)
Property and equipment	2,116	2,228	(5.0%)
Investment properties	942	1,023	(8.0%)
Current tax assets	93	128	(27.4%)
Deferred tax assets	812	658	23.4%
Assets held for sale	95	708	(86.6%)
Other assets	4,623	2,338	97.7%
Total assets	210,201	213,824	(1.7%)
Risk-weighted assets	100,899	105,323	(4.2%)

- Customer loans declined mainly due to the reduction in retail and SME business (most notably in HU and RO), also impacted by depreciation of CEE local currencies in H1 2013
- Higher share of secured loans and deconsolidation of Ukraine lead to lower risk-weighted assets

Balance sheet (IFRS) – liabilities

ERSTE GROUP

in EUR million	Jun 13	Dec 12	Change
Deposits by banks	21,699	21,822	(0.6%)
Customer deposits	122,513	123,053	(0.4%)
Debt securities in issue	28,826	29,427	(2.0%)
Value adjustments from Portfolio fair value hedges	905	1,220	(25.8%)
Derivative financial instruments	7,662	10,878	(29.6%)
Trading liabilities	489	481	1.7%
Provisions	1,466	1,488	(1.5%)
Current tax liabilities	84	53	59.1%
Deferred tax liabilities	208	324	(35.6%)
Liabilities associated with assets held for sale	0	339	na
Other liabilities	4,951	3,077	60.9%
Subordinated liabilities	5,161	5,323	(3.0%)
Total equity	16,234	16,339	(0.6%)
Attributable to non-controlling interests	3,453	3,483	(0.9%)
Attributable to owners of the parent	12,781	12,855	(0.6%)
Total liabilities and equity	210,201	213,824	(1.7%)
Core tier 1 ratio	11.8%	11.2%	

- **Slight decline in equity due to negative currency translation effects (capital increase not included)**
- **Continued strong underlying customer deposit inflows, in CZ offset by changed presentation of Czech pension fund**
- **Improved core tier 1 ratio (capital increase not included)**

Erste Group's Segment highlights –
Improvement in RO, solid results in EBOe, CZ and SK

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	Romania			EB Oesterreich			Czech Republic			Slovakia		
in EUR million	1-6 13	1-6 12	Δ	1-6 13	1-6 12	Δ	1-6 13	1-6 12	Δ	1-6 13	1-6 12	Δ
Operating income	391	383	2%	478	472	1%	729	792	(8%)	266	268	(1%)
Operating expenses	(159)	(173)	(8%)	(301)	(306)	(2%)	(329)	(359)	(8%)	(115)	(113)	2%
Operating result	232	210	10%	176	166	6%	399	433	(8%)	151	155	(2%)
Risk costs	(205)	(365)	(44%)	(38)	(54)	(31%)	(63)	(85)	(26%)	(22)	(32)	(32%)
Other result	(33)	(17)	100%	(7)	18	na	(10)	(21)	(52%)	(21)	(11)	87%
Net profit/loss	117	(141)	na	97	98	(1%)	259	253	3%	87	89	(2%)

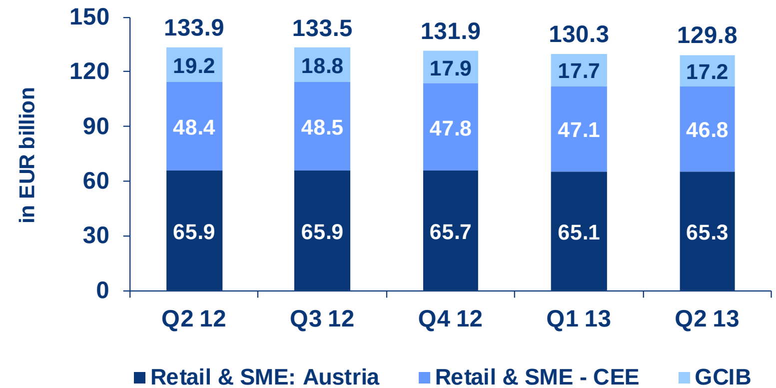
	Hungary		
in EUR million	1-6 13	1-6 12	Δ
Operating income	189	215	(12%)
Operating expenses	(82)	(82)	1%
Operating result	107	133	(19%)
Risk costs	(114)	(107)	7%
Other result	(90)	(93)	(3%)
Net profit/loss	(99)	(73)	36%

Loan book –

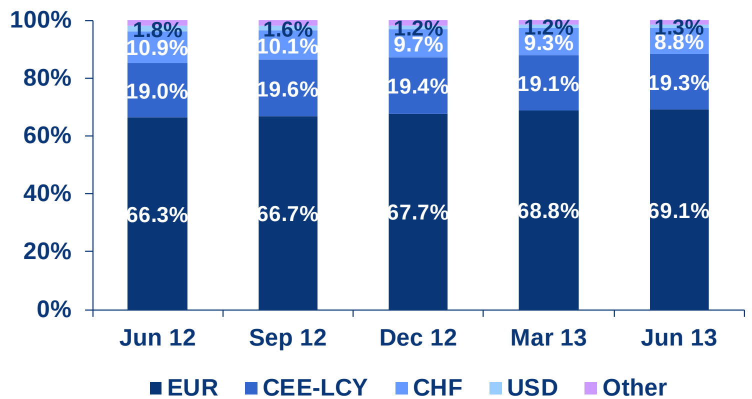
Limited demand reflected in loan book

- **Customer loans decreased by 1.6% ytd mainly on reduction in GCIB business**
  - Austria: overall stable, qoq increase in retail and SMEs/local corporates but decline in municipalities
  - CEE: In general relatively stable qoq, increasing loan book in CZ and SK, down in RO and particularly in HU
  - GCIB decline due to real estate and International Business
- **Increased share of EUR/LCY loans**
  - Share of CHF loans decreased to 8.8% of total loan book as of June 2013 due to successful efforts to convert CHF loans in Austria and on reduction in Hungary

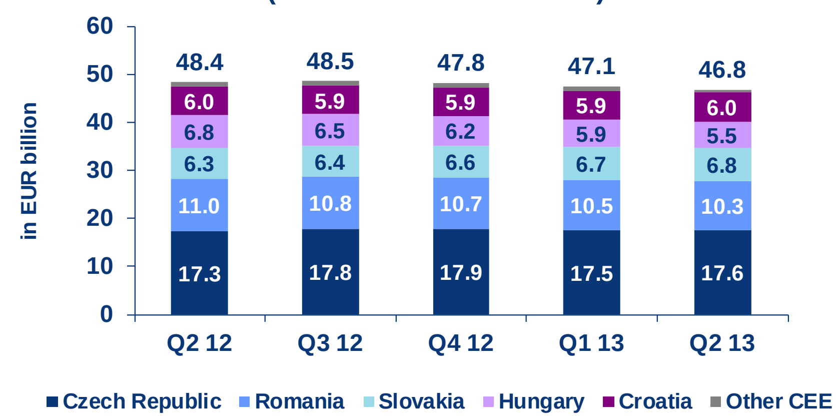
Customer loans by main segments



Customer loans by currency



Quarterly loan book trends (Retail & SME detail: CEE)



Asset quality –
AT, CZ & SK improve, while RO stabilises

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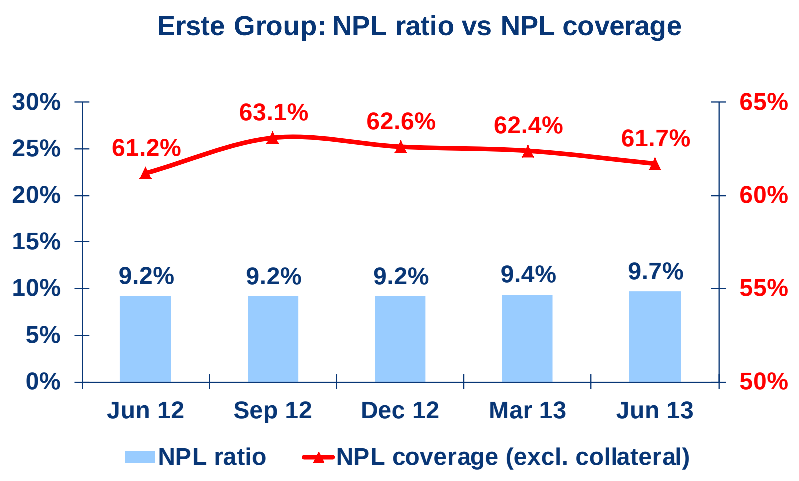
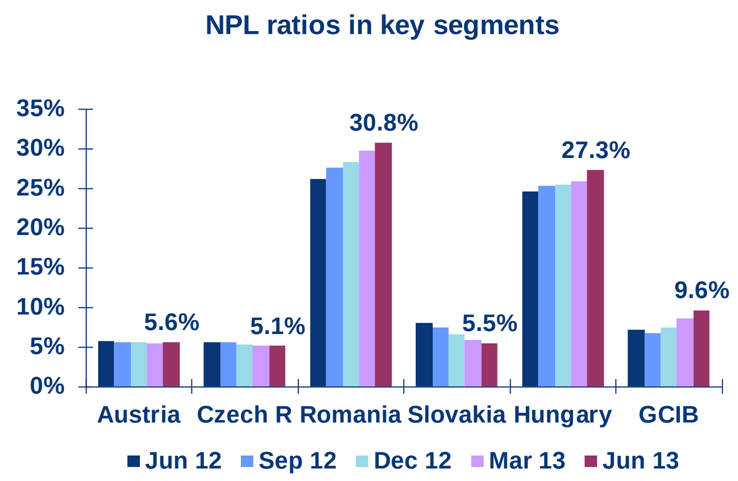
- **Positive migration in performing categories**
  - Increase of low risk share in CEE, especially coming from CZ and SK
- **CZ/SK lower NPL ratio than AT**
  - stable NPL ratio (Czech Republic: 5.1%, Slovakia: 5.5%, Austria: 5.6%); high coverage ratio
- **Hungary: fourth consecutive quarter of NPL volume decrease supported by NPL sales**
  - NPL ratio up to 27.3% due to declining; 63.6% coverage ratio
- **Overall slight NPL increase**
  - Increase stems mainly from GCIB and BCR
  - Increase in BCR partially due to reduced NPL sales

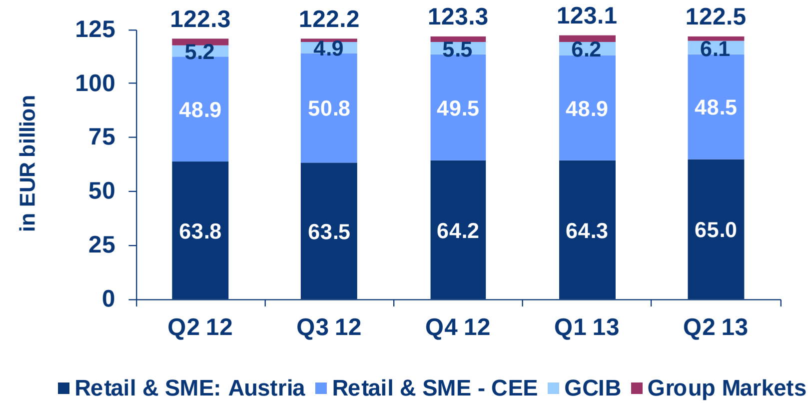




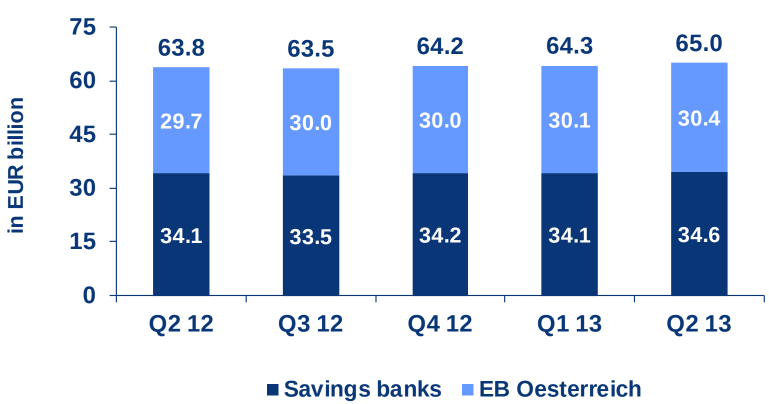
Funding update –
Inflows strengthening funding base

- **Stable retail & SME customer deposit base**
  - Overall, retail & SME deposits remain flat
  - GCIB deposits increased by 10.3% ytd
  - Nominal decline in CZ mainly on changed presentation of Czech pension fund and currency deprecation
  - Growth in SK (up 4.9%) and A (up 1.4% ytd)
  - RO down mainly due to weaker RON and re-pricing efforts
- **Loan/deposit ratio amounted to 105.9% as of June 2013 (YE 2012: 107.2%)**

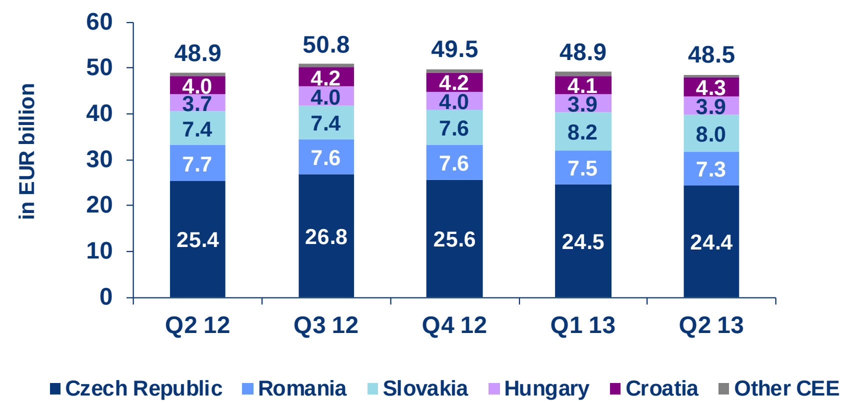
Customer deposit trends by main segments



Customer deposit trends by subsegments (Retail & SME detail: Austria)

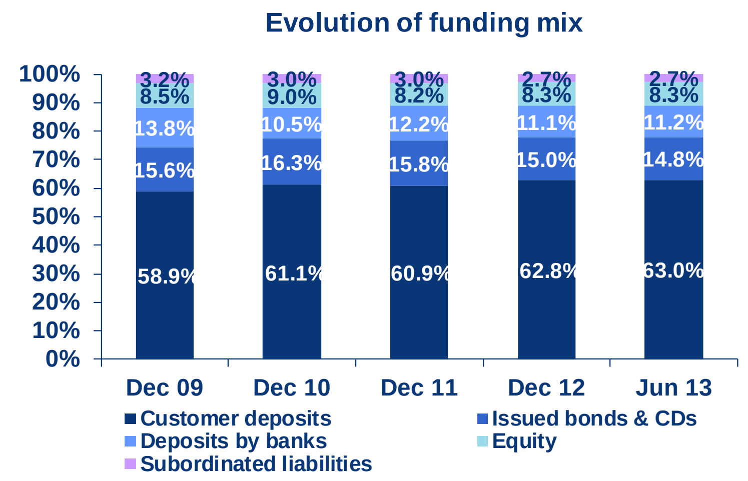


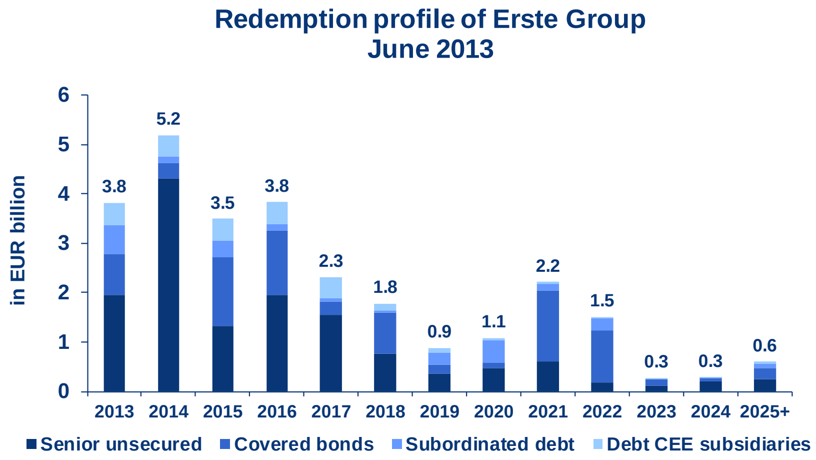
Customer deposit trends by subsegments (Retail & SME detail: CEE)

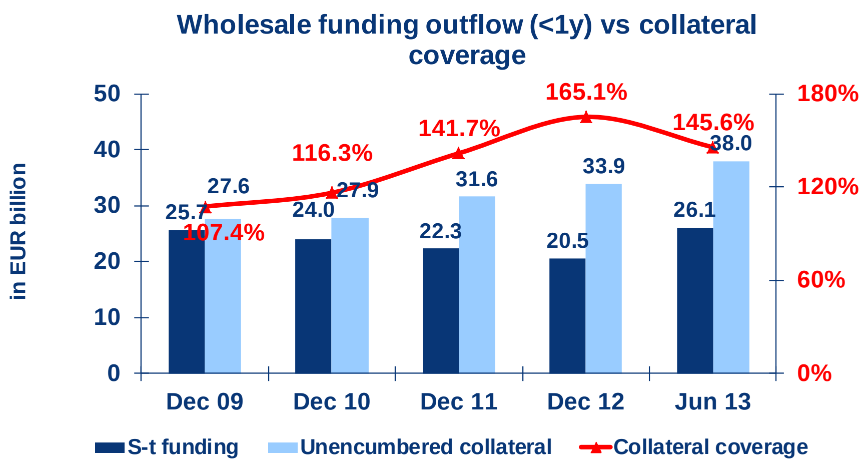


Funding update –
Excess liquidity position underpins LTRO repayment

- **Short-term funding needs very well covered**
- **Long-term funding**
  - Elevated deposit volumes limit long term funding needs
  - Focus on retail issuances
  - Continuation of longer dated issuances to flatten redemption profile (ytd: 8.1yrs)







Solid capital position

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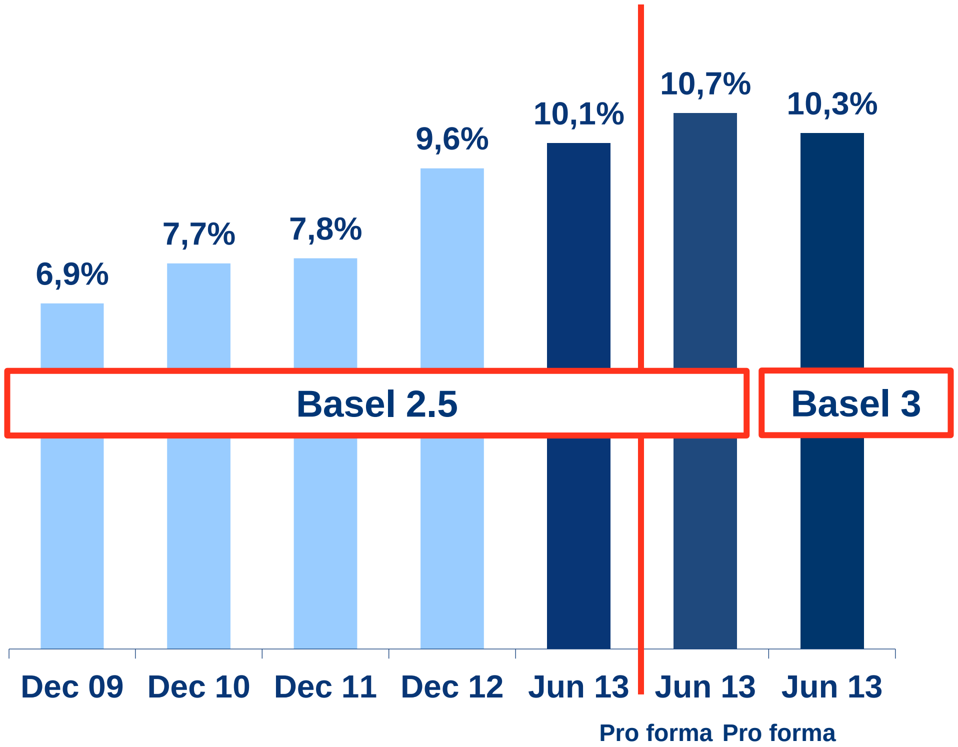
- Capital increase of EUR 660m successfully placed
- Erste Group already comfortably meets its targeted 10% fully loaded Basel 3 common equity tier-1 ratio

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.

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

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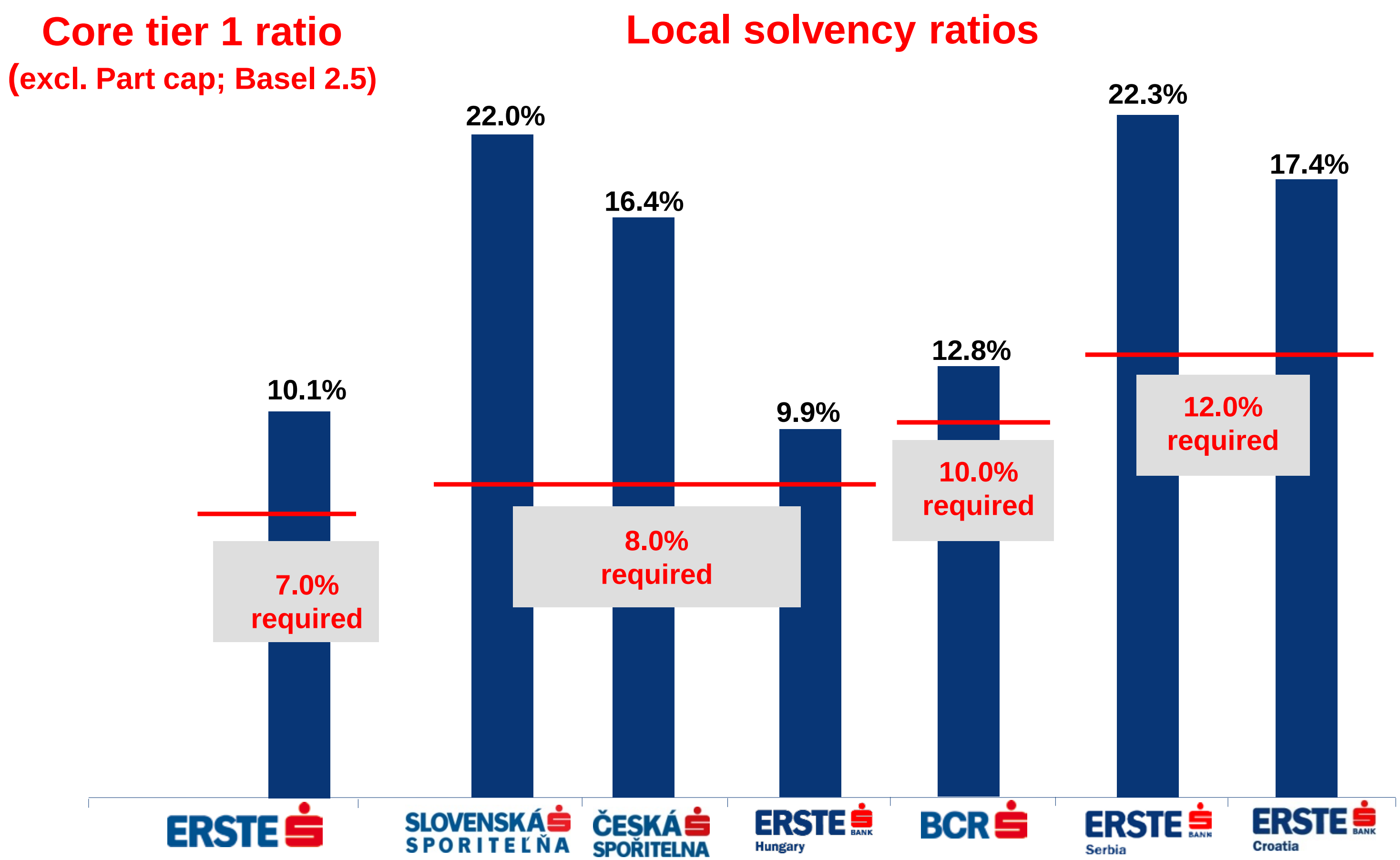

Erste Group shows core tier 1 ratios (total risk):
tier-1-capital excl. hybrid and after regulatory deductions divided by total RWA – incl. credit risk, market and operational risk.

Local subsidiaries show solvency ratios.

Data as of HY 2013

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ERSTE GROUP

- Erste Group’s development in HY 2013
- **Central and Eastern Europe**
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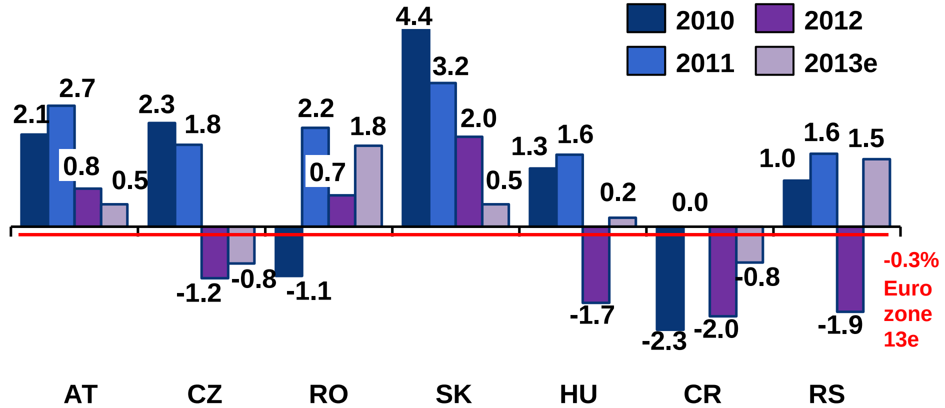
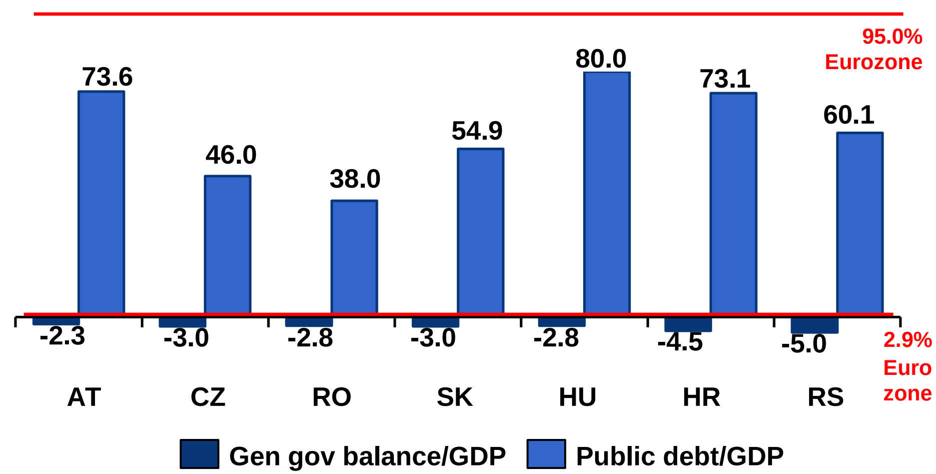
Operating environment: macro trends –
Signs of economic recovery visible in CEE

- Growth mainly driven by exports, however, domestic demand has also started to gradually improve
- Falling inflation & very low interest rate environment
- CEE will benefit from lower indebtedness and positive economic fundamentals
- Short-term indicators (PMIs, retail sales) suggest a gradual improvement of economic activity in 2H 2013

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



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



Austrian banks keep funding in CEE stable

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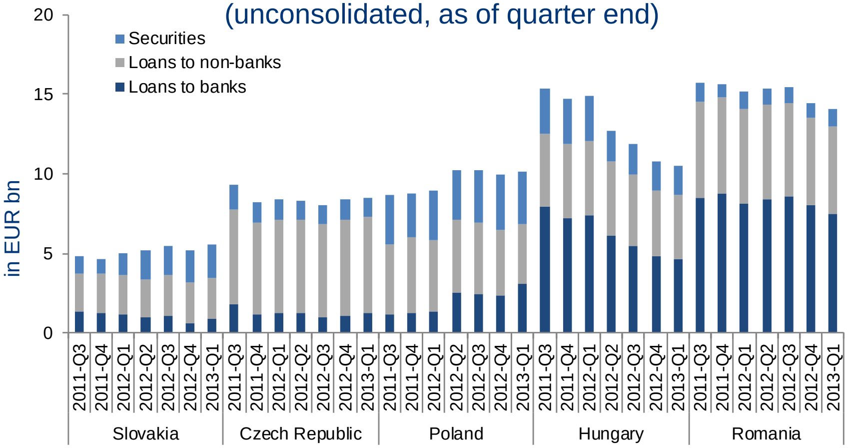
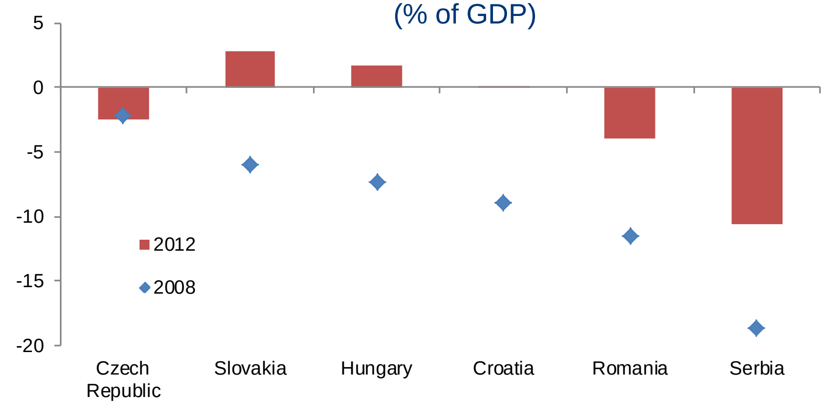
- **In an international comparison, deleveraging in CEE has been moderate (except for HU)**
- **CEE6[1] has reduced their external vulnerability – net external financing needs have halved vs. pre-Lehman era**
- **FDIs and net EU flows now cover the entire current account in CZ and RO, CRO has balanced its current account, SK and HU are running current account surplus**
- **The domestic deposit base has been increasing, reducing demand for external financing**

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



Source: ECB, Erste Group Research

Current account balance
(% of GDP)



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 CEE region.

Loans vs. deposits in CEE

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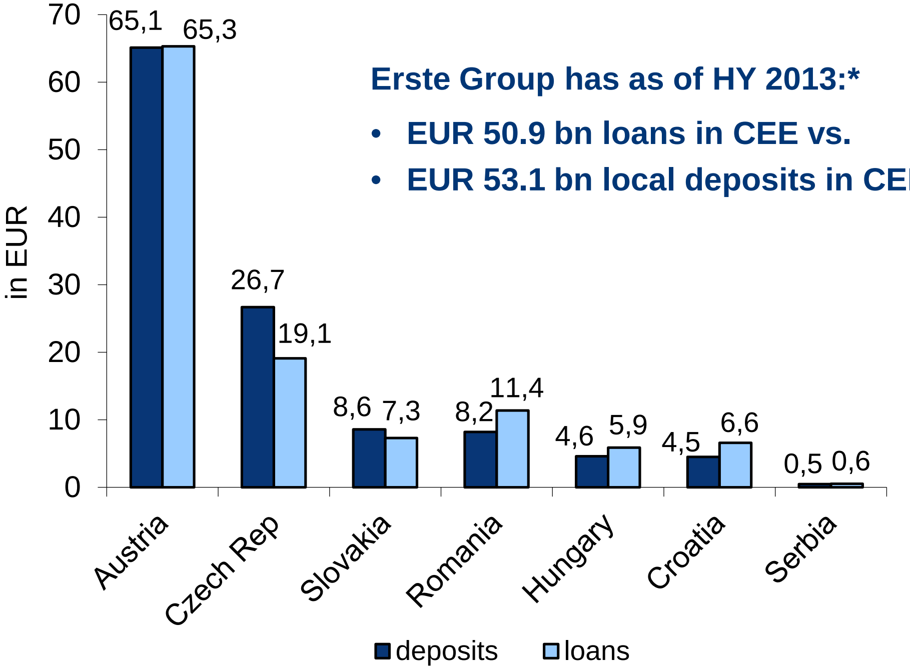
- **Retail business in CEE**
  - Local customer deposits are key pillar of Erste's refinancing
- **Erste Group had as of YE 2012:**
  - EUR 50.9 bn loans in CEE, which were by EUR 53.1 bn funded by local deposits
- **In order to extend local funding the following steps are necessary:**
  - Development of local capital markets in CEE
  - Initiatives for local Covered Bonds



Erste Group has as of HY 2013:*

- **EUR 50.9 bn loans in CEE vs.**
- **EUR 53.1 bn local deposits in CEE**

*local figures as of HY 2013

Presentation topics

ERSTE GROUP

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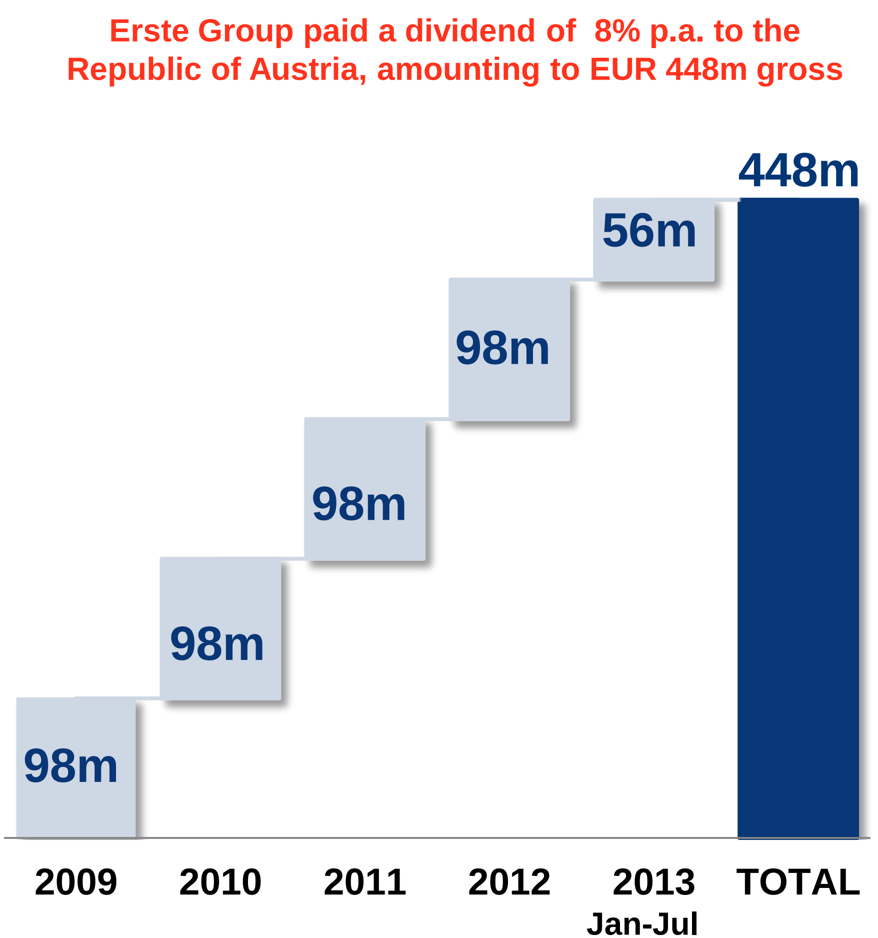
- **Repayment of participation capital**
- Outlook 2013

Good investment for the Republic of Austria

ERSTE GROUP

- 2009: the Republic of Austria subscribes for Participation Capital issued by Erste Group amounting to **EUR 1,224m**
- Adjusted for the costs of capital the Republic of Austria received net interest payments to the tune of approx. **EUR 300m net**
- Erste Group will fully redeem the entire participation capital on **8th August 2013**



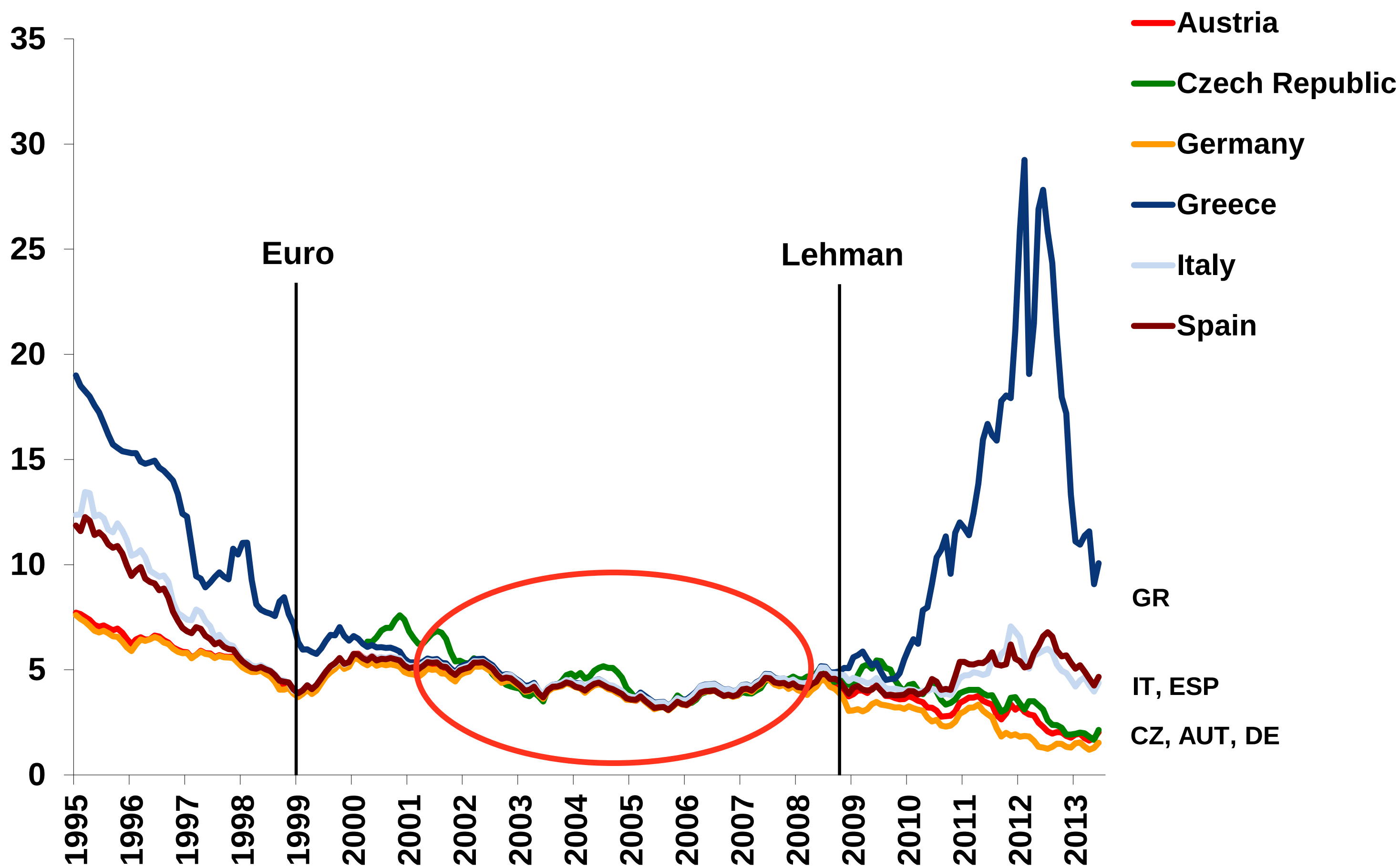
Presentation topics

ERSTE GROUP

- Erste Group’s development in HY 2013
- Central and Eastern Europe
- Repayment of participation capital
- **Outlook 2013**

Interest rate environment in Europe

Development of 10y government bonds



Erste Group in 2013 –
Outlook

- **Erste Group expects a slight improvement in economic performance for Central and Eastern Europe in H2 2013, even though growth will remain moderate**

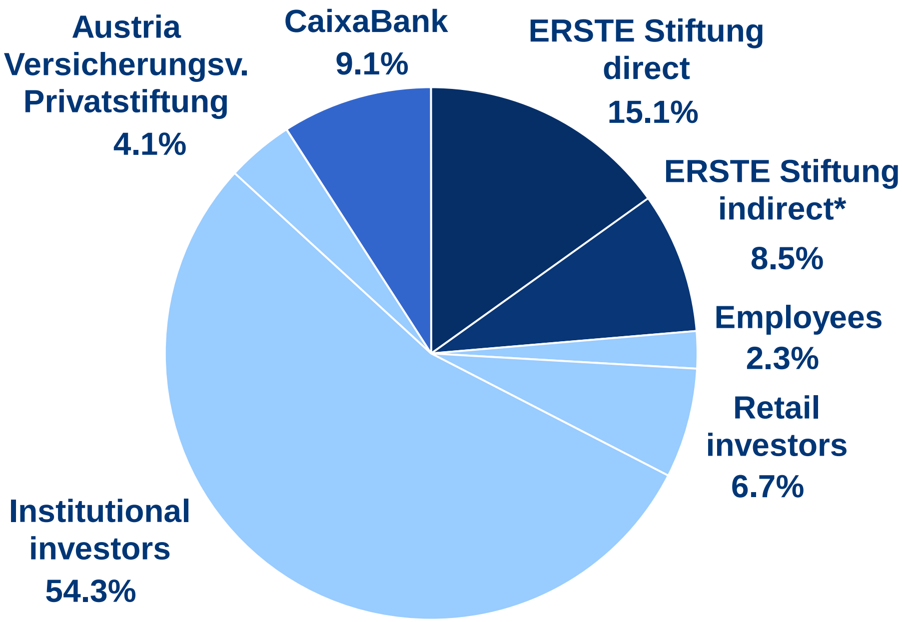
- **For 2013 Erste Group expects operating result to decline up to 5% compared to 2012**
  - Lower operating income as a result of moderate loan demand and low interest rate
  - Partially offset by lower operating costs

- **Group risk costs are expected to decline by 10-15% in 2013**
  - Mainly due to declining risk costs in Romania

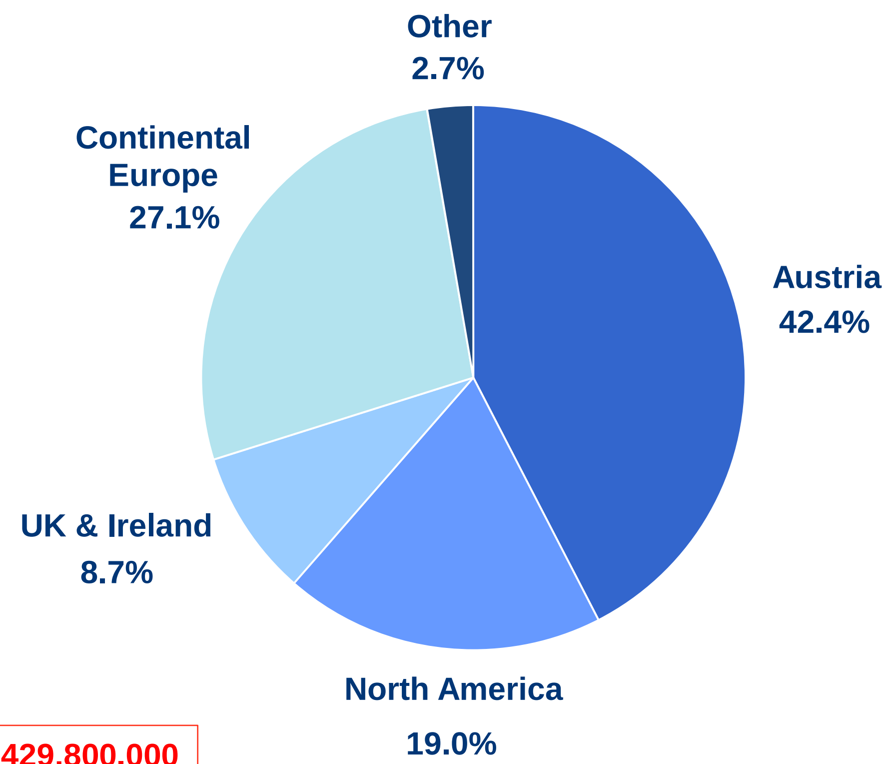
- **BCR is expected to return to profitability in 2013**
  - Irrespective of the extraordinary tax-effect

Shareholder structure

By investor



By region



Total number of shares:	**429,800.000**
Free float:	**67.2%**

* including Sparkassen 2.5%, Sparkassen Beteiligungs GmbH & Co KG and other syndicate members