Erste Group closes 2014 with profitable quarter

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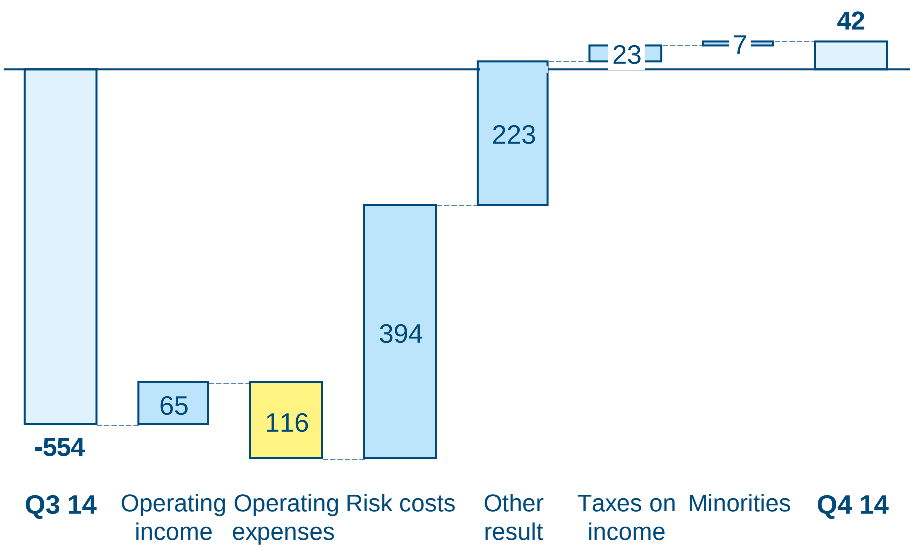
ERSTE Group

Presentation topics

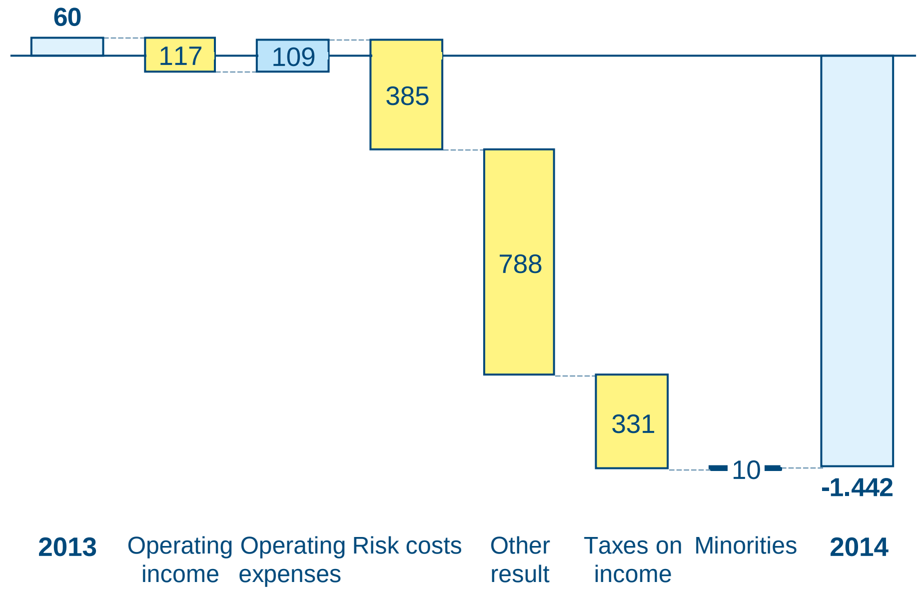
- Erste Group's development in 2014
- Capital position and Outlook 2015
- Appendix

Income statement: return to profitability in Q4 14

QoQ net profit reconciliation (EUR m)



YoY net profit reconciliation (EUR m)



- Erste Group returns to profit in Q4 14
- Main qoq improvement drivers are reductions in risk costs and other result, mainly due to lower one-offs compared to Q3 14

- Full-year loss driven exclusively by one-off intangible write-downs in RO, HR; consumer loan law impact in HU; higher risk costs in RO; total tax burden of EUR ~800 mn
- Stable operating performance due to lower costs and strong operating performance in Austria

Income statement: 2014 one-off summary

One-offs with effect on regulatory capital

- Additional risk provisions of about EUR 400m in Romania
- Hungary: consumer loan law (bid-/ask-spread, unilateral interest and fee changes) net impact of EUR -312.2m
  - Conversion executed at market rates; no negative impact from CHF appreciation from January 2015
- Negative change in deferred taxes (net) of EUR 197.0m
- Banking taxes and FTT of EUR 256.3m
  - Banking taxes of EUR 210.0m (AT, HU, SK)
  - Financial transaction tax of EUR 46.3m in HU

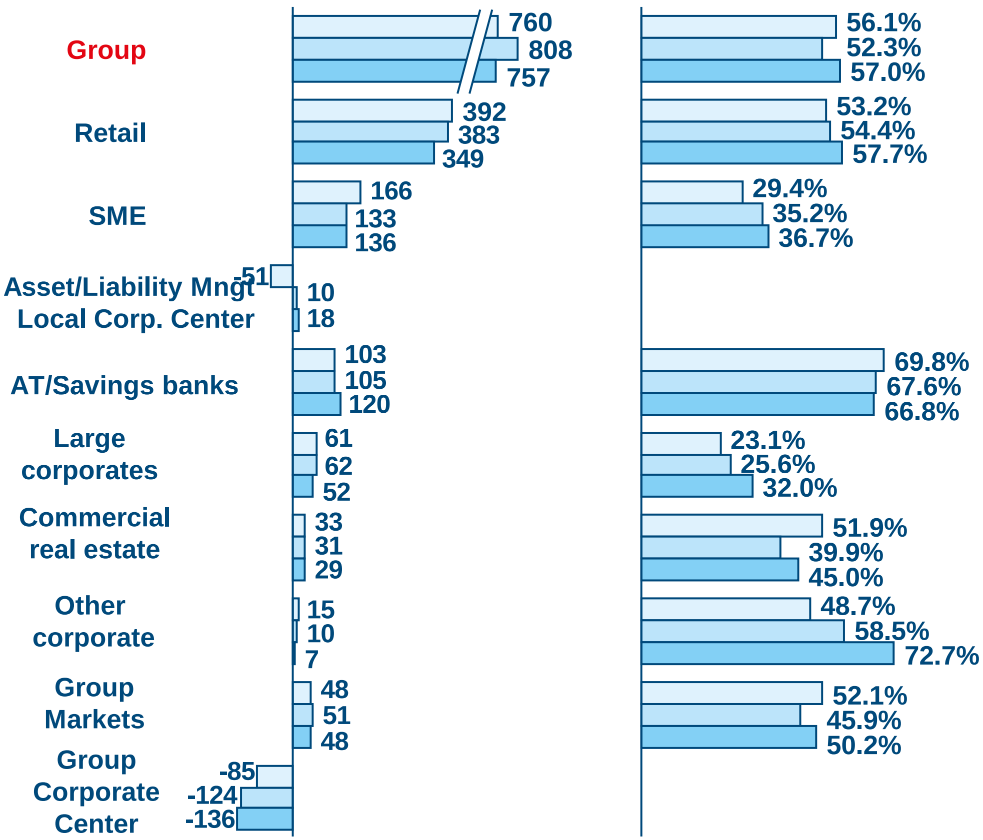
One-offs with no effect on regulatory capital

- Write-down of intangible assets related to Romania
  - Write-down of full remaining goodwill of EUR 319.1m
  - Write-down of full value of customer relationships and brand of EUR 489.8m
- Write-down of full remaining goodwill related to Croatia and minor participations
  - Total impact of EUR 155.9m

Income statement: Operating result and Cost-Income-Ratio stable yoy

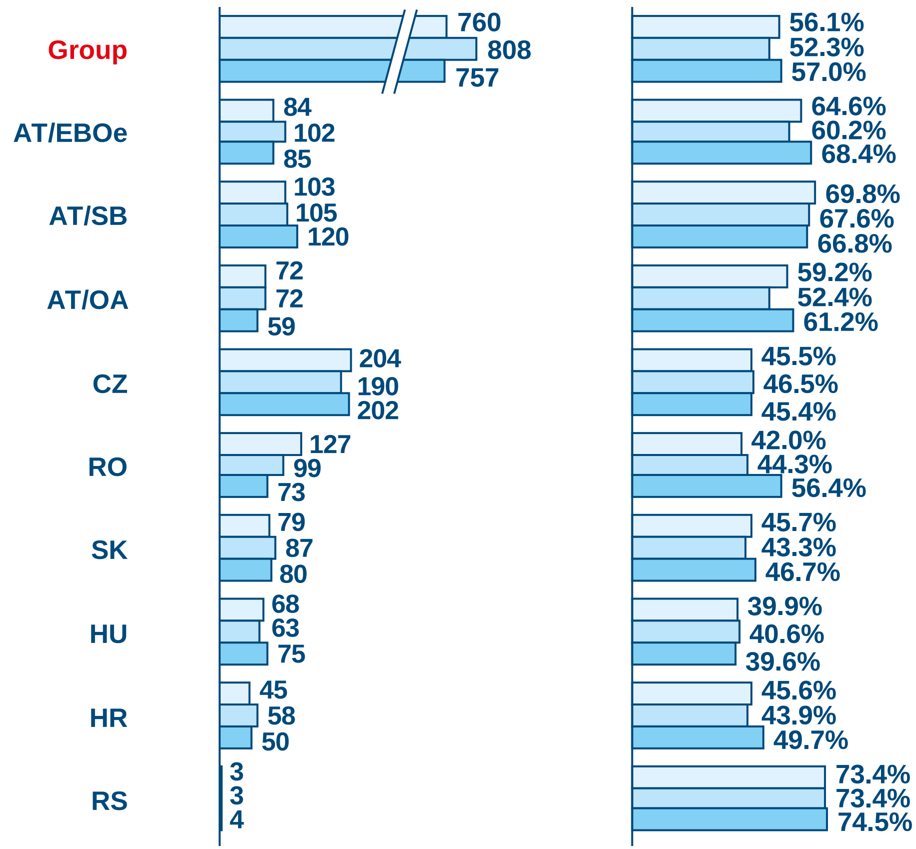
Q4 13
Q3 14
Q4 14

Business line view



in EUR m

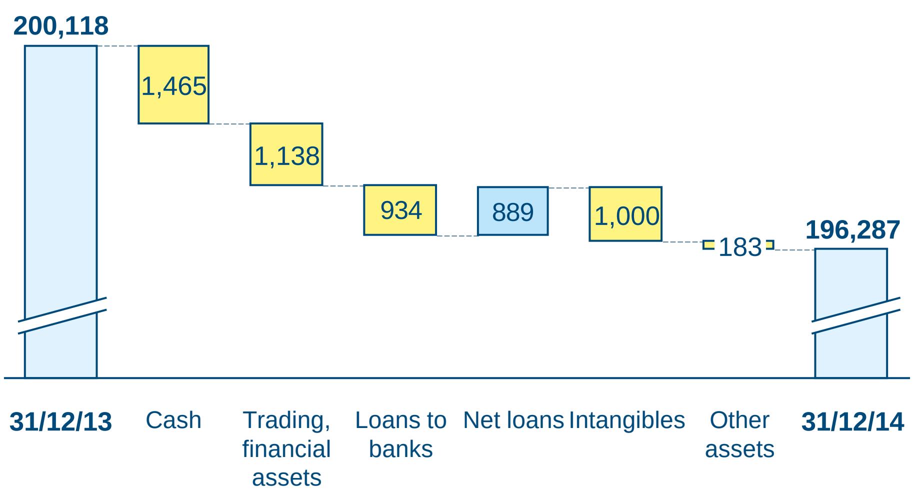
Geographic view



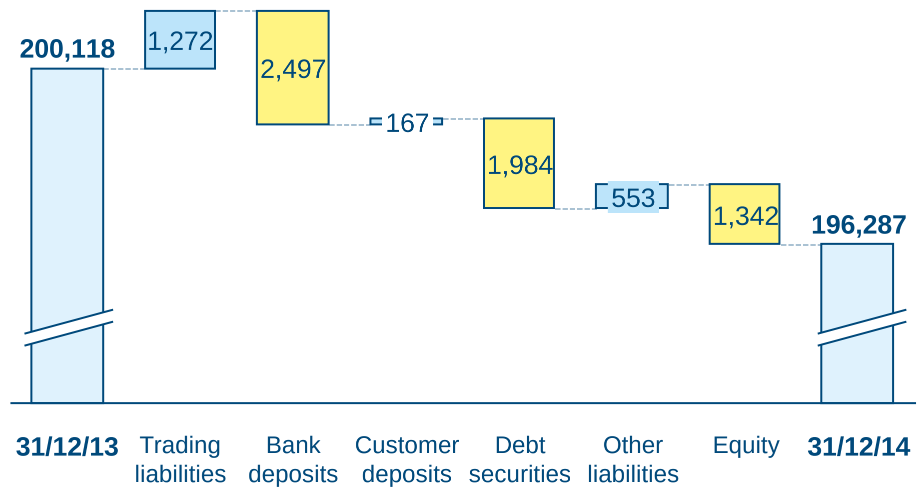
in EUR m

Balance sheet: net loans grow for the first time since 2011

YTD total asset reconciliation (EUR m)



YTD equity & total liability reconciliation (EUR m)

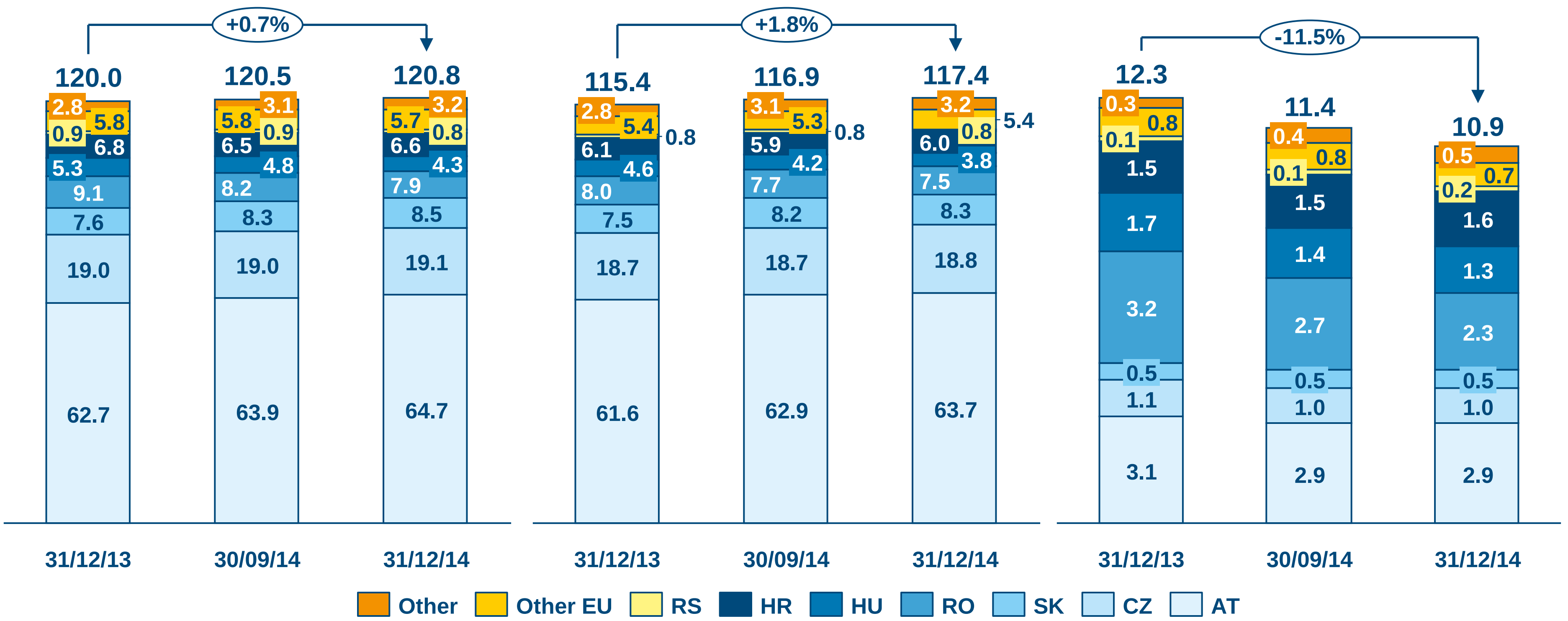


- Slight decline in balance sheet total by 1.9%
- Lower cash position driven by reduced placements with ECB resulting from negative interest rate introduction
- Increase in net customer loans thanks to loan growth in AT, SK retail busines despite decrease in RO & HU
- Lower intangibles

- Significant deposit inflows in most countries
- Lower debt securities due to maturities of unsecured bonds

Customer loans by country of risk:
Re-emerging loan growth, double-digit yoy decline in NPLs

Net customer loans (EUR bn) | Performing loans (EUR bn) | Non-performing loans (EUR bn)

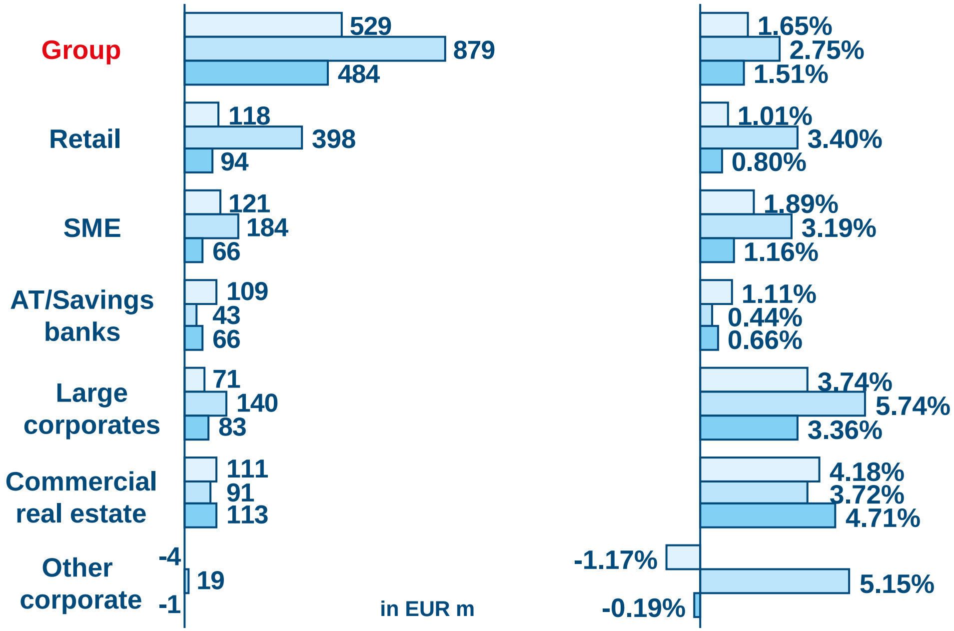


- Emerging trend of performing loan growth driven by Austria, Slovakia and Czech Republic:
- 11.5% yoy decline in NPL stock driven by lower gross inflows on group level and continued NPL sales in Romania

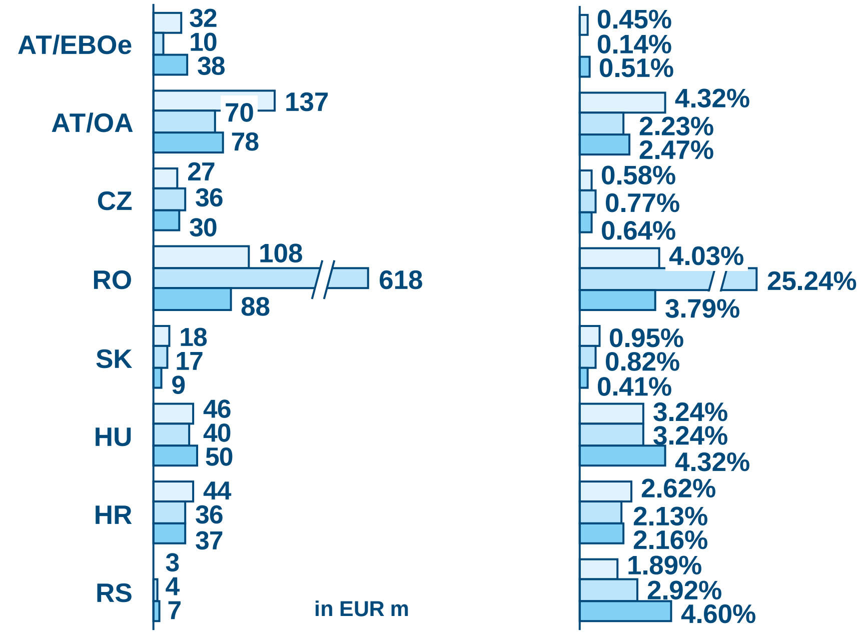
Risk costs decline qoq and yoy

Q4 13
Q3 14
Q4 14

Business line view



Geographic view



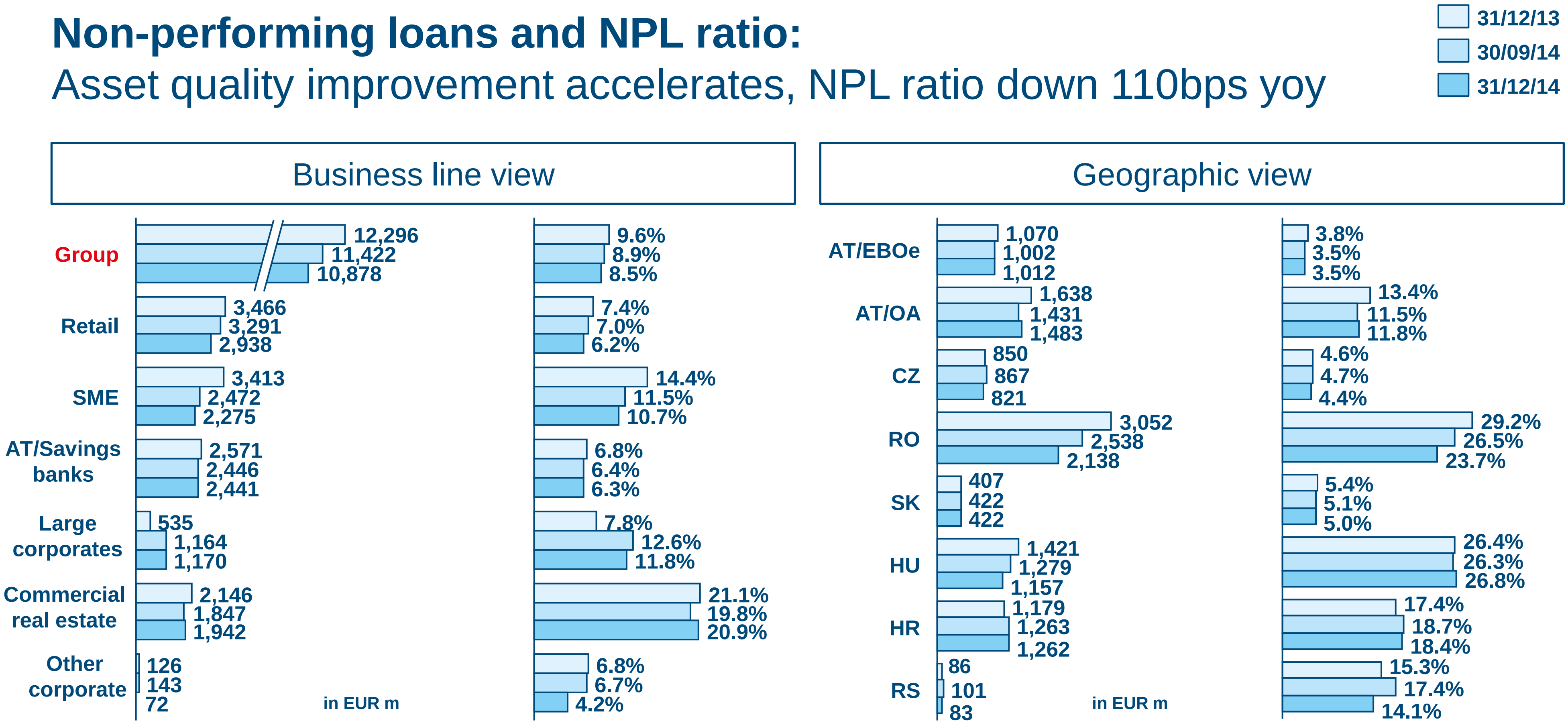
- QOQ decline in group risk costs driven by retail and SME business lines in Romania
- CRE: qoq increase due to higher portfolio provisions in Q4 14
- LC: qoq decline mainly driven by lower provisions in RO

- RO: significant qoq decline in provisioning following extra provisions booked; yoy decline in RO & AT/OA
- AT: yoy decline mainly due to lower provisions for CRE and LC in this segment
- SK: qoq decline driven by retail and SME business lines

[1] Relative risk costs are defined as annualised quarterly risk costs over average gross customer loans.

Non-performing loans and NPL ratio:

Asset quality improvement accelerates, NPL ratio down 110bps yoy



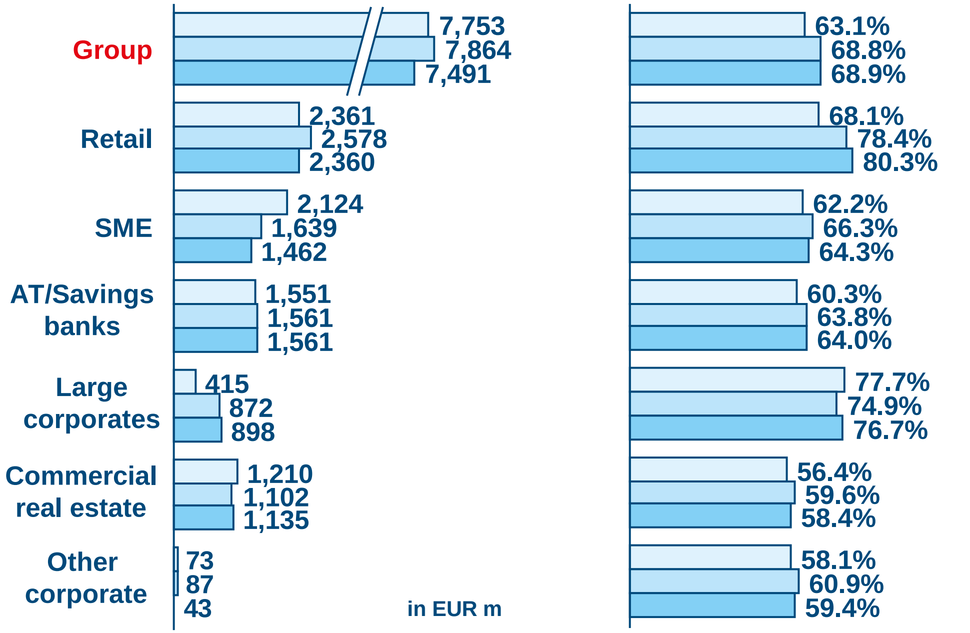
- Continued decline of group NPL volume and group NPL ratio on supportive trends in Retail, SME (BL) and RO, HU (geo)
- Q4 NPL sales amounted to EUR 575.2m (Q3 14: EUR 328.9m):
- Total NPL sales in 2014: EUR 1.1bn (2013: 0.7bn)

Allowances for loans and NPL coverage:

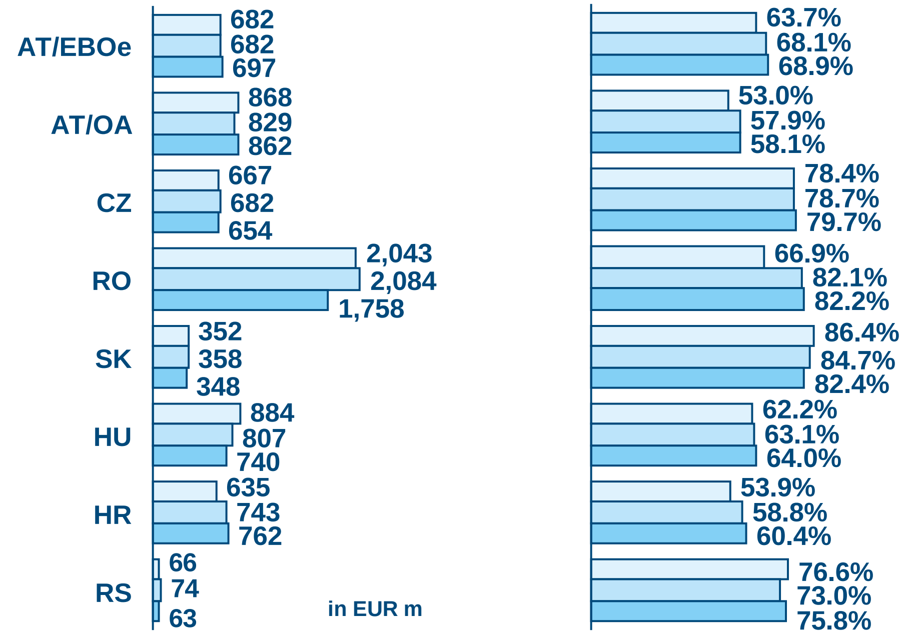
NPL coverage improves again, reaching 68.9%

31/12/13
30/09/14
31/12/14

Business line view



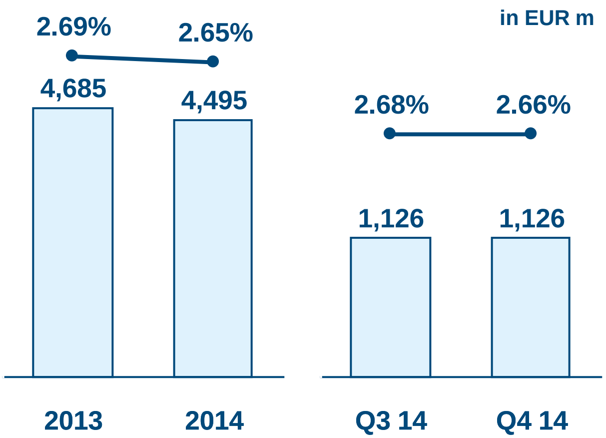
Geographic view



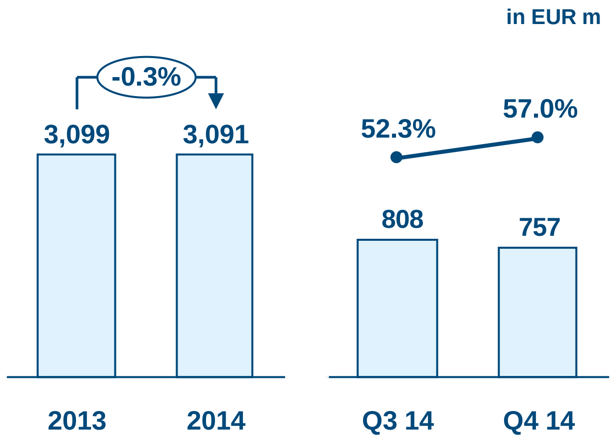
- Improving group coverage ratio over the past quarters following significant provisioning in RO
- Retail, LC, SME: increase in risk provisioning and coverage to fund accelerated NPL reduction in RO
- RO: stable NPL coverage ratio; continued NPL sales
- Continued increase in coverage in HR

Overview

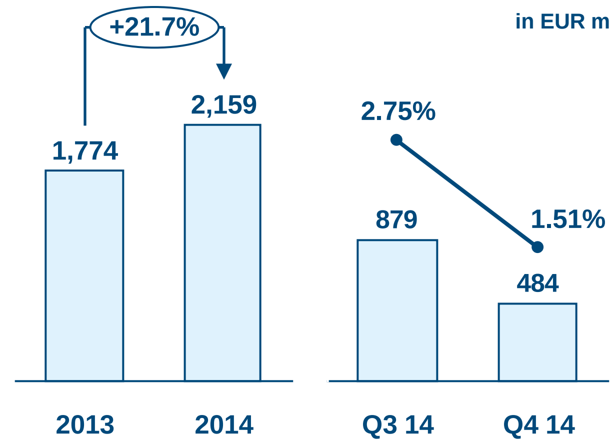
Net interest income & margin



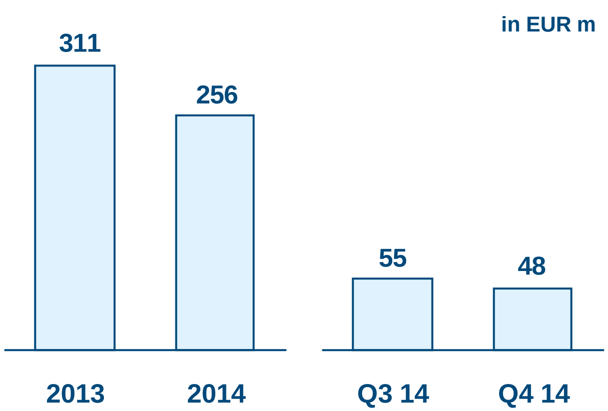
Operating result & cost/income ratio



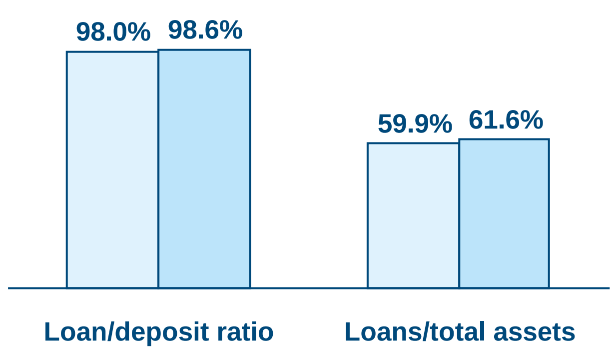
Cost of risk



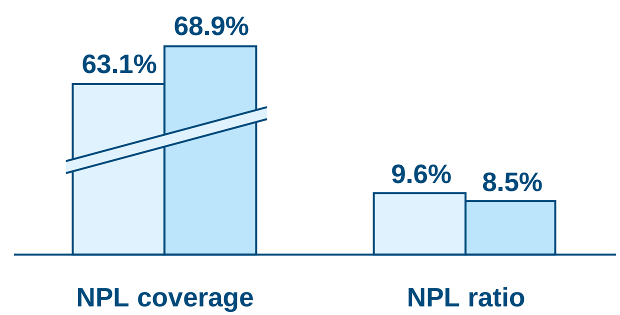
Banking levies



Loan/deposit & loan/TA ratio



NPL coverage ratio & NPL ratio



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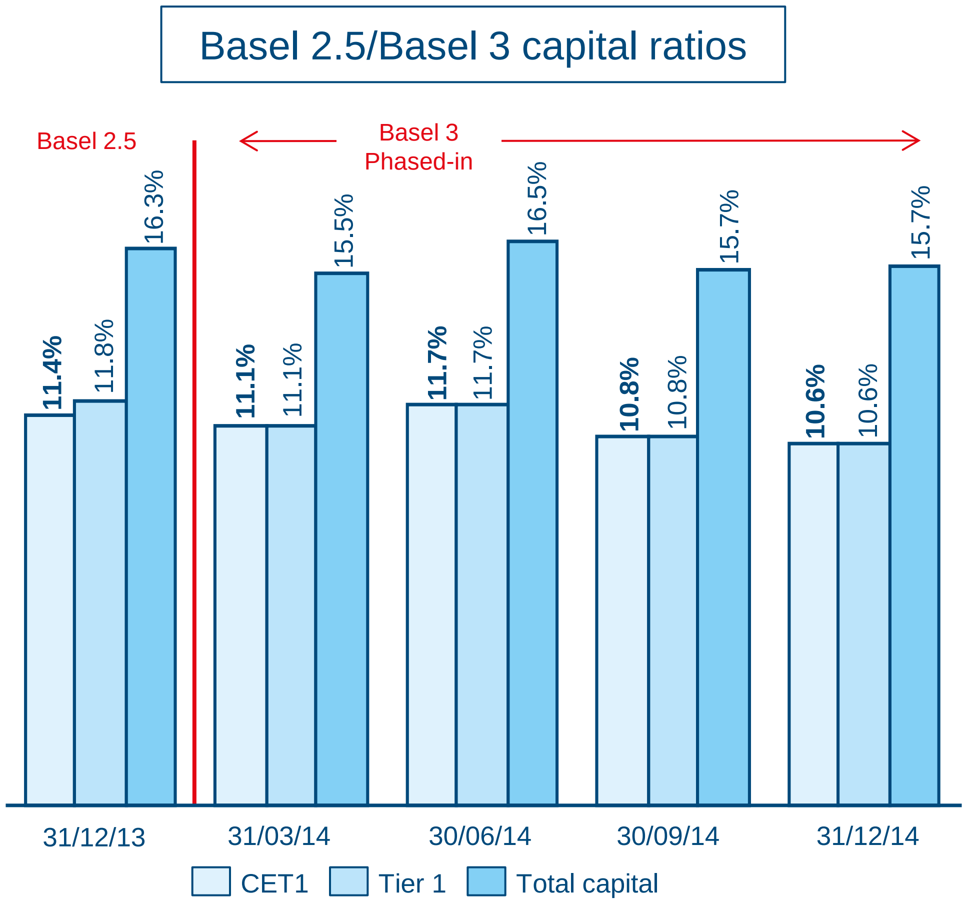
Capital position: Basel 3 fully loaded CET 1-ratio at 10.6%



- Basel 3 fully loaded CET1 ratio equalled 10.6% as of 31 December 2014 (YE 2013: 10.8%) and improved qoq from 10.5% to 10.6%

Outlook 2015

- **Operating environment anticipated to be conducive to credit expansion**
  - Real GDP growth of between 2-3% expected in all major CEE markets, except Austria (below 1%) and Croatia (- 0.5%)
  - Real GDP growth to be driven by rising domestic demand

- **Return on tangible equity (ROTE) expected at about 8-10%** (YE 14 TE: EUR 8.4bn)
  - Operating result expected to decline in the mid-single digits due to lower but sustainable operating results in Hungary (due to lower average volume as a result of FX conversion) and Romania (lower unwinding impact), as well as persistent low interest rate environment
  - Loan growth expected in the low single digits
  - Risk costs expected to decline significantly
  - Banking levies expected at about EUR 360m in 2015, including contributions to European bank resolution and deposit insurance fund

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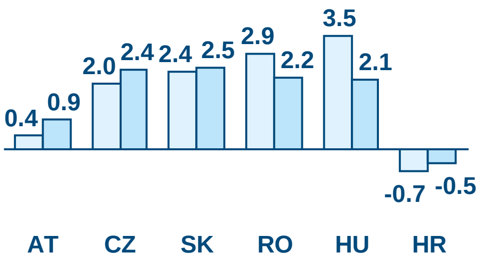
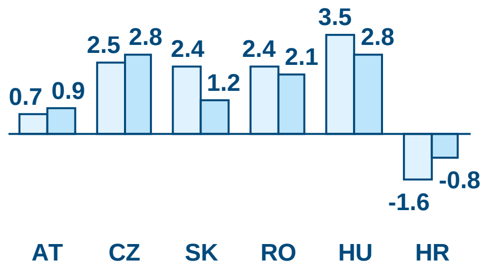
CEE macroeconomic indicators:
Improved domestic demand expected to drive economic growth in 2015

2013
2014

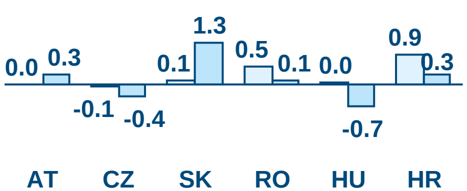
Real GDP growth (in %)



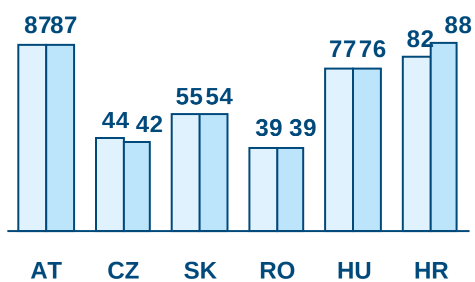
Dom. demand contribution[1] (in %)



Net export contribution[1] (in %)



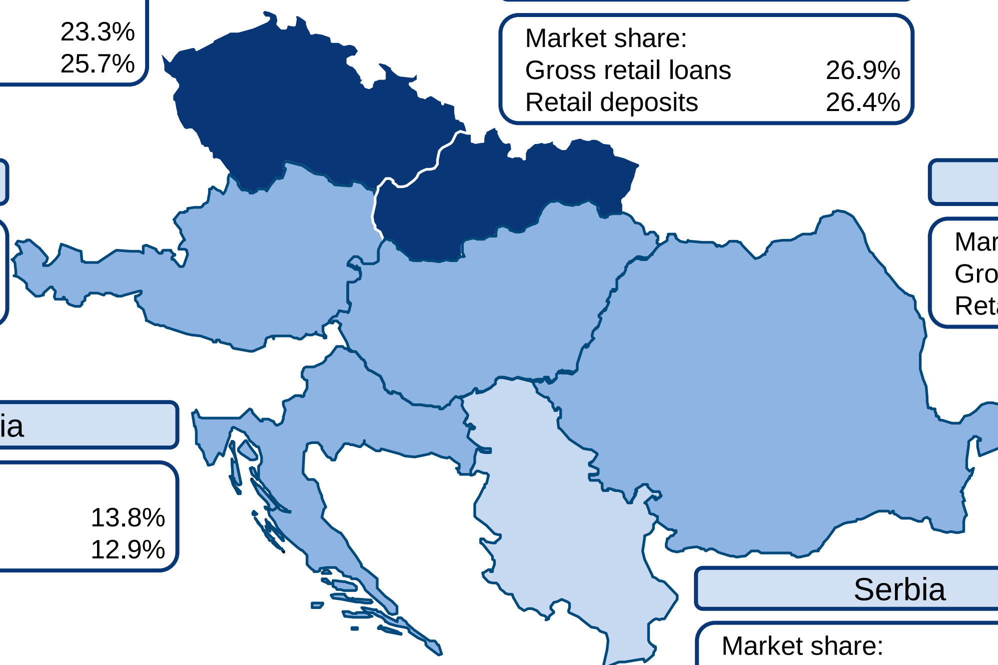
Public debt (% of GDP)



- CEE economies grew faster than the euro zone in Q4 2014 (0.9% yoy in Q4)
  - Positive outlook for 2015 supported by Q4 GDP data: AT (0.0%), CZ (+1.3%), SK (+2.4%), RO (+2.5%), HU (+2.1%)
- Domestic demand has visibly improved across the region while exports are supported by improving German economy (+1.5% yoy in Q4)
- Solid public finances across Erste Group‘s core markets
- Sustainable current account balances, supported by competitive economies with lower unemployment rates

[1] Contribution to real GDP growth. Domestic demand contribution includes inventory change. Source: Erste Group Research, EU Autumn Economic Forecast 2014.

Erste's market shares across Central and Eastern Europe:
Gross retail loans and retail deposits



Czech Republic

Market share:	
Gross retail loans	23.3%
Retail deposits	25.7%

Slovakia

Market share:	
Gross retail loans	26.9%
Retail deposits	26.4%

Austria

Market share:	
Gross retail loans	19.1%
Retail deposits	18.1%

Romania

Market share:	
Gross retail loans	18.1%
Retail deposits	16.8%

Croatia

Market share:	
Gross retail loans	13.8%
Retail deposits	12.9%

Hungary

Market share:	
Gross retail loans	15.2%
Retail deposits	6.4%

Serbia

Market share:	
Gross retail loans	3.5%
Retail deposits	3.1%

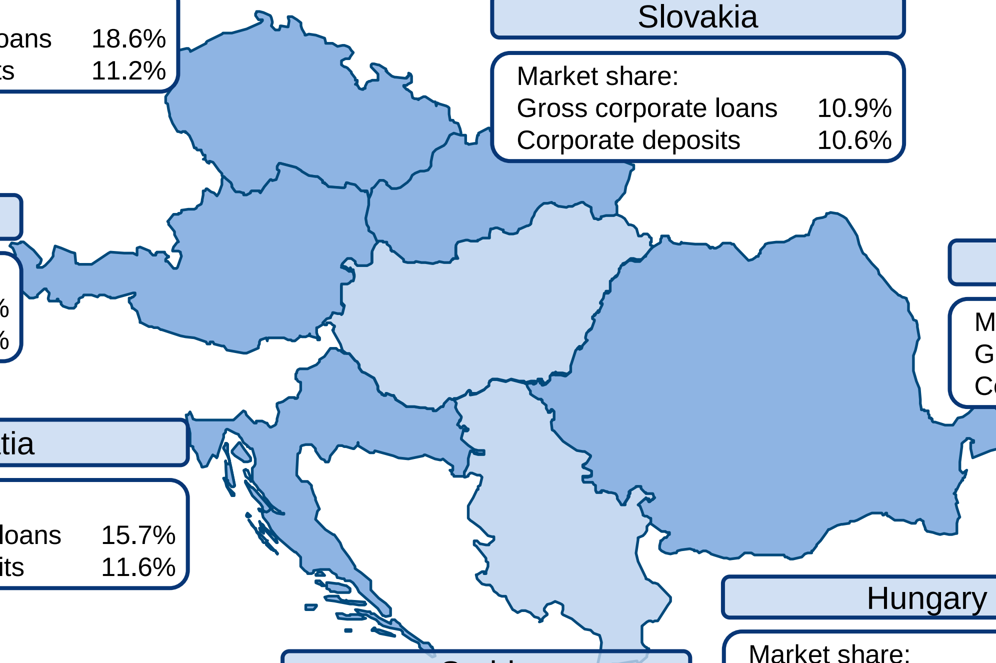
Market share 20-30%

Market share 10-20%

Market share <5%

Market shares as of YE 2014, AT market shares as of Q3/2014.

Erste‘s market shares across Central and Eastern Europe:
Gross corporate loans and corporate deposits



Czech Republic

Market share:	
Gross corporate loans	18.6%
Corporate deposits	11.2%

Slovakia

Market share:	
Gross corporate loans	10.9%
Corporate deposits	10.6%

Austria

Market share:	
Gross corporate loans	17.7%
Corporate deposits	20.1%

Romania

Market share:	
Gross corporate loans	17.9%
Corporate deposits	13.6%

Croatia

Market share:	
Gross corporate loans	15.7%
Corporate deposits	11.6%

Hungary

Market share:	
Gross corporate loans	5.6%
Corporate deposits	5.8%

Serbia

Market share:	
Gross corporate loans	2.8%
Corporate deposits	4.4%

Market share	10-20%
Market share	<10%

Market shares as of YE 2014, AT market shares as of Q3/2014.