ERSTE GROUP

Erste Group –
8th Capital Markets Day

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Romania: Making progress

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Presentation topics

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- **Macroeconomic snapshot**
- **BCR business performance review**
- **Credit risk management**
  - History of asset quality deterioration
  - Loan origination history
  - Restoring BCR's asset quality
- **Business roadmap**
  - Retail
  - Local corporate
- **Special topic**
- **Outlook**
- **Appendix**

Romania –
Potential still promising – from a more stable basis

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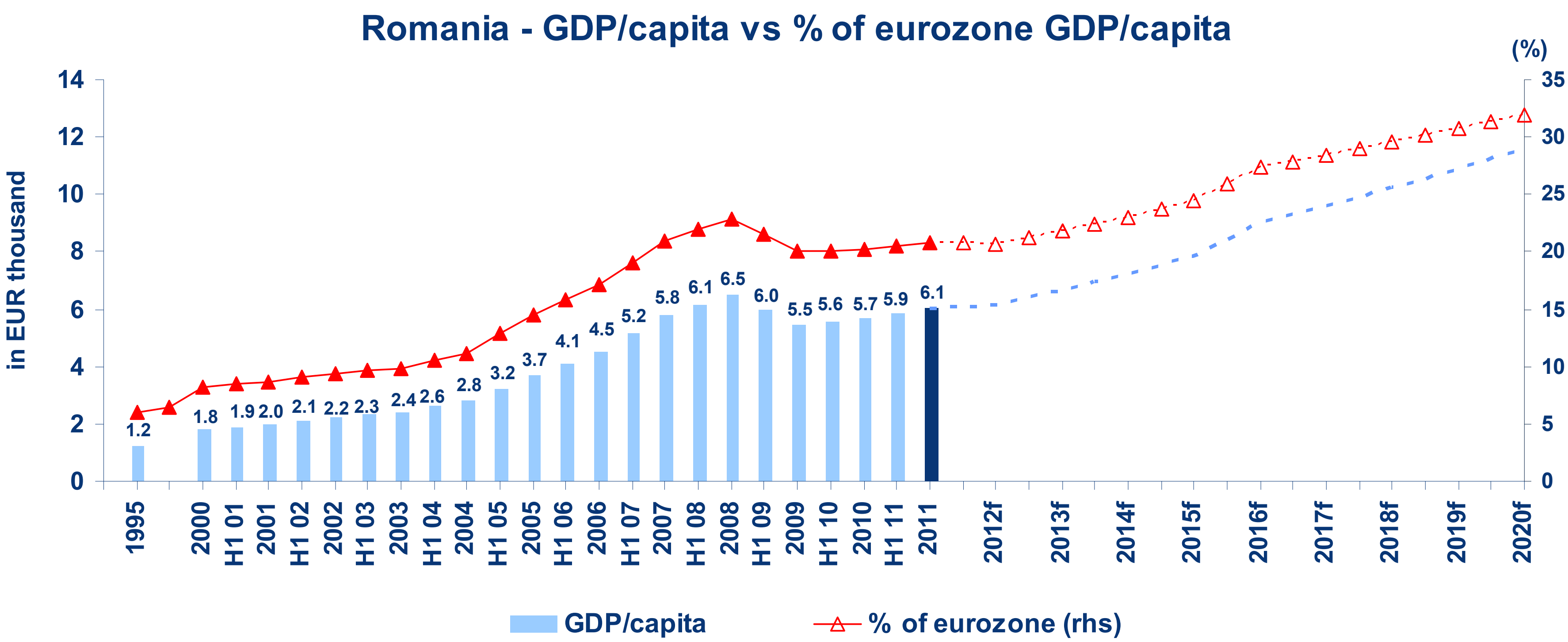
- **Romanian economy slowly returning to steady growth rate**
  - Highly correlated with eurozone developments - exports and investments are main transmission channels
  - Likely to rise above its long-term potential (3.5%) as early as 2015
    - Public reform and policy stability remain prerequisite for boosting investors confidence
  - In the medium term, capital investments and private consumption should reinstate their role as main growth engines



Macroeconomic environment –
Agriculture and construction driving GDP growth in Q3 11

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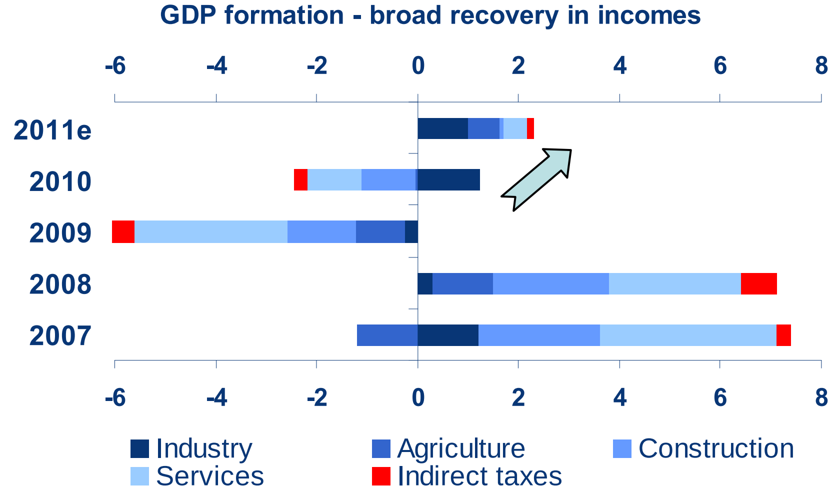
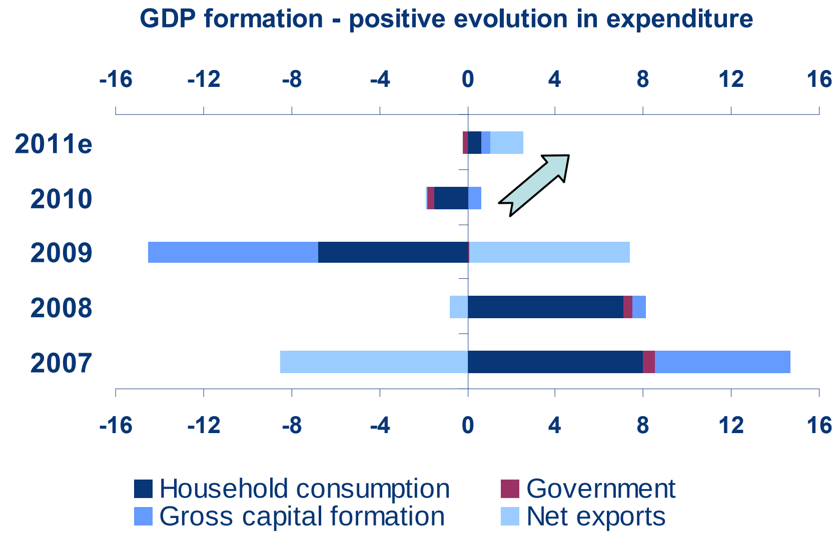
- **Excellent performance of agriculture (+22% yoy) pushed Q3 GDP up by 4.4% yoy, the fastest rate in the last 3 years**
  - Romania is among world's top 5 corn producers
  - Domestic demand consolidated, private consumption and investments positively contributed to GDP formation
- **Construction returned to positive in Q3 (+7% yoy)**
  - Main support from commercial and infrastructure
  - Residential segment slightly positive due to strong base effect and continuation of Prima Casa Program
- **Industry kept up a good pace (+6% yoy), external demand still a driving force in Q3**
  - Exports at all-time high in Sep (EUR 4.2bn)
  - Domestic demand on rebound helped industry in Q3
- **Annual inflation down to 3.5% all-time low in Sep**
  - Effects of the agricultural bumper crop fading away
  - CPI within central bank's target range (3%±1pp)
  - Monetary policy eased, key rate cut by 25bps to 6%





Macroeconomic environment –
The IMF's model pupil

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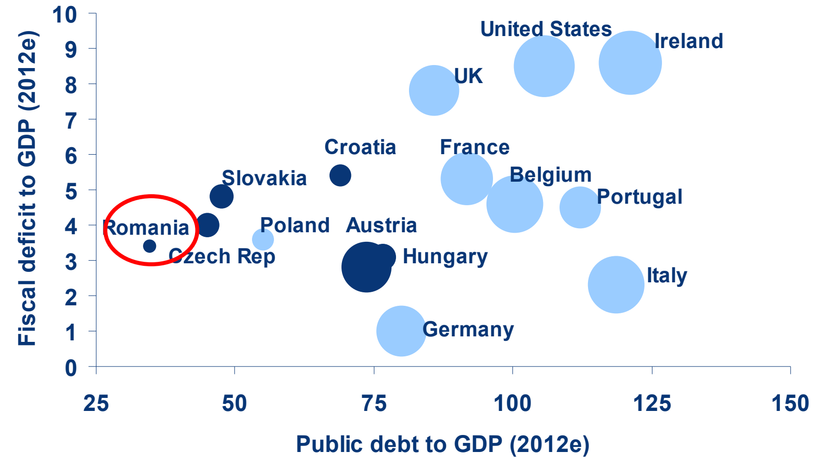
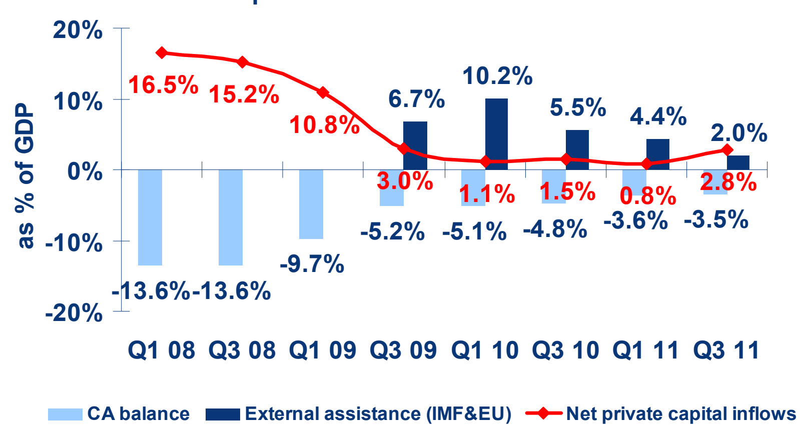
- **Public finances in a much better shape**
  - Romania tackled the structural problems in public finance at an early stage
  - Government committed to bring fiscal deficit down to 3% of GDP in 2012 and keep public debt at ~34%
  - High level of intl. reserves (EUR 36bn, covering 9 months of imports)
  - Precautionary deal with the IMF (EUR 5bn)
  - Local banks able to provide RON liquidity
- **Rating actions 2011**
  - Fitch: upgraded to investment grade BBB- with stable outlook (July)
  - S&P: rating affirmed at BB+ (LT FC); stable outlook
  - Moody's: country ceilings affirmed at A1 (LT FC debt) and Baa3 (LT FC bank deposits), stable outlook (July)
- **CAD significantly down to 3.5% of GDP in Q3**
  - Positive growth differential export-imports contributed to shrinking foreign trade deficit (4% of GDP)
  - Net current transfers up 9% y/y in 9M on better EU funds absorption



* Bubble size indicates public debt per capita



* Net private capital inflows (FDIs, current transfers & remittances)

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BCR: business performance review –
Operating income performance overview

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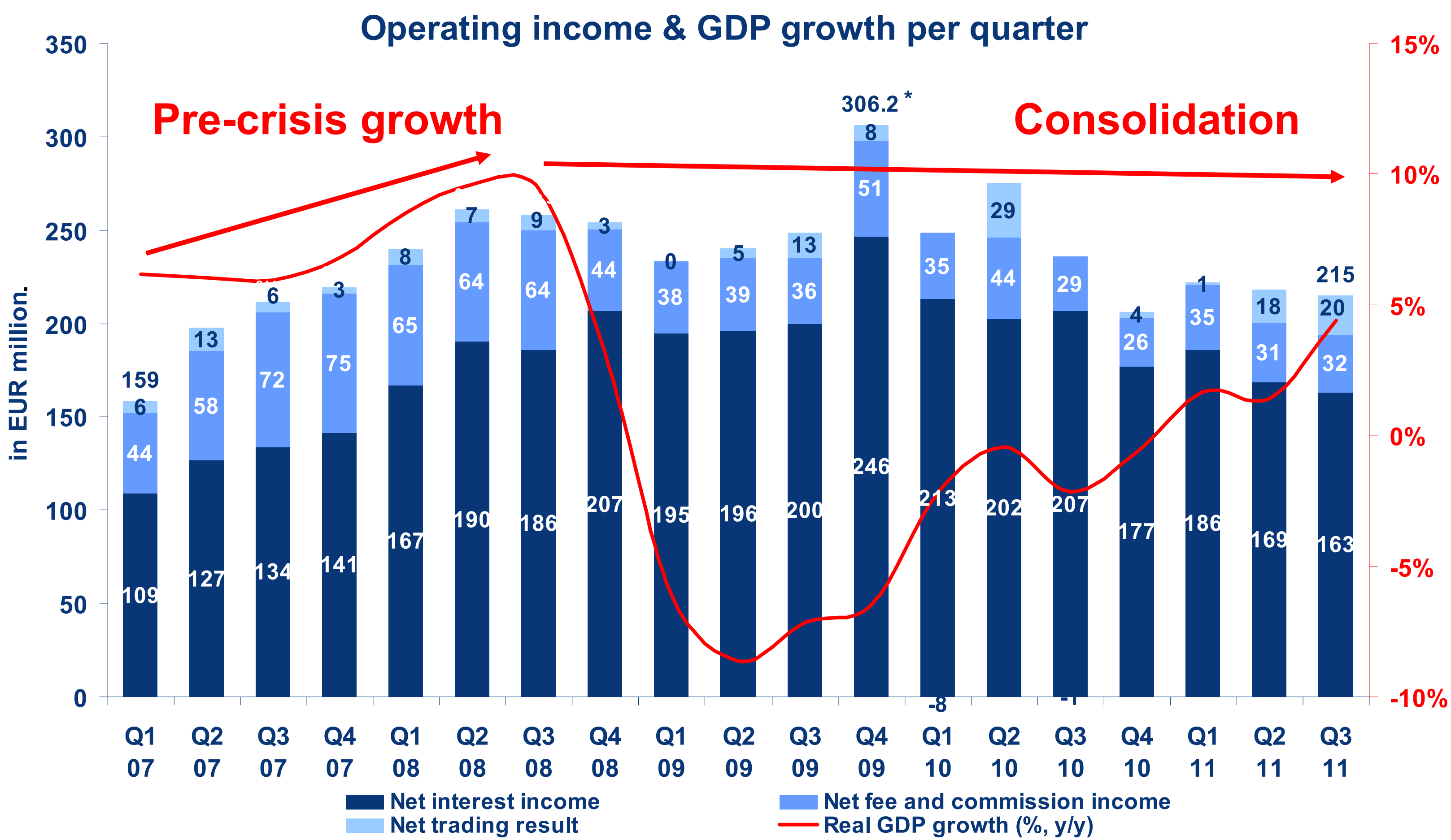
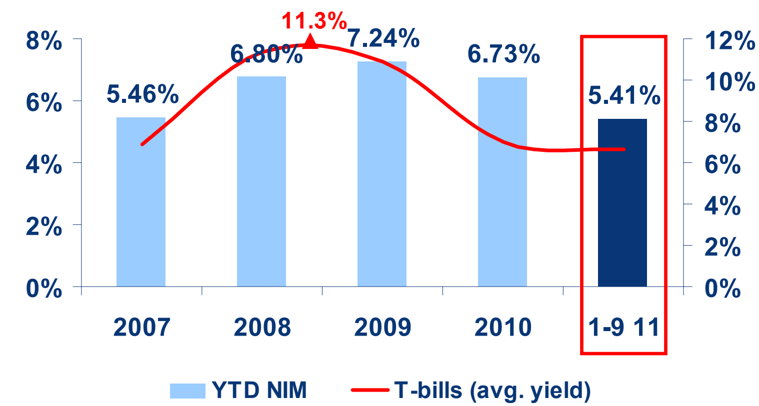


* NII impacted in Q4 09 by changes in EIR method for the loan portfolio prior to 2006, leading to an increase of interest-like income and first time amortisation of transaction fees related to customer loans, recognised as deferred instead of cash-based as previously

BCR: business performance review –
Successful cost control but pressure on NIM

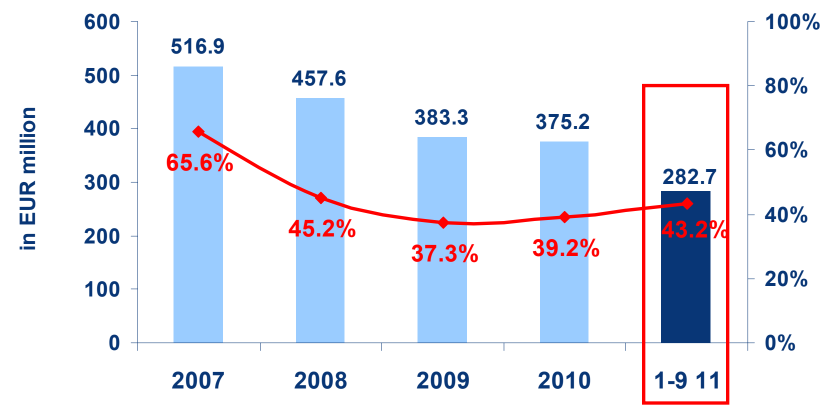
- **NIM pressured by overall decreasing interest rates**
  - Lower asset margins on retail due to Prima Casa, weak RON consumer business and loan portfolio repricing
  - Refinancing gained speed, following the alignment to EUR consumer protection stds.
  - Pressures on liabilities margins due to increased competition for liquidity
- **Additional impact on margins from placements in lower yielding government securities than historically**
- **Continued strong focus on cost effectiveness**
  - Actively managed cost base through efficiency programs and project prioritisation
  - Continued focus on alternative channels and cards, IT development
  - Cost savings on network optimisation

YTD net interest margin vs. T-bills avg. yield *



* Source: BNR, avg. yield on T-bills primary market (maturities <1Y)

Operating expenses and CIR



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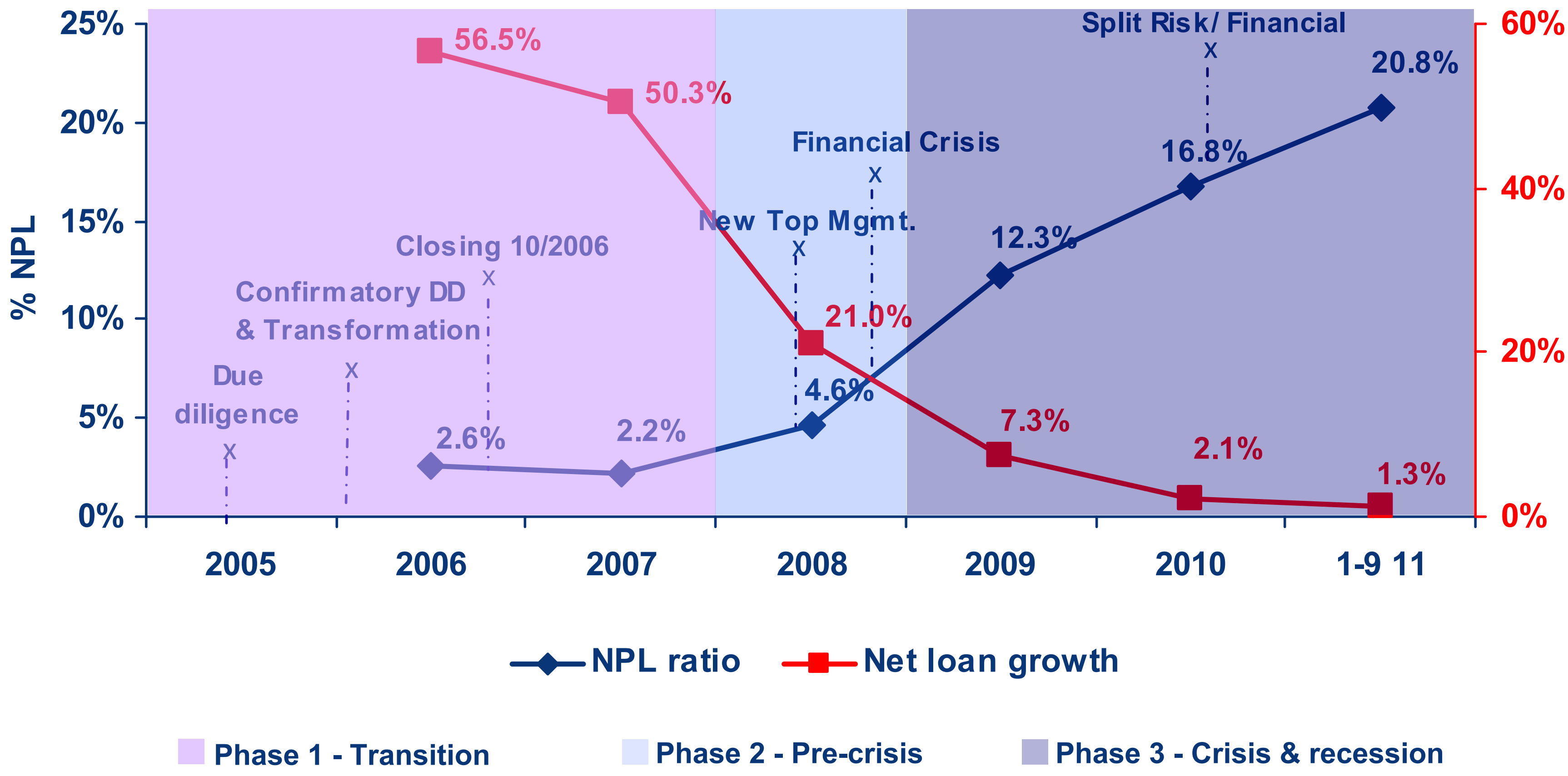
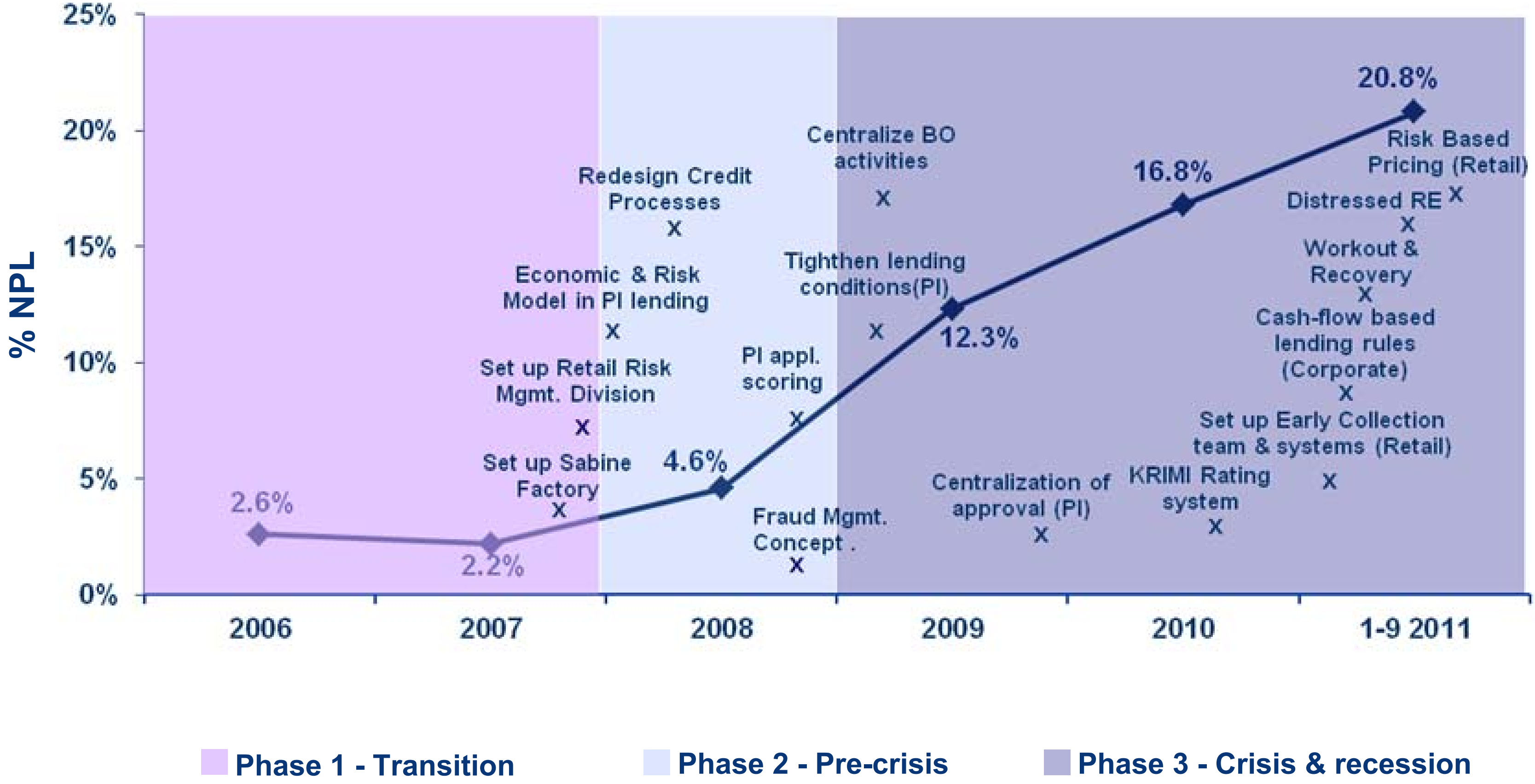
BCR: Credit risk management –

History of asset quality deterioration (local view)



BCR: Credit risk management –
History of actions taken (local view)



BCR: Credit risk management –
Loan origination history

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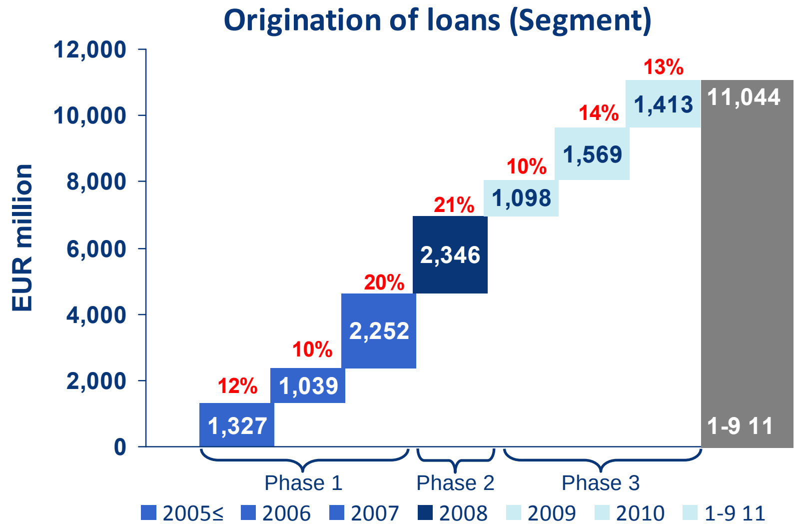
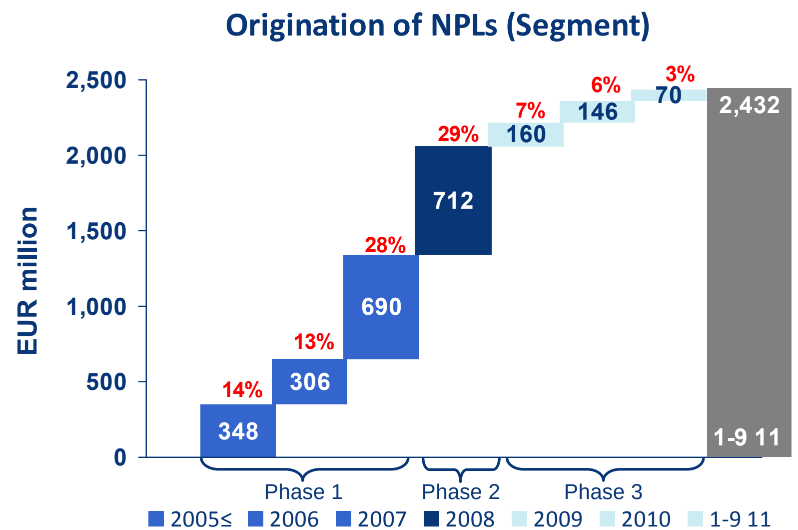
- **Phase I ~ Transition**
  - Almost 55% of BCR's NPLs (and 42% of loans) were generated during the transition period and prior to Erste's takeover
- **Phase II ~ Pre-crisis**
  - 2008 pre-crisis year contributed with 29% to NPLs and with 21% to loans origination
- **Phase III ~ Crisis & recession**
  - Only 16% of NPLs (and 37% of loans) were generated after 2008, whereby retail contributed only 4pp and corporate 12pp
- **Phase IV ~ Recovery**
  - Risk under control





BCR: Credit risk management –
Restoring BCR's asset quality

- **Enforce prudent cash-flow oriented lending policies**
  - Debt/EBITDA ratio, debt service coverage ratio, interest coverage ratio
  - Industry guidance looks at various industries considering the expected economic viability of the industry and not the collateralisation degree
- **Centralise loan and collateral documentation for SMEs until 2012 YE**
  - The measure applies to 48 corporate centers, 3,763 clients and RON 9bn loan volumes
  - Operational risk (human processing errors, legal documents missing, contract obligation breaches) is estimated to decrease by RON 13.6m in 2012 and by RON 20.5m in 2013 and 2014
- **Improve asset protection**
  - Focus on collateral management
  - Increase NPL coverage
- **De-risk the loan book**

BCR: Credit risk management –
Restoring BCR's asset quality in retail business

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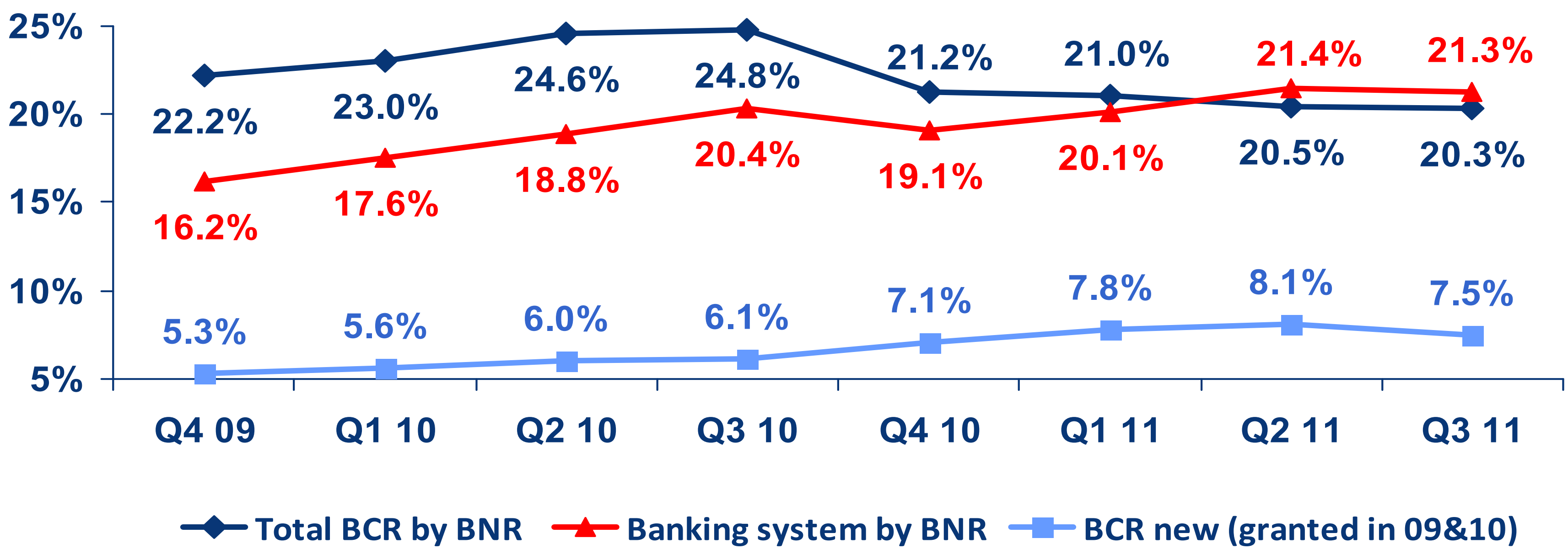
Comparison of PI overdue loans (DPD>1 day)



Total overdue portfolio contaminated:
- contaminated at client level
- DPD > 1
- exposure > RON 20,000

- **De-risk the loan book – reduce DPDs in retail business**
  - Collection software upgraded (integrated auto dialer), 90+ DPD (<180 DPD) decreased from 3.5% (Dec 09) to 2.5% as of Sep 11
  - EUR 390m unsecured consumer loans sold during 2010 and 2011

BCR: Credit risk management –
Restoring BCR's asset quality in corporate business

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	Corporate Restructuring	Real Estate Restructuring	Recovery	Legal Advisors & Bank Executors	Support
No. of clients (1,370)	130	46	1,194	-	-
Loans exposure (EUR 1,899 m)	775	464	660	-	-
o/w NPL (EUR 1,265 m)	455	197	613	-	-
FTE-2011 YE (130)	16	16	41	36	21

- **De-risk the loan book – reduce NPLs in corporate business**
  - Regular portfolio screening and enhanced watchlist management
  - Change workout strategy from "Restructure & Hold" to "Restructure & Sell"
  - Structure of newly set up Corporate Remedial & Recovery Division

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BCR: business roadmap –
Segment Romania

- **Operating income set to improve on fee income**
  - Strategy to activate customers, cross-sell & increase transactional banking volume
  - Main NCI driver in retail business will be current accounts

- **Very strict cost discipline to improve competitiveness**

- **Still elevated risk provisions**

- **Prioritising of business opportunities and strict control of RWA development**
  - Focus on Prima Casa, EU-funds related projects and infrastructure

BCR: business roadmap –
Measures to improve retail results

- **Strong focus on customer retention to increase value of existing customer base (client activation)**
  - Redesign products/ bundles to match better customer expectations, priority on daily banking
  - Simplify processes and documentation for better quality of services and customer satisfaction
  - Align retail performance evaluation and business profitability
- **Deposits**
  - Sight deposits: focus on increasing active main relationships
  - Term deposits: focus on stable deposits with long tenor and customers with regular savings
  - Micro & corporate clients: acquisition of payroll clients through dedicated employee benefit packages
- **Secured lending**
  - Increased focus on local currency lending
  - Continued support for Prima Casa Program
  - Pricing aligned to profitability of the customer relationship
- **Unsecured lending**
  - Pricing based on profitability across the product range
- **New lending rules will not significantly impact BCR's retail business due to current conservative approach on FX lending**

BCR: business roadmap –
Measures to improve local corporate results

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- **Increase transaction banking income, focus on cross-selling**
  - Supply chain finance – implement a standard value proposition and launch vendor financing solution
  - Improve internet banking capabilities & service availability, develop electronic platforms
  - Increase cross-selling with sales campaigns on cash management, trade and treasury products, or client categories RWA optimization
- **Strict control of RWA development: new business prioritising, repricing, improve collateral coverage, and adjust offering**
  - Focus on core customers to develop EVA positive business relationships
  - Continue focusing on co-financing EU infrastructure loans and increase usage of guarantee schemes
- **Lending process improvement**
  - Develop specific product structures, processes and dedicated competence centers for targeted industries: agribusiness, infrastructure, renewable energy, healthcare
  - Improvement of the loan approval process for prolongations and small amount increases
  - Centralisation of loan and collateral documentation and monitoring
  - Centralisation of the process flow for issuing cash collateral LGs
- **Sales process optimisation**
  - Improve quality of customer service on each process through staff training and certification, internal monitoring of service quality, continuously monitoring of client experience on specific products and processes

Infrastructure investments –
Projects totalling EUR 7.8bn signed between 2007-2011

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Projects signed 2007-2009

Total project value: EUR 1,929m
58% from EU funds

Number of projects: 18

Avg. implementation status: 32%

Top 5 projects by value (EURmn)	
Cernavoda – Constanta highway (part of Pan-European Corridor IV to Black Sea)	432
Constanta city road belt	226
Water systems expansion and rehabilitation (Cluj and Salaj counties)	197
Water system rehabilitation (Brasov city)	189
Expansion and rehabilitation of water network (Teleorman county)	122
Total	**1,166**

Projects signed 2010-2011

Total project value: EUR 5,876m
68% from EU funds

Number of projects: 71

Avg. implementation status: 5%

Top 5 projects by value (EURmn)	
Orastie – Sibiu highway (Corridor IV)	746
Nadlac – Arad highway (Corridor IV)	308
Rehabilitation and modernisation of water and sewage systems (Prahova county)	163
Expansion and rehabilitation of water and waste water networks (Dolj county)	150
Expansion and modernisation of water and waste water networks (Arad county)	140
Total	**1,506**

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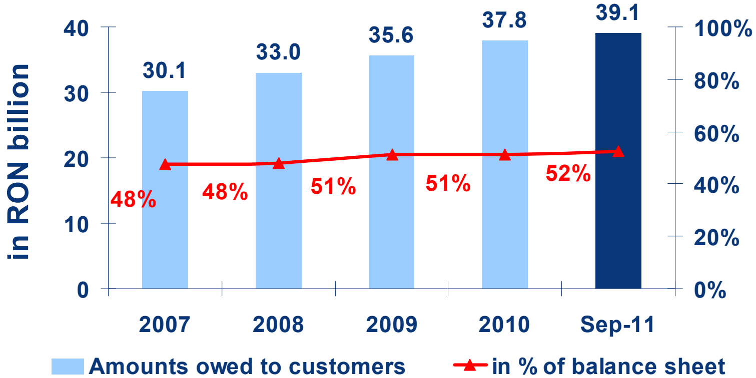
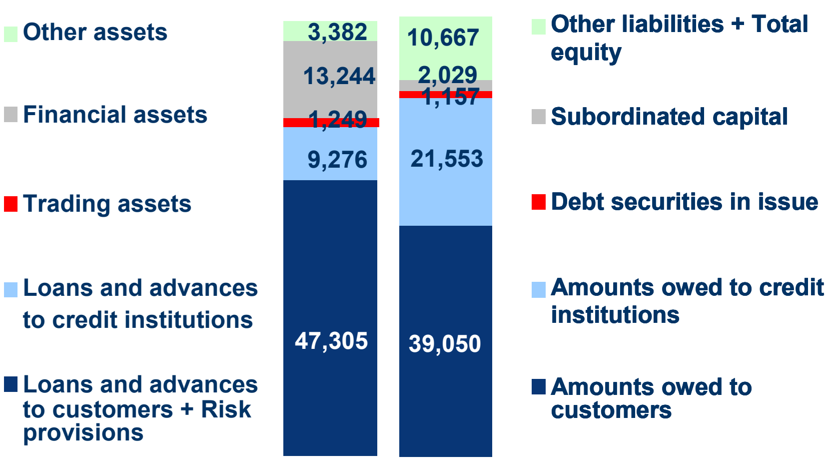
BCR: Funding and liquidity –
Robust core deposit base

- **Dominant market share in deposits (~21%)**
  - Stable retail deposits (both RON and EUR)
  - Strong performance in RON corporate deposits (both sight and term)
- **Overall L/D ratio of 135%, expected to decline further on improvement in EUR L/D ratio**
  - RON L/D ratio of 76%
  - EUR L/D ratio of 253%
- **EMTN program - flexible funding tool (EUR 250m issued so far)**
- **Strong liquidity buffer - eligible collateral approx. RON 13.2bn**
- **Medium to long-term funding sources well-diversified by lenders & geographic areas (partnerships with IFIs)**

Customer deposits, main funding source



Balance sheet as of Sep 2011 (in RON million)



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Conclusion –
Outlook

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- **Long-term story Romania remains intact – from a more stable basis**

- **Optimism about operating income**
  - Infrastructure projects to be key revenue driver
  - BCR ideally positioned to benefit
    - Strong municipalities and contractor contacts
  - Profitability in retail will track the recovery of consumer confidence and wage rises

- **Risk costs will stay elevated for some time**
  - Efforts to improve risk/reward of underlying business will pay off mid-term

- **Firm cost management was and will be a pillar of strength**

- **More sustainable bank and model from where to grow with the market and benefit from competitor weakness**

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Appendix: Romania –
Significant competitive advantage in terms of labour cost

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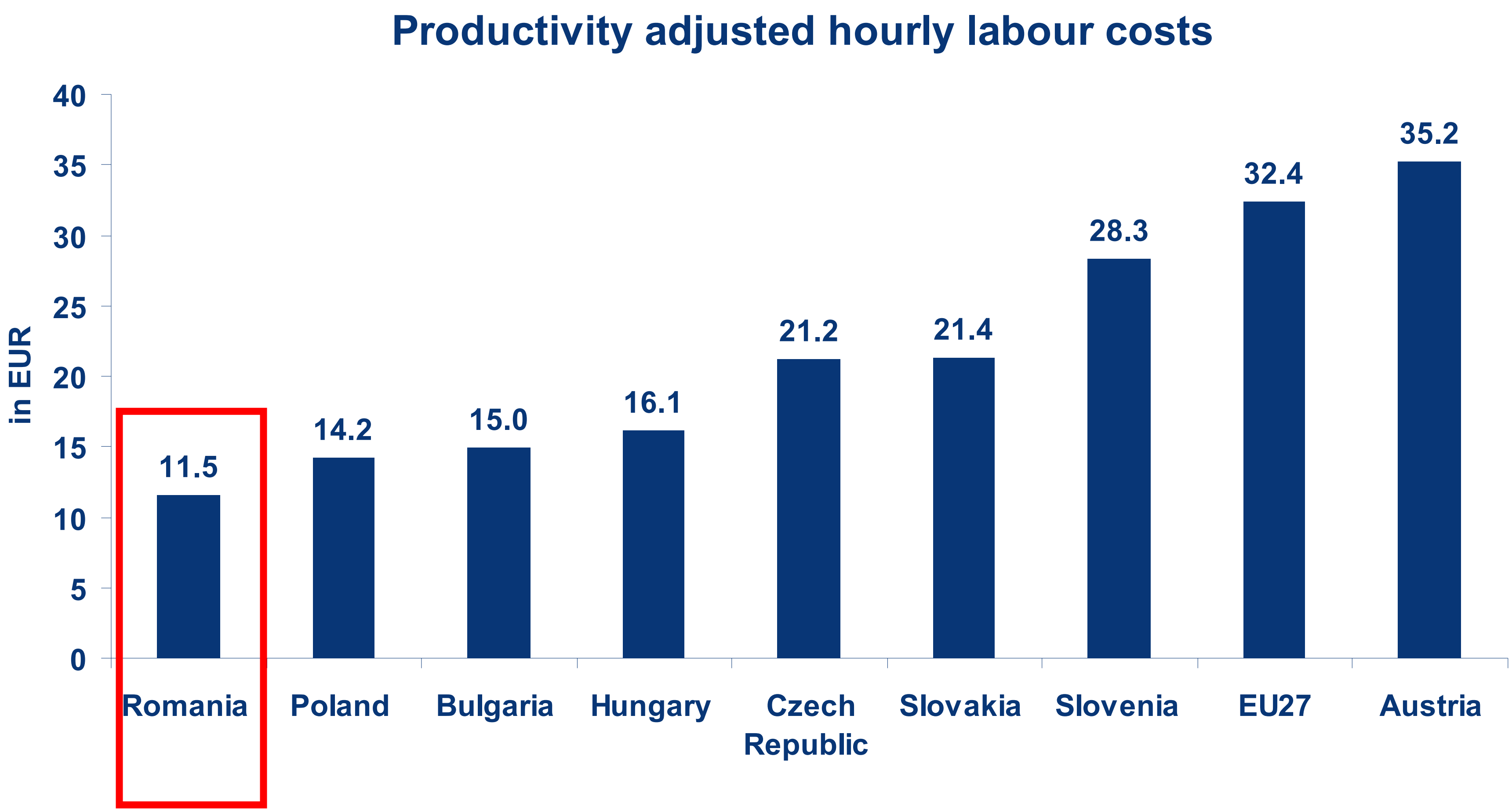

Source: Eurostat, Erste Research

Appendix: business roadmap –
Retail: new lending rules adopted by the Central Bank

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- **New prudential rules adopted at end-October, aiming to limit the risks associated with consumer lending, mainly in FX**
  - Max. 5 year tenor for new unsecured and secured consumer loans, irrespective of currency
    - No max. tenor previously imposed, max. 10 years for unsecured and 25-30 years for secured according to market practice
  - Debt to income limit and stress parameters adopted
  - Min.133% coverage by collateral for FX home equity loans
    - Corresponding to max. 75% LTV, no min. level of coverage by collateral previously stipulated
  - Lower LTV for FX mortgage loans
  - Loans under Prima Casa and refinancing of loans contracted before the new regulation entered into force exempted from current tenor and down payment limitations

- **BCR's own rules well ahead of BNR's new guidelines**
  - Lower impact on BCR's retail business as compared to the market, due to conservative approach on FX lending
    - Higher collateralization, lower debt to income and LTV ratios, max. tenor for unsecured consumer limited to 5 years since early 2010, FX unsecured loans cancelled from BCR offer starting H2 11
  - Estimated impact on new sales in 2012:
    - -10% in standard mortgage (~EUR 9m)
    - -20% in unsecured consumer (~EUR 92m)
    - -65% in secured consumer (~EUR 66m)
  - Estimated impact on NII in 2012: EUR -11.5m

Appendix: Special topic –
Update on Erste shareholding in BCR

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- **4 SIFs have signed transaction documents**
  - Issue of 16,102,263 EGB shares (thereof until 8.12.2011: 8,275,312; thereof 4,025,566 issuance pending)
  - Cash contribution of RON 494.4m (thereof until 8.12.2011: RON 244.5)
  - Erste Group will increase stake in BCR to 93.54%

- **Up to date 12.4% of BCR shares have been acquired**

	SIFs shareholding before transaction		Status quo of transaction	
	# of Shares		# of Shares	
Number of BCR Shares total	**10,856,364,880**	100.00%	**10,856,364,880**	100.00%
SIF Oltenia	652,033,303	6.01%	652,033,303	6.01%
SIF Muntenia	651,381,927	6.00%	241,744,625	2.23%
SIF Banat Crisana	651,381,927	6.00%	366,373,358	3.37%
SIF Moldova	651,381,927	6.00%	515,104,582	4.74%
SIF Transilvania	651,381,927	6.00%	136,277,240	1.26%
Erste Group	**7,547,067,344**	**69.52%**	**8,895,423,653**	**81.94%**
Others	51,736,525	0.48%	49,408,119	0.46%

- **Movement in Erste share price has no influence on deal structure**
  - Shares are exchanged at fixed exchange ratio of 127.9583 BCR shares for one EGB share