Poland new long 10-year sovereign bond places the issuer in the top league of CEE issuers

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- **Erste Group successfully manages issue of Republic of Poland's EUR 1.5 bn bond**
- **Poland (rated A2/A-/A-, all with stable outlook) capitalized on its strong fundamentals and rating and paid one of the lowest new issue premiums on the sovereign market in 2012**
- **Excellent demand for Polish sovereign bonds offering; the issue more than 2x over-subscribed, with total orders of close to EUR 4bn from over 210 investors**

Erste Group Bank AG ("Erste Group") successfully managed the EUR 1.5 bn issue of a new long 10-year Polish government bond as Joint Lead Manager. The issue carries a coupon of 3.75%, is due on 19 January 2023 and was launched off the Issuer's EUR 40bn EMTN program. The strong fundamentals of the country as one of the lowest indebted nations in the EU as well as its high investor recognition on international capital markets allowed the Republic of Poland to place its issue with a very limited new issue premium of approx. 2 bps, which is one of the lowest seen in 2012 so far in the sovereign market.

Source: City of Warsaw

''We have advised a wide range of CEE governments that decided to tap the markets this year, and have noticed that investor appetite for CEE bonds remains high as the fundamentals and growth prospects of these countries are much stronger than the EU average.

In the case of Poland, which is one of the few European economies that still expect to grow quite significantly this year, while also being one of the least indebted nations in the EU, we obviously had a very appealing issuer. These strong points, combined with the right issuing window, made the bond a success with investors, bringing the order book to a relevant size of EUR 4bn'', explained Franz Hochstrasser, Deputy CEO of Erste Group.

With this issue the Republic of Poland has already covered all of this year's funding needs in foreign currency and extended its maturity profile, underlining its strong refinancing ability via international capital markets.

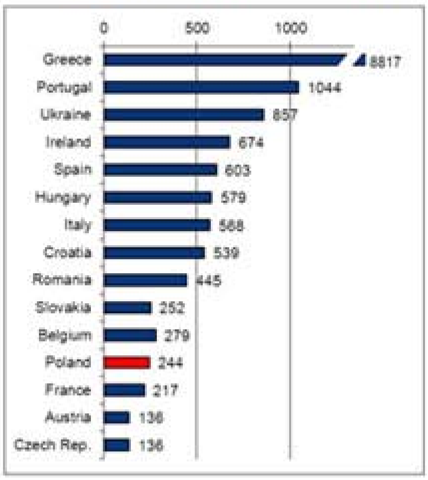
According to Erste Group analysts, despite persisting tensions on sovereign bond markets in peripheral Eurozone countries, there haven't been any sharp sell-offs of government bonds across the CEE countries. While in 4Q 2011 primary auction markets had hit softer patches due to elevated uncertainty in Europe, demand has picked up again since the beginning of this year and held up nicely through 2012. Particularly foreign buyers have been very active this year, a trend that was supported by the LTRO programs launched by the ECB in December and February.

Erste Group analysts explain that domestic yields have fallen in most CEE countries which thus benefit from good access to foreign markets - almost every CEE government issued Eurobonds in 1Q 2012. The European

Commission has been positive on the fiscal consolidation undertaken in CEE so far and predicts that countries will bring their deficits below 3% of GDP by 2012 (or 2013 at latest).

In 2011 Erste Group ranked 1st as bookrunner for corporate and sovereign bonds in Austria and CEE, with a market share of 11.7% and a volume of EUR 4,288 mn. [1]

CDS spreads, *as of 12.06.2012*



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[1] *Source Bloomberg Finance L.P.; EUR denominated Bond issues from Austria and CEE excl. Russia (1/1 – 12/31/2011)*