

21st Annual General Meeting of Erste Group Bank AG



21 May 2014
Austria Center Vienna



Friedrich Rödler
Chairman of the supervisory board

Report on the financial year 2013



Report on the financial year 2013 of Erste Group Bank AG (consolidated)

Andreas Treichl

Chairman of the management board

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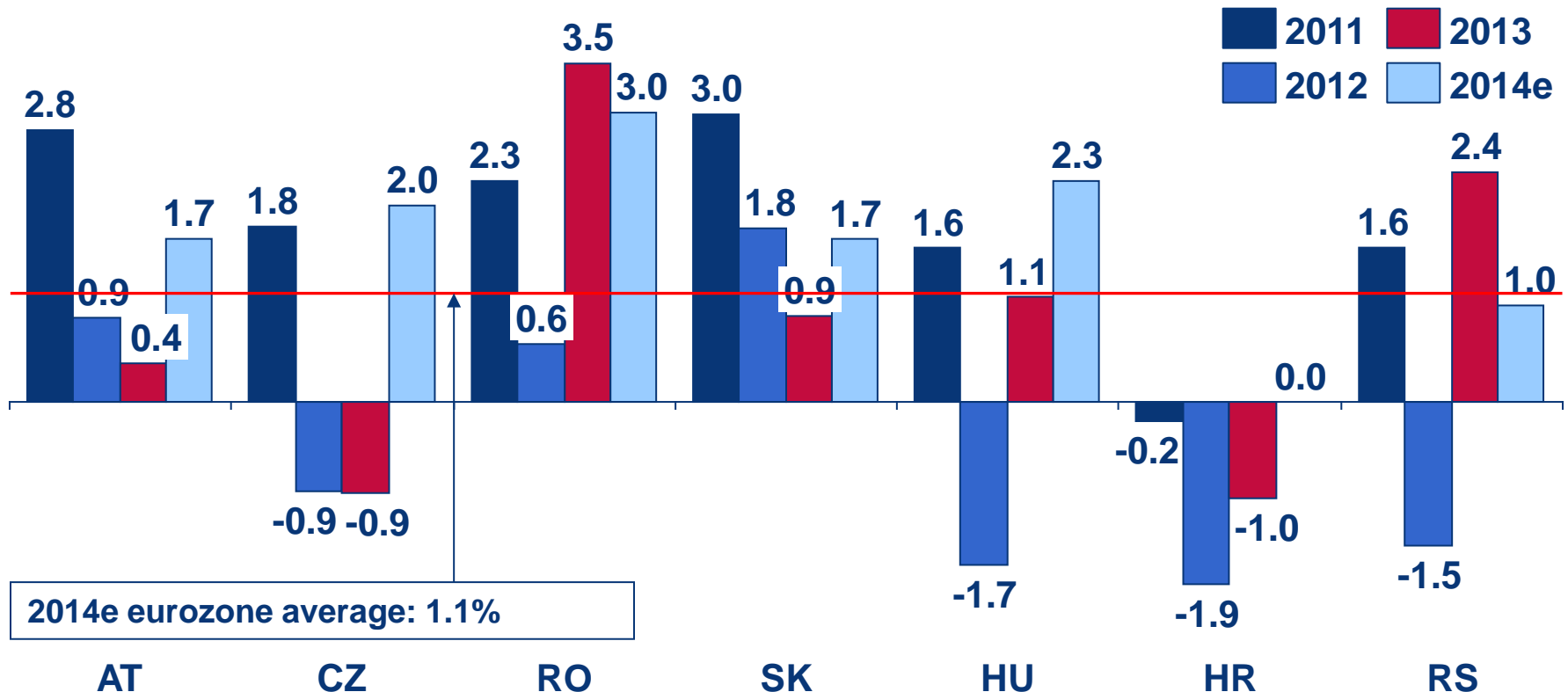
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Operating environment –

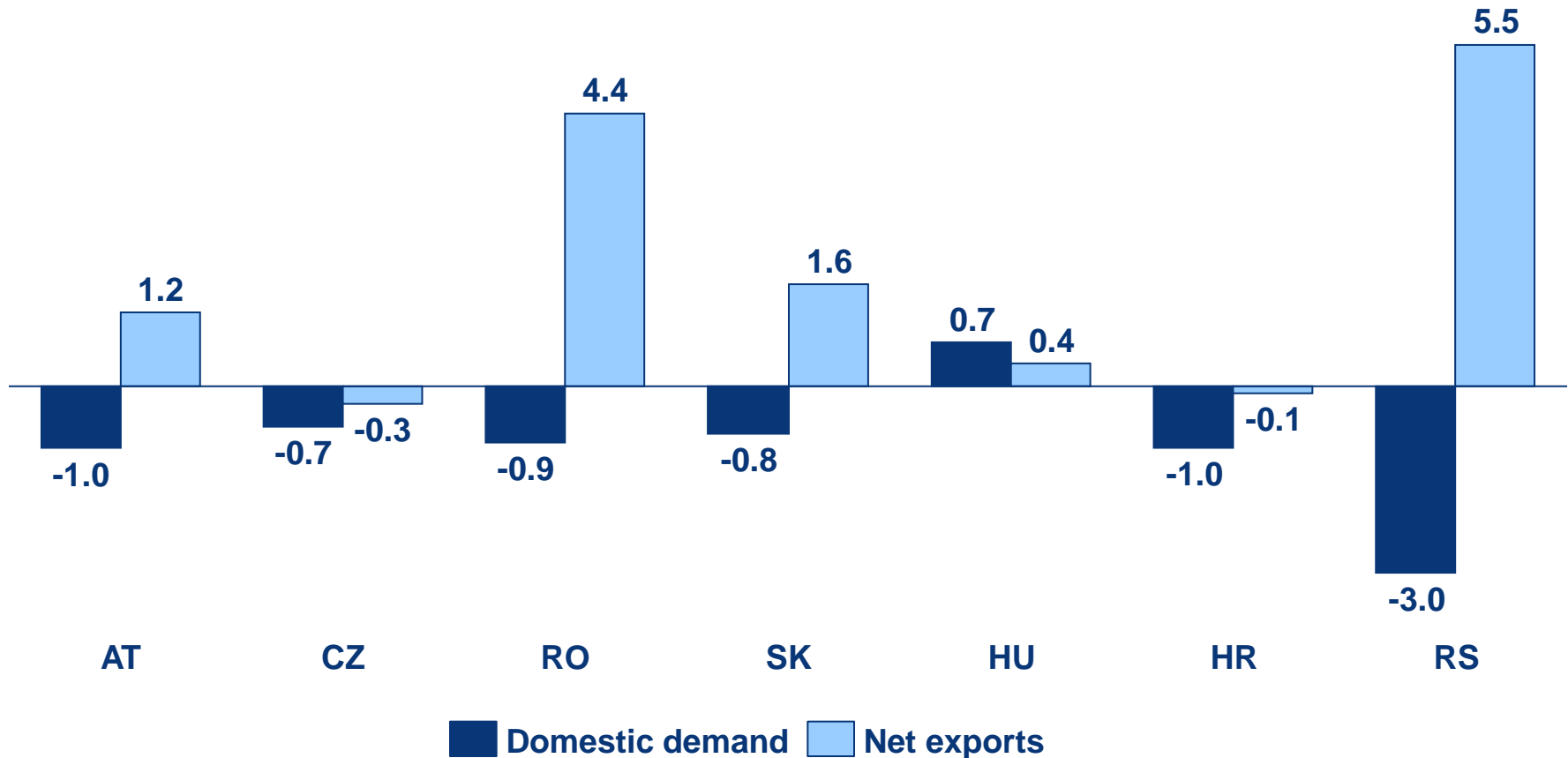
Weak domestic demand impacts economic growth

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



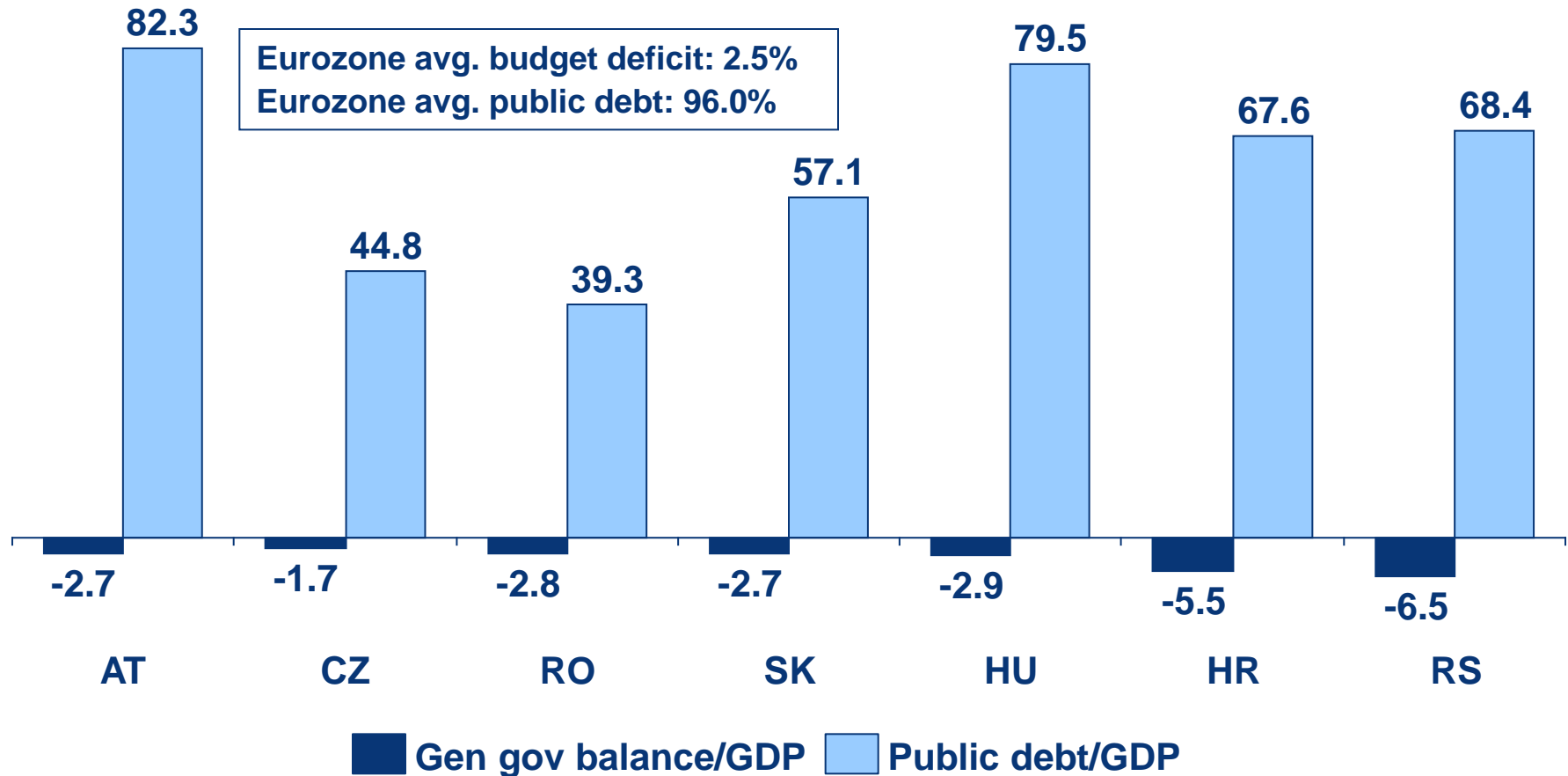
Operating environment – Main components of real GDP growth

Contributions of domestic demand and net exports in 2013 (in %)



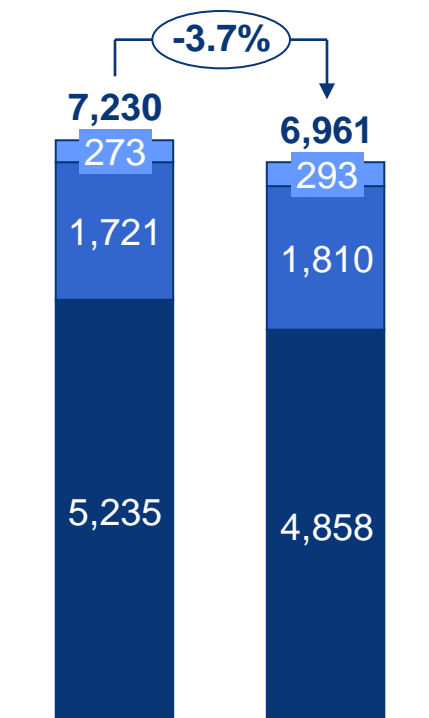
Operating environment – Low government debt levels in CEE

Public debt in Erste Group's core markets (in %, 2014e)



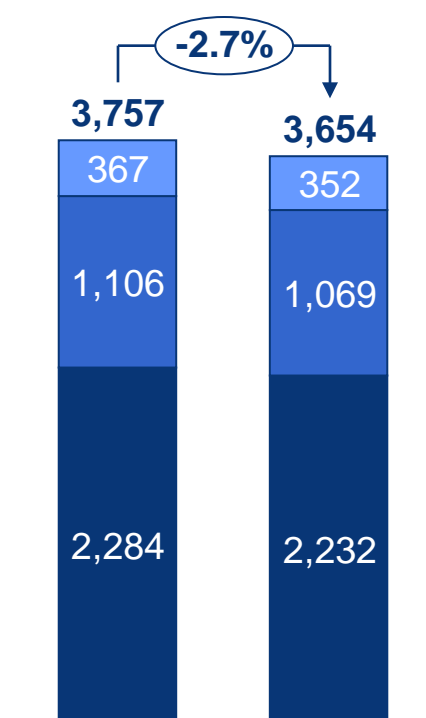
Operating result – Cost/income ratio at 52.5%

**Operating income
in EUR m**



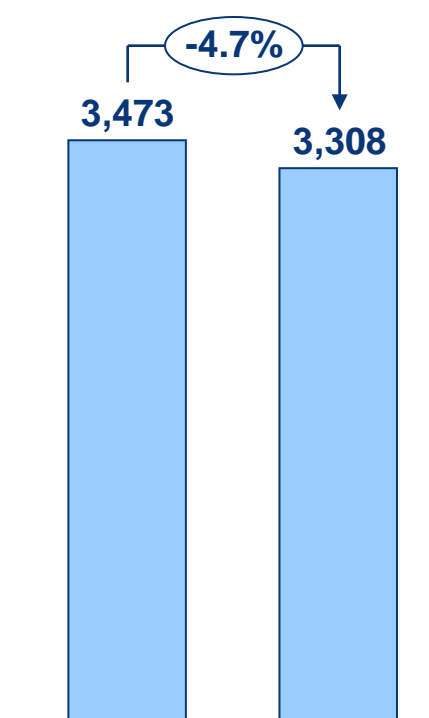
2012 2013

**Operating expenses
in EUR m**



2012 2013

**Operating result
in EUR m**



2012 2013

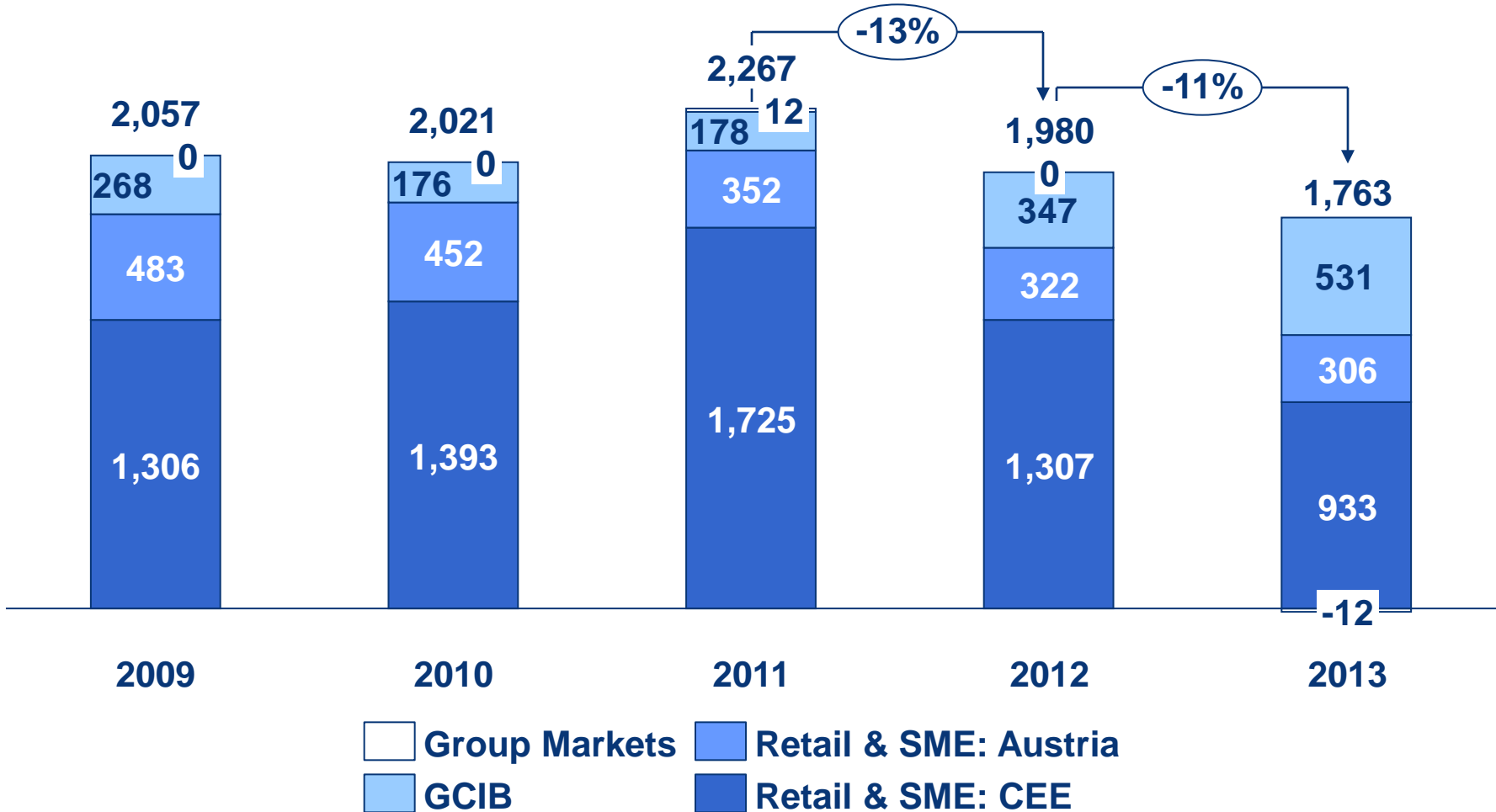
- Net trading result
- Net fee and commission income
- Net interest income

- Depreciation and amortisation
- Other administrative expenses
- Personnel expenses

Risk costs –

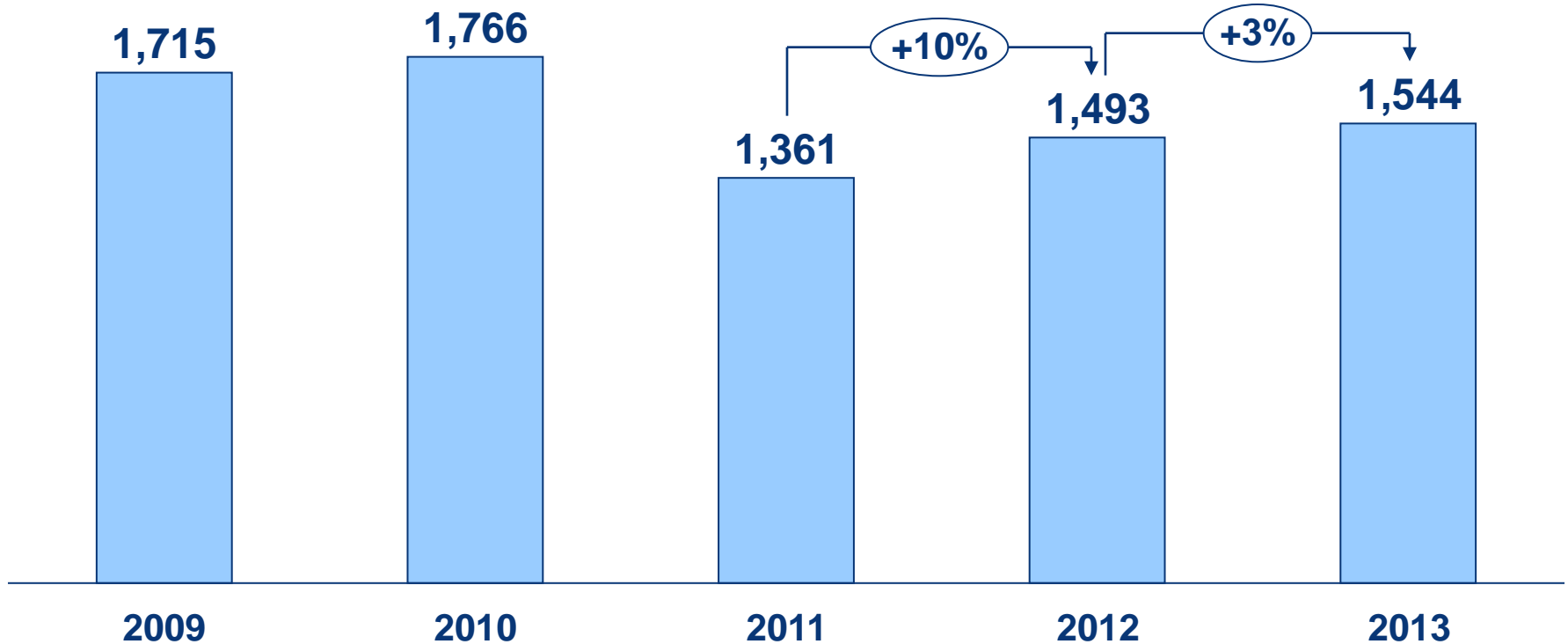
Still elevated, continued significant decline

5-year risk cost history in EUR m



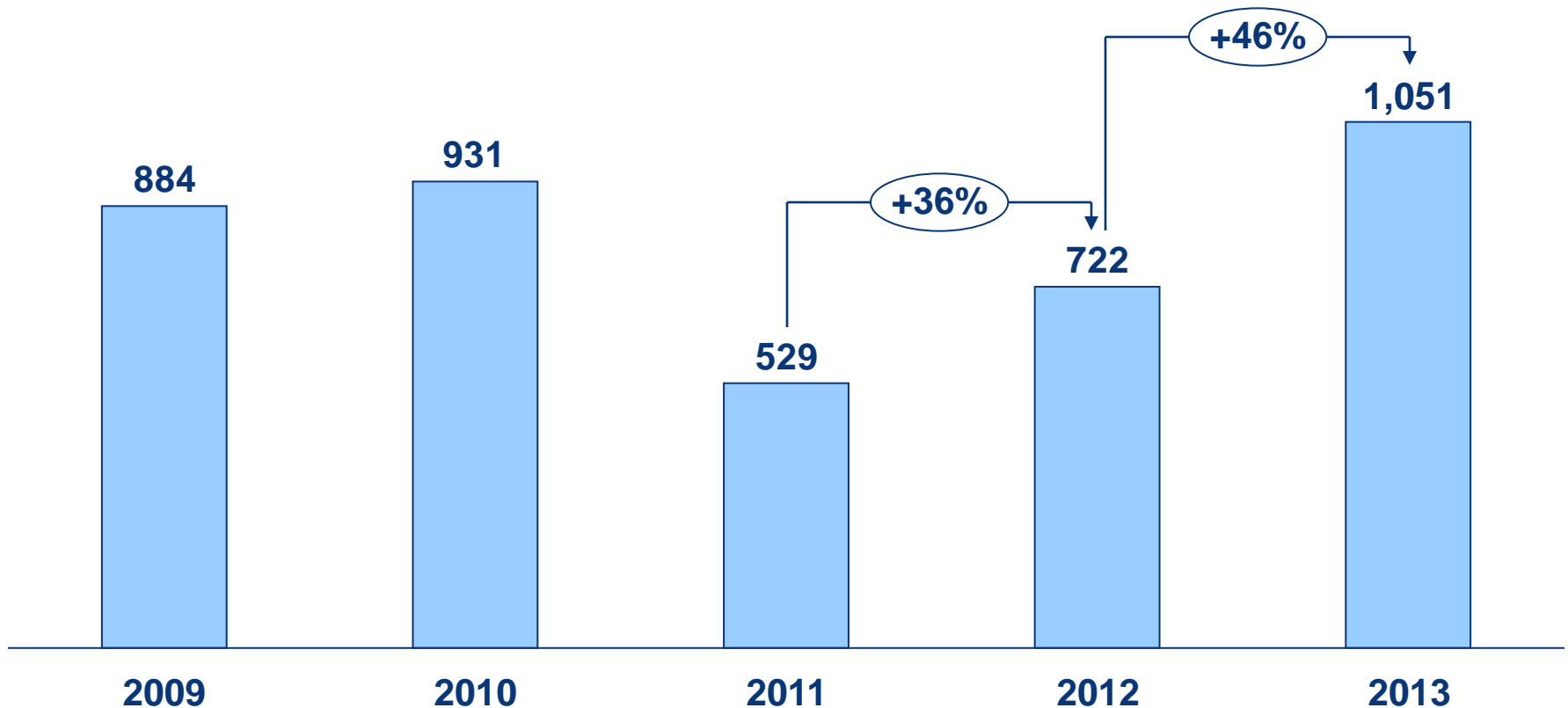
Post-provision operating profit – Continuation of positive trend

5-year post-provision operating profit history in EUR m



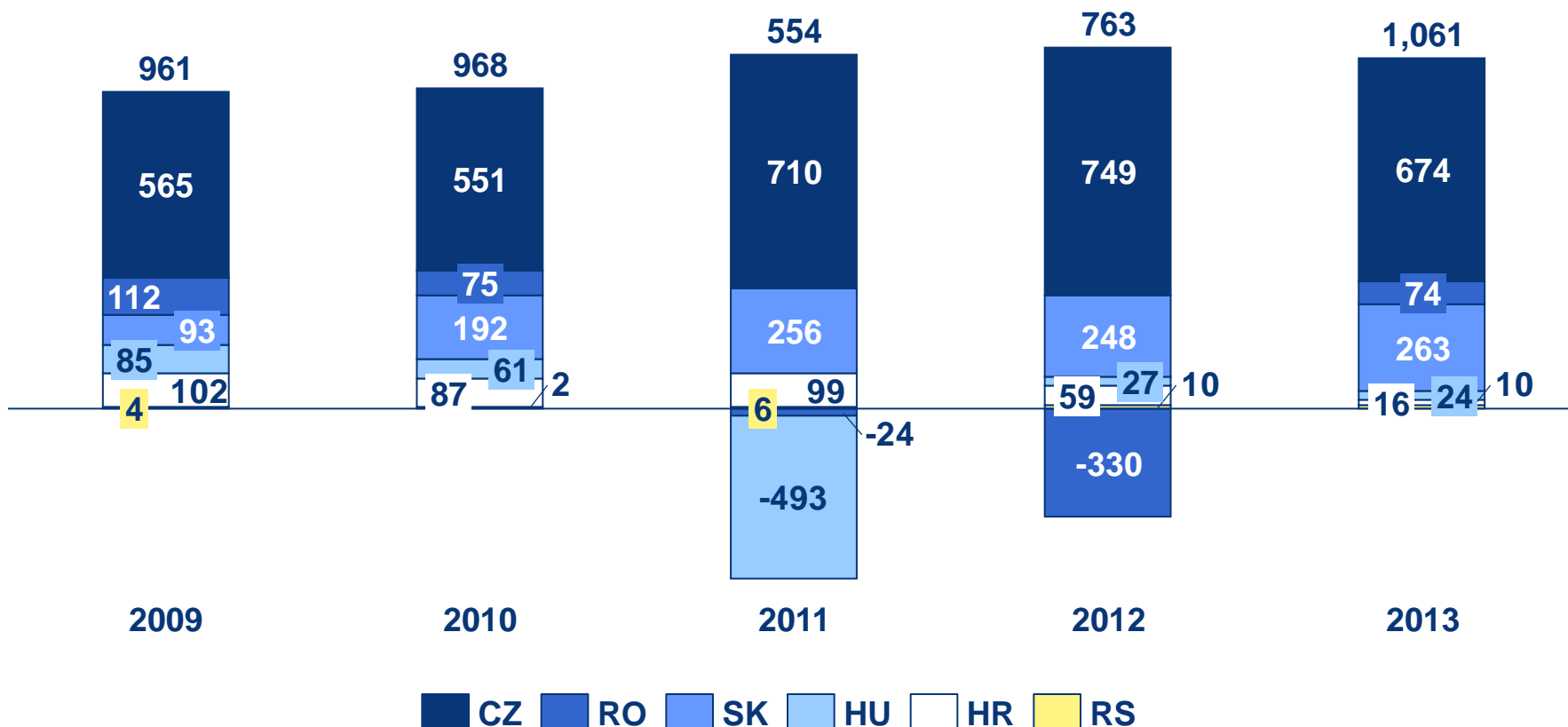
Results in CEE – Segment Retail & SME

5-year post-provision operating profit history in EUR m



Results in CEE – Segment Retail & SME

5-year post-provision profit history in EUR m

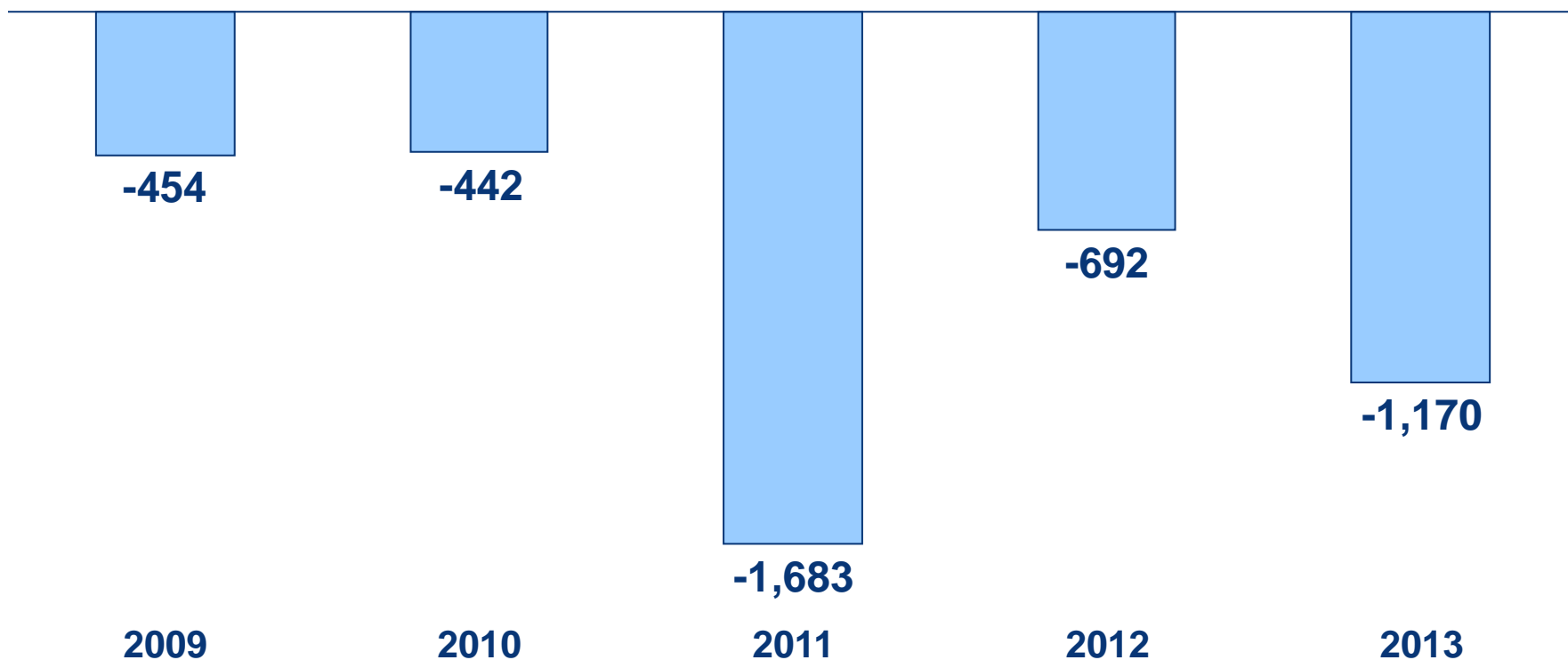


Data aligned by contributions of EB Ukraine

Other result –

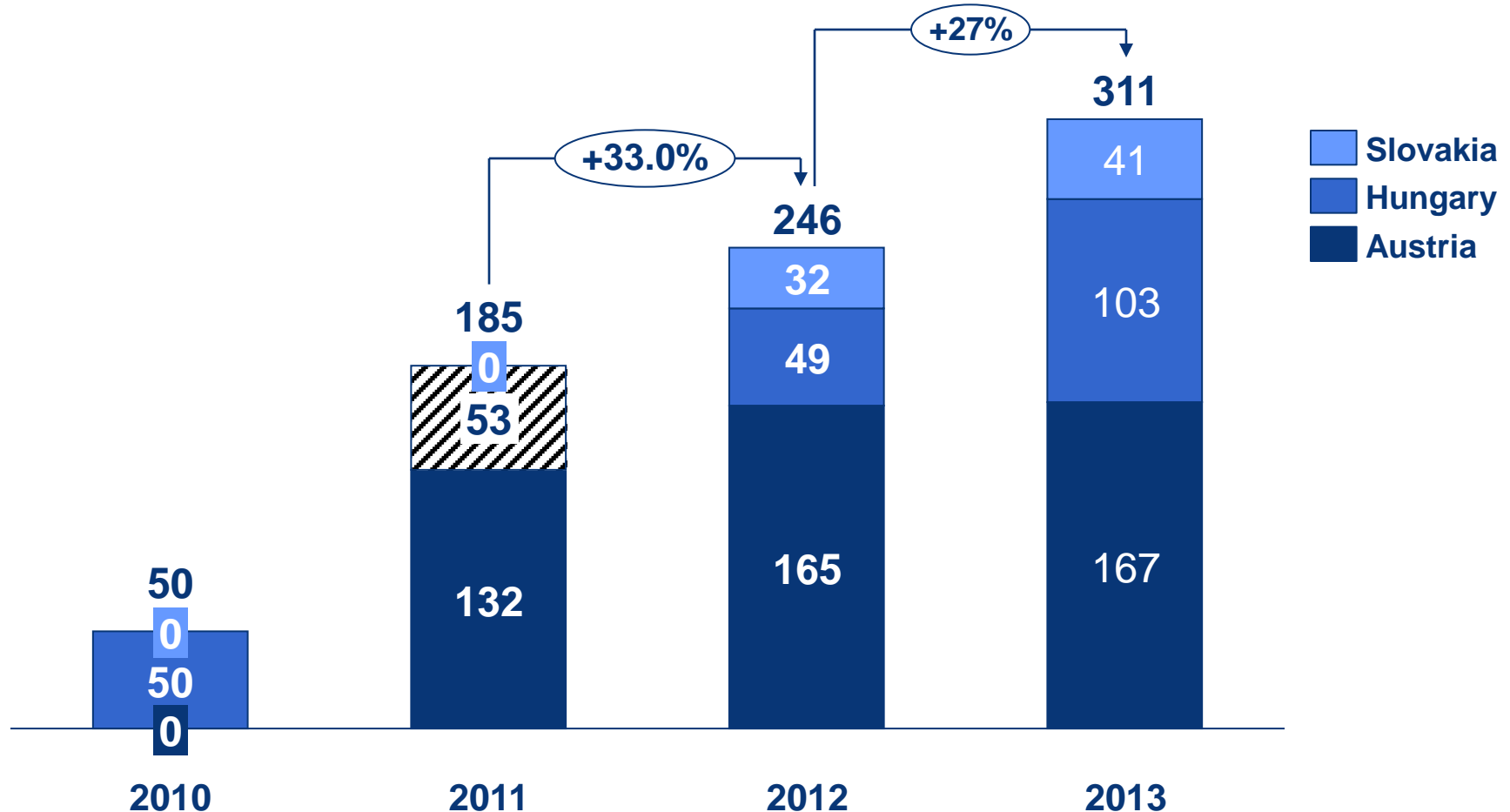
2013: goodwill impairments and banking levies

Other result in EUR m
(other operating result + results from financial assets)



Banking taxes –

Banking taxes slow down capital formation




In 2011, banking tax in Hungary was offset by the costs of repayment of foreign currency loans at non-market rates.

In addition to the banking tax, Hungary introduced a financial transaction tax in 2013.

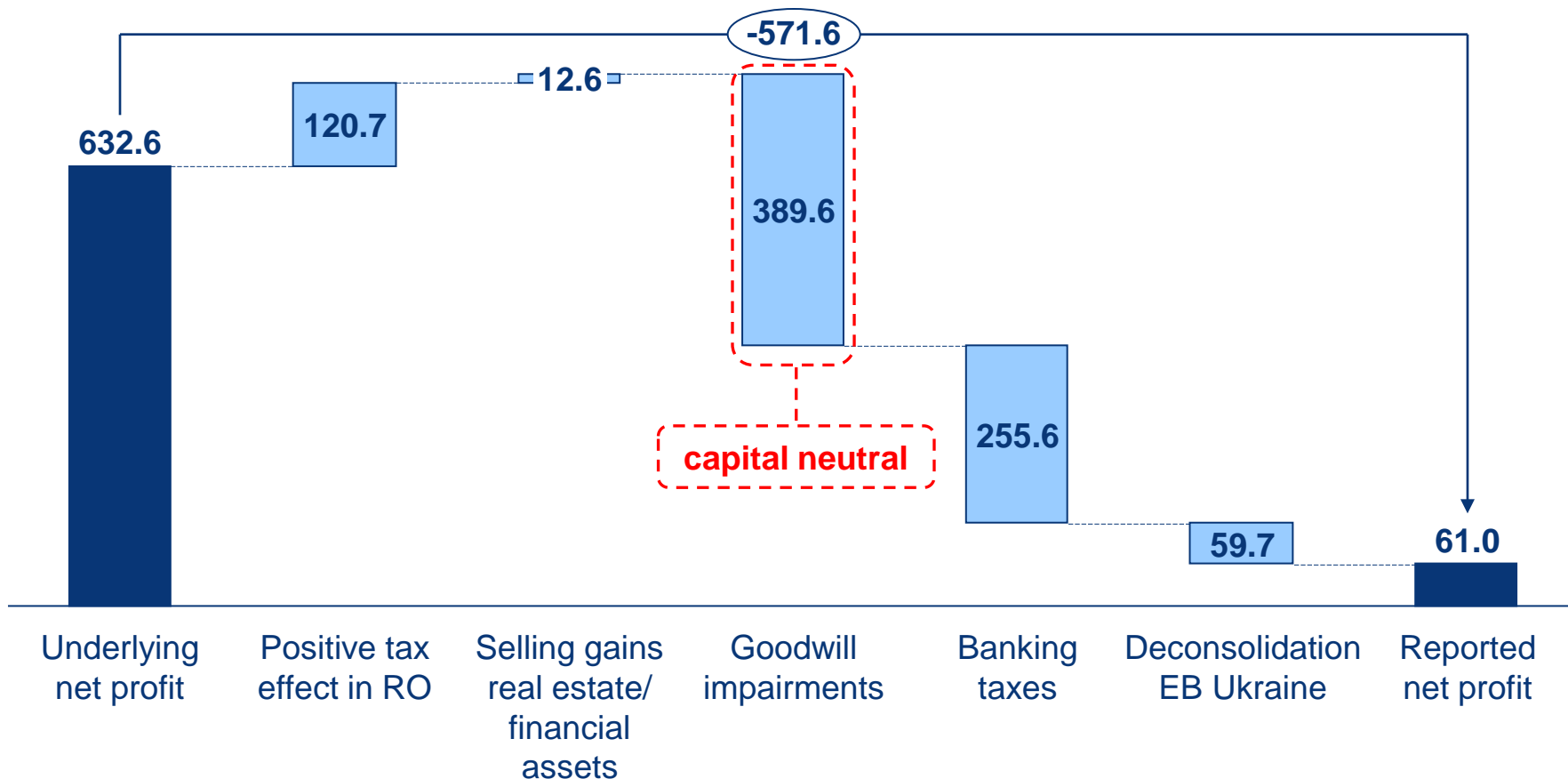
Banking taxes – Significant burden on net profit

in EUR m

Pre-tax profit (without banking tax)	685.3		Erste Group's tax rate amounts to ~90%
Banking tax	- 311.2		
<u>Tax payments</u>	<u>- 311.0</u>		
Net profit 2013	~61.0		

Net profit – Reconciliation to underlying net profit

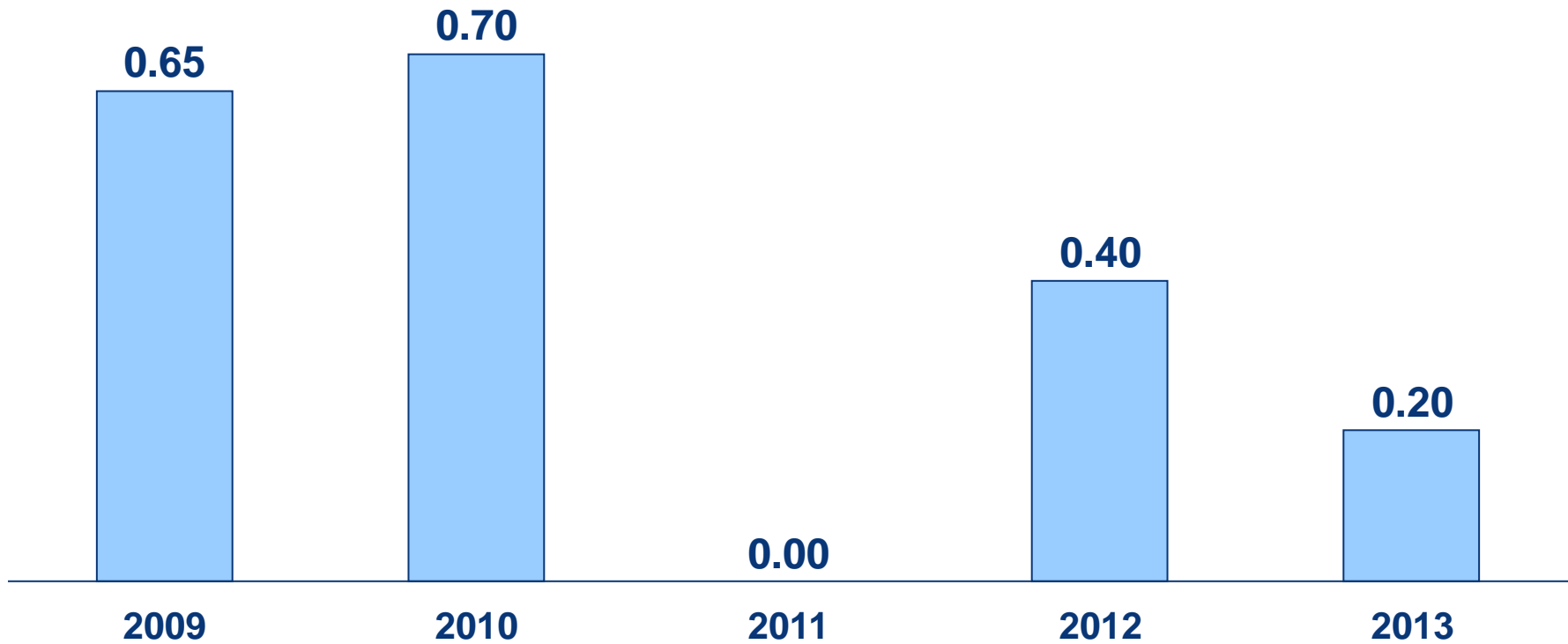
in EUR m



Dividend –

Dividend of EUR 0.20 per share proposed to AGM

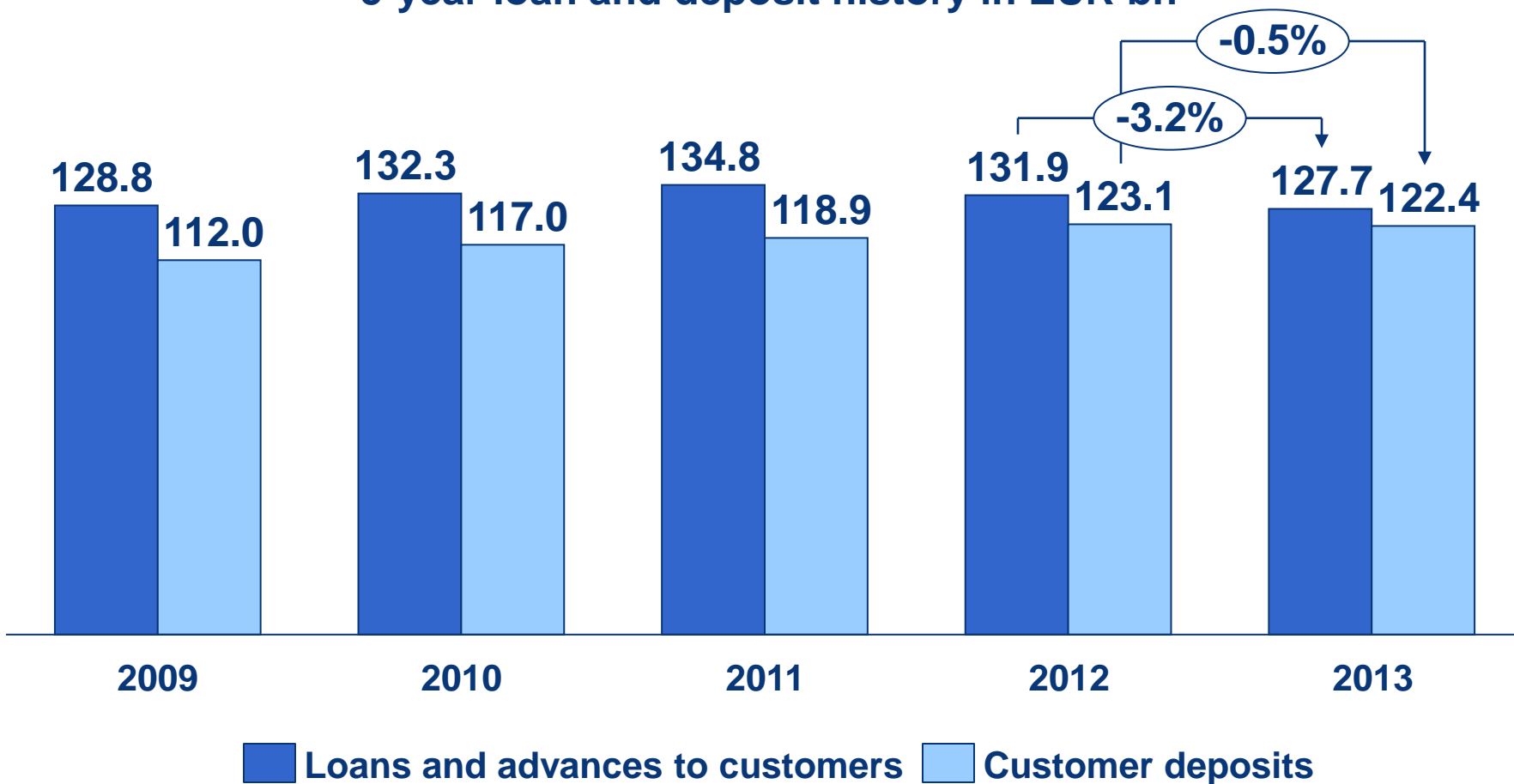
5-year dividend history in EUR



Balance sheet –

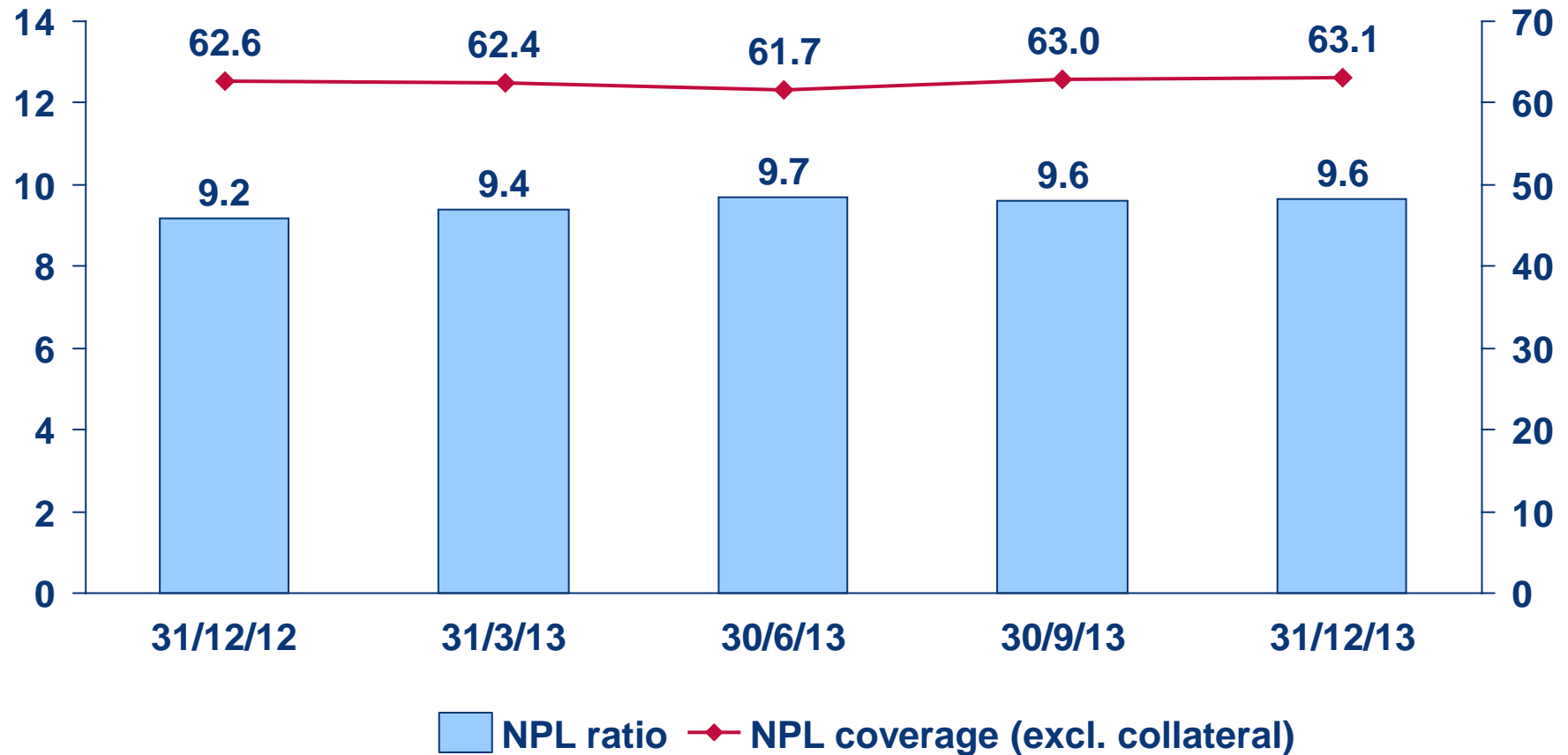
Loan/deposit ratio improves to 104.3%

5-year loan and deposit history in EUR bn



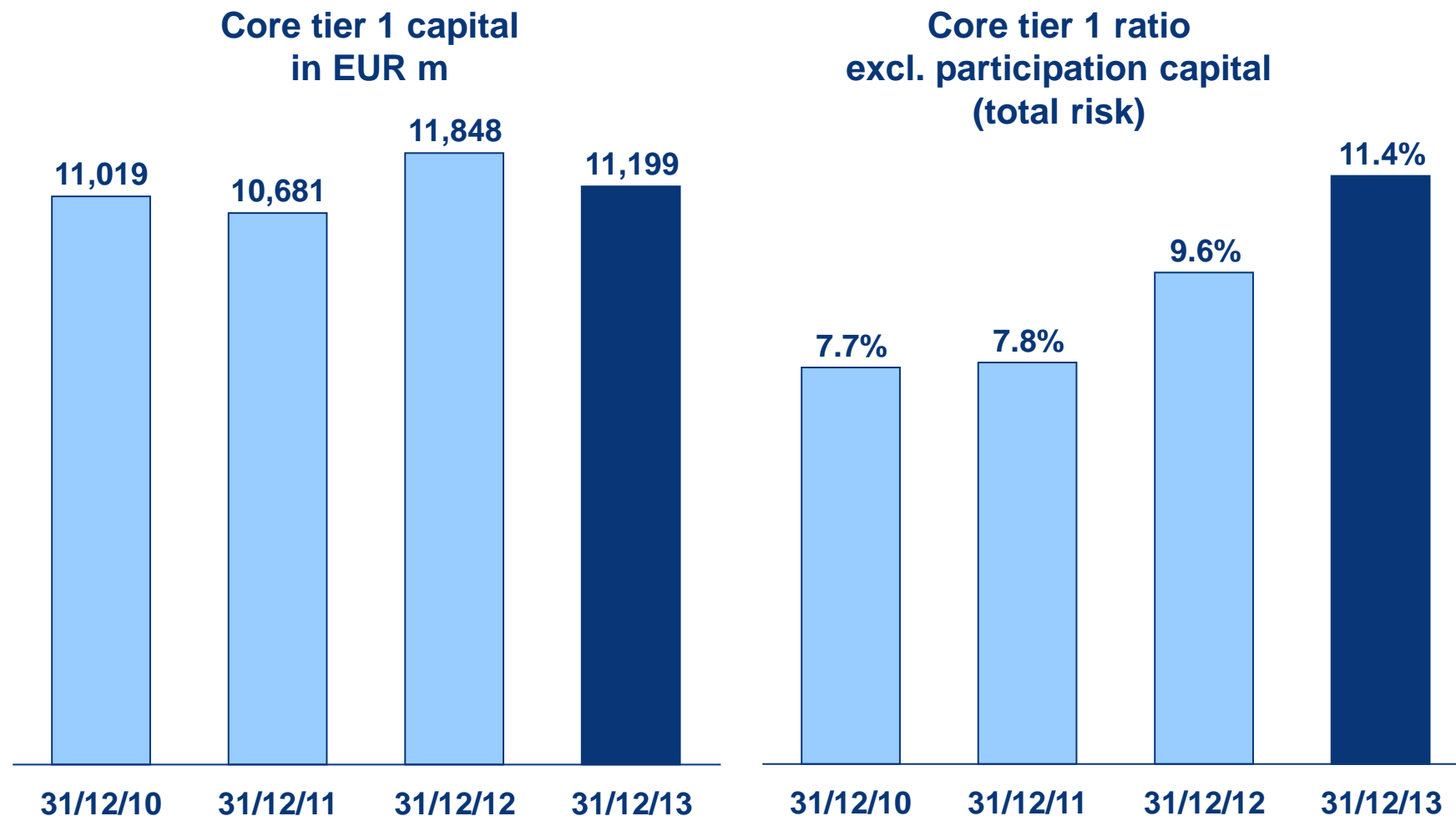
Balance sheet – Asset quality and coverage stable

Asset quality summary in %



Capital –

Capital increase, redemption of participation capital



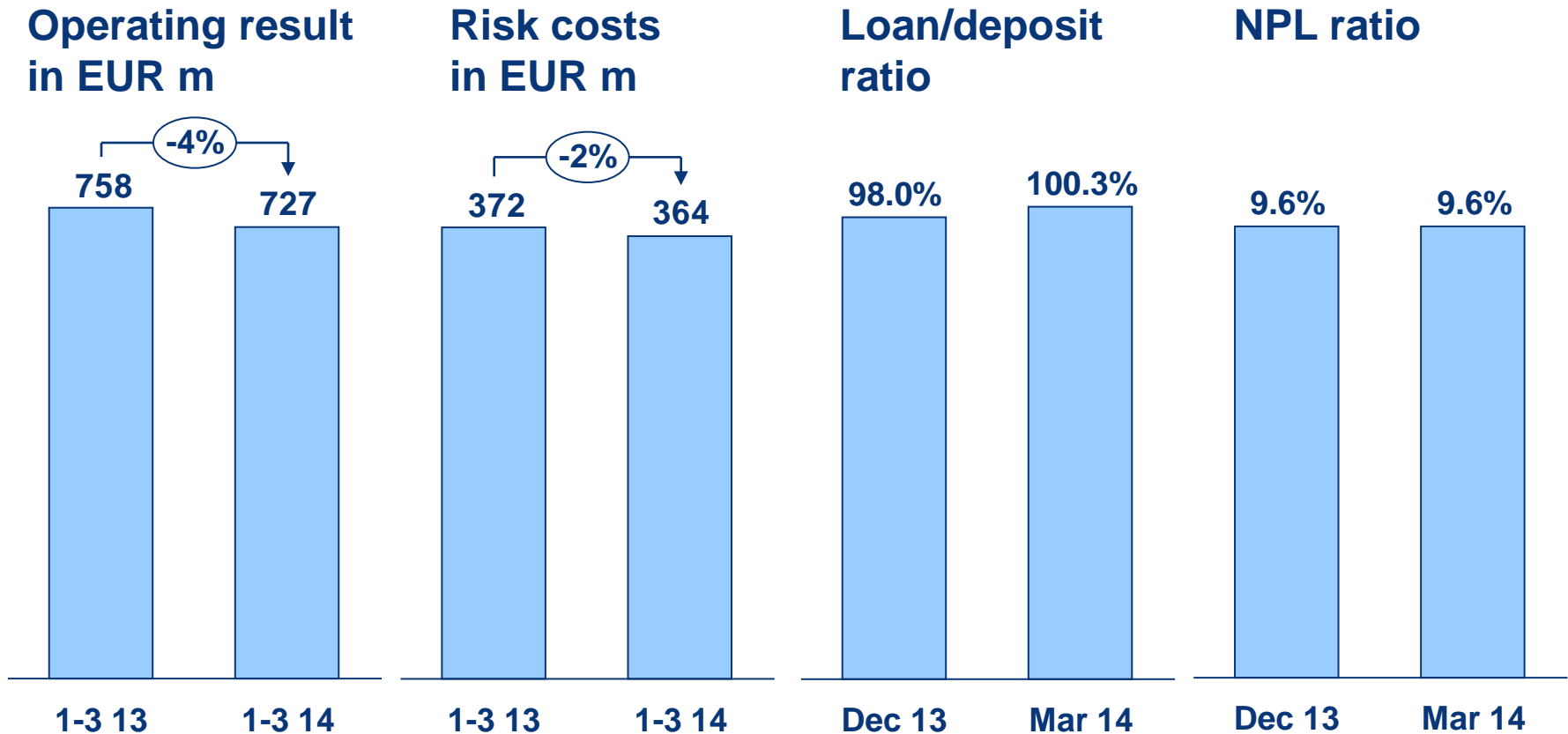
Share price performance – Erste Group share rose by 5.4% in 2013

in EUR



Q1 14 performance summary –

Net result at EUR 103.3 m, elevated tax rate



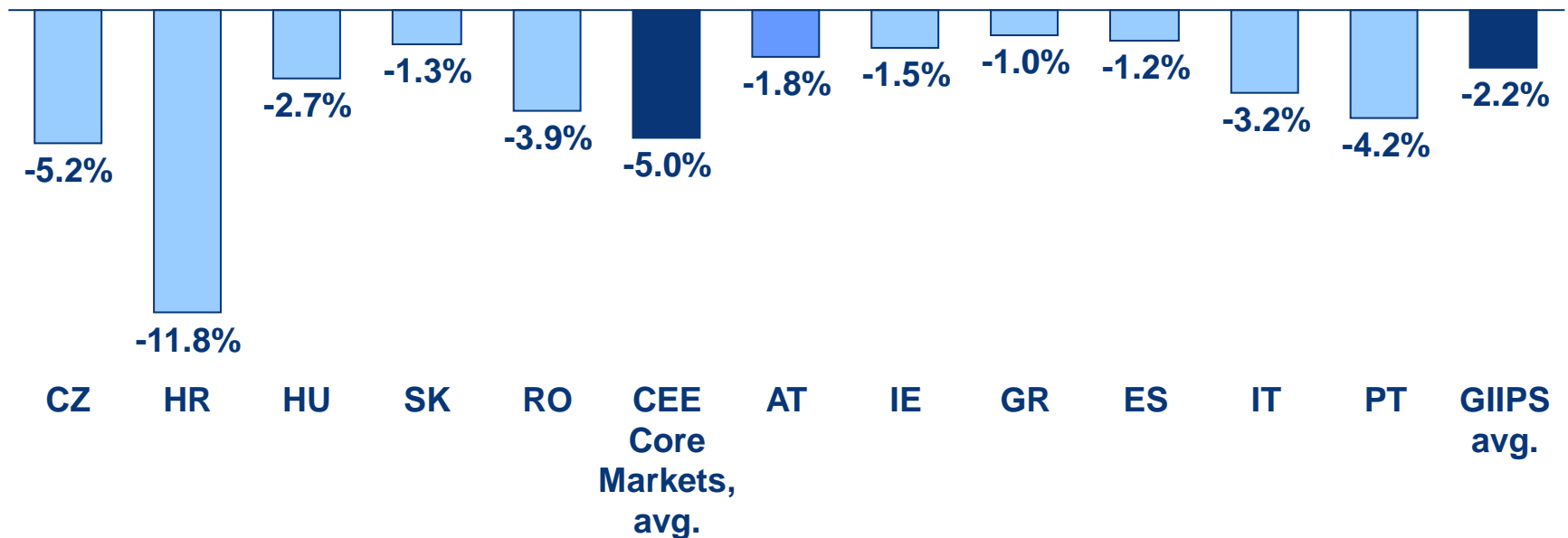
Q1 data as well as comparative data on this slide are based on the FINREP standards, which have been introduced on 1 January 2014.

Challenges for the year 2014

Asset Quality Review and Stress Test

- Stress test with harsh and to some extent inconsistent assumption, in particular for CEE
- Stress factors comprise:
 - GDP, unemployment, inflation, interest rates, real estate prices, government bonds
 - Currency devaluations in CEE (15% - 25%)

Stress assumptions, accumulated GDP contraction (2014 – 2016)

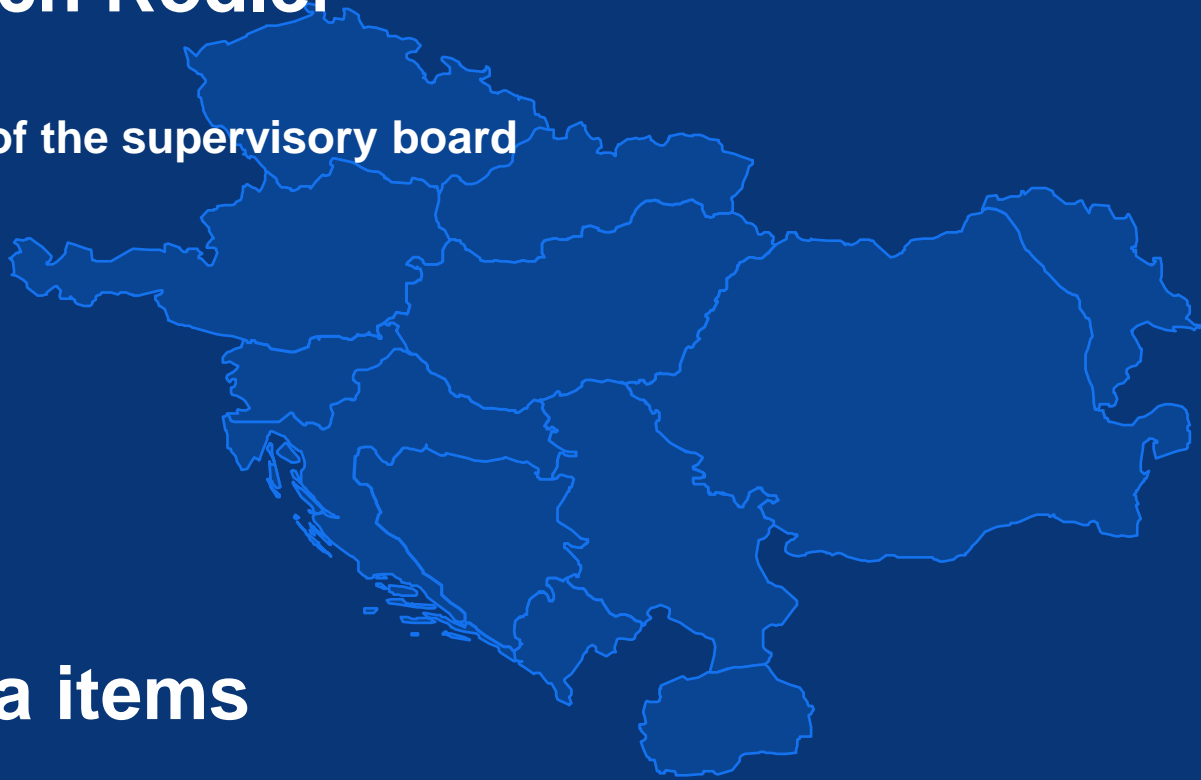


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- **Erste Group expects a stable operating environment in its markets in Austria and CEE: while economic growth is expected to average 1.9% (Erste Group Research) in 2014, interest rates are expected to remain persistently low or fall even further in certain geographies**
 - **Erste Group aims to keep operating profit stable ($\pm 2\%$) at about EUR 3.1 billion**
 - **Net customer loans are set to remain stable ($\pm 2\%$) at about EUR 120 billion**
 - **In light of the upcoming ECB Asset Quality Review, Erste Group does not expect a decline in risk costs beyond 5% or to about EUR 1.7 billion**
 - **Erste Group does not anticipate to recognise deferred tax assets in the Austrian tax group in 2014, which will result in a significantly elevated tax rate of about 40%**
 - **The decline in banking taxes from EUR 311 million in 2013 to about EUR 270 million in 2014 should positively affect net profit**



Friedrich Rödler

Chairman of the supervisory board



Agenda items

Appropriation of the profit

Grant of discharge to the members of the management board

Grant of discharge to the members of the supervisory board

Remuneration of the members of the supervisory board

Election to the supervisory board

Appointment of an additional auditor

Resolution on the revocation of the existing authorized capital and the new authorization to increase the registered capital against cash contribution and/or contribution in kind, with the possibility of the exclusion of the subscription rights.

Amendments of the articles of association

21st Annual General Meeting Erste Group Bank AG



Q & A

21st Annual General Meeting
Erste Group Bank AG



Resolutions

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**Thank you for your active
participation!**