

# 22<sup>nd</sup> Annual General Meeting Erste Group Bank AG

12 May 2015  
Austria Center Vienna

**Friedrich Rödler**

Chairman of the supervisory board

## First item on the agenda

# Report on the financial year 2014

# Report on the financial year 2014 of Erste Group Bank AG (consolidated)

**Andreas Treichl**

CEO Erste Group

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### Cautionary note regarding forward-looking statements

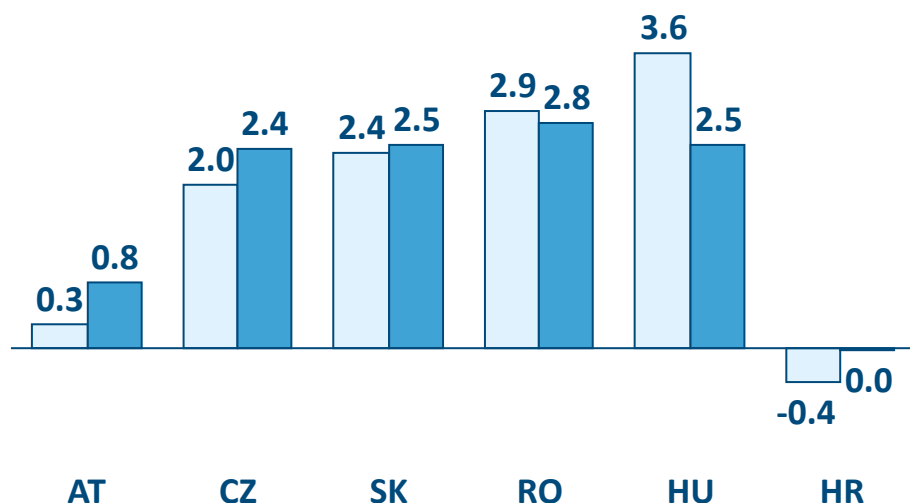
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## Operating environment –

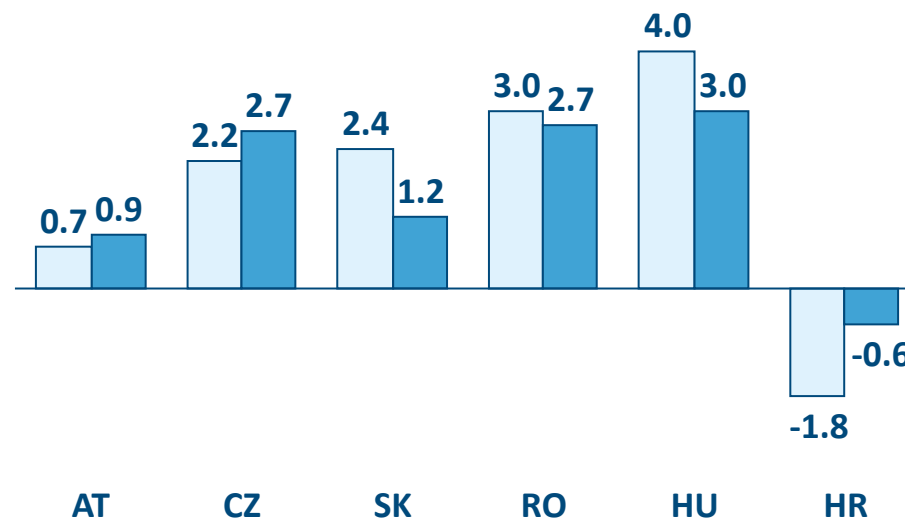
Robust economic backdrop in Erste Group's markets



Real GDP growth (in %)



Domestic demand contribution to GDP growth (in %)

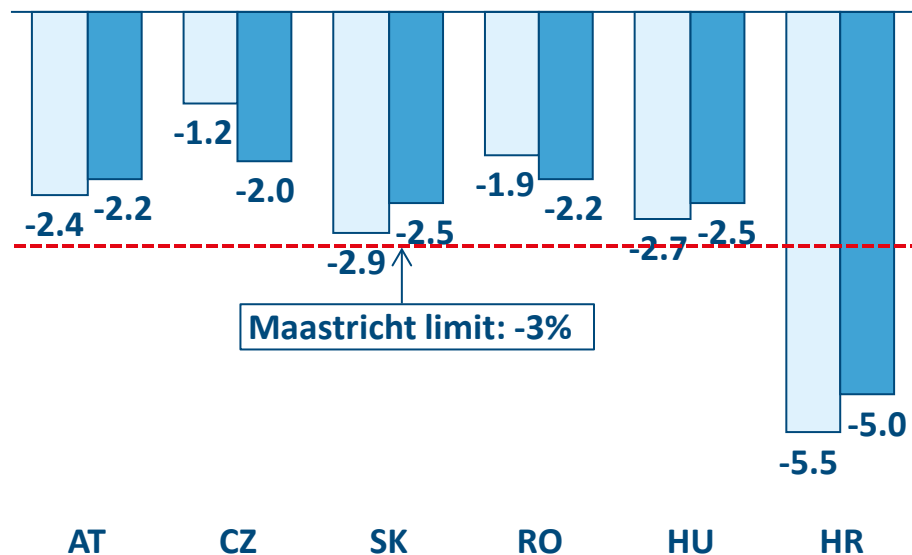


- CEE economies grew faster than the euro zone in 2014 (euro zone GDP grew by 0.9% yoy in 2014)
- Domestic demand was significant growth driver
- Neutral contribution of exports to GDP growth in 2014

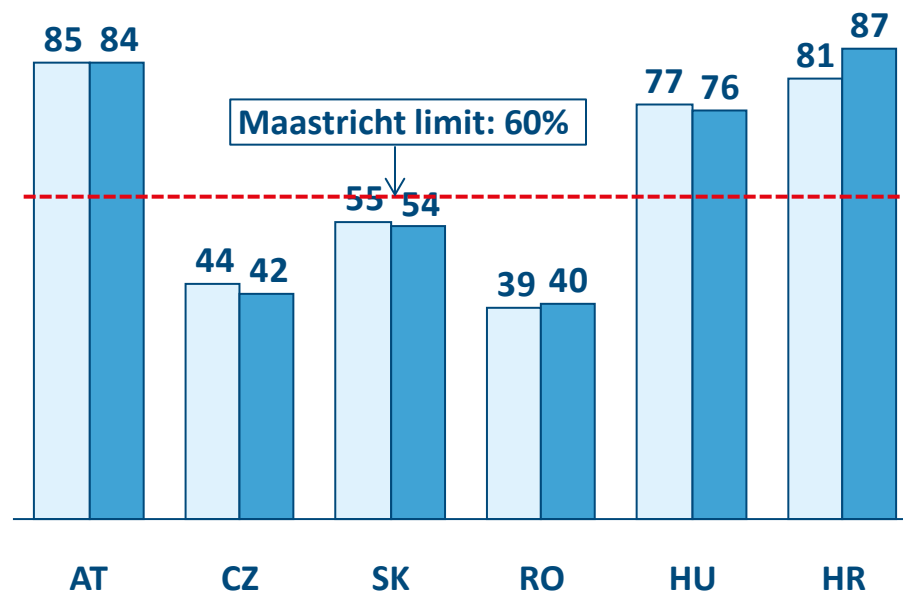
# Operating environment – Solid public finances in Erste Group's markets

2014  
2015

General government balance (in % of GDP)



Public debt (in % of GDP)

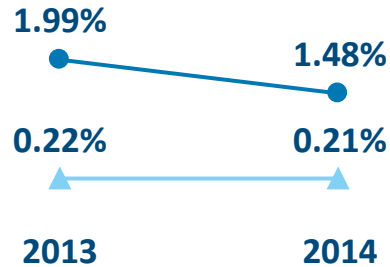


- General government balance in all markets except Croatia within Maastricht limit
- Public debt in most markets below 60% Maastricht limit; Austria, Hungary and Croatia are exceptions

# Business environment – Historic low interest rate environment poses challenges

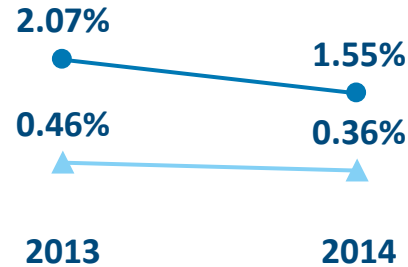
▲ 3m Interbank  
● 10-year Gov

**Austria**



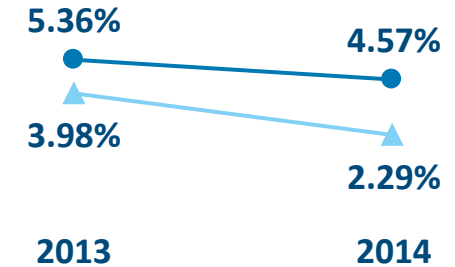
- ECB cut discount rate to 0.05% in Sept 14; maintains expansionary monetary policy stance

**Czech Republic**



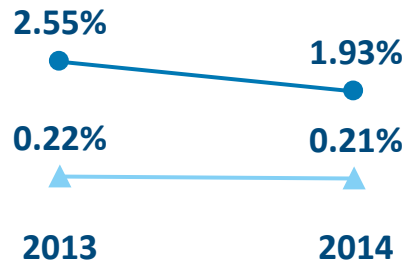
- National bank maintains ultra-low interest rates since Nov 2012 at 0.05%

**Romania**



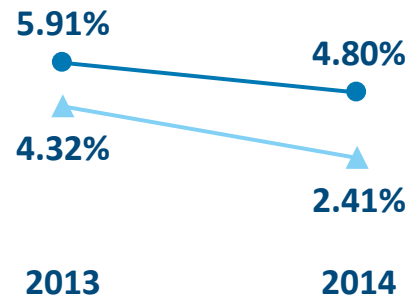
- Central bank cut policy rate to historic low of 1.75% in May 2015

**Slovakia**



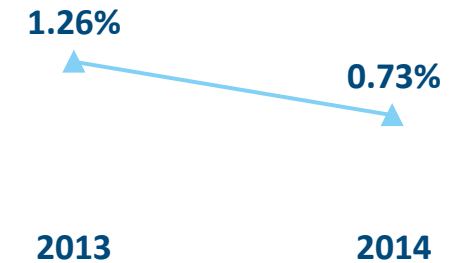
- As part of euro zone ECB rates are applicable in SK

**Hungary**



- Base rate was cut to historic low of 1.8% in April 2015; ECB QE could result in further cuts

**Croatia**



- Central bank maintains discount rate at 7.0% since mid-2011

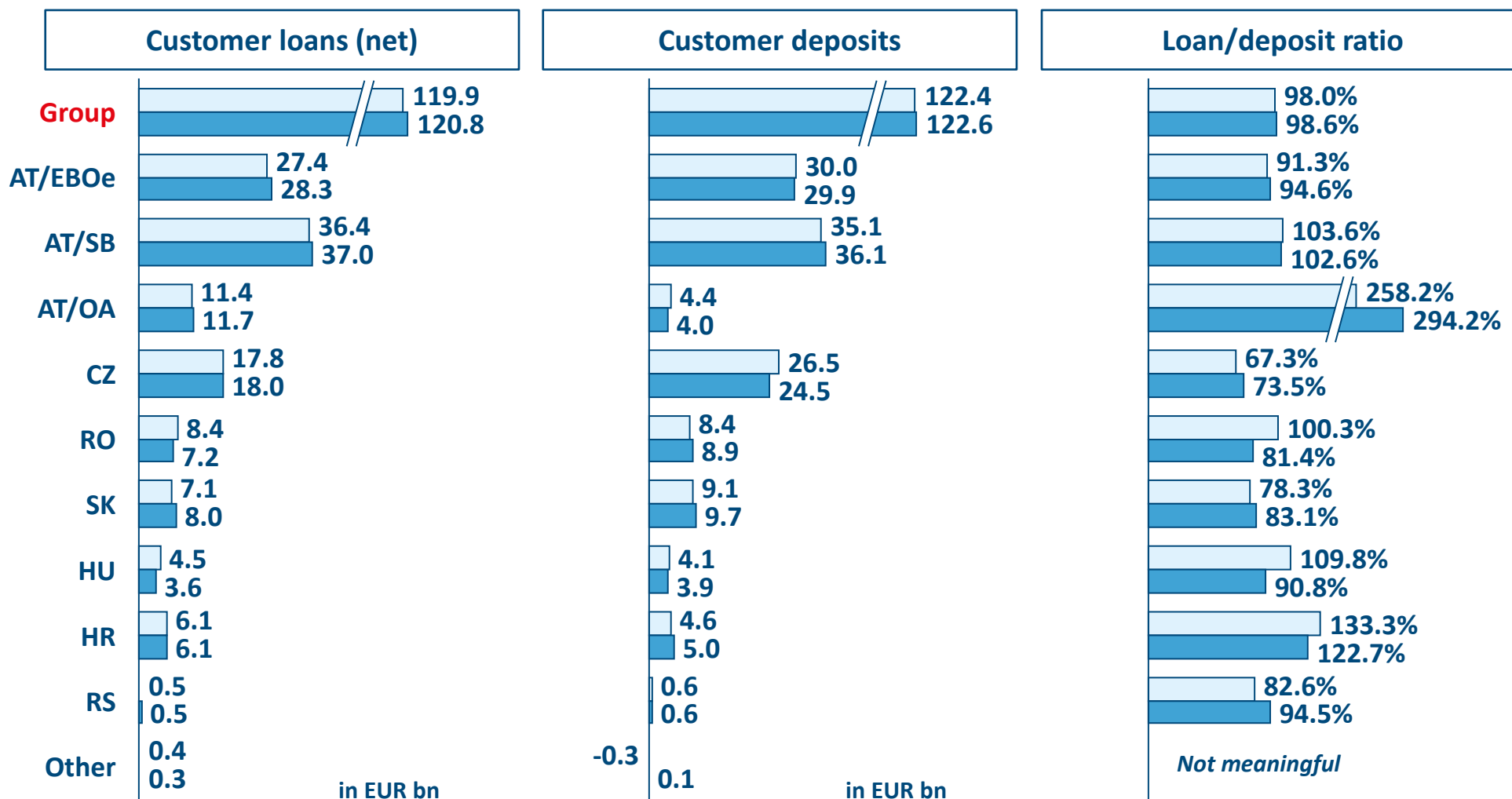
Source: Bloomberg.



# Business performance: customer loans and deposits –

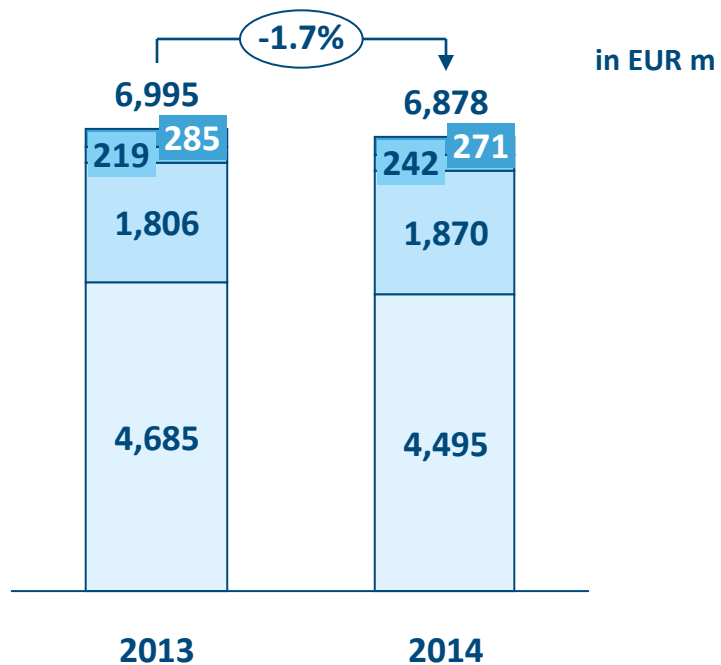
## Renewed loan growth, stable deposit base, balanced business

2013  
2014



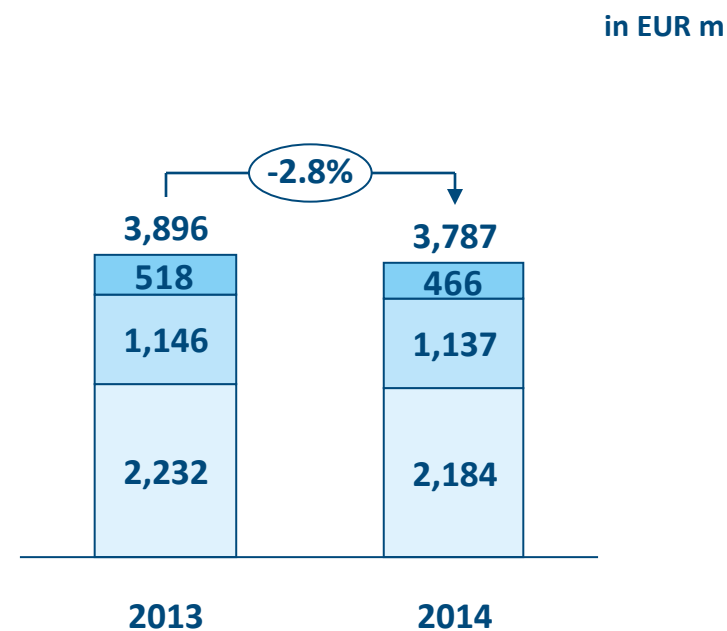
# Business performance: operating revenues and expenses – Pressure on net interest income, costs under control

## Operating revenues



- Net interest income
- Net fee and commission income
- Net trading and fair value result
- Other income

## Operating expenses



- Personnel expenses
- Other administrative expenses
- Depreciation and amortisation

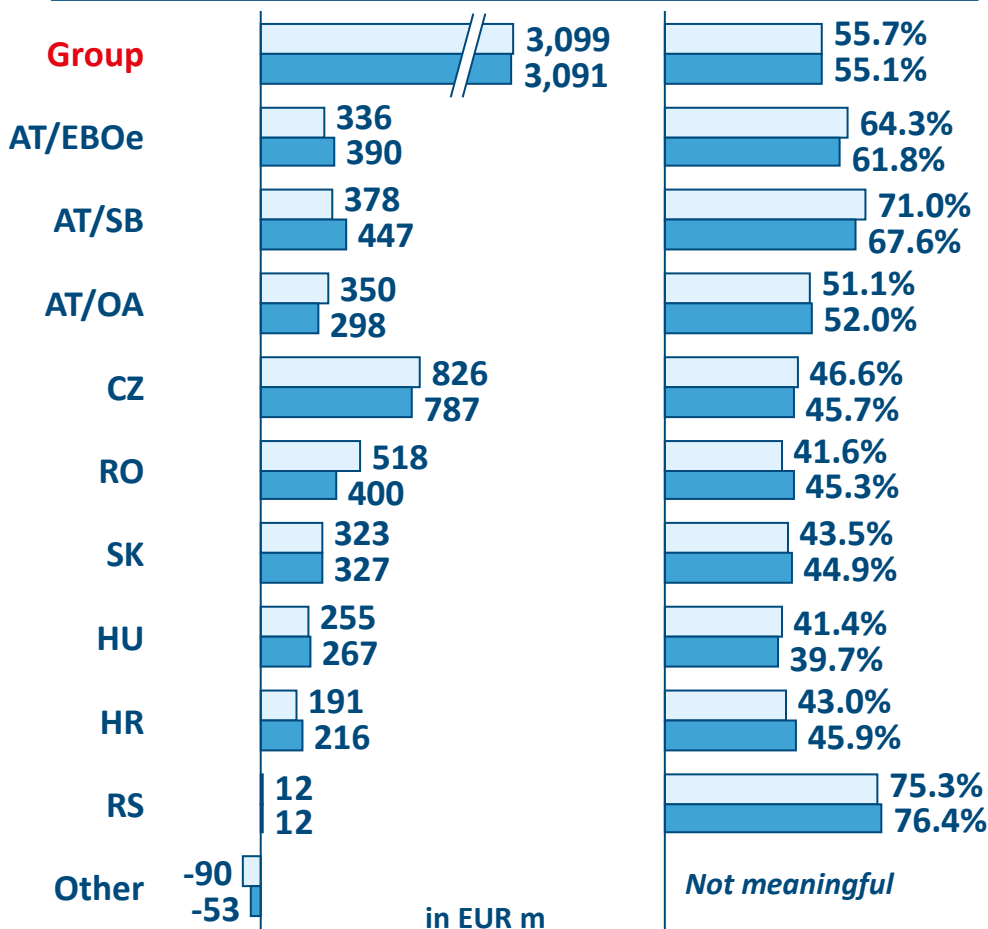
# Business performance: operating result and cost/income ratio –

Operating result stable year-on-year

2013

2014

## Geographic segments



## Performance summary

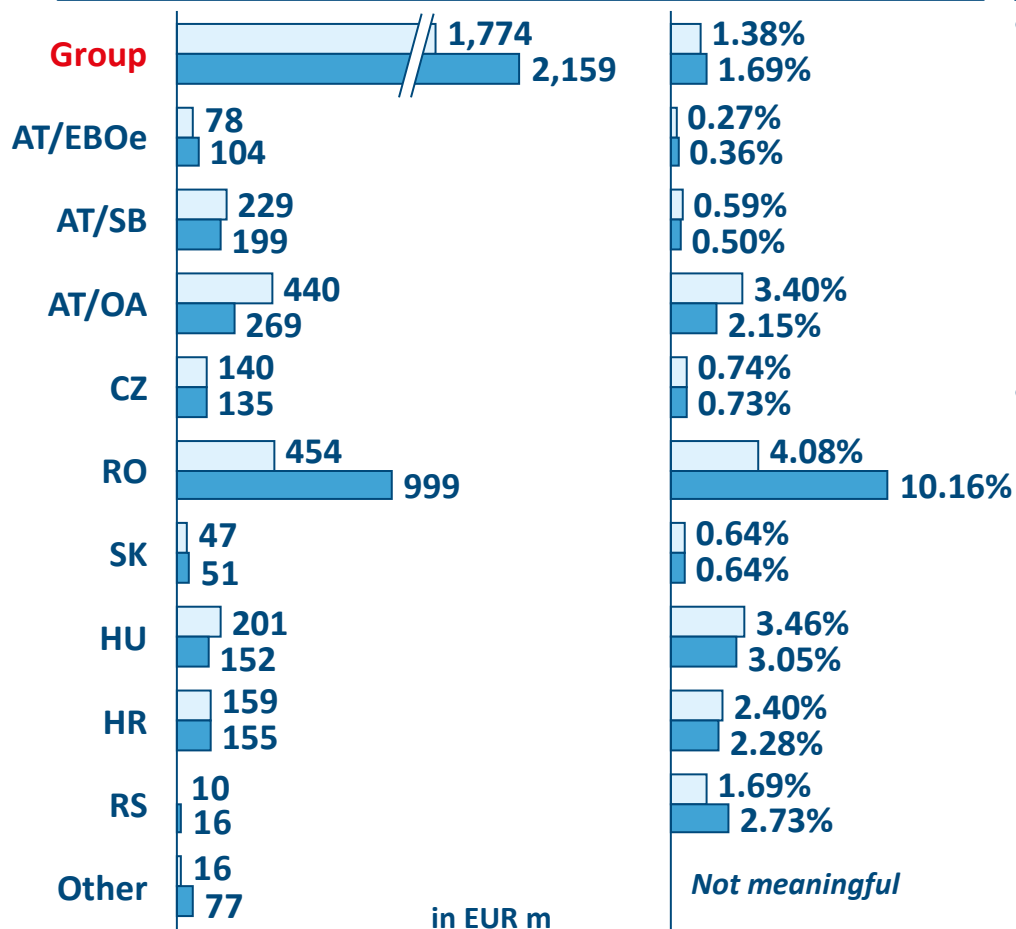
- Stable operating performance, supported by:
  - EB Oesterreich
  - Savings Banks
  - Slovakia
- Pressure on operating performance in:
  - Czech Republic due to low interest rate environment
  - Romania due to NPL disposals and lower performing volumes
  - Hungary due to lower volumes driven by government legislation

# Business performance: risk costs –

## Risk costs driven exclusively by Romania clean-up

2013  
2014

### Geographic segments



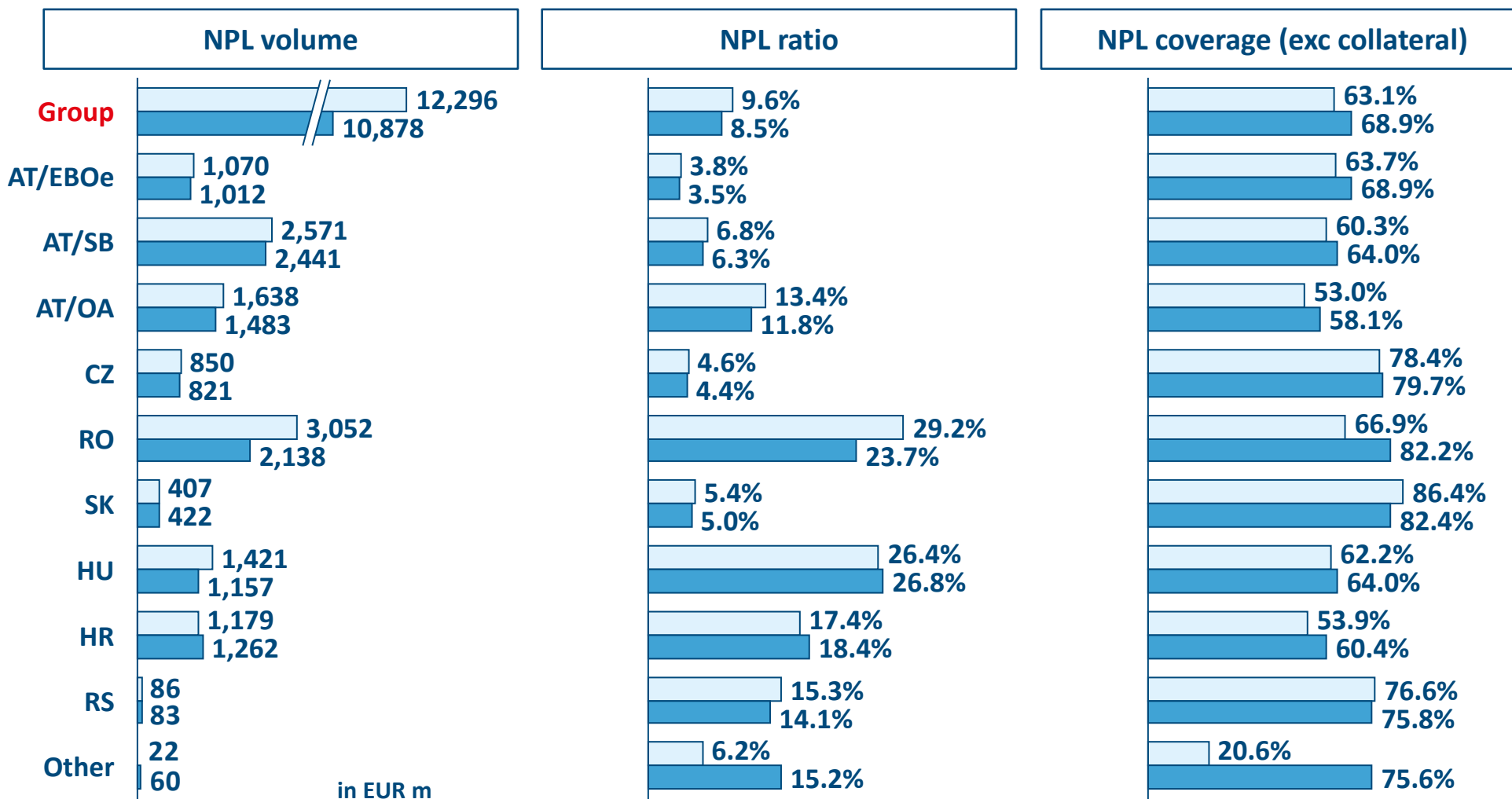
### Performance summary

- **Healthy credit risk environment in:**
  - EB Oesterreich
  - Savings Banks
  - Czech Republic
  - Slovakia
- **High risk costs in:**
  - Romania, due to one-off provisioning for accelerated NPL resolution
  - Hungary, but improving trend
  - Croatia, due to challenging economic environment
  - Other Austria, but improving trend

# Business performance: asset quality in 2014 –

Strong asset quality improvement driven by Romania, Hungary

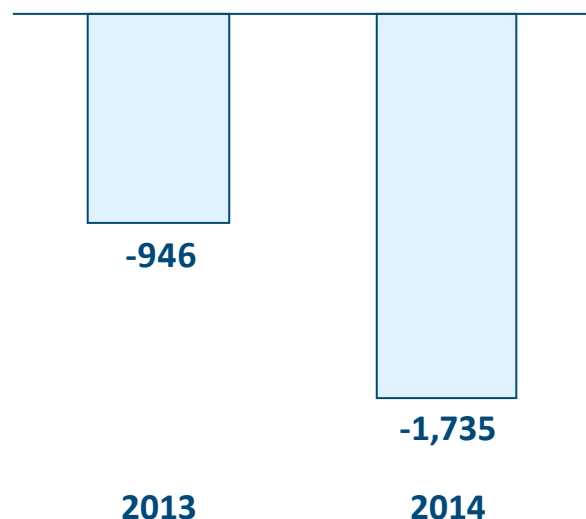
2013  
2014



## Business performance: other result – Other result driven down by intangible write-downs

### Other result \*

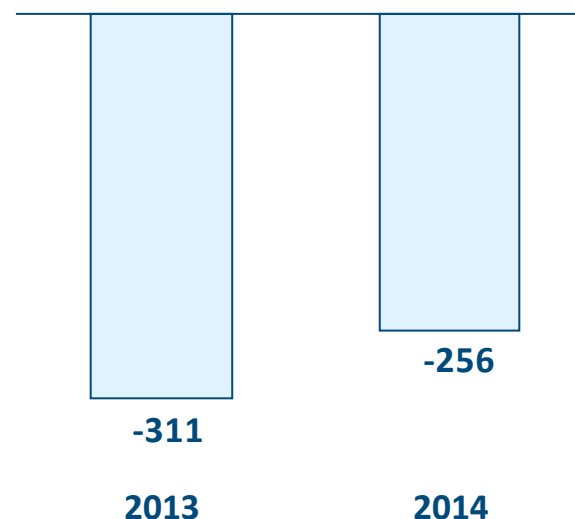
in EUR m



- Deterioration in other result driven by intangible writedowns of EUR 964.8m, primarily related to Romania

### Levies on banking activities

in EUR m

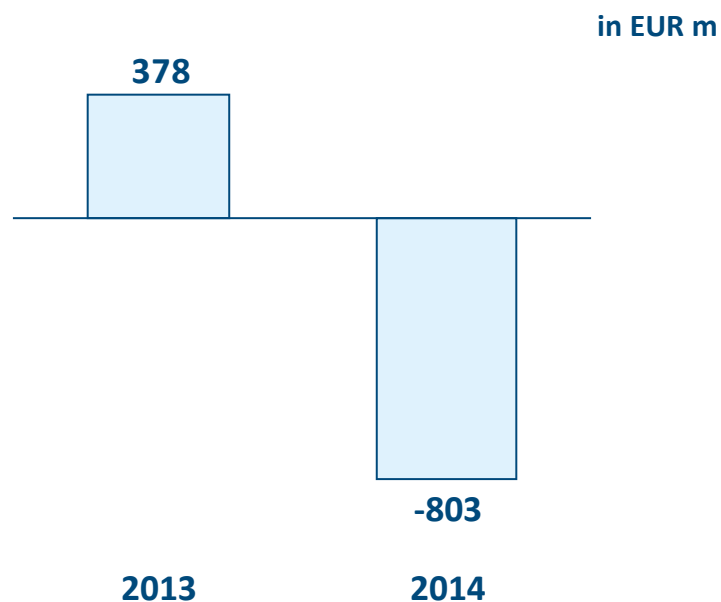


- Lower banking levies due to changed formula in Austria that created level playing field, and lower charge in Slovakia

\*) Includes other operating result and gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net.

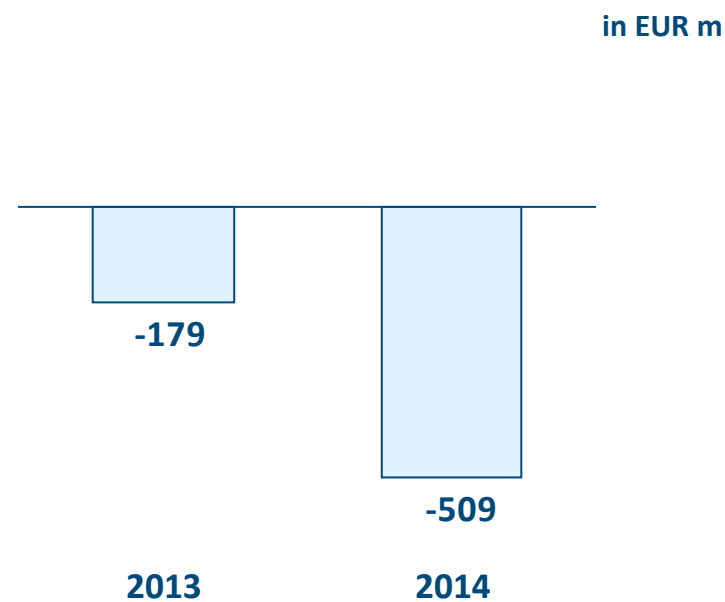
## Business performance: pre-tax result and taxes on income – Income tax burdened by negative change in deferred tax assets

### Pre-tax result



- Pre-tax result impacted by high risk costs and intangible write-downs

### Taxes on income

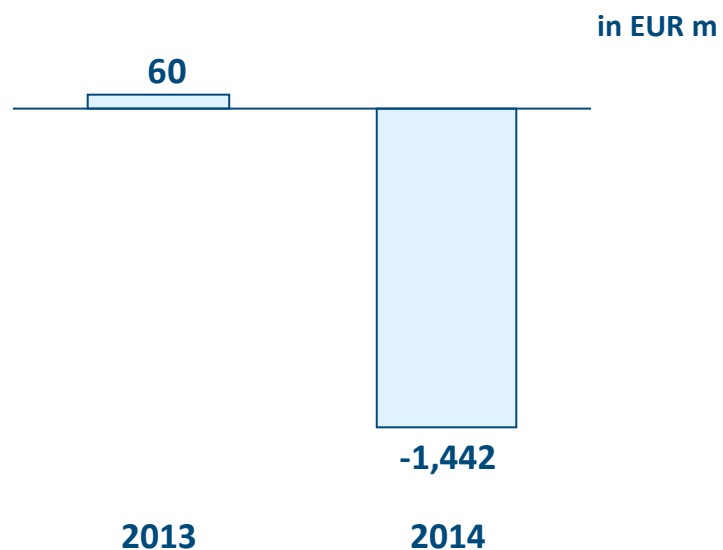


- Negative change in deferred tax assets amounted to EUR 197.0m in 2014

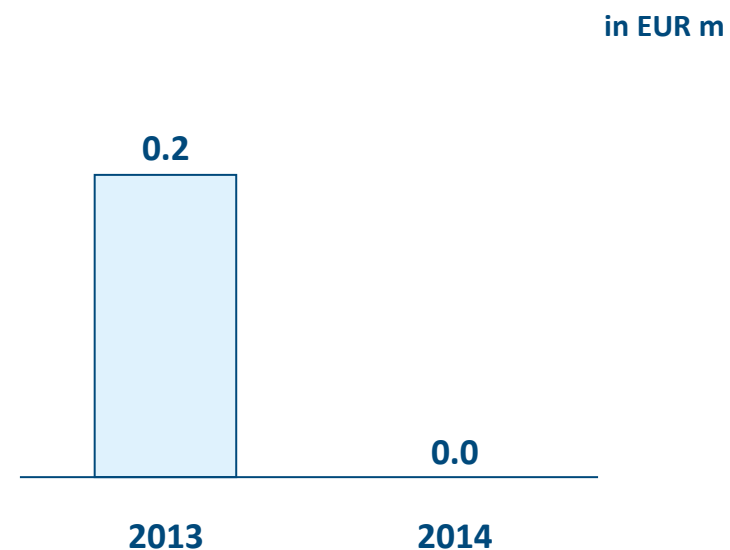
## Business performance: net result and dividend –

No dividend based on 2014 net loss

Net result



Dividend



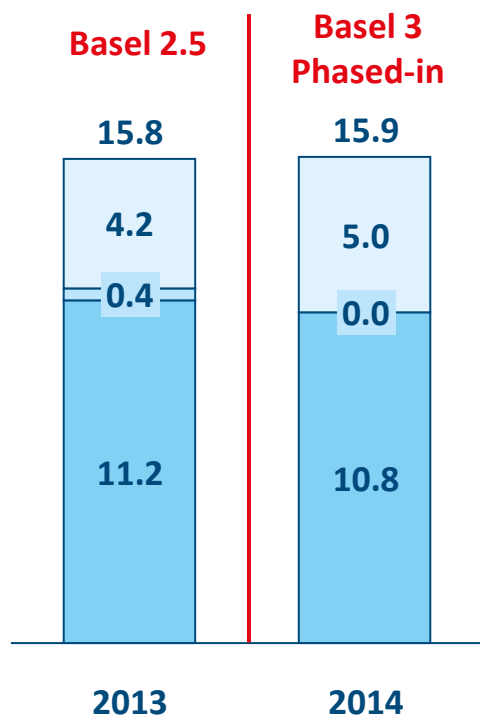
- No dividend as Erste Group Bank AG has no distributable funds in 2014



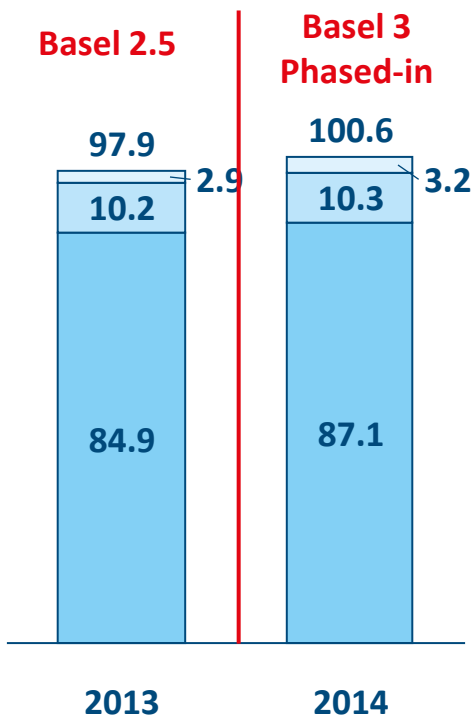
# Business performance: regulatory capital position –

Strong capital ratios despite Basel 3 implementation and net loss in 2014

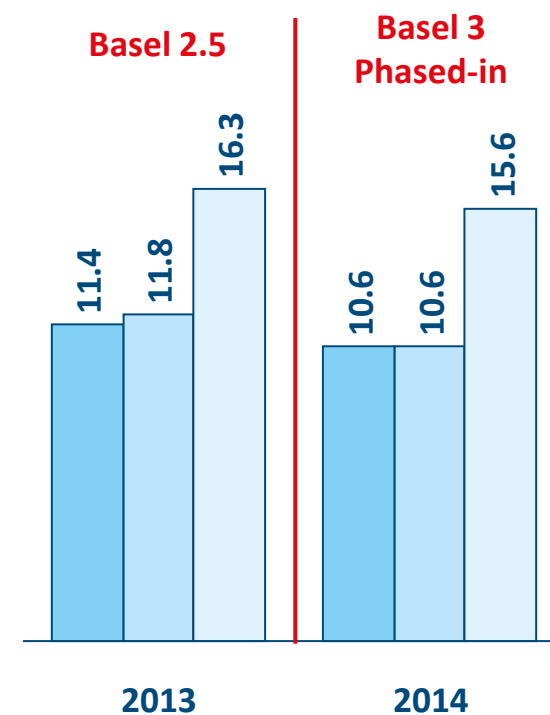
Regulatory capital (EUR bn)



Risk-weighted assets (EUR bn)



Capital ratios (in %)



CET1 AT1 Tier 2

Credit RWA Op risk Trading risk

CET1 Tier 1 Total capital

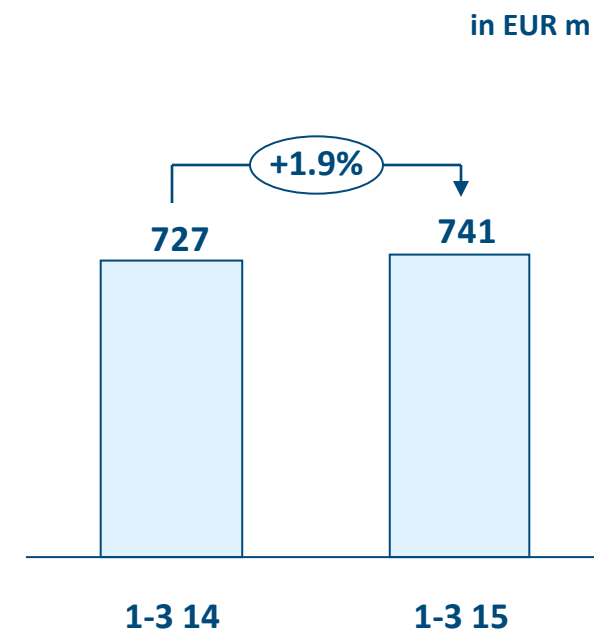
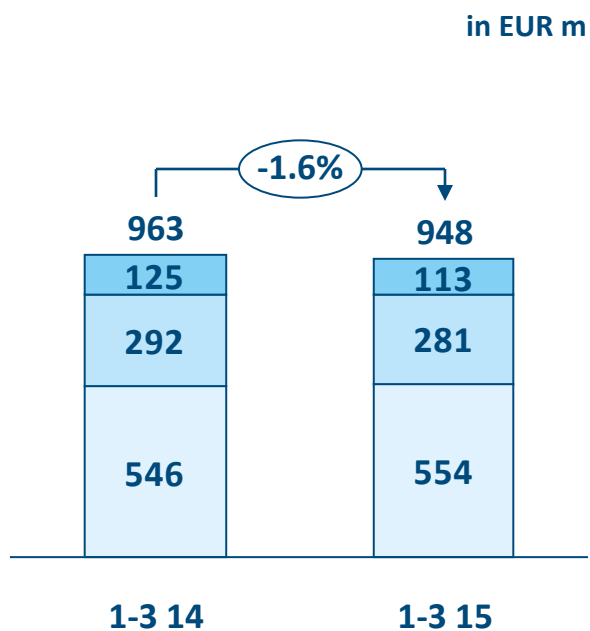
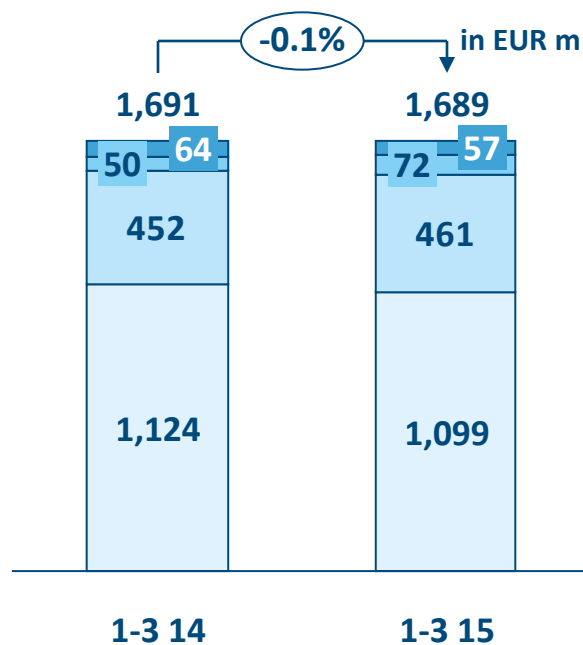
# Q1 15 performance summary –

Stable operating performance despite NII headwinds

## Operating revenues

## Operating expenses

## Operating result

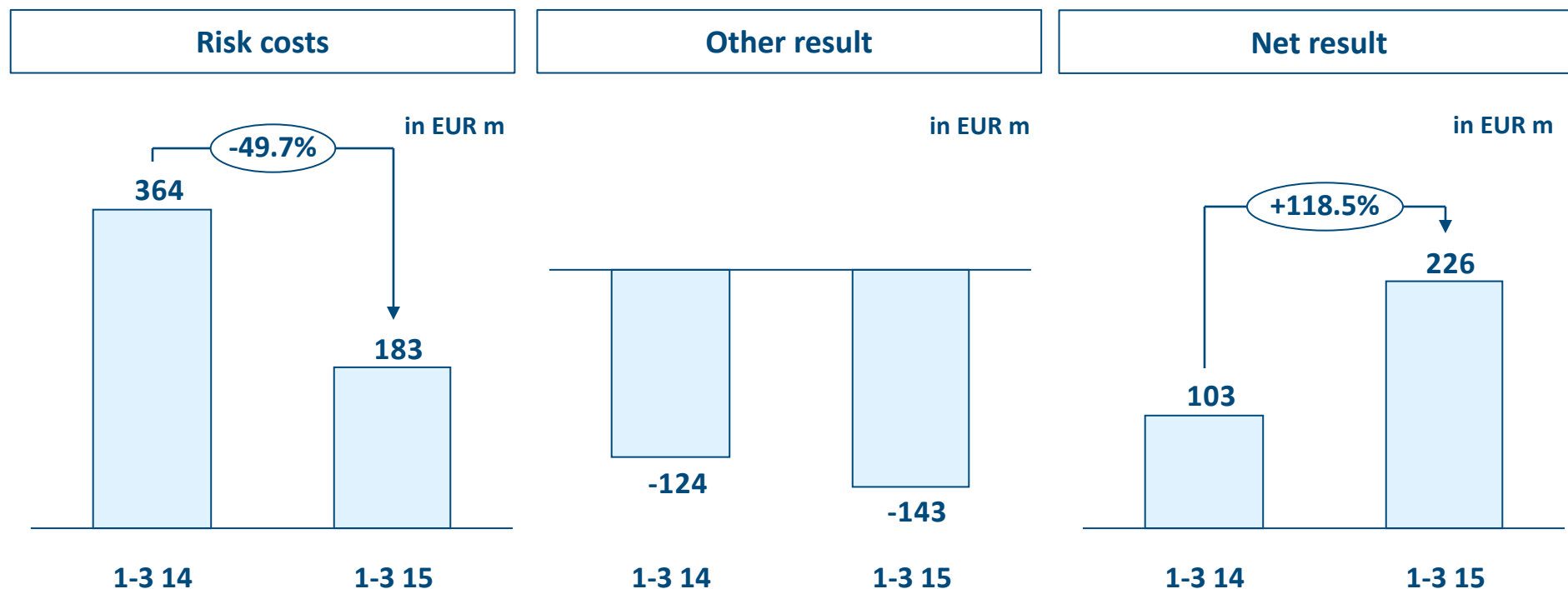


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## Q1 15 performance summary –

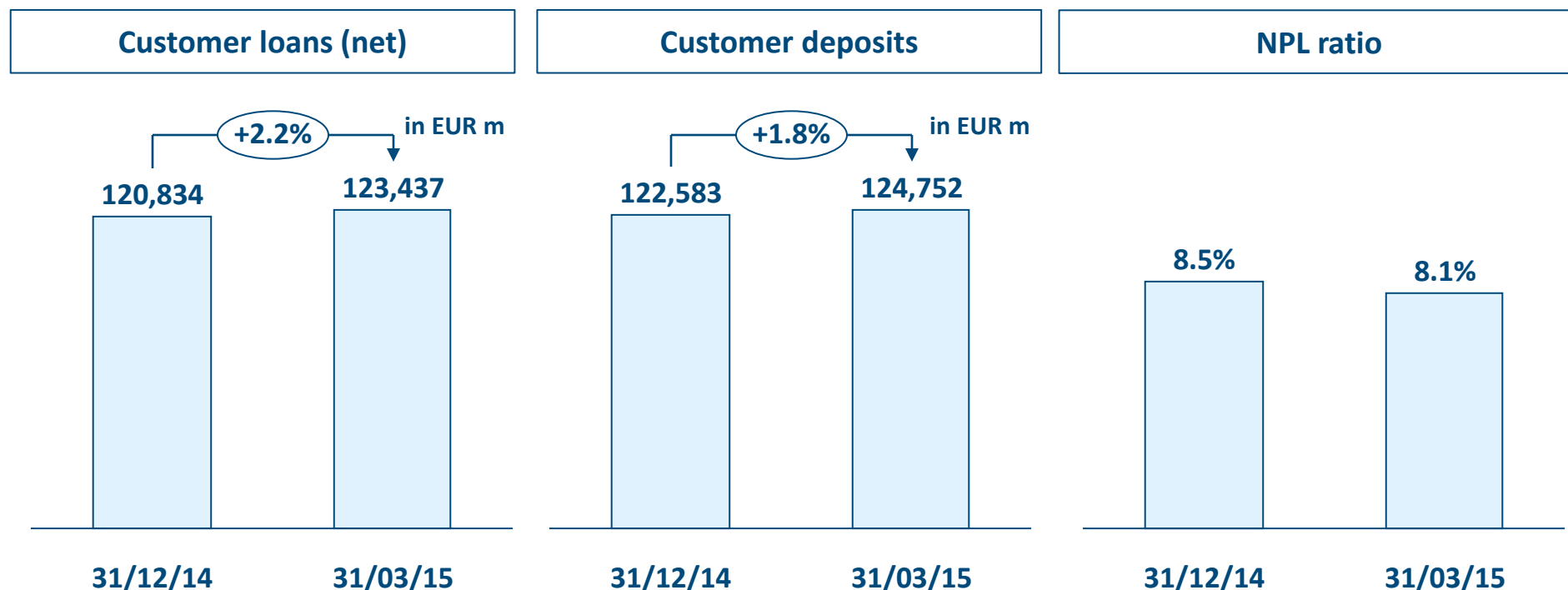
### Net profit doubles in Q1 15



- Strong improvement in risk costs due to Romania, Hungary and Savings Banks
- Deterioration in other result due to booking of resolution fund contribution of EUR 54.9m
- Net profit doubles resulting in return on equity of 9.0%

## Q1 15 performance summary –

Volume growth paired with continued asset quality improvement



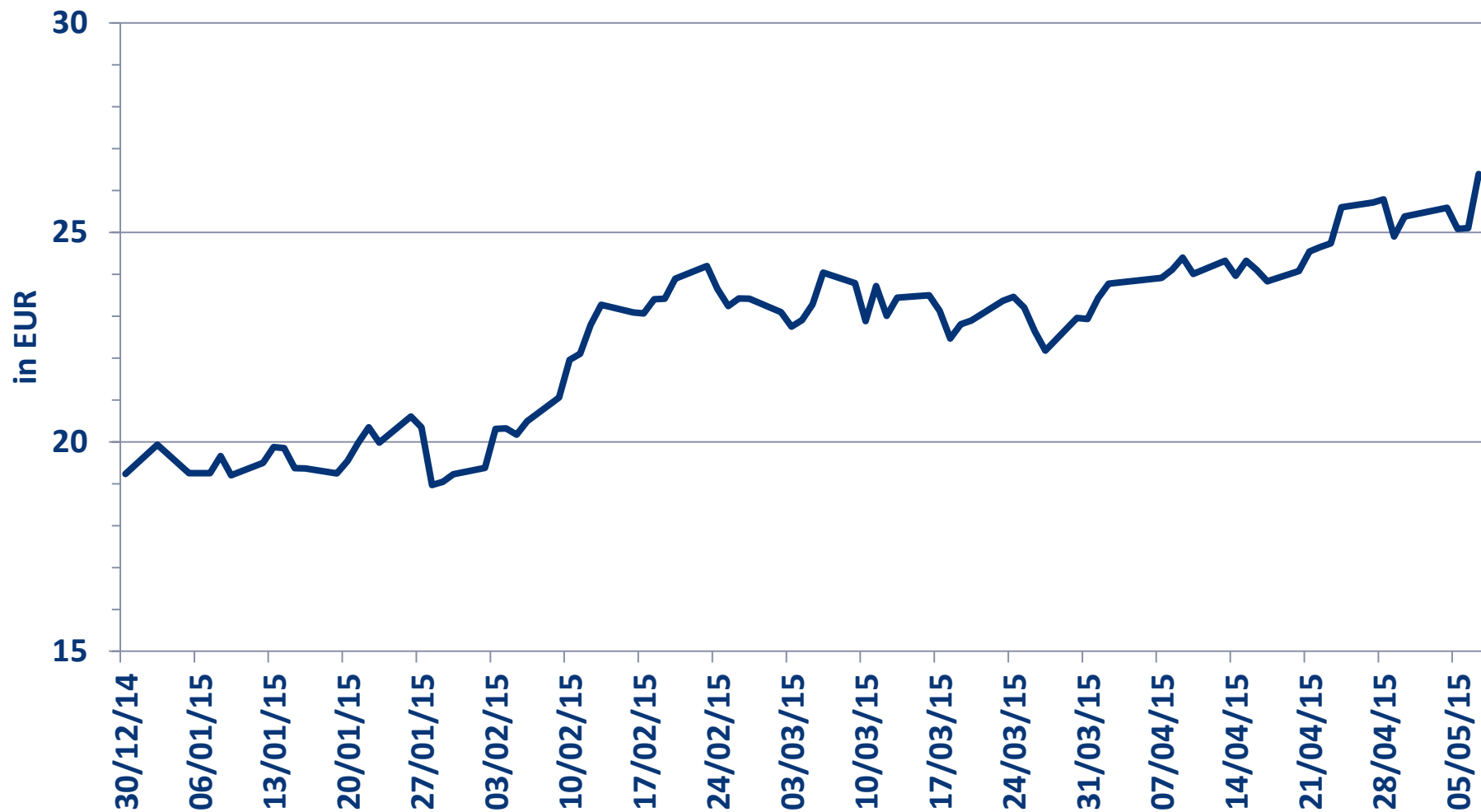
- Customer loan growth mainly driven by Retail and Large Corporate segments

- Continued inflow of customer deposits despite low interest rate environment

- NPL ratio decline mainly due to Hungary

## Share price performance –

Improving performance increasingly reflected in share price, after 24.1% drop in 2014



## Conclusion – Outlook 2015

- **Operating environment anticipated to be conducive to credit expansion**
  - Real GDP growth of between 2-3% expected in 2015 in all major CEE markets, except Croatia
  - Real GDP growth to be driven by solid domestic demand
  - Real GDP growth in Austria expected at below 1% in 2015
- **Return on tangible equity (ROTE) expected at 8-10% in 2015 (YE 14 TE: EUR 8.4bn)**
  - Operating result expected to decline in the mid-single digits on the back of lower but sustainable operating results in Hungary (due to FX conversion related effect of lower average volume) and Romania (lower unwinding impact) as well as persistent low interest rate environment
  - Loan growth expected in the low single digits in 2015
  - Risk costs expected to decline to about EUR 1.0-1.2bn in 2015
  - Banking levies expected at about EUR 360m in 2015, including parallel contributions to national as well as European bank resolution and deposit insurance funds; related discussions with Austrian government still ongoing
- **Risks to guidance**
  - Consumer protection initiatives
  - Geopolitical risks resulting in potentially negative economic impacts



# Agenda Items

**Friedrich Rödler**

Chairman of the supervisory board



## Second item on the agenda

Grant of discharge to the members of  
the management board

## Third item on the agenda

Grant of discharge to the members of the supervisory board

## Fourth item on the agenda

Resolution on the remuneration of the members of the supervisory board

## Fifth item on the agenda

# Elections to the supervisory board

## Sixth item on the agenda

# Appointment of an additional auditor

## Seventh item on the agenda

Approval of the acquisition of own shares for the purpose of securities trading

## Eighth item on the agenda

Authorisation to acquire own shares for no designated purpose and to the exclusion of trading in own shares as purpose of this acquisition, and authorisation of the management board to dispose of acquired shares, also by means other than the stock exchange or a public offering, combined with the authorisation of the management board to exclude the shareholders' general right to tender and general subscription option, subject to the supervisory board's consent, as well as the authorisation of the management board to redeem own shares, likewise subject to the supervisory board's consent

# 22<sup>nd</sup> Annual General Meeting

## Erste Group Bank AG

Q & A



# 22<sup>nd</sup> Annual General Meeting Erste Group Bank AG

## Resolutions

## Second item on the agenda

Grant of discharge to the members of  
the management board

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Thank you for your active participation!