

# 23<sup>rd</sup> Annual General Meeting Erste Group Bank AG

11 May 2016  
Austria Center Vienna

**Friedrich Rödler**

Chairman of the supervisory board

## First item on the agenda

# Report on the financial year 2015

# Report on the financial year 2015 of Erste Group Bank AG (consolidated)

**Andreas Treichl**

CEO Erste Group

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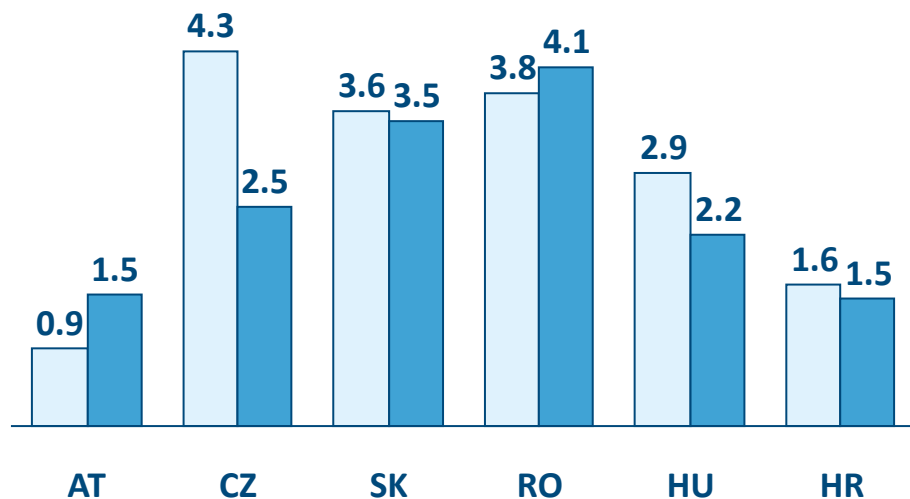
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## Operating environment –

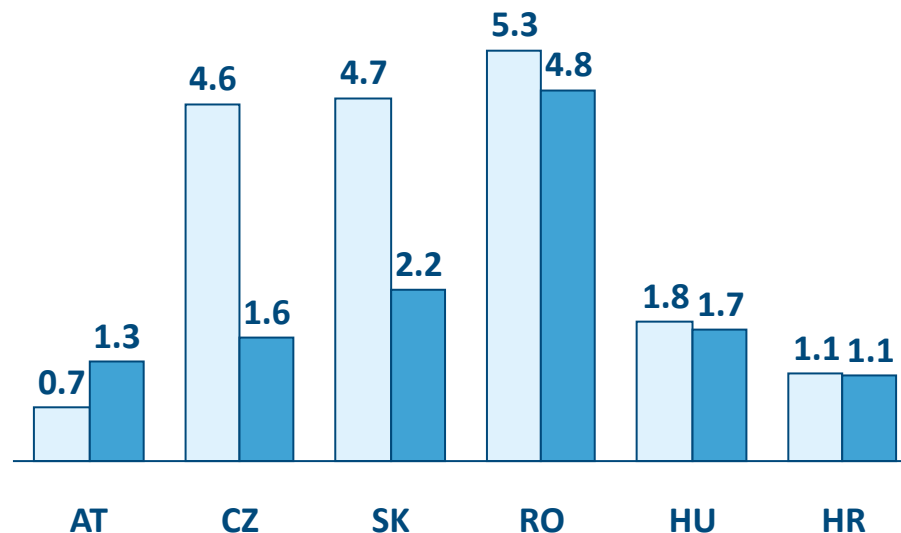
Strong economic development in Erste Group's markets



Real GDP growth (in %)



Domestic demand contribution to GDP growth (in %)

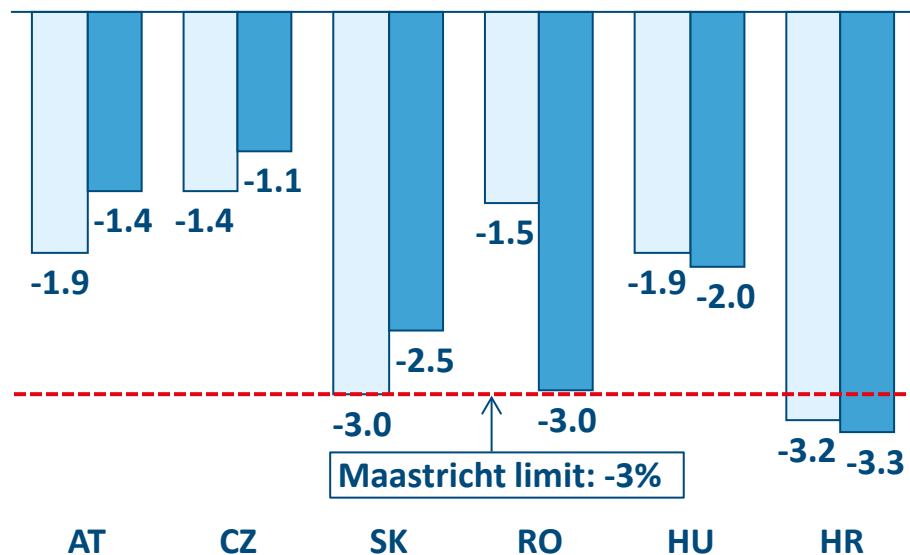


- CEE economies grew faster than the euro zone in 2015 (euro zone GDP grew by 1.5% yoy in 2015)
- Domestic demand remained significant growth driver in 2015
- Insignificant contribution of exports to GDP growth in 2015

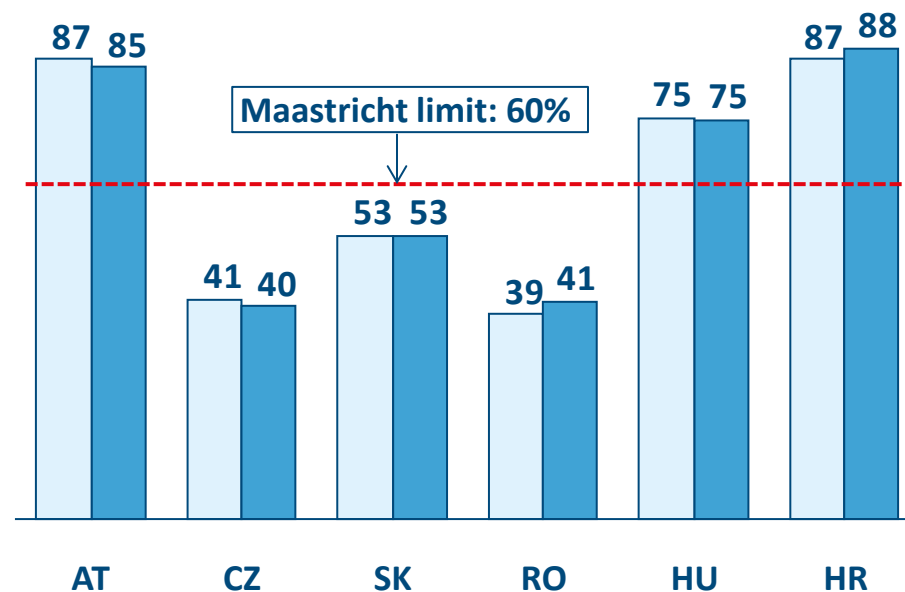
# Operating environment – Solid public finances in Erste Group's markets

2015  
2016

General government balance (in % of GDP)



Public debt (in % of GDP)

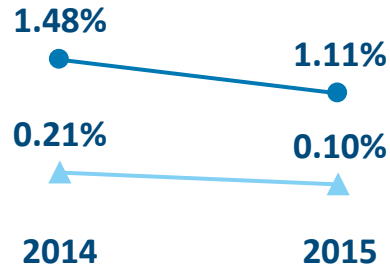


- General government balance in all markets except Croatia within Maastricht limit
- Public debt in most markets below 60% Maastricht limit; Austria, Hungary and Croatia are exceptions

# Business environment – Historic low interest rate environment poses challenges

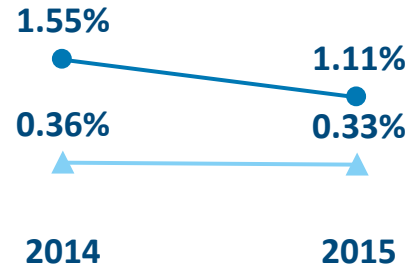
▲ 3m Interbank  
● 10-year Gov

**Austria**



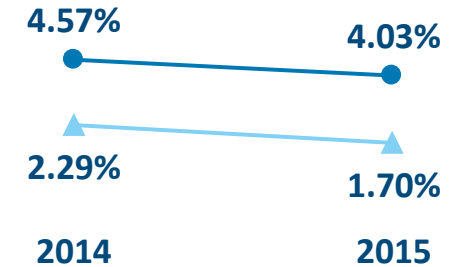
- ECB cut discount rate to 0% in March 16; maintains expansionary monetary policy stance

**Czech Republic**



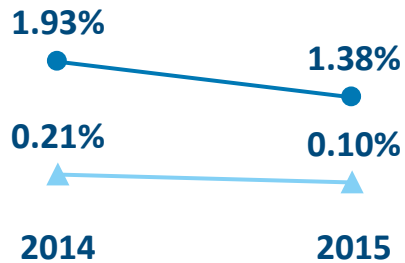
- National bank maintains ultra-low interest rates since Nov 2012 at 0.05%

**Romania**



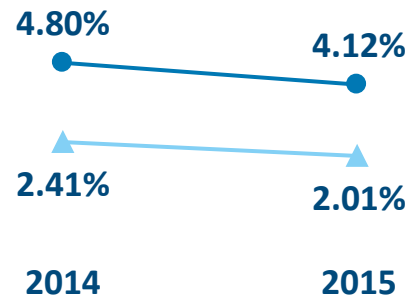
- Central bank cut policy rate to historic low of 1.75% in May 2015

**Slovakia**



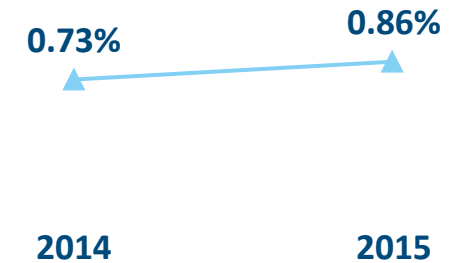
- As part of euro zone ECB rates are applicable in SK

**Hungary**



- Base rate was cut to historic low of 1.05% in April 2016

**Croatia**



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

Source: Bloomberg.

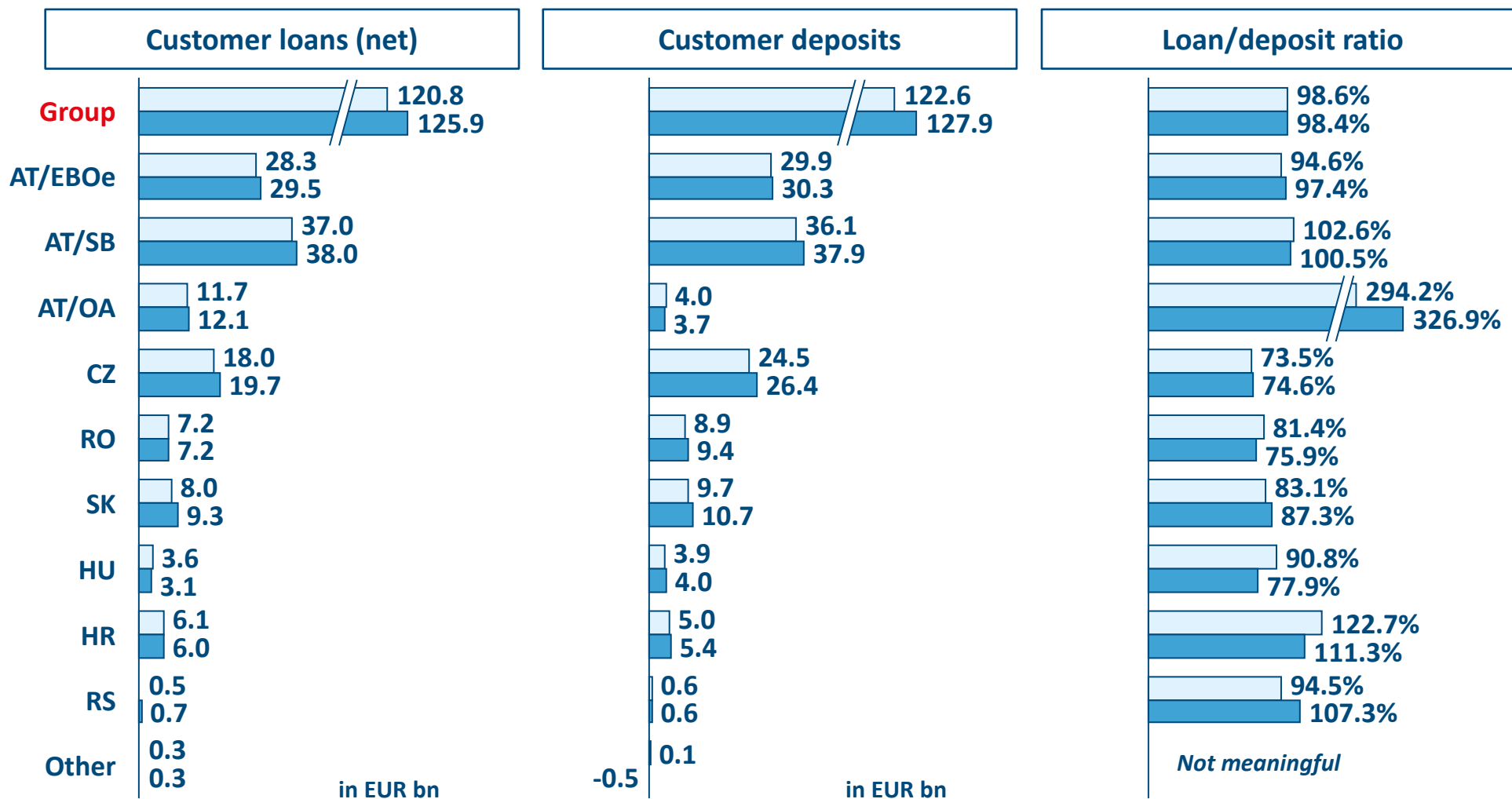


# Business performance: customer loans and deposits –

Continued loan growth, stable deposit base, balanced business

31/12/14

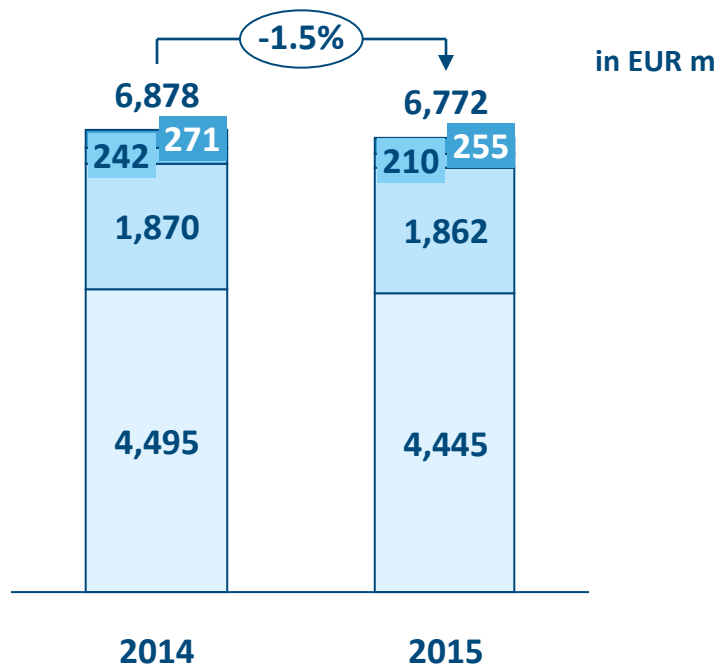
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# Business performance: operating revenues and expenses –

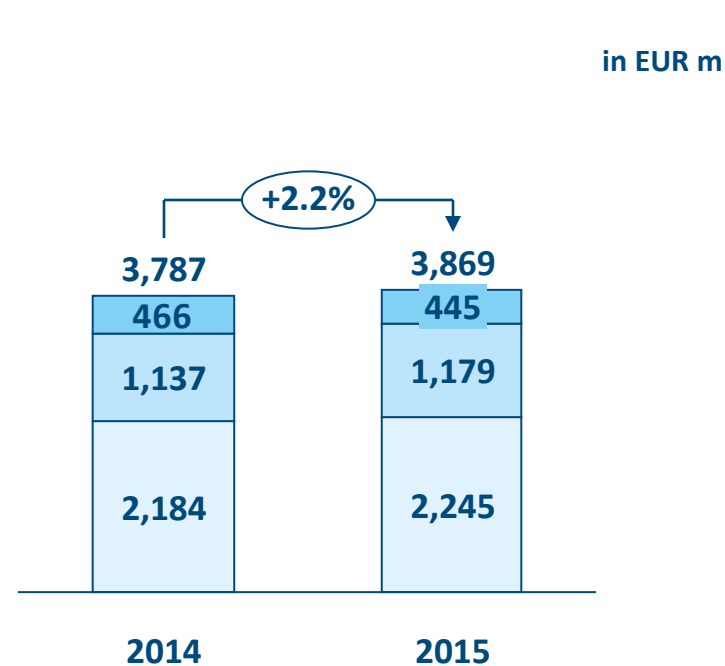
Pressure on revenues, slight increase in costs

## 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

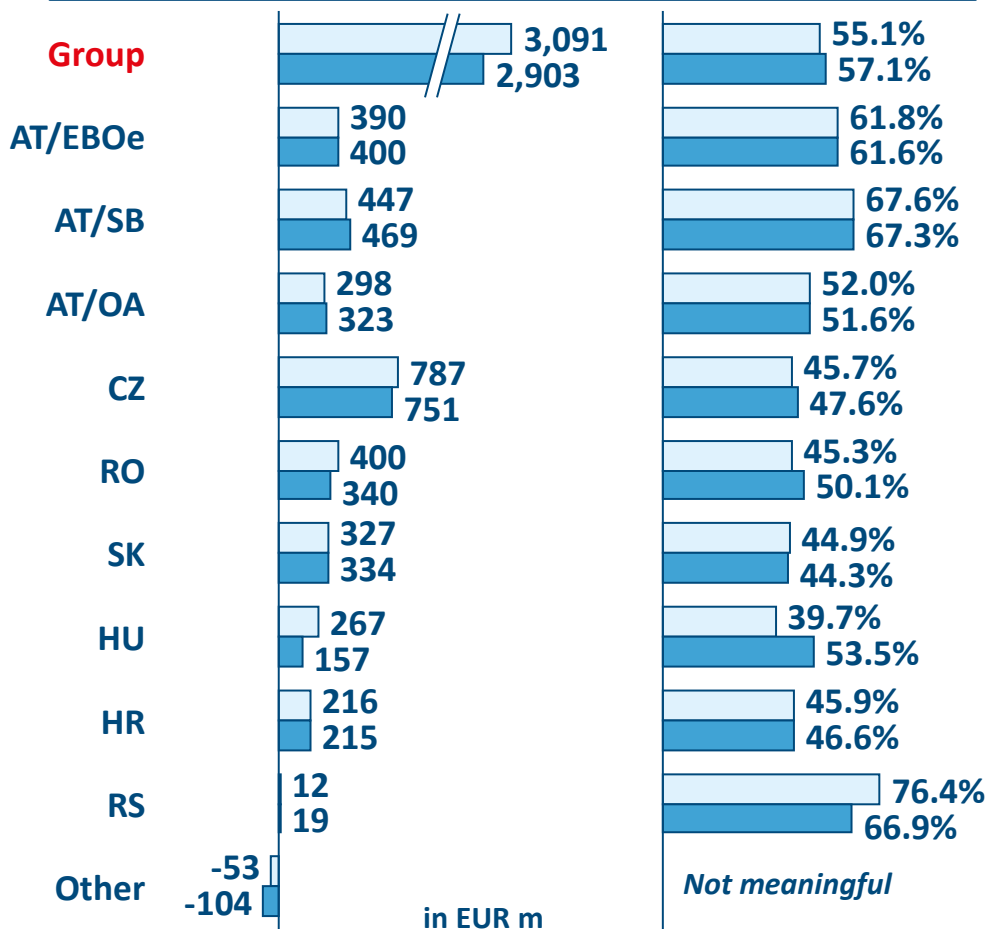
# Business performance: operating result and cost/income ratio –

2014

2015

Operating result slips year-on-year

## Geographic segments



## Performance summary

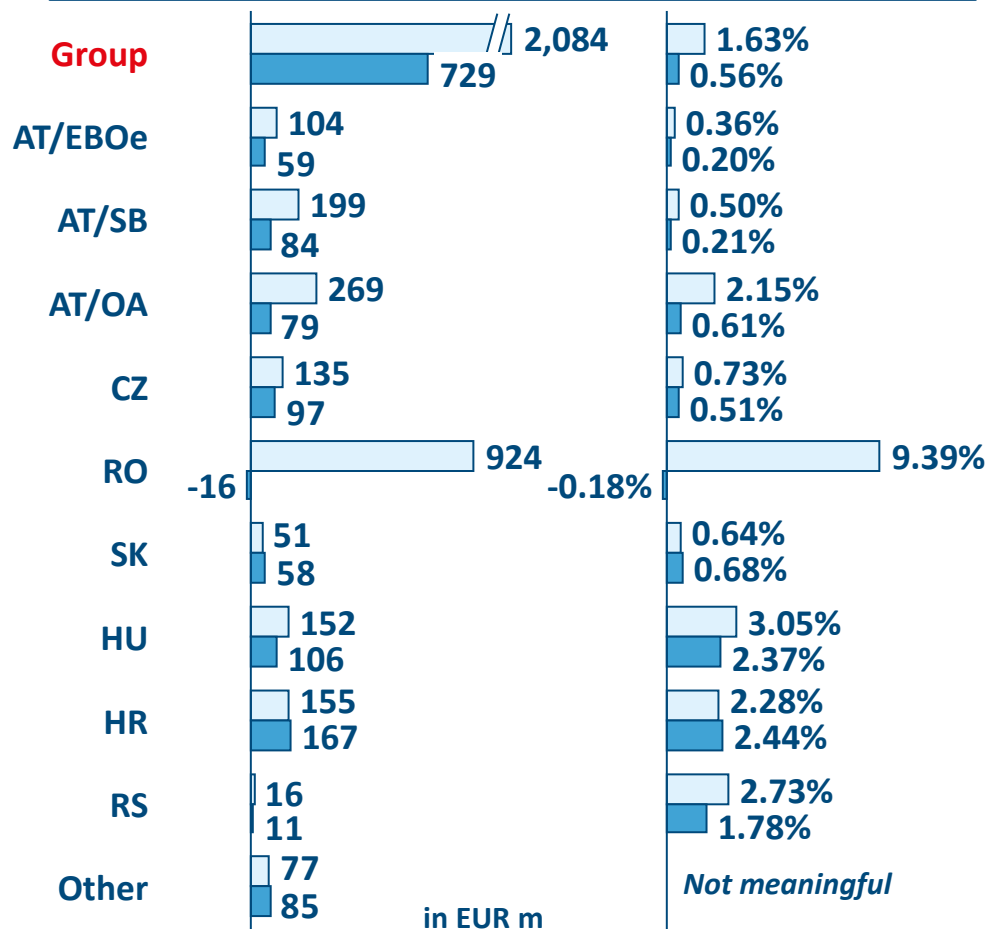
- Positive operating performance in:
  - EB Oesterreich
  - Savings Banks
  - Other Austria (Large Corporates & Commercial Real Estate)
- Pressure on operating performance in:
  - Hungary due to lower volumes driven by government legislation
  - Romania due to NPL disposals and lower performing volumes
  - Czech Republic due to low interest rate environment & card fee cap

# Business performance: risk costs –

## Risk costs fall in almost all segments

2014  
2015

### Geographic segments



### Performance summary

- Healthy or improving credit risk environment across the board:
  - Romania
  - Austria, supported by all three subsegments
  - Hungary, improving but still elevated
- Relatively high risk costs in:
  - Croatia, due to challenging economic environment

# Business performance: asset quality in 2015 –

Strong asset quality improvement driven by Hungary, Romania and Croatia

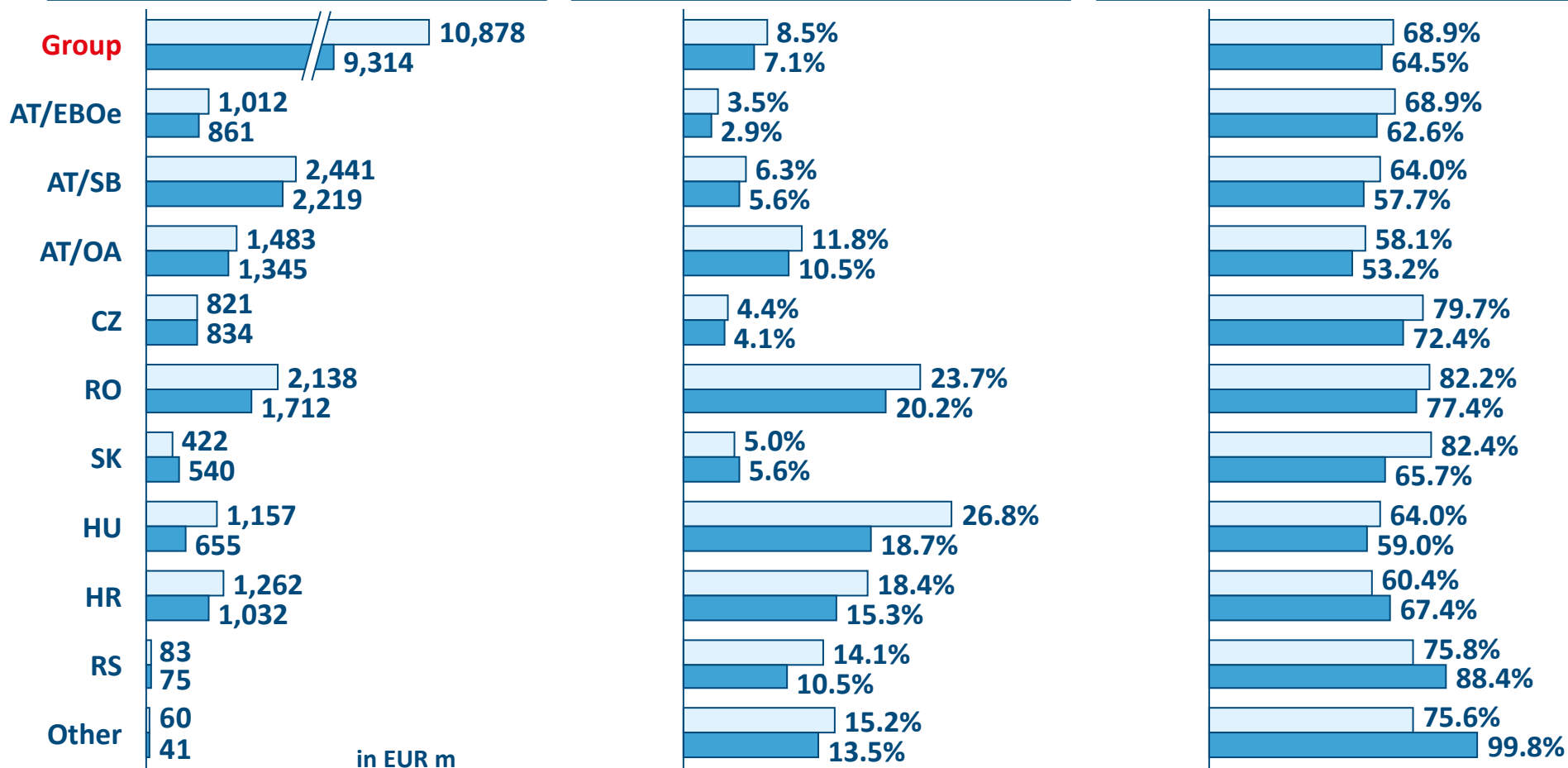
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## NPL volume

## NPL ratio

## NPL coverage (exc collateral)

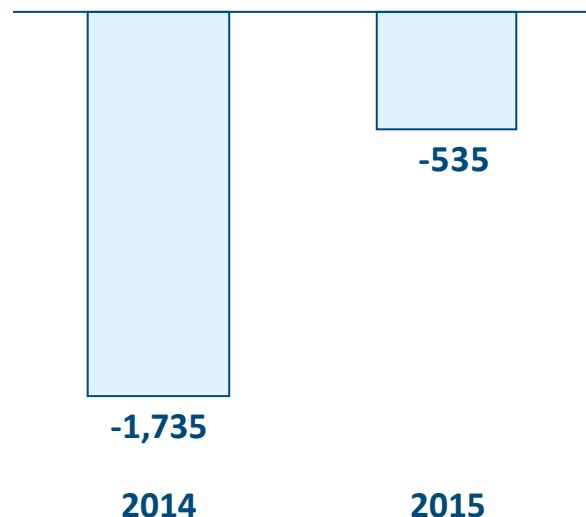


## Business performance: other result –

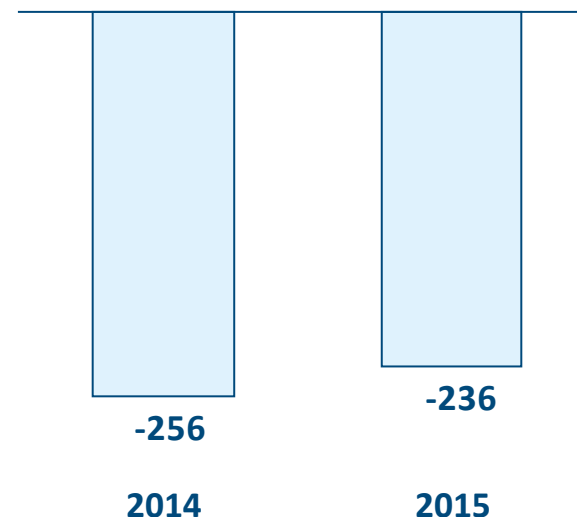
Improvement in Other result driven by lower one-offs



in EUR m



in EUR m



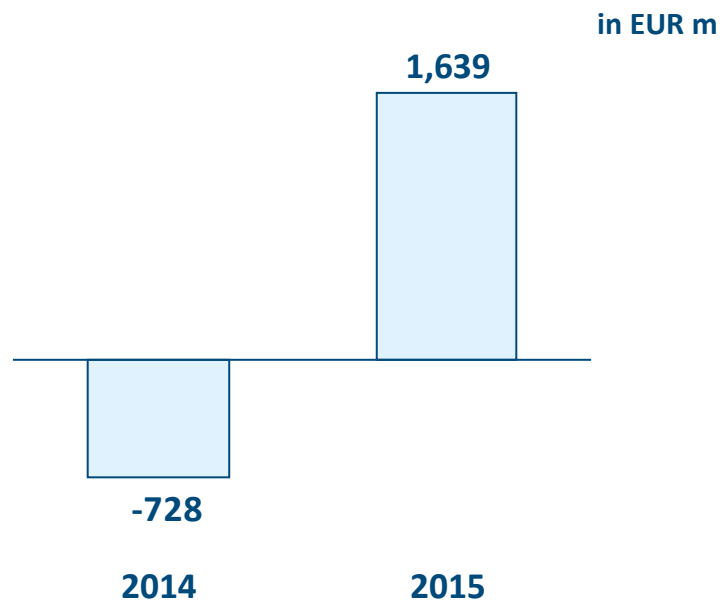
- Improvement in other result was biggest contributor to bottom line turn around after risk costs, in 2015

- Lower banking levies in Hungary and Slovakia support year-on-year decrease in banking levy charge

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

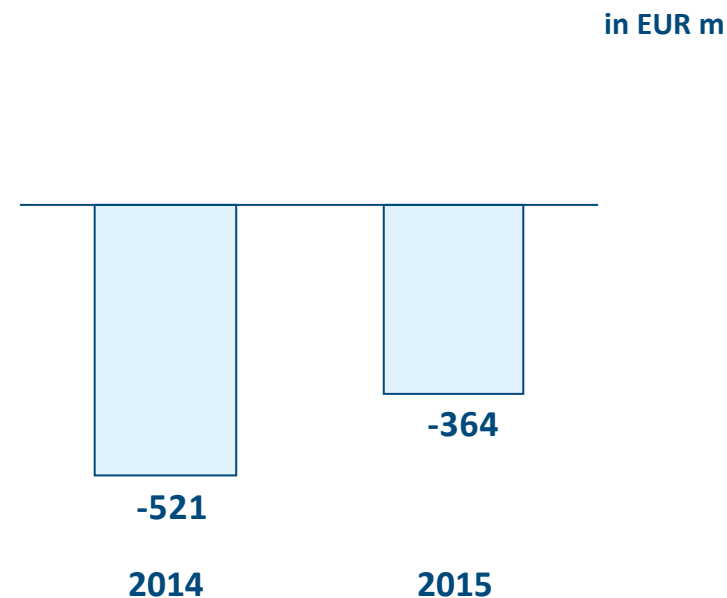
## Business performance: pre-tax result and taxes on income – Massive turn-around in pre-tax result

Pre-tax result



- Low risk costs and improved other result drive pre-tax result into positive territory

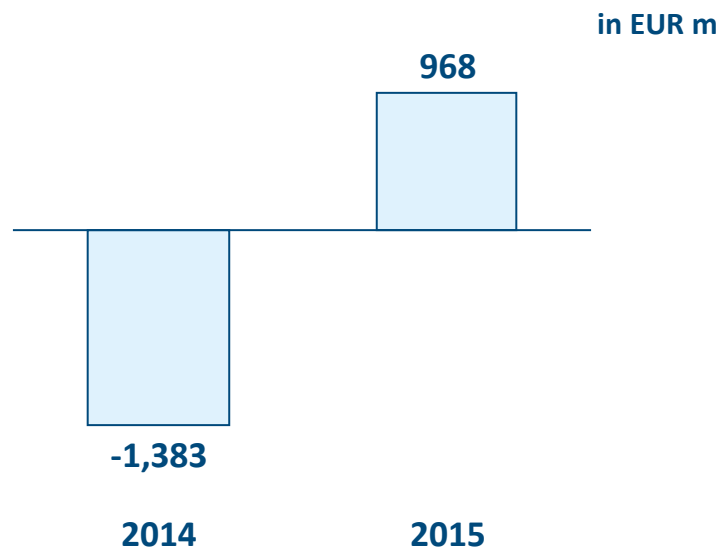
Taxes on income



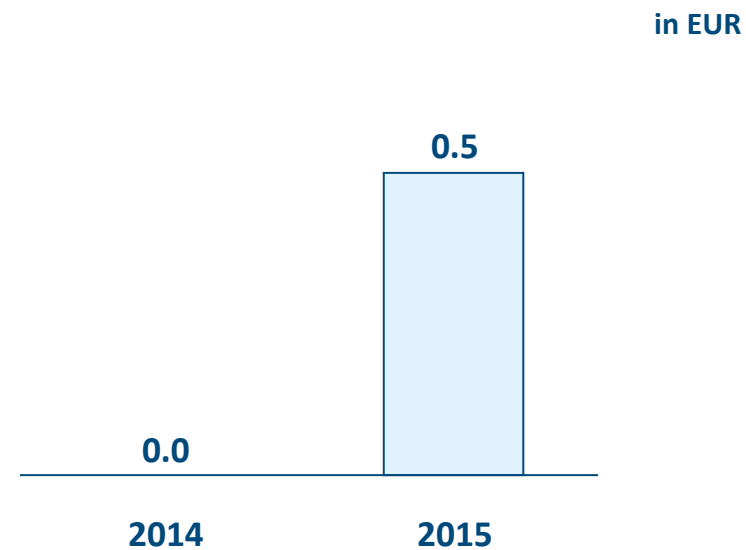
- Tax rate is at 22.2% in 2015

## Business performance: net result and dividend – Dividend reinstated at EUR 0.5 per share

### Net result



### Dividend



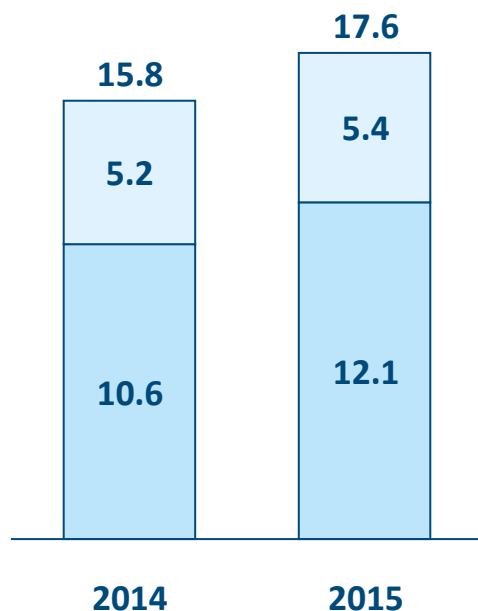
- Payout ratio equates 22.2%



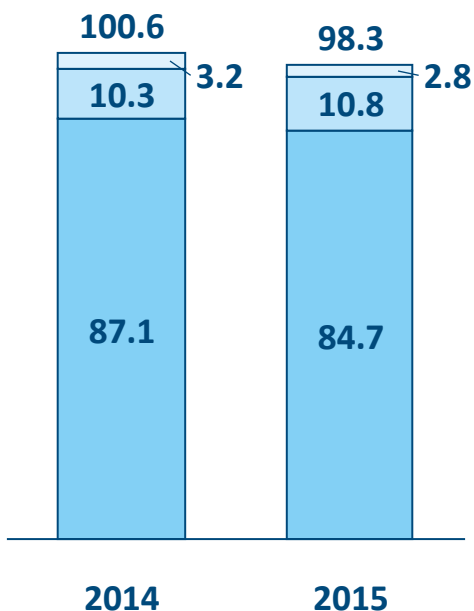
## Business performance: regulatory capital position –

Capital build continues at fast pace in 2015, resulting in 12.3% in CET1 ratio

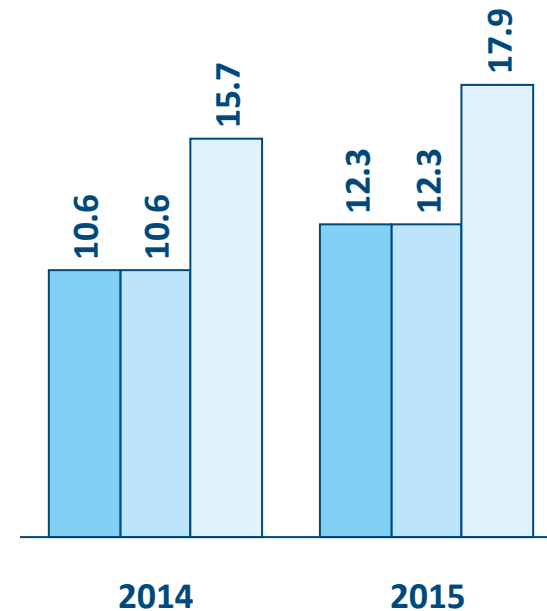
Regulatory capital (EUR bn)



Risk-weighted assets (EUR bn)



Capital ratios (in %)



CET1 Tier 2

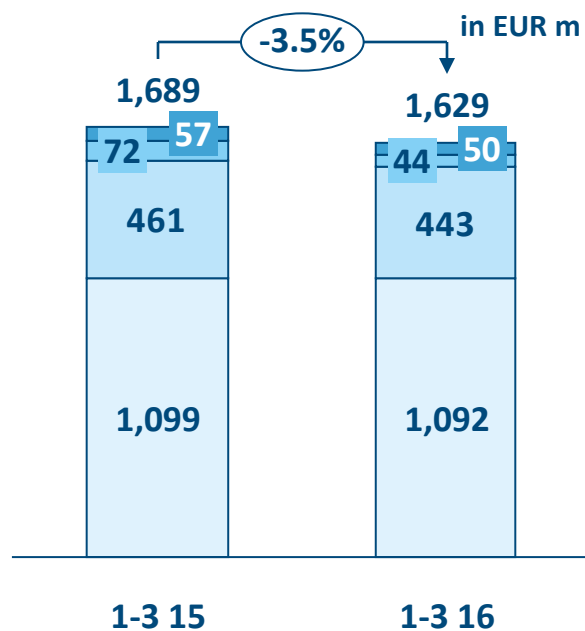
Credit RWA Op risk Trading risk

CET1 Tier 1 Total capital

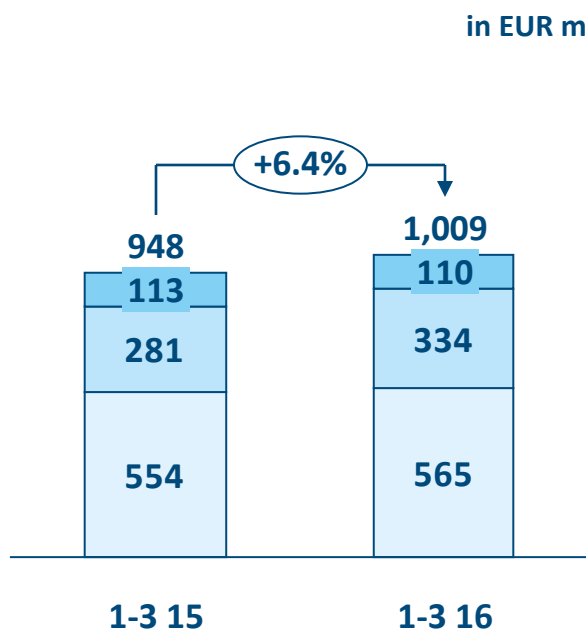
# Q1 16 performance summary –

Upfront booking of deposit insurance fees, lower revenues weigh on operating result

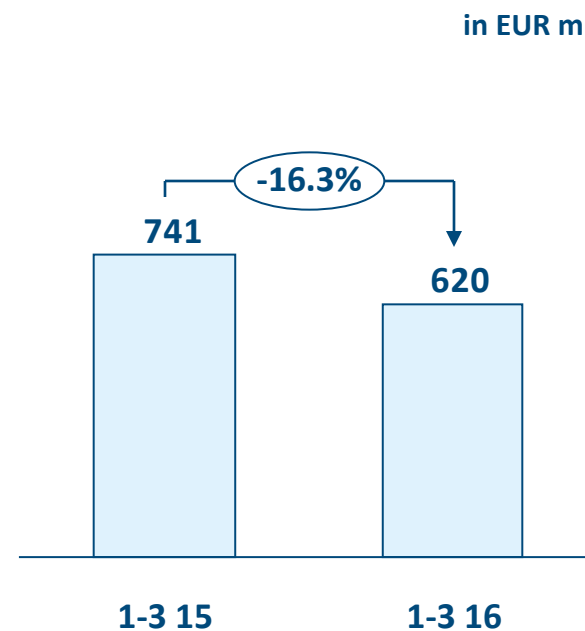
Operating revenues



Operating expenses



Operating result

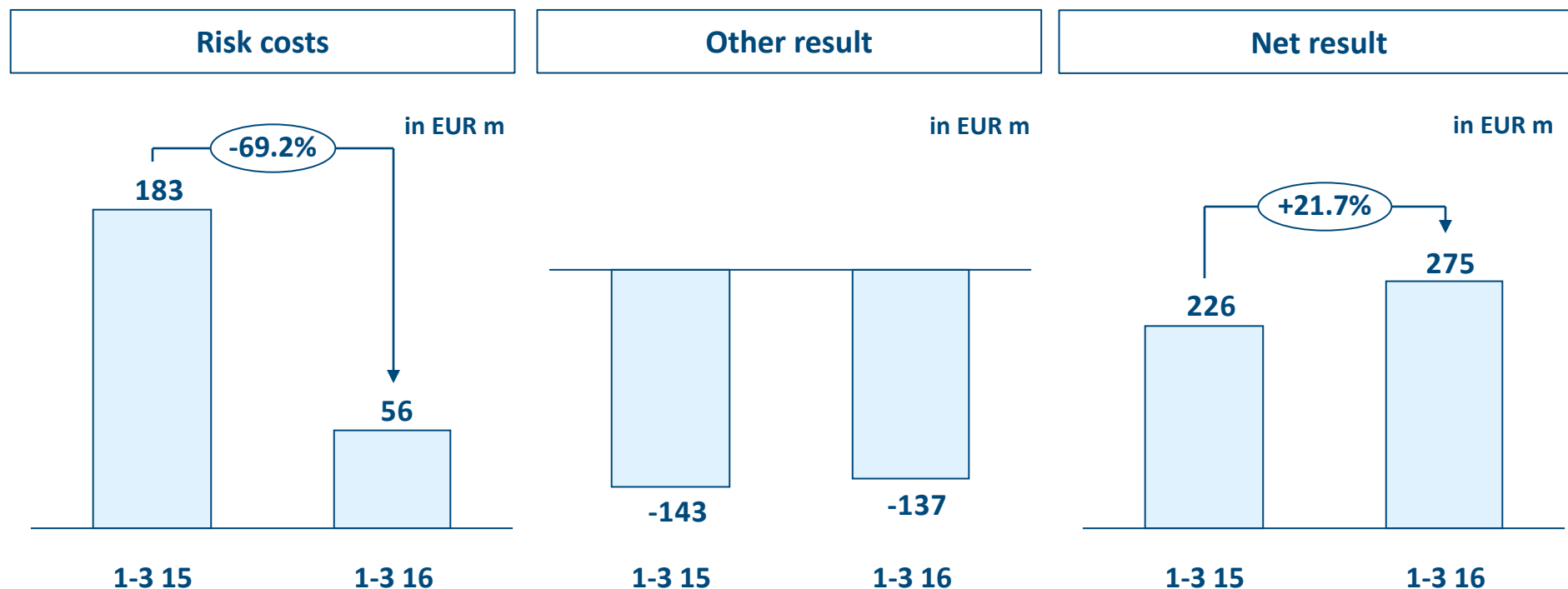


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## Q1 16 performance summary –

Net profit advances by 22% in Q1 16



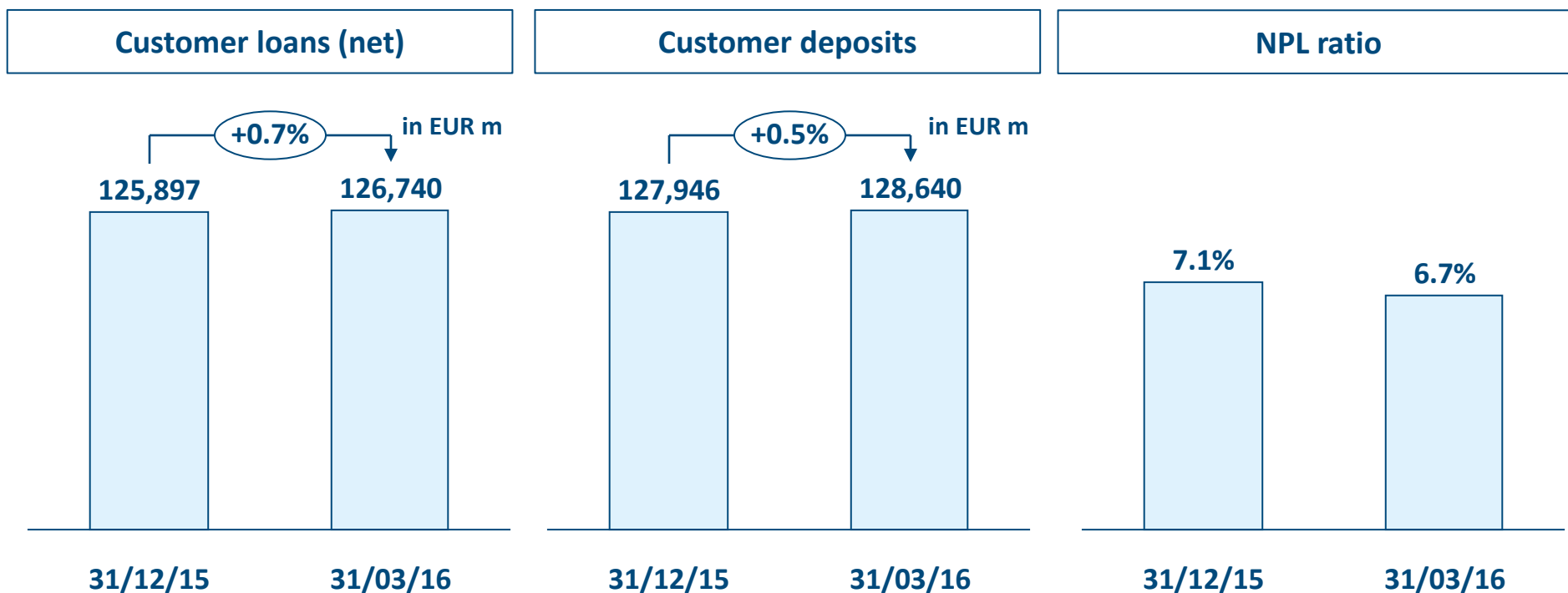
- Risk costs plummet due to Other Austria, Romania, Hungary and Croatia

- Other result includes full-year 2016 resolution fund contribution of EUR 64.7m

- Net profit rises resulting in return on equity of 9.8%

## Q1 16 performance summary –

Volume growth paired with continued asset quality improvement



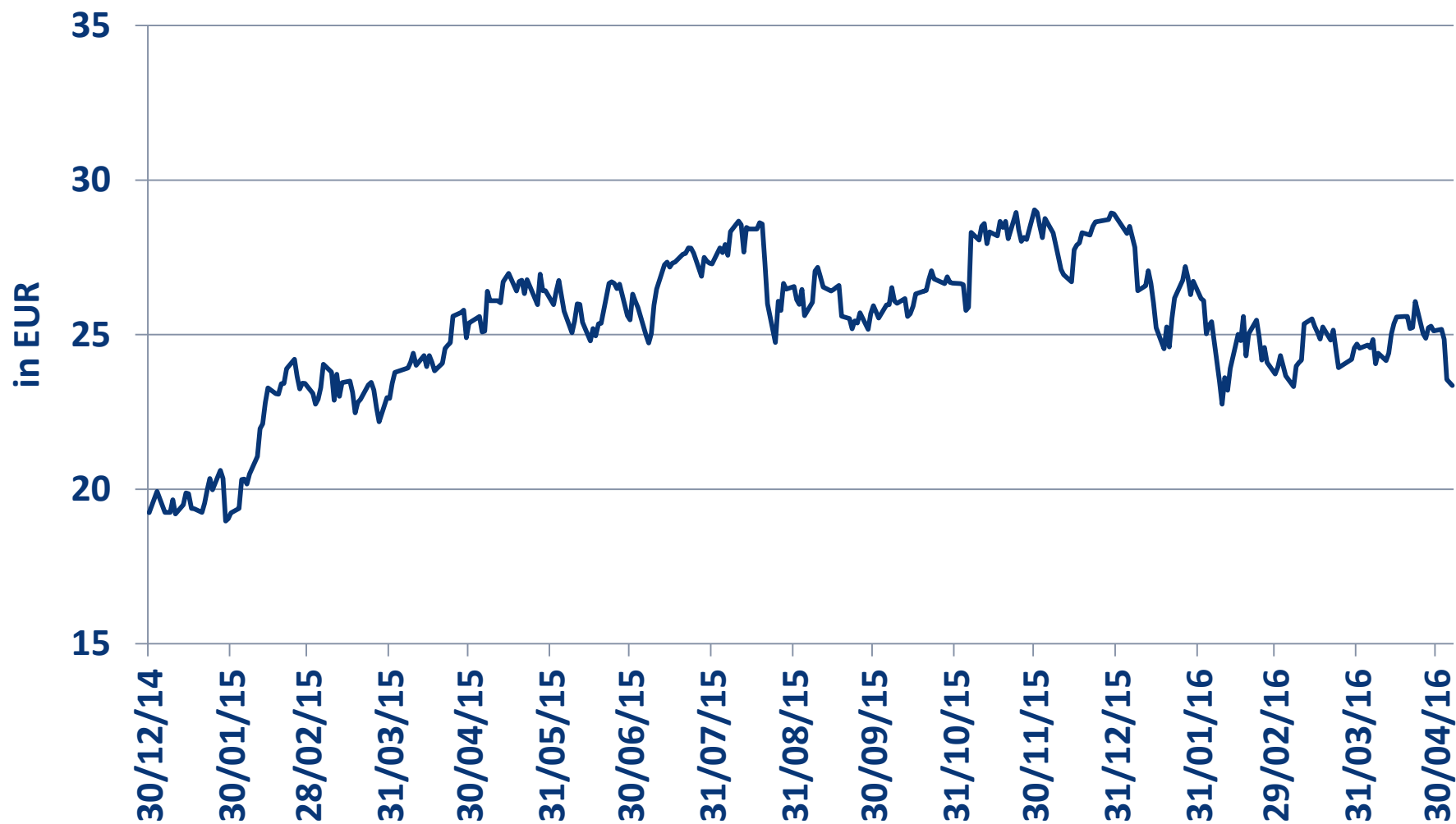
- Customer loan growth mainly driven by the Czech Republic

- Continued inflow of customer deposits despite low interest rate environment

- Across the board improvement in asset quality

## Share price performance –

Improving performance increasingly reflected in share price, up 50.3% in 2015



## Conclusion – Outlook 2016

- **CEE economic environment anticipated to be conducive to credit expansion**
  - Real GDP growth of between 1.5-4.1% expected in 2016 in all major CEE markets, including Austria
  - Real GDP growth to be driven by solid domestic demand
- **Return on tangible equity (ROTE) expected at about 10-11% in 2016 underpinning continued dividend payout**
  - Support factors: continued loan growth; further asset quality improvement amid a benign risk environment; positive one-off related to VISA sale in the amount of about EUR 127m pre-tax
  - Headwinds: persistent low interest rate environment affecting group operating income, primarily NII; lower operating results in Hungary (lower volumes) and Romania (following asset re-pricing); banking levies (total of banking taxes, FTT, resolution fund and deposit insurance fund contributions) expected at about EUR 360m pre-tax in 2016
- **Risks to guidance**
  - Geopolitical risks and global economic risks
  - Impact from negative interest rates
  - Consumer protection initiatives

**Thank you for your attention!**

# Agenda Items

**Friedrich Rödler**

Chairman of the supervisory board



## Second item on the agenda

### Appropriation of the profit

## Third item on the agenda

Grant of discharge to the members of the management board

## Fourth item on the agenda

Grant of discharge to the members of  
the supervisory board

## Fifth item on the agenda

Resolution on the remuneration of the members of the supervisory board

## Sixth item on the agenda

### Appointment of an additional auditor

## Seventh item on the agenda

### Amendments of the articles of association

# 23<sup>rd</sup> Annual General Meeting Erste Group Bank AG

## Q & A

# 23<sup>rd</sup> Annual General Meeting Erste Group Bank AG

## Resolutions



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Thank you for your active participation!