

**Erste Group powers ahead in H1 2016:
Net profit of EUR 841.7 million, core capital ratio at 13.3%,
further accelerating asset quality improvement**

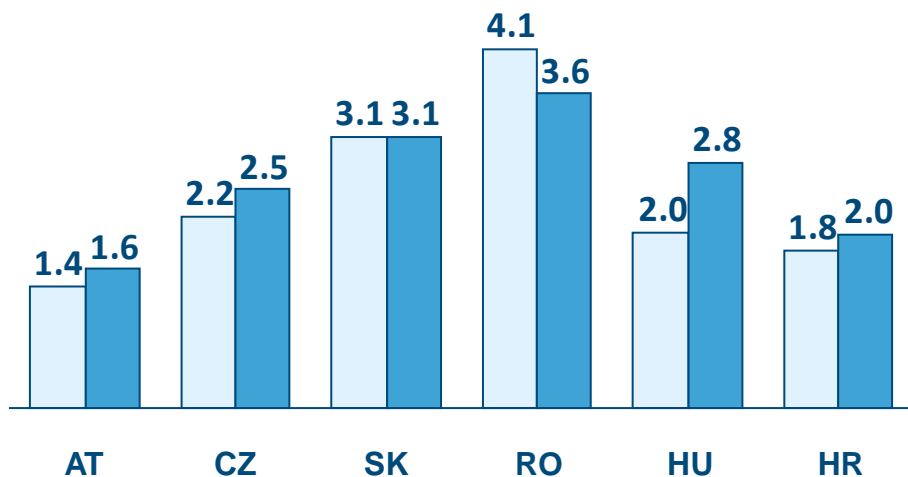
Press Conference
5 August 2016

General Economic Conditions –

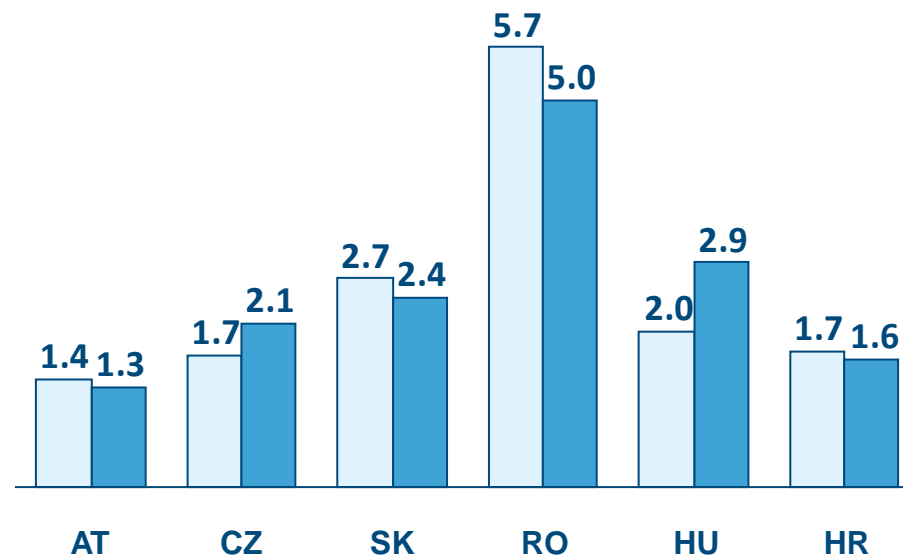
Robust economic environment in Erste Group's markets

2016
2017

Real GDP growth (in %)



Contribution of domestic demand to GDP growth (in pp)



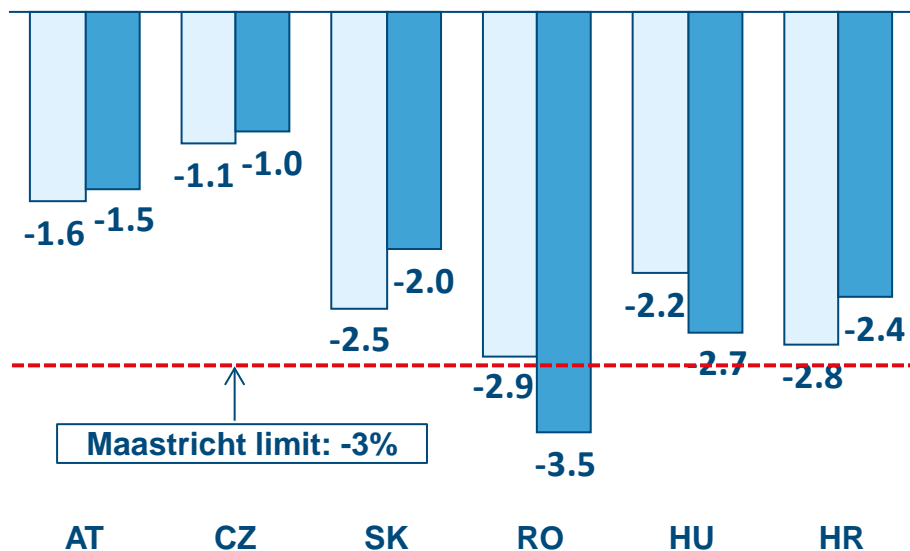
- CEE economies set to grow more strongly than the euro zone in 2016 (GDP in euro zone +1.5%)
- Domestic demand is a key driver of growth
- Contribution of exports to GDP growth seen neutral in 2016

General Economic Conditions –

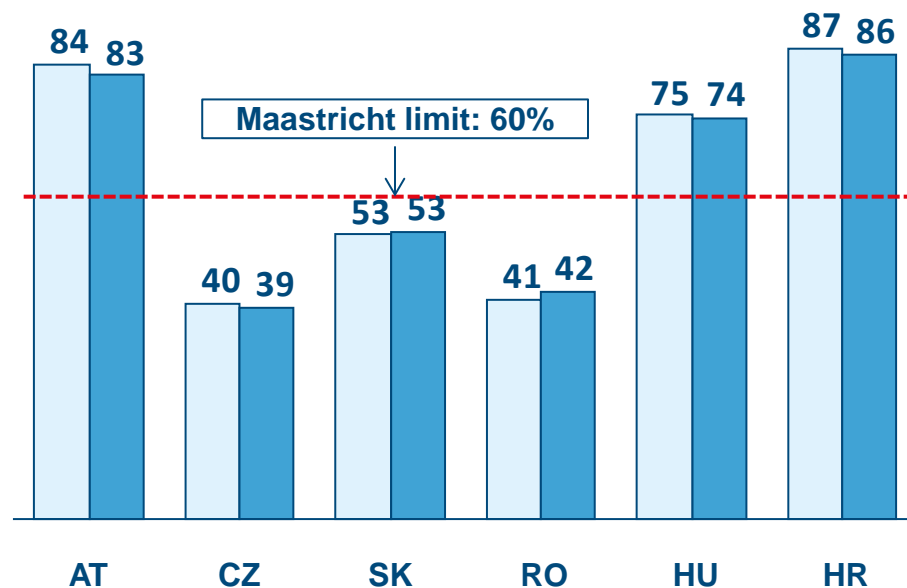
Sound public finances in Erste Group's core CEE markets

2016
2017

Budget deficit (in % of GDP)



Government debt (in % of GDP)



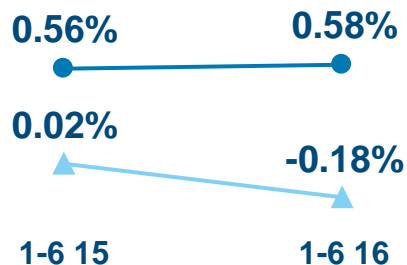
- Budget deficit within Maastricht limit in all markets in 2016
- Government debt in most of our markets better than in the rest of Europe

Business Environment –

Historically low interest rates create challenging setting

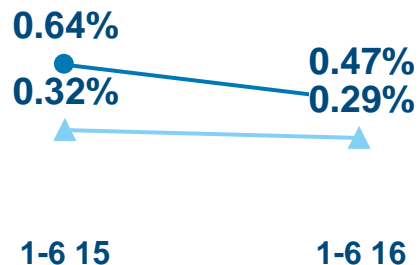
▲ 3m Interbank
● 10-year Gov

Austria



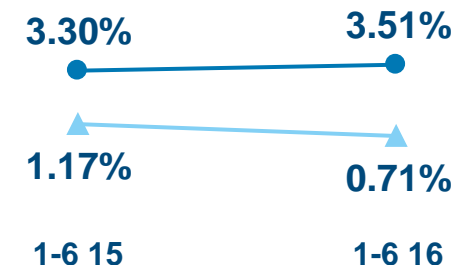
- In March 2016, ECB lowered discount rate to 0%; Expansive monetary policy retained

Czech Republic



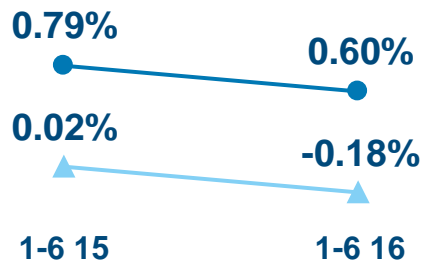
- Central bank has kept interest rates unchanged at the extremely low at 0.05% since November 2012

Romania



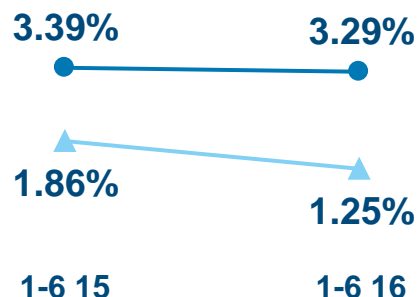
- Central bank cut reference interest rate to historic low of 1.75% in May 2015

Slovakia



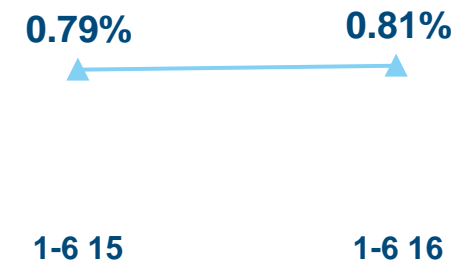
- Belongs to euro zone

Hungary



- Interest rate cutting cycle continued
- Base interest rate lowered to all-time low of 0.9% in May 2016

Croatia

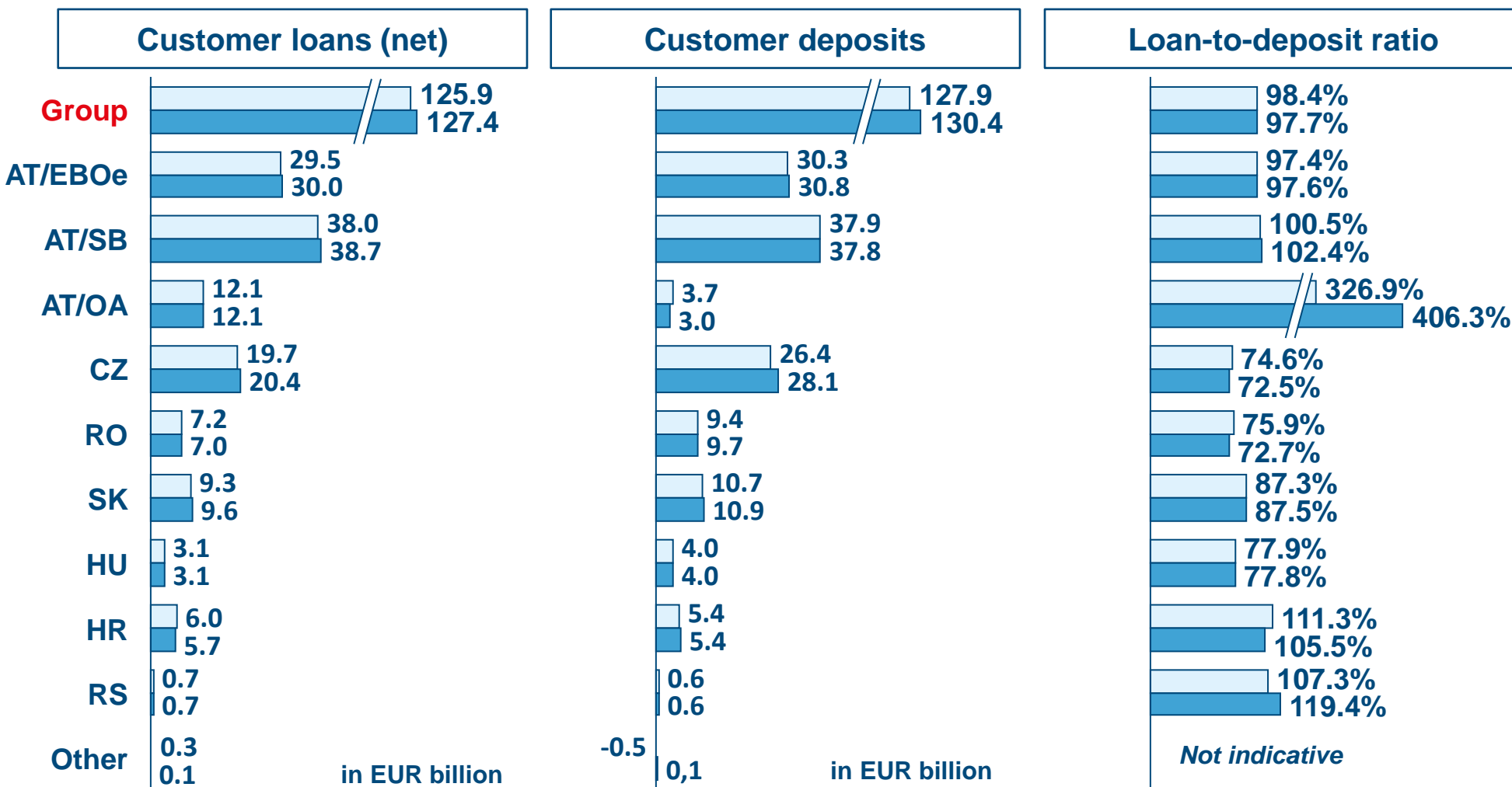


- Central bank has kept interest rates at 7.0% since mid-2011

Source: Bloomberg

Development of business: loans to customers and deposits – Growth in deposits (+1.9% YTD) and lending (+1.8% YTD)

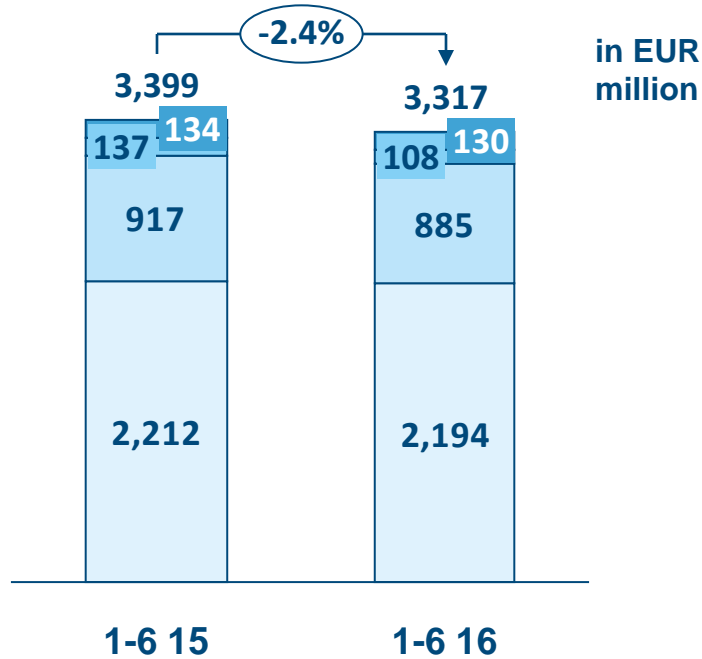
Dec 15
June 16



Development of business: operating income and operating expenses –

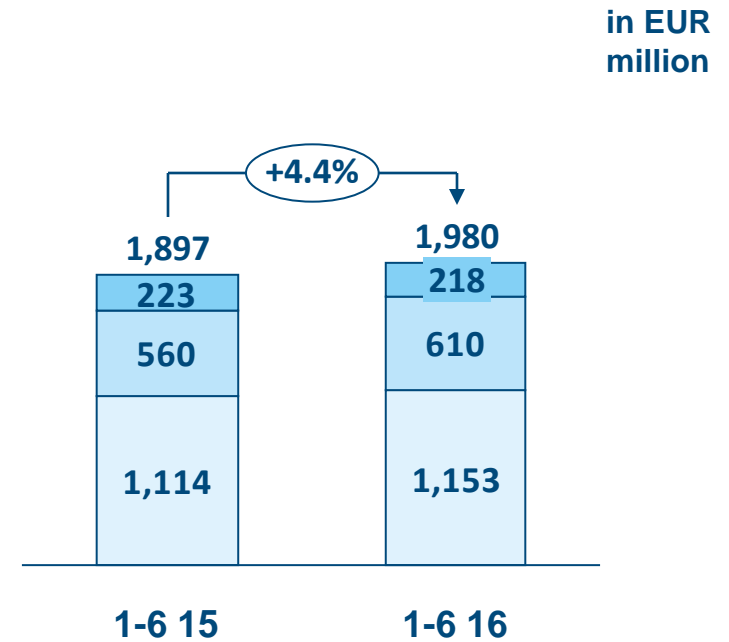
Slight decline in revenues, rise in costs on upfront booking of deposit insurance fees

Operating Income



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

Operating Expenses

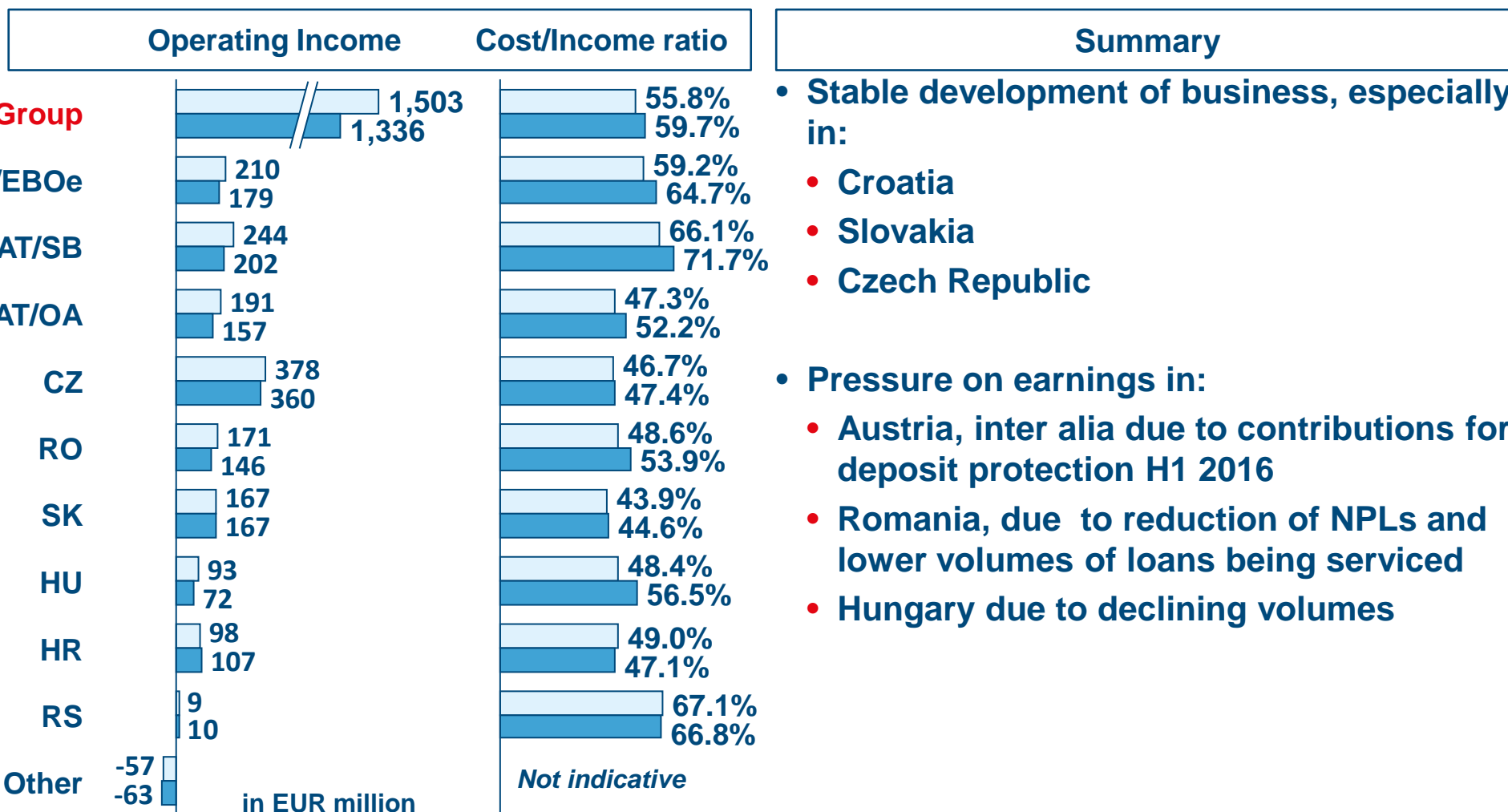


- Personnel expenses
- Other administrative expenses
- Depreciation and amortisation

Development of business: operating income, cost-to-income ratio – 1-6 15 1-6 16

Lower operating income due inter alia to one-time effects, lower revenues

1-6 15
1-6 16



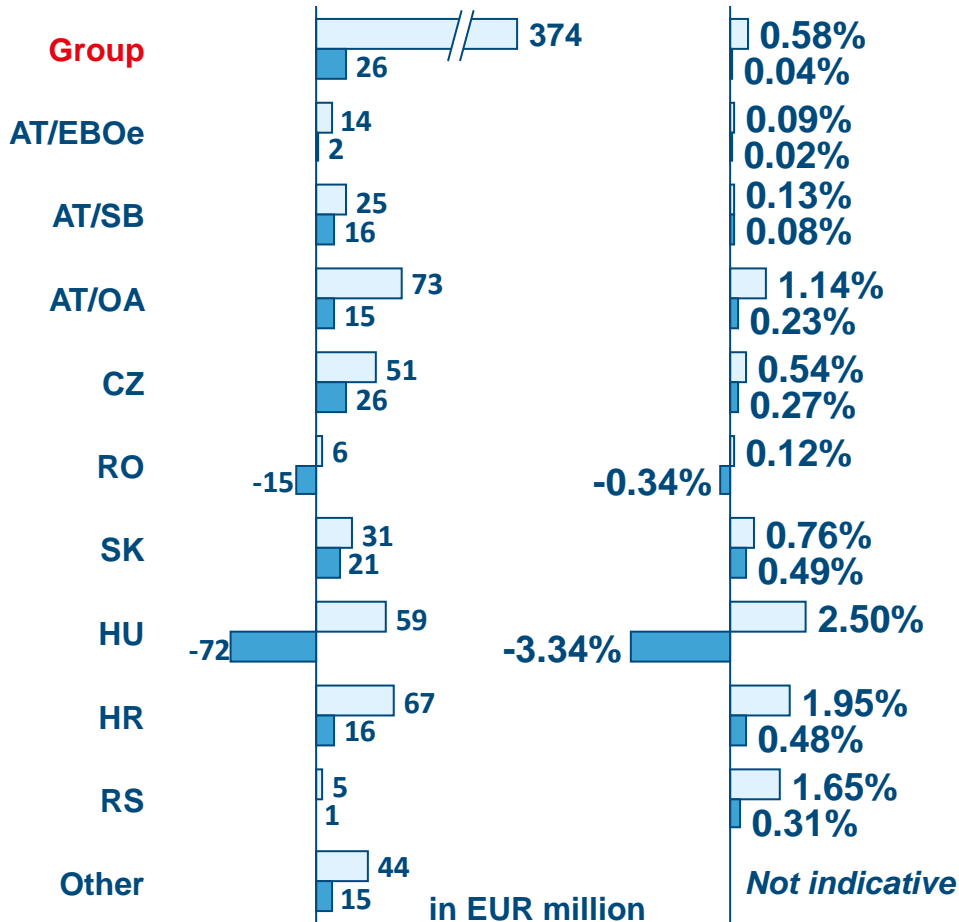
Development of business: risk costs –

93% year-on-year drop in risk costs due to NPL volume decline and recoveries

1-6 15

1-6 16

Geographic segments



Summary

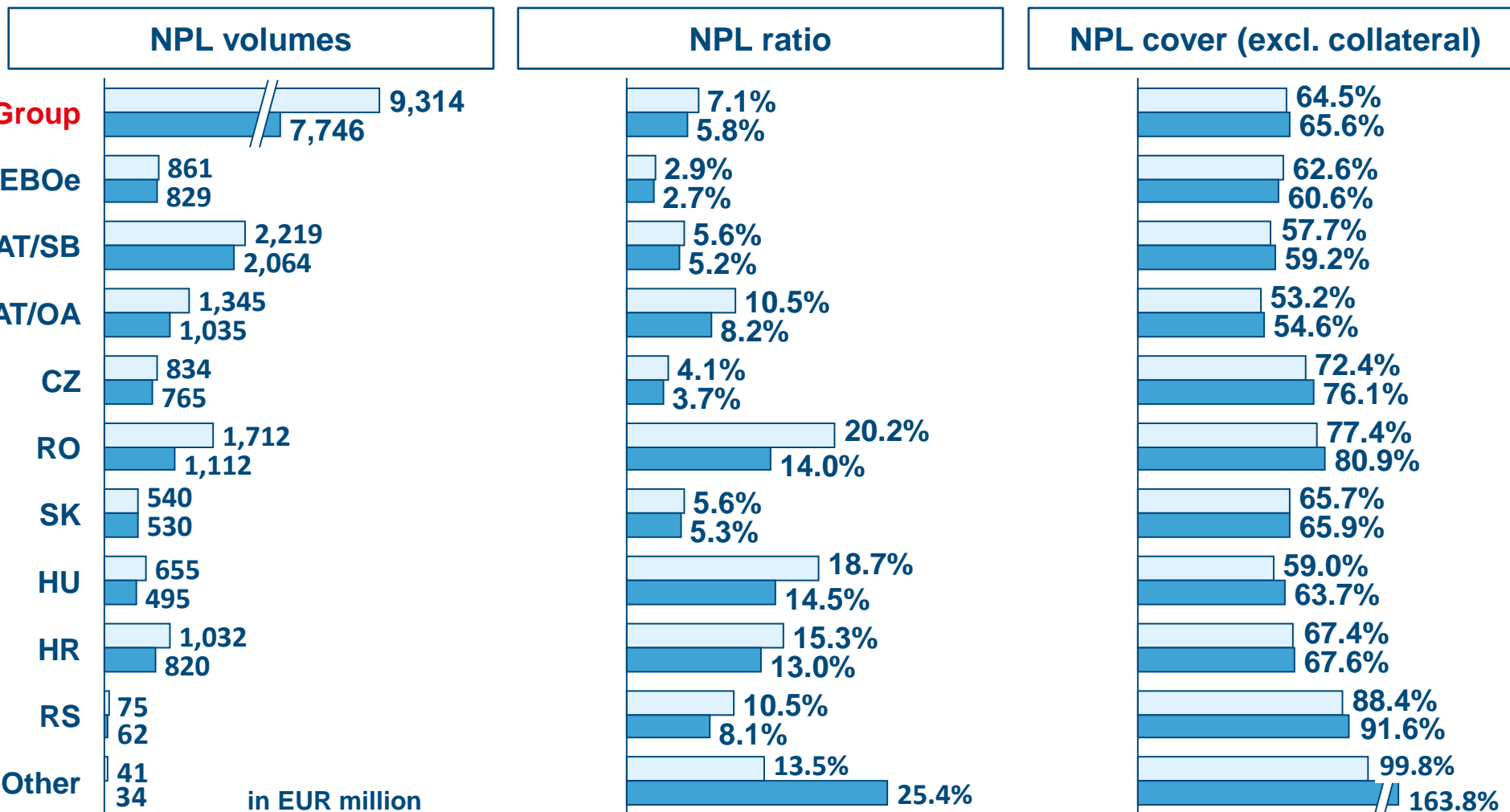
- **Healthy and improved credit risk situation in all countries:**

- Hungary
- Austria (all segments)
- Croatia
- Czech Republic
- Romania
- Slovakia
- Serbia

Development of business: asset quality –

Substantial improvement of asset quality in all segments

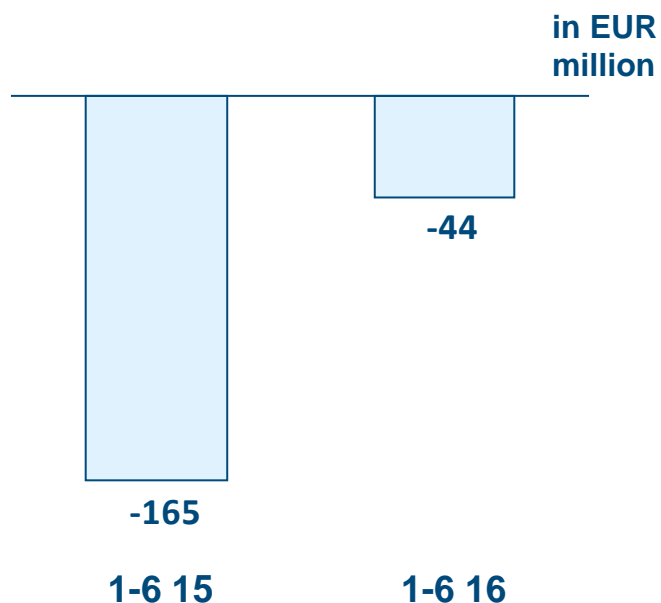
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Development of business: other result –

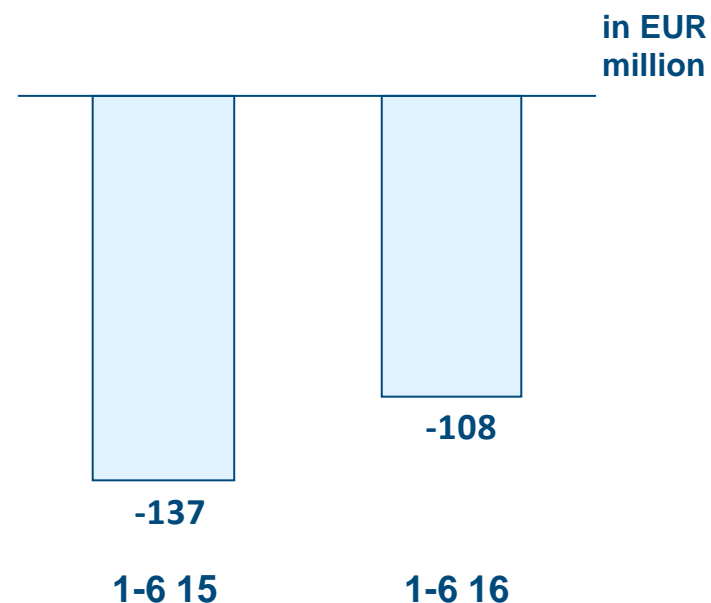
Improvement due to sale of VISA stake, lower banking taxes in Hungary

Other result *



- Improved other result due to positive one-time effects from the sale of stake in VISA; lower banking taxes in Hungary

Tax on banking activities



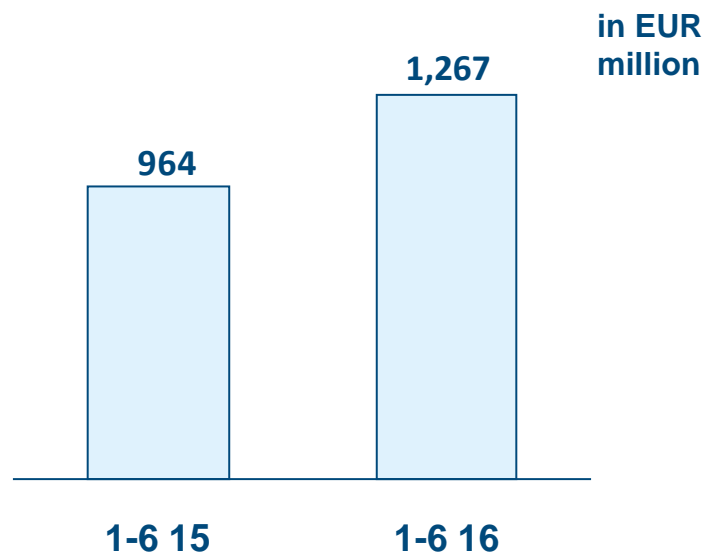
- Significant reduction in banking taxes in Hungary

*) Includes other operating result and gains/losses on financial assets and liabilities not measured at fair value through profit or loss

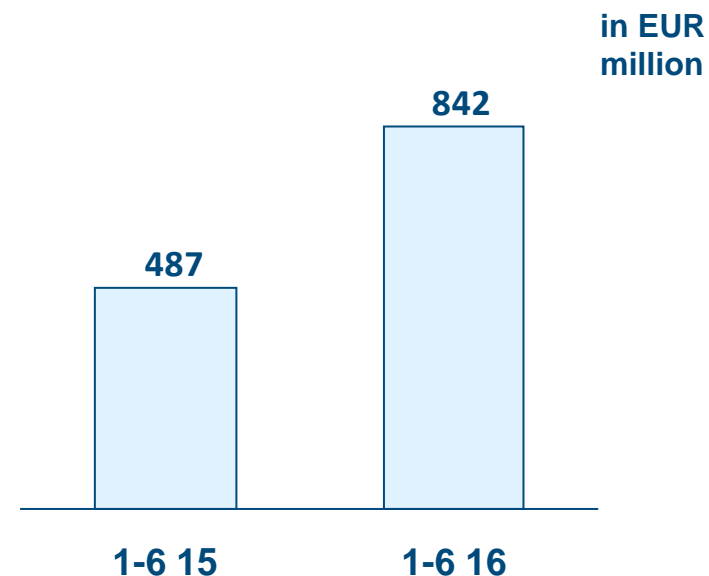
Development of business: pre-tax and net results

Half-year pre-tax profit and net result at historic highs

Pre-tax results



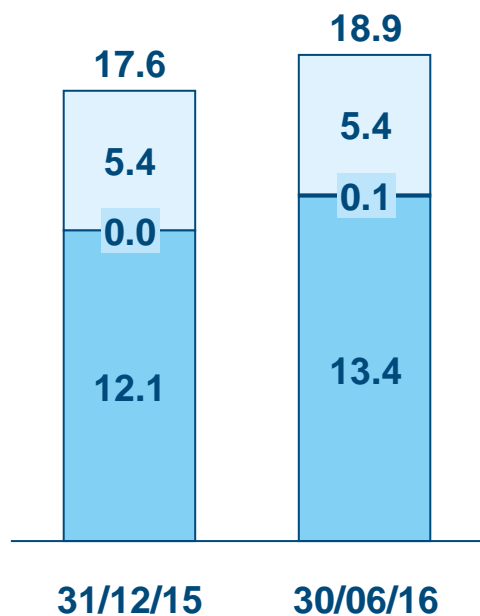
Net result



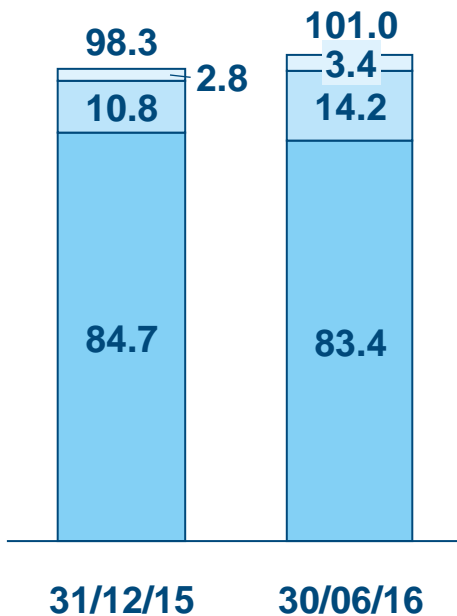
- **Pre-tax result benefits from historically low risk costs and improvement in other comprehensive income**
- **Normalization of tax rate at around 22%:**
Taxes on income of EUR -279 million in H1 2016
(H1 2015: EUR -273 million)

Development of business: regulatory capital – Solid profitability yields strong capital base

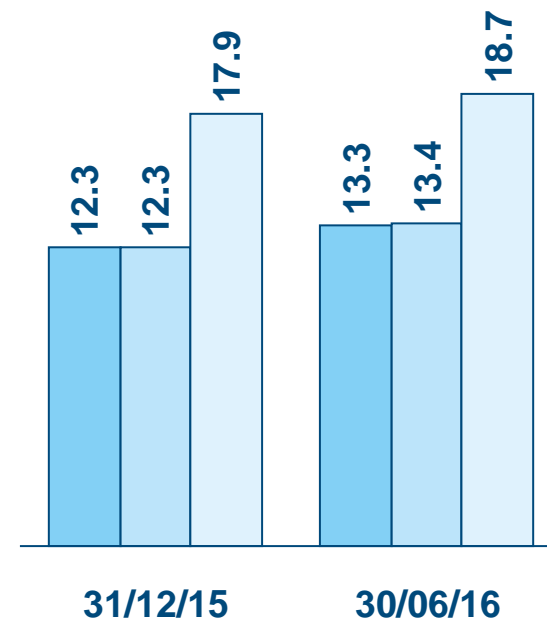
Regulatory capital (EUR billion)



Risk-weighted assets (EUR billion)



Capital ratios (phased-in; in %)



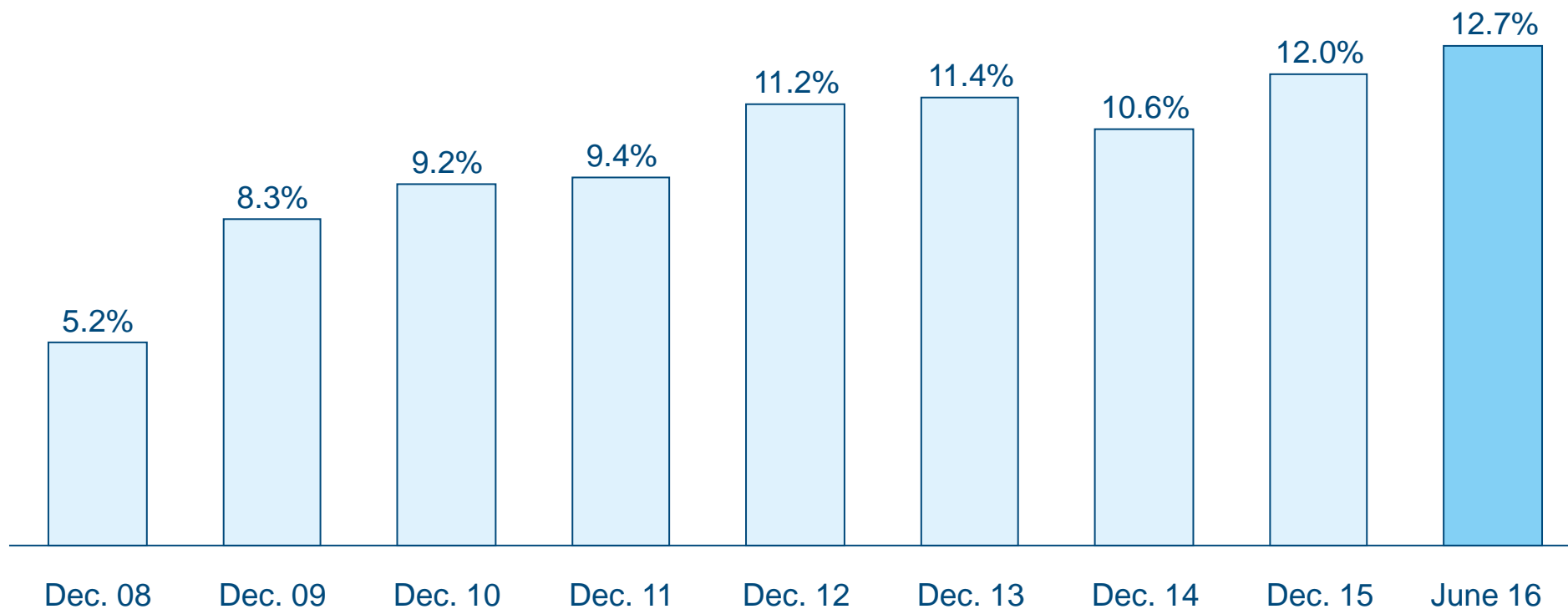
■ CET1
 ■ AT1
 ■ Tier 2

■ Credit RWA
 ■ Op risk
 ■ Trading Risk

■ CET1
 ■ Tier 1
 ■ Total capital

Development of business: capital ratios (Basel 3, fully-loaded) – Development since 2008

CET1 ratio pursuant to Basel 3, fully-loaded



Closing remark – Outlook 2016

- **General economic conditions anticipated to be conducive to credit expansion**
 - Real GDP expected to grow between 1.4 to 4.1% in all major CEE markets, including Austria, in 2016
 - Real GDP growth driven by robust domestic demand
- **Return on tangible equity (ROTE) expected at above 12% in 2016, underpinning continued dividend payout**
 - Support factors: continued loan growth; further improvement of asset quality amid a benign risk environment
 - Headwinds: persistent low interest rate environment affecting group operating income; lower operating results in Hungary (lower volumes) and Romania (following asset re-pricing); banking levies (comprising banking taxes, financial transaction tax, resolution fund and deposit insurance fund contributions) are expected at about EUR 360 million pre-tax in 2016 prior to a potential banking tax one-off payment in Austria (pending parliamentary approval of the government proposal) of around EUR 200 million. An additional Austrian banking tax one-off payment in 2016 would result in a sustainable reduction from about EUR 130 million to about EUR 20 million pre-tax per annum from 2017.
 - The guidance assumes no material negative one-offs in the second half of 2016