

Erste Group 2016 results:

EUR 1.26 bn net profit

EUR 4.8 bn new net lending

CET1 ratio of 13.4%

Dividend of EUR 1 per share

Press conference

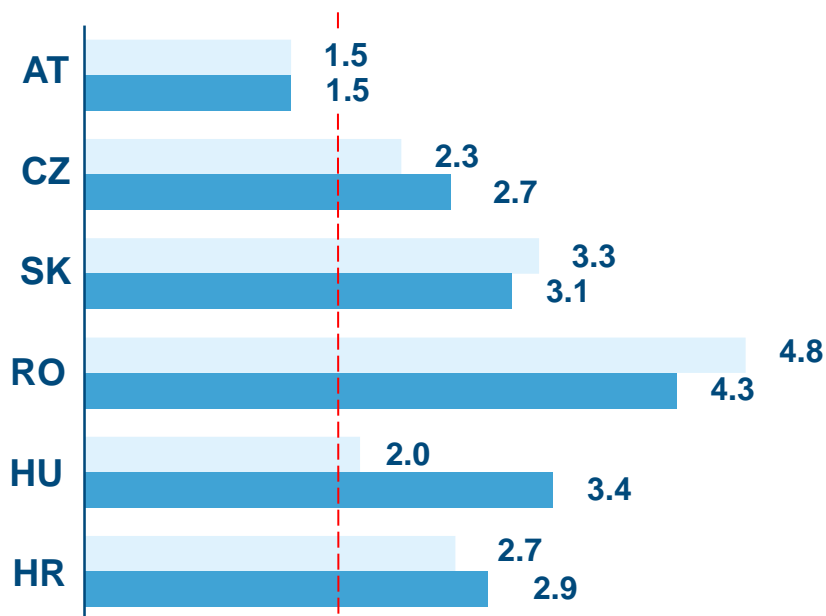
28 February 2017

Business environment –

GDP growth expected to remain solid in CEE in 2017



Real GDP growth (in %)



Eurozone 2017: 1.9%

At a glance

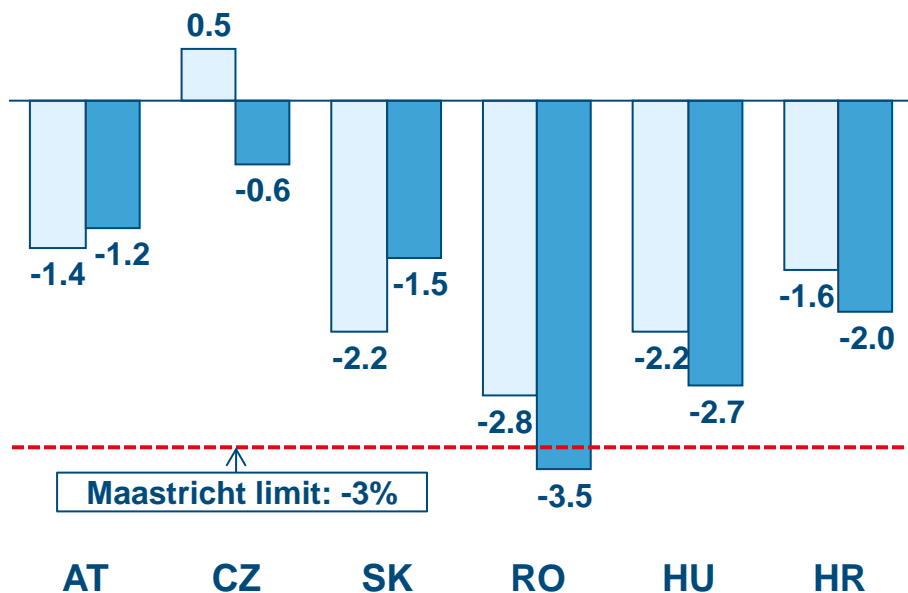
- Erste Group's CEE core markets are expected to see solid GDP growth of 1.5% to 4.5% in 2017
- Domestic demand to remain key driver of economic growth in 2017
- Domestic demand will be supported by improved labour markets, wage growth and very low inflation across the entire region

Business environment –

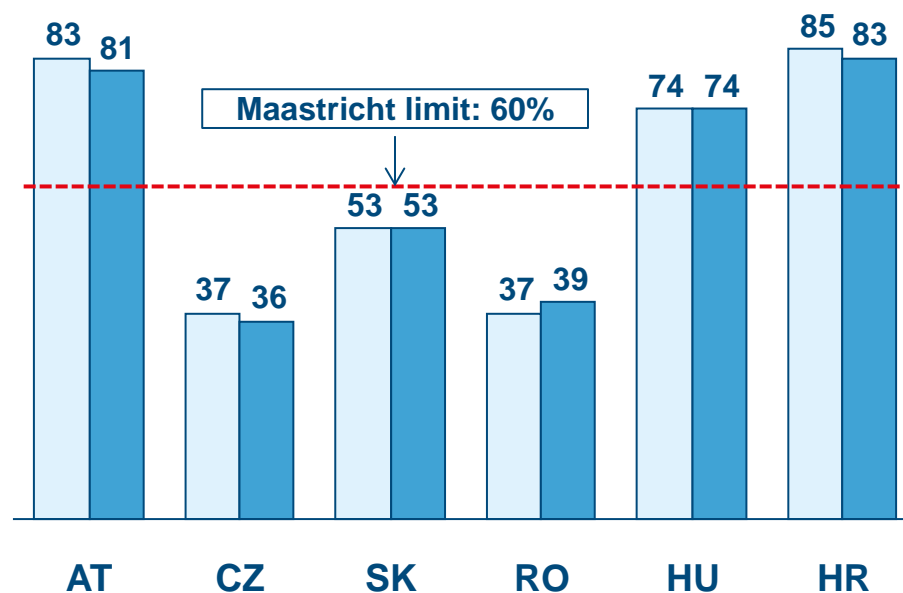
Solid public finances in the markets of Erste Group

2016
2017

Budget deficit (in % of GDP)



Public debt ratio (in % of GDP)



- Almost all CEE markets should fulfill Maastricht criteria in 2017
- Countries have sustainable current account balances

Business environment –

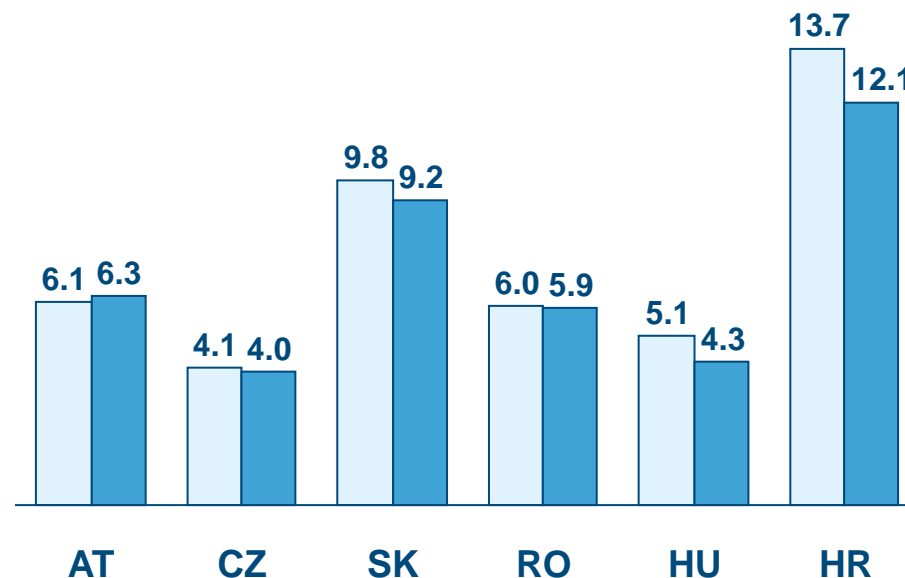
Inflation expectations rising, unemployment rates declining

2016
2017

Inflation (average, in %)



Unemployment (in %)

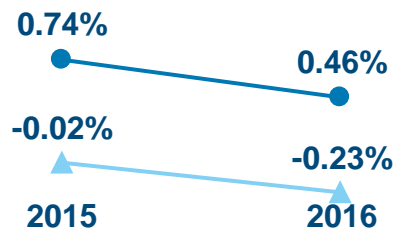


- Consumer price inflation expected to rise significantly
- Unemployment rates falling in all CEE markets while wages are rising
- Labour markets increasingly tightening in the Czech Republic, Hungary and Romania

Business environment – interest rates were again very low in Q4 16

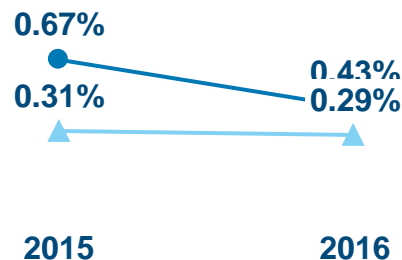
▲ 3m Interbank
● 10-year Gov

Austria



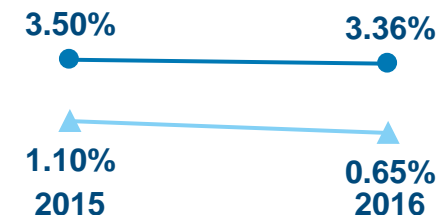
- ECB cut discount rate to 0% in March 2016; maintains expansionary monetary policy

Czech Republic



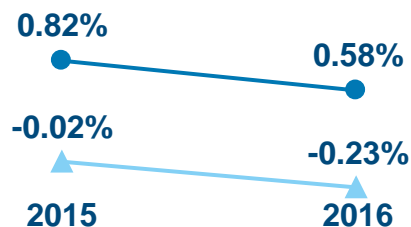
- National bank has kept rates extremely low at 0.05% since Nov. 2012

Romania



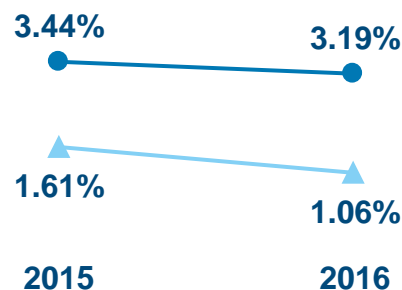
- National bank cut its policy rate to historic low of 1.75% in May 2015

Slovakia



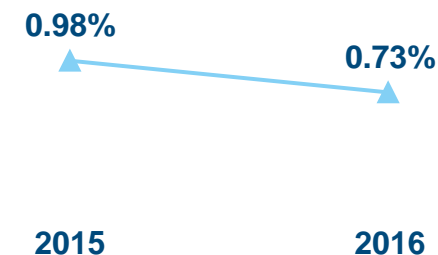
- Member of the euro zone; therefore, ECB rates are applicable in SK

Hungary



- Continued easing cycle in 2016
- Base rate cut to historic low of 0.9% in May 2016

Croatia



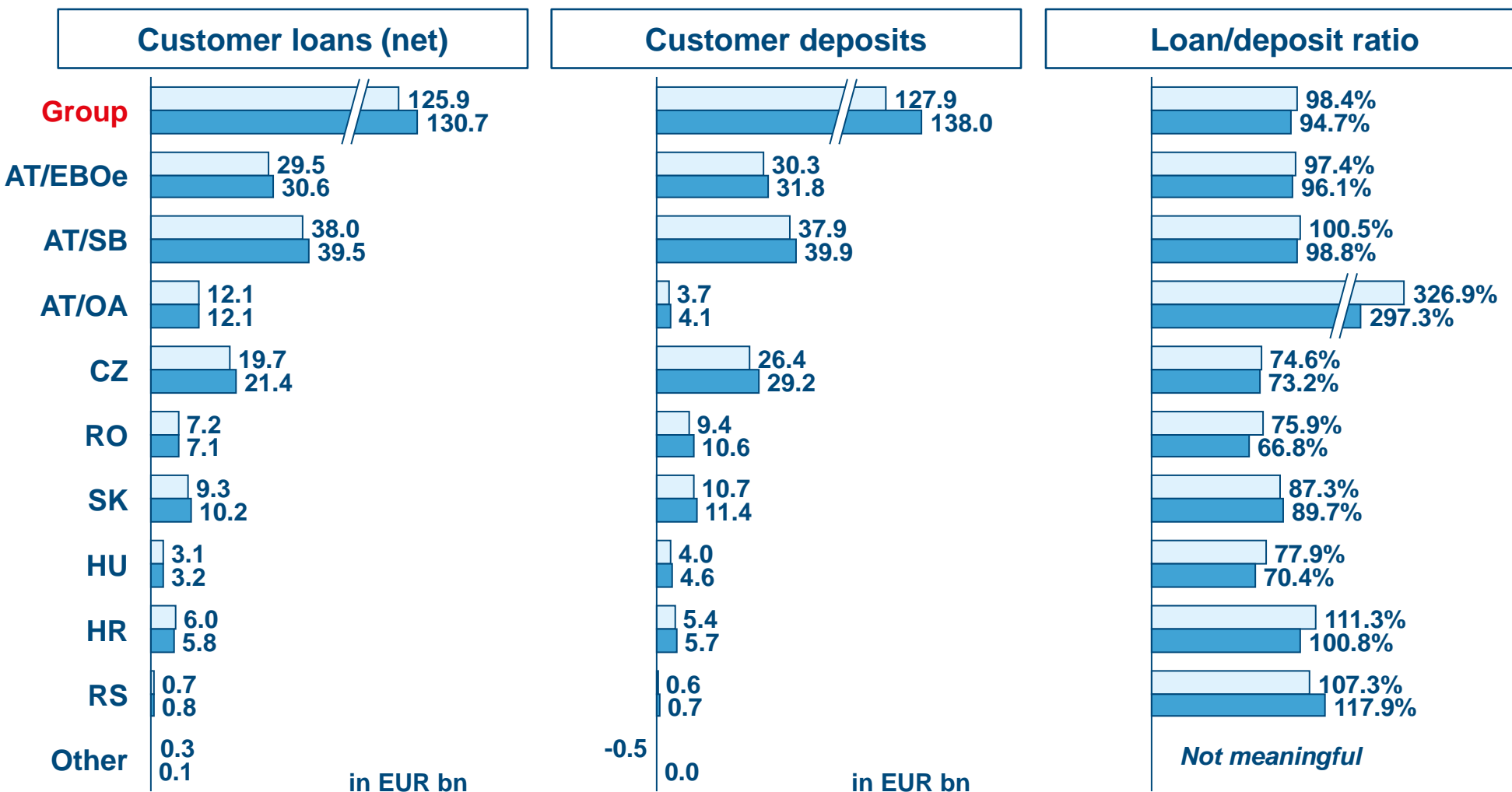
- National bank keeps discount rate at 3.0% since October 2015

Quelle: Bloomberg

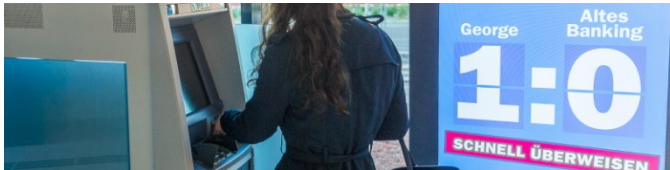
Business performance: customer loans and deposits –

Growth in loan volume (+3.8%) and deposits (+7.9%)

Dec 15
Dec 16



Business Performance: Digital is here ... and growing strongly

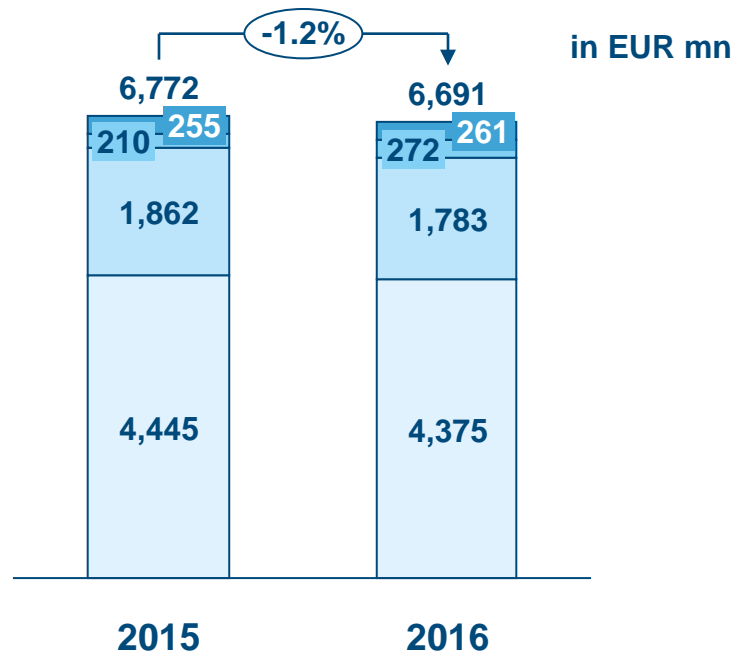


- **George and mobile growing by leaps and bounds**
 - George set to crack 1 million users in AT, with one in eight adult Austrians already a user
 - 2017 launches in CZ, SK and RO will extend George to an additional 10 mn Erste customers and beyond
 - Mobile active users growing exponentially across the region: +140% in RO, +50% in SK, +32% in AT, +26% in CZ
- **Digital sales taking off**
 - Account for 25% share of overall consumer loan sales in CZ and SK
 - 117.000 Plug-ins have already been activated by George users
 - EUR 50 mn in digital sales reached in SK in 2016
- **Innovative digital products well-received**
 - First-in-Austria implementation of full video-legitimation for opening current accounts
 - Fully online loan offering Impresto awarded best online loan in CZ
 - New generation of online savings products launched in SK
 - 90% of the savings products sold in Slovak branches via tablets

Business performance: operating income and expenses –

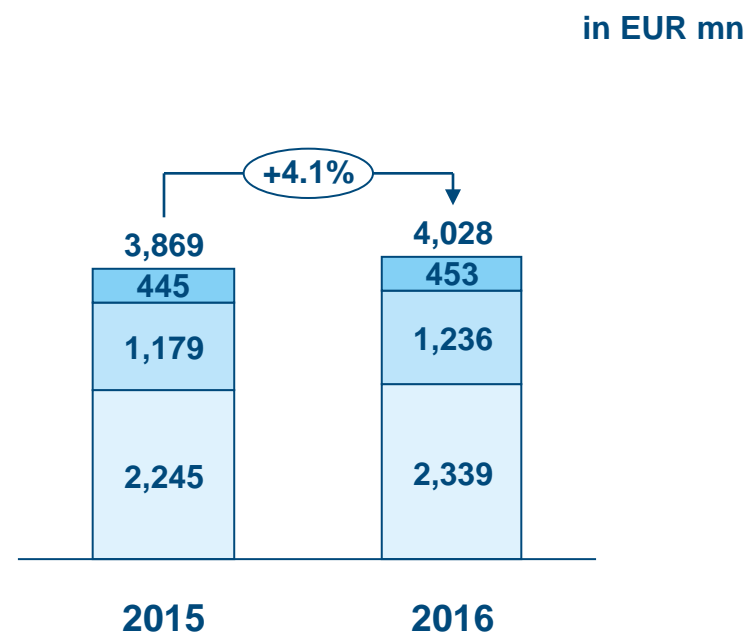
Operating income slightly down, costs up

Operating income



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

Operating expenses

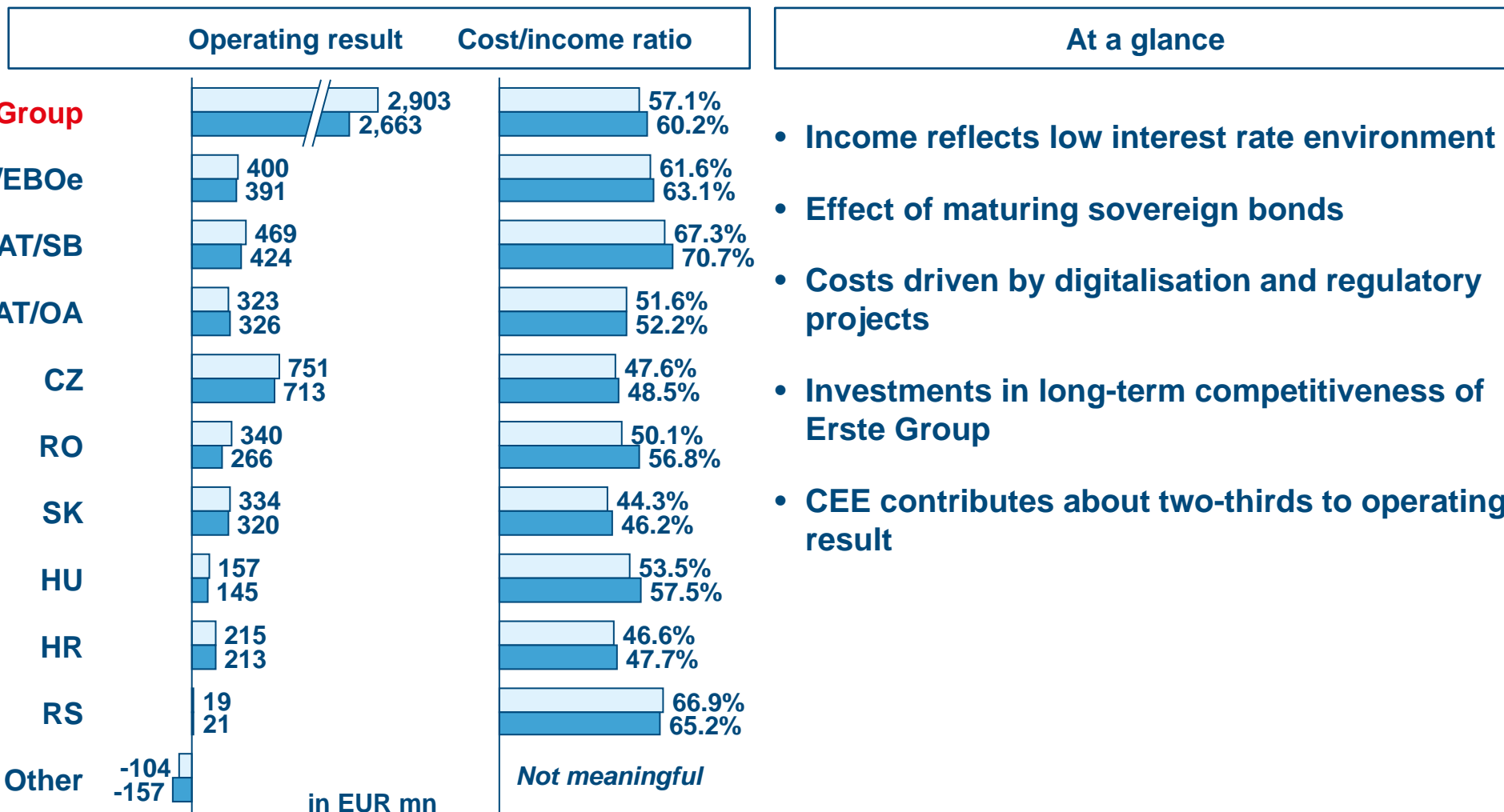


- Personnel expenses
- Other administrative expenses
- Depreciation and amortisation

Business performance: operating result and cost/income ratio –

2015 2016

Lower operating result due to interest rate environment, investments in IT & future competitiveness

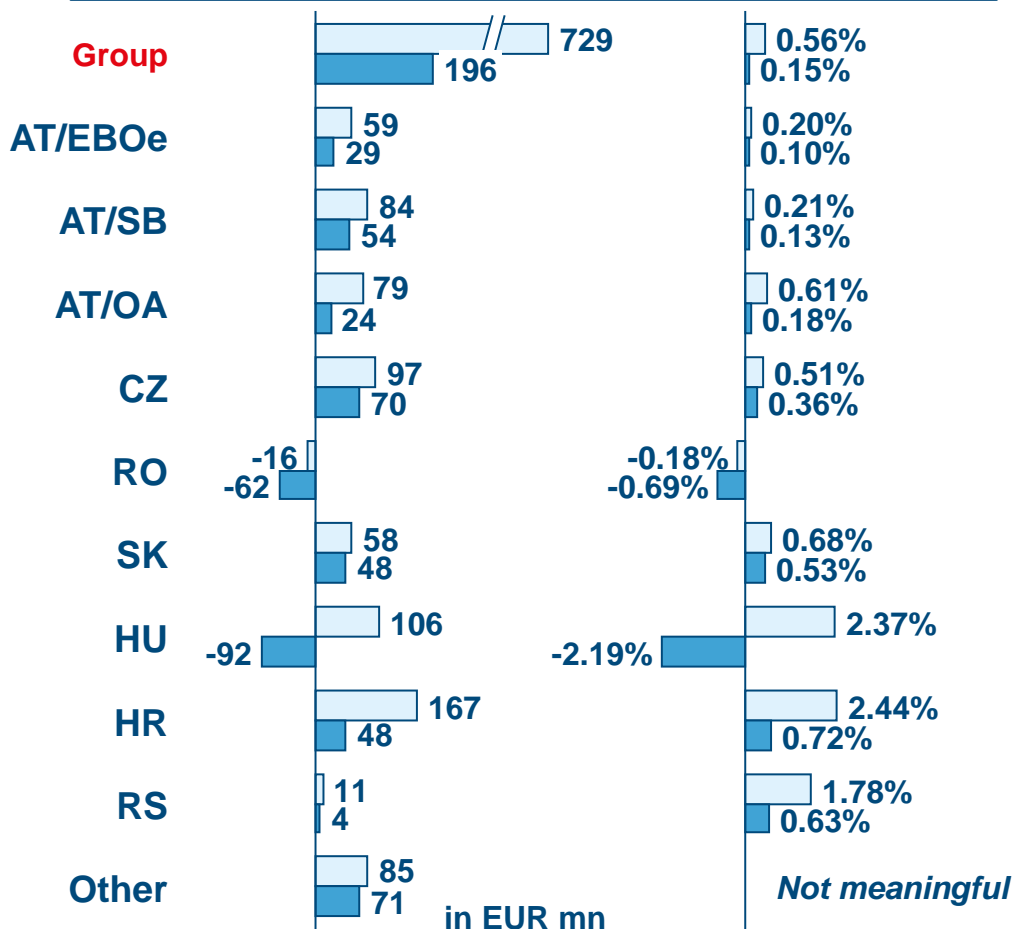


Business performance: risk costs –

Risk costs fall (-73%) across the region, most notably in Hungary, Croatia

2015
2016

Geographic view



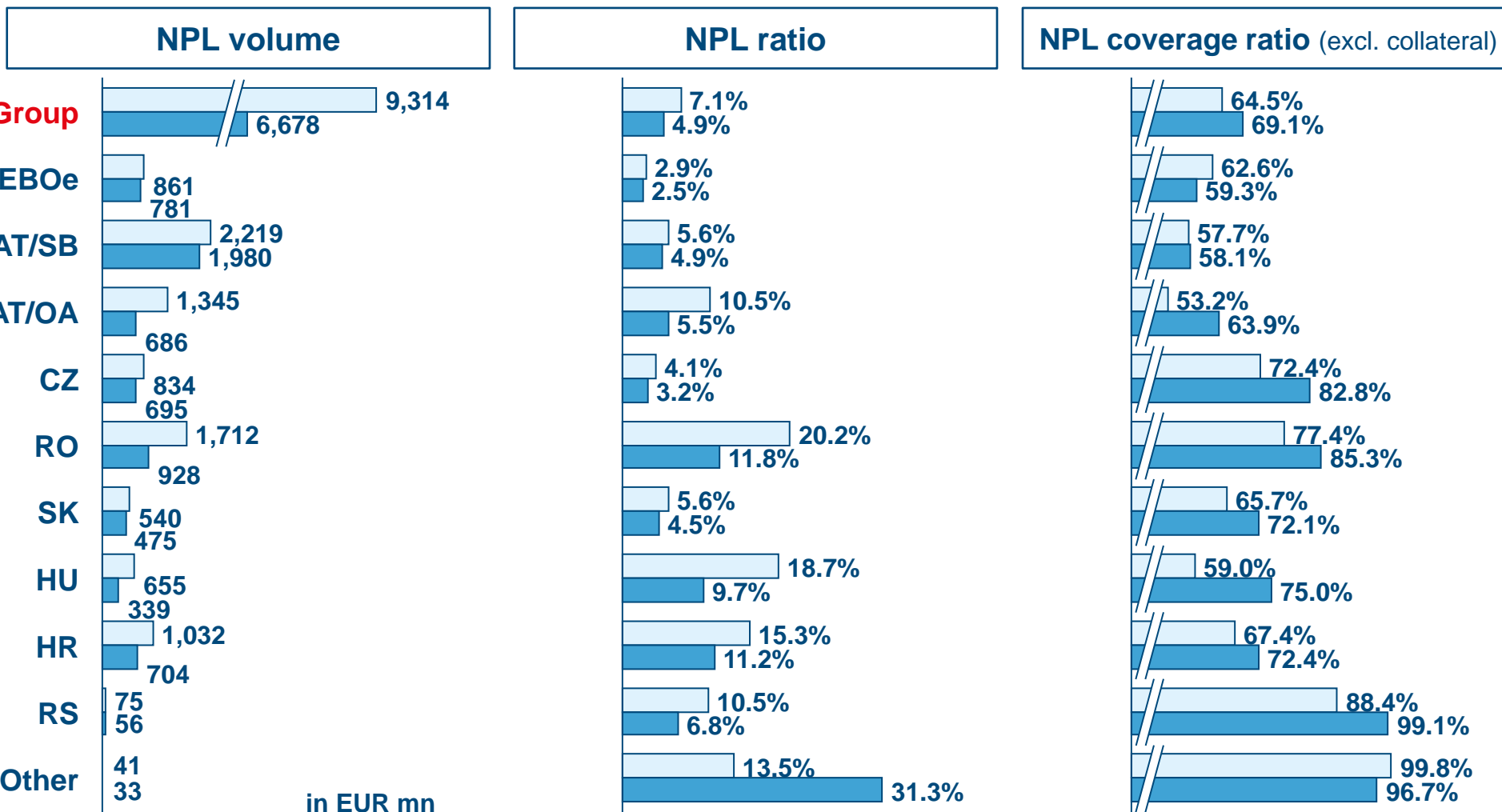
At a glance

- Improvement in credit risk environment continues across all segments and regions
- Effects of 2014 clean-up still felt in Hungary and Romania
- Low interest rate environment a key factor
- No major insolvency in the entire CEE region in 2016
- Marked decline in risk costs (relative to average volume of customer loans) from 56 to 15 basis points

Business performance: asset quality

NPLs declining substantially across the region to low of 4.9%

Dec 15
Dec 16

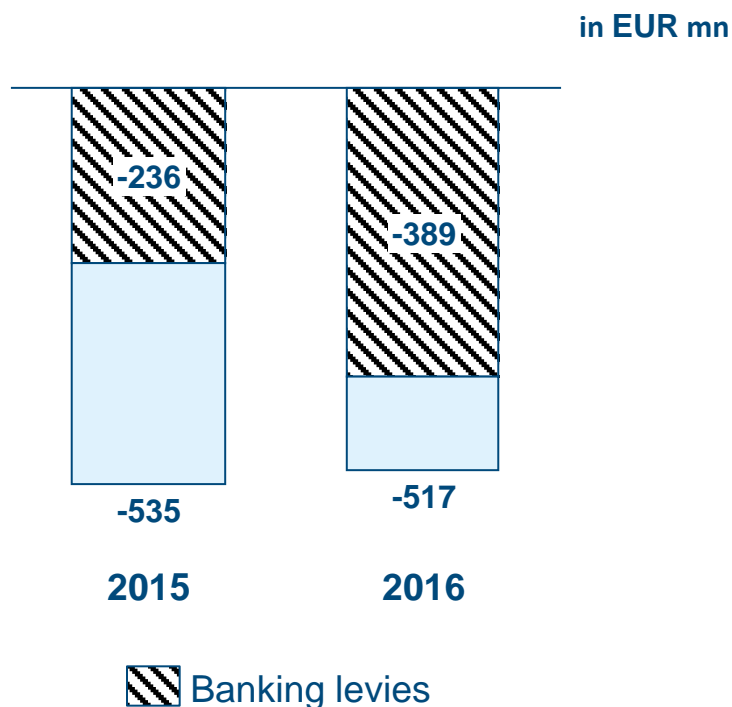


Business performance: other result –

Slight improvement despite one-off payment of banking tax

Other result*

At a glance



- Other result benefited in 2016 from sale of shares in VISA Europe

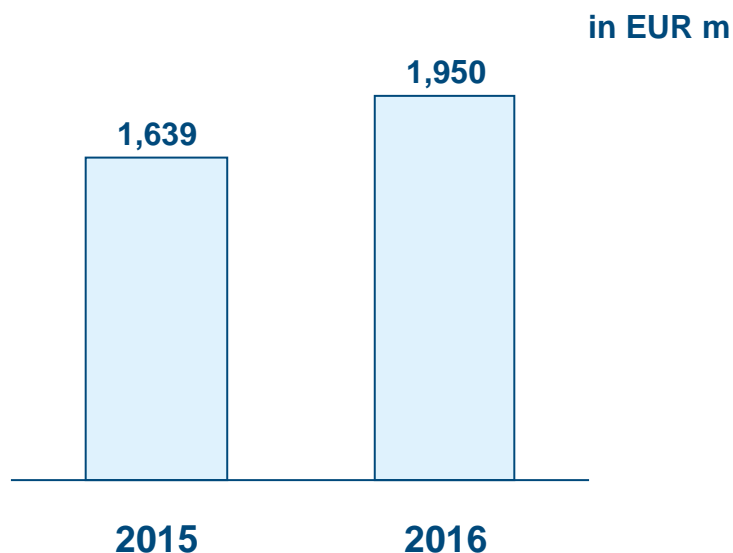
Banking levies:

- One-off payment of banking tax in Austria was made in full (EUR 200 mn) in 2016
- Reduction of banking tax from 2017 expected to amount to EUR 100 mn per year

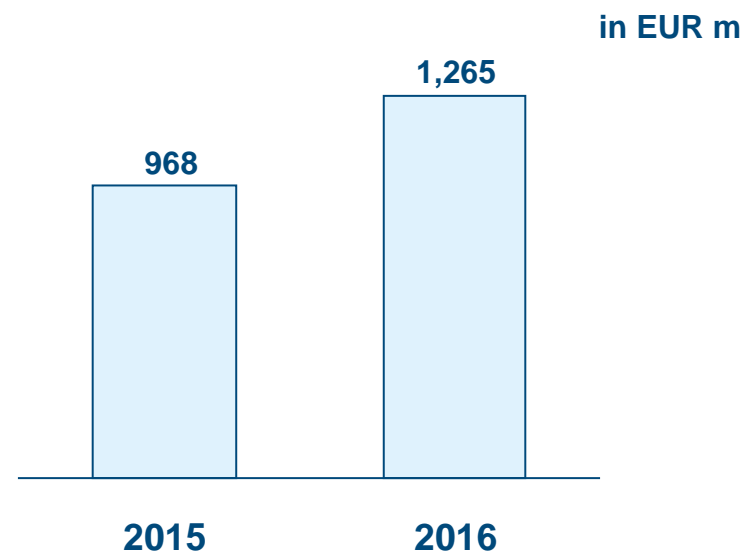
*) Includes other operating result and gains/losses from financial assets and liabilities not measured at fair value through profit or loss (net)

Business performance: pre-tax result and income tax – Net profit at all-time high, dividend doubled

Pre-tax result



Net result

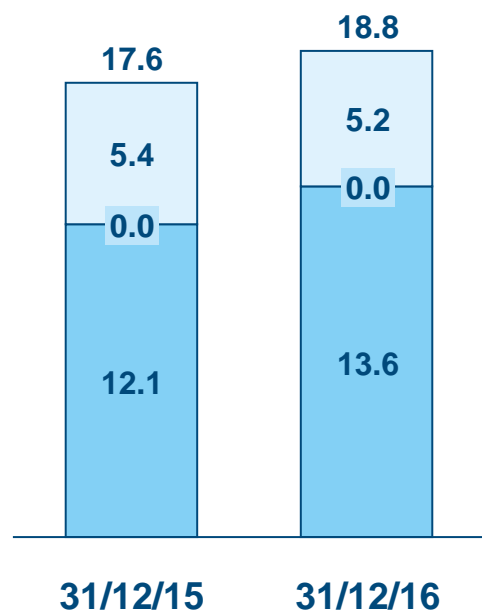


- Pre-tax result benefits from historically low risk costs

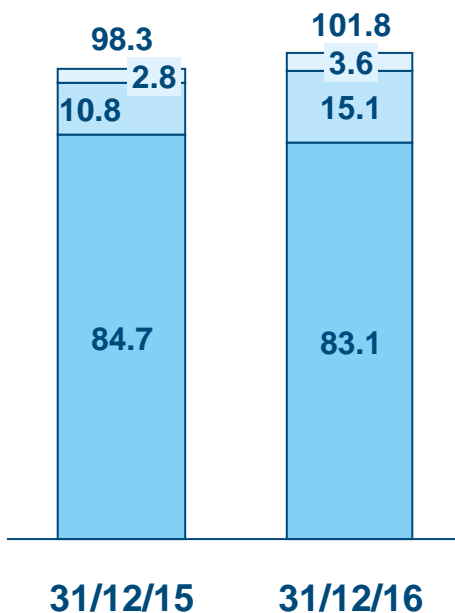
- Dividend proposal of EUR 1 per share
- ROTE of 12.3% in line with outlook target for 2016

Business performance: regulatory capital – Solid profitability results in much stronger capital base

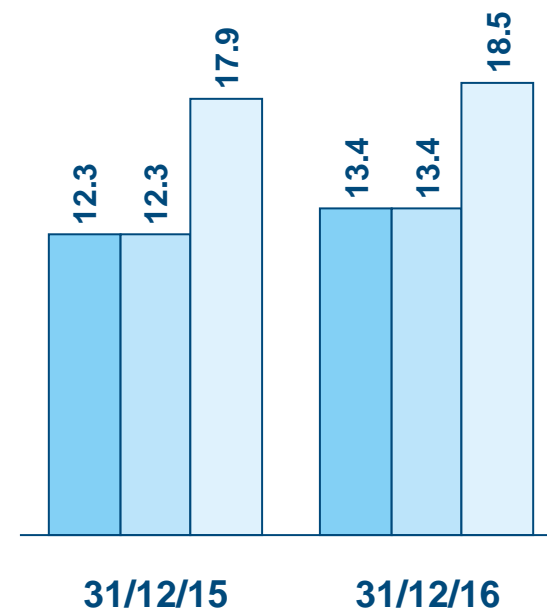
Regulatory capital (EUR bn)



Risk-weighted assets (EUR bn)



Capital ratios (phased-in; in %)



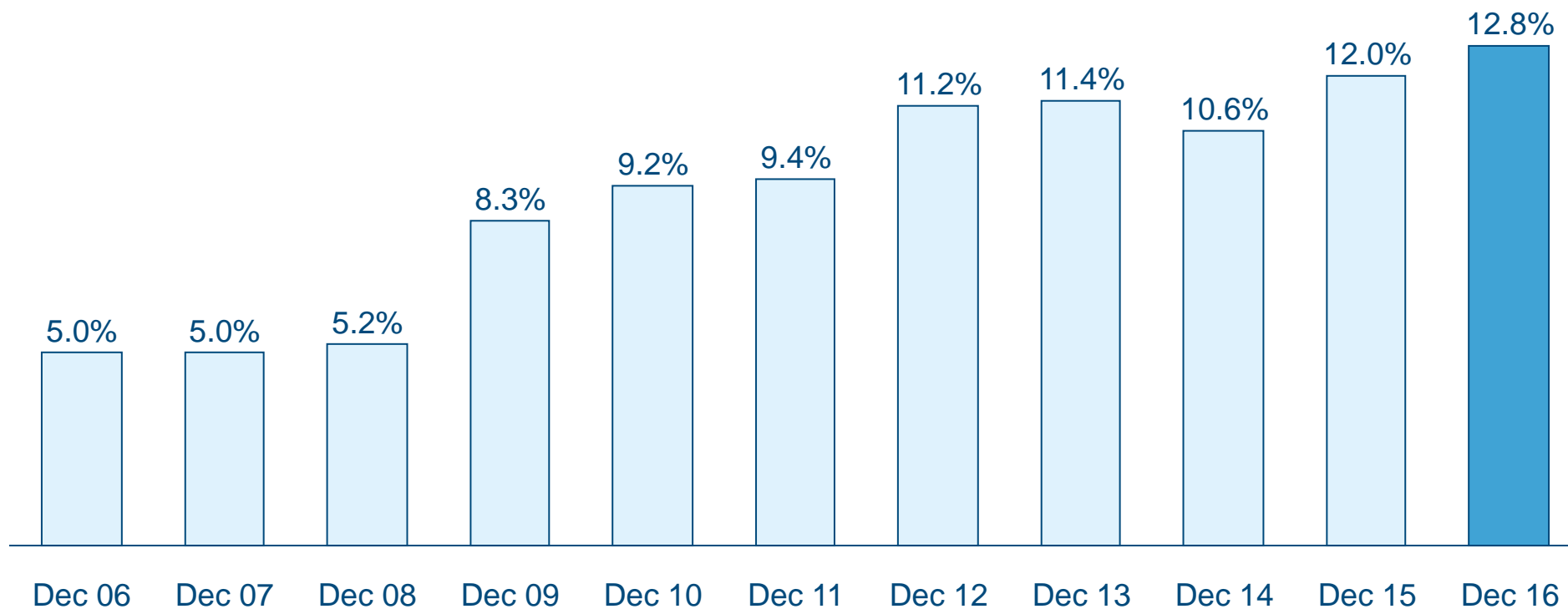
CET1 AT1 Tier 2

Credit RWA Op risk Market risk

CET1 Tier 1 Total capital

Business performance: capital ratios (Basel 3, fully loaded) – Development since 2006

Core tier 1 ratio (Basel 3, fully loaded)



Conclusion – Outlook 2017

Macro outlook 2017

- Real GDP growth of between 1.5-4.5% expected in 2017 in CEE and Austria
- Real GDP growth to be driven by solid domestic demand, as real wage growth and declining unemployment support economic activity in CEE
- Solid public finances across CEE

Business outlook 2017

- ROTE for 2017 targeted at 10%+ (based on average tangible equity in 2017)
- Assumptions for 2017: at best flat revenues (assuming 5%+ net loan growth); cost inflation of 1-2% due to digitalisation; increase in risk costs, remaining at historically low levels; positive swing in other operating result due to lower Austrian banking tax

Risk factors for guidance

- Impact from expansionary monetary central bank policies, incl negative interest rates
- Political risks, eg various elections in key EU economies
- Consumer protection initiatives