

25th Annual General Meeting Erste Group Bank AG

24 May 2018
Wiener Stadthalle

Friedrich Rödler

Chairman of the supervisory board

First item on the agenda

Report on the financial year 2017

Report on the financial year 2017 of Erste Group Bank AG (consolidated)

Andreas Treichl

CEO Erste Group

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Cautionary note regarding forward-looking statements

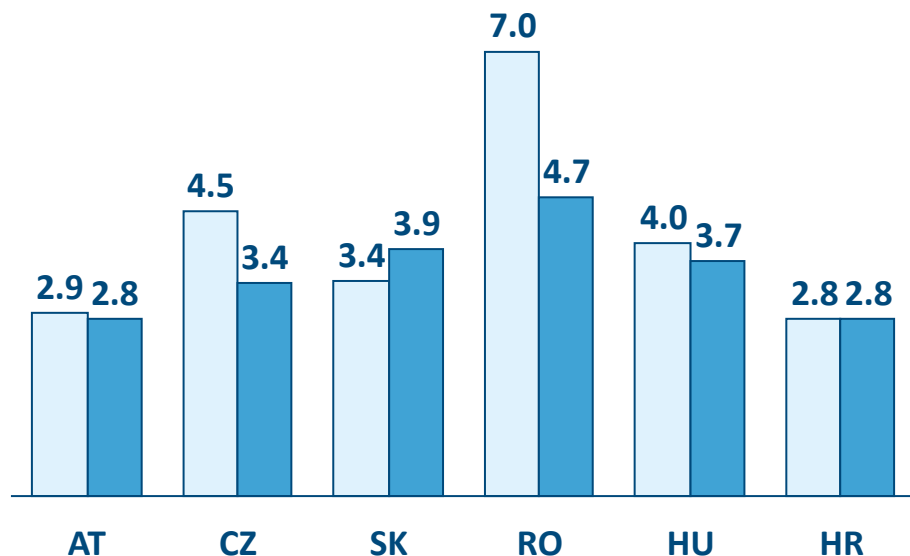
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Operating environment –

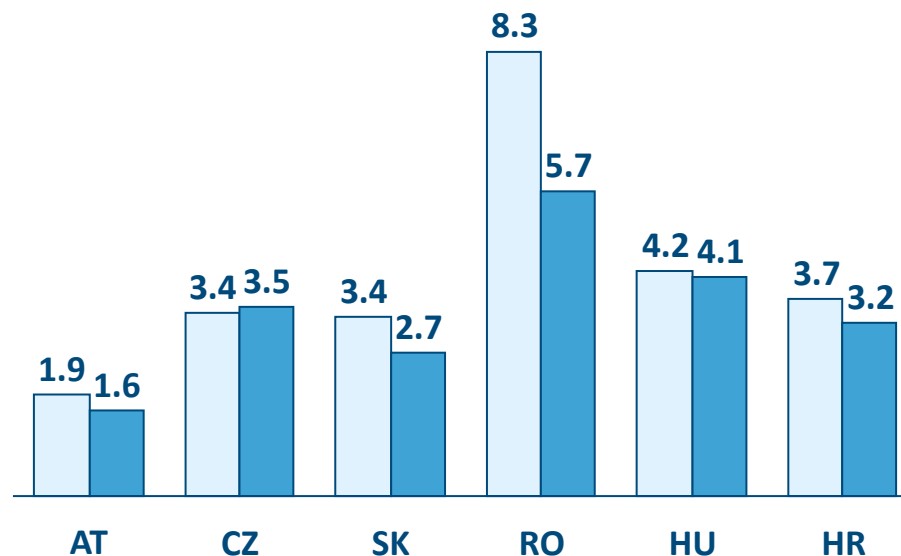
Strong economic development in Erste Group's key markets

2017
2018

Real GDP growth (in %)



Domestic demand contribution to GDP growth (in %)

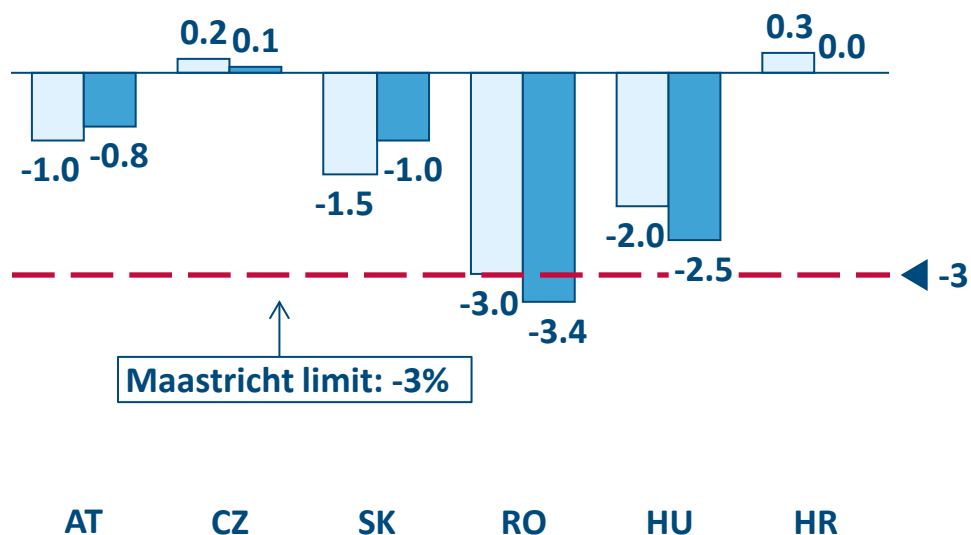


- CEE economies grew faster than the euro zone in 2017 (euro zone GDP grew by 2.4% yoy in 2017)
- Domestic demand remained significant growth driver in 2017
- Insignificant contribution of exports to GDP growth in 2017

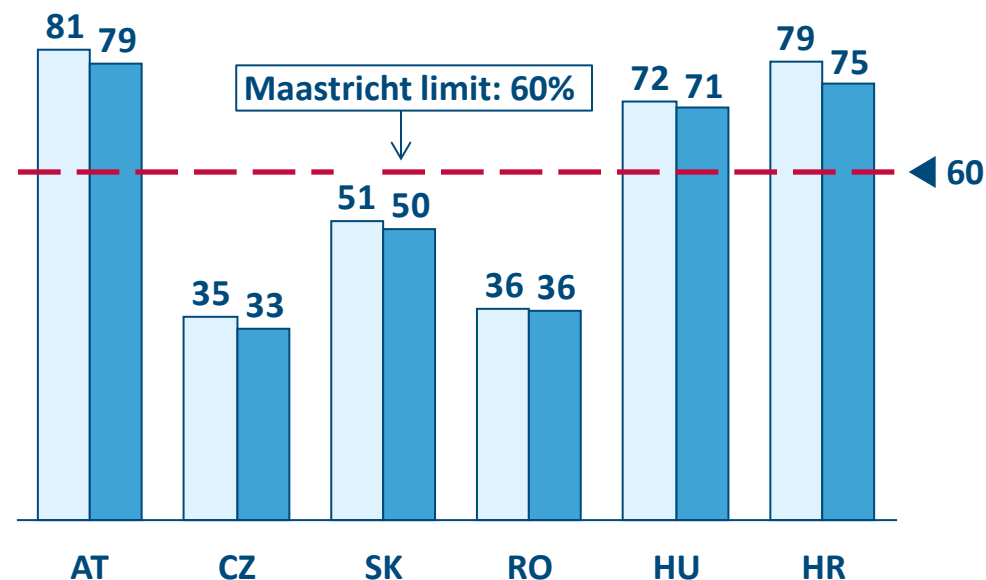
Operating environment – Solid public finances in Erste Group's markets

2017
2018

General government balance (in % of GDP)



Public debt (in % of GDP)



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

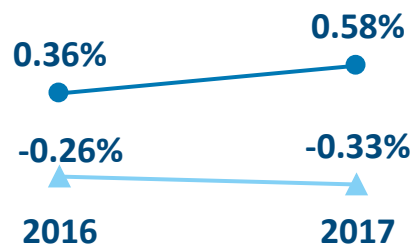
Business environment –

Low interest rates still hurt, CZ rates have started to rise

▲ 3m Interbank

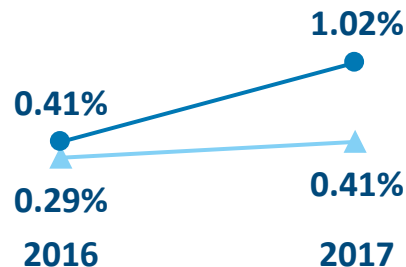
● 10-year Gov

Austria



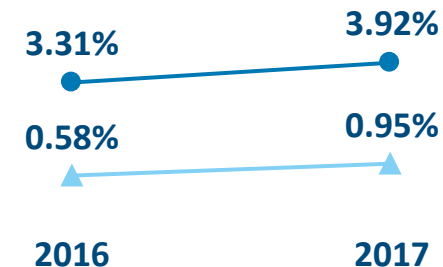
- ECB cut discount rate to 0% in March 2016; maintains expansionary monetary policy stance

Czech Republic



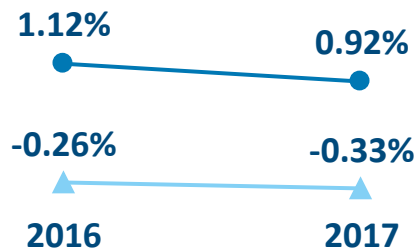
- National bank increased its benchmark rate from historic low of 0.05% to 0.75% in Aug and Nov 2017 and Feb 2018

Romania



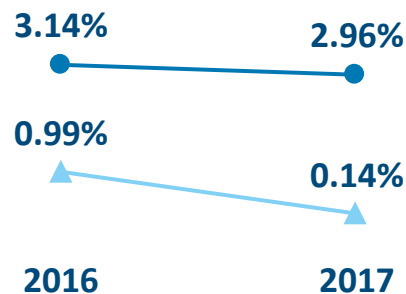
- Central bank increased policy rate from historic low of 1.75% to 2.50% in Jan, Feb and May 2018

Slovakia



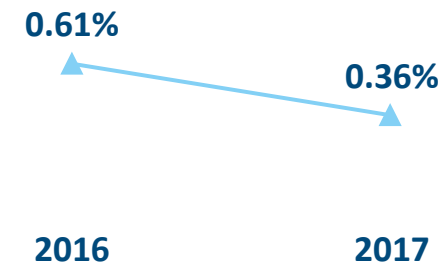
- As part of euro zone ECB rates are applicable in SK

Hungary



- Base rate was cut to historic low of 0.9% in May 2016

Croatia



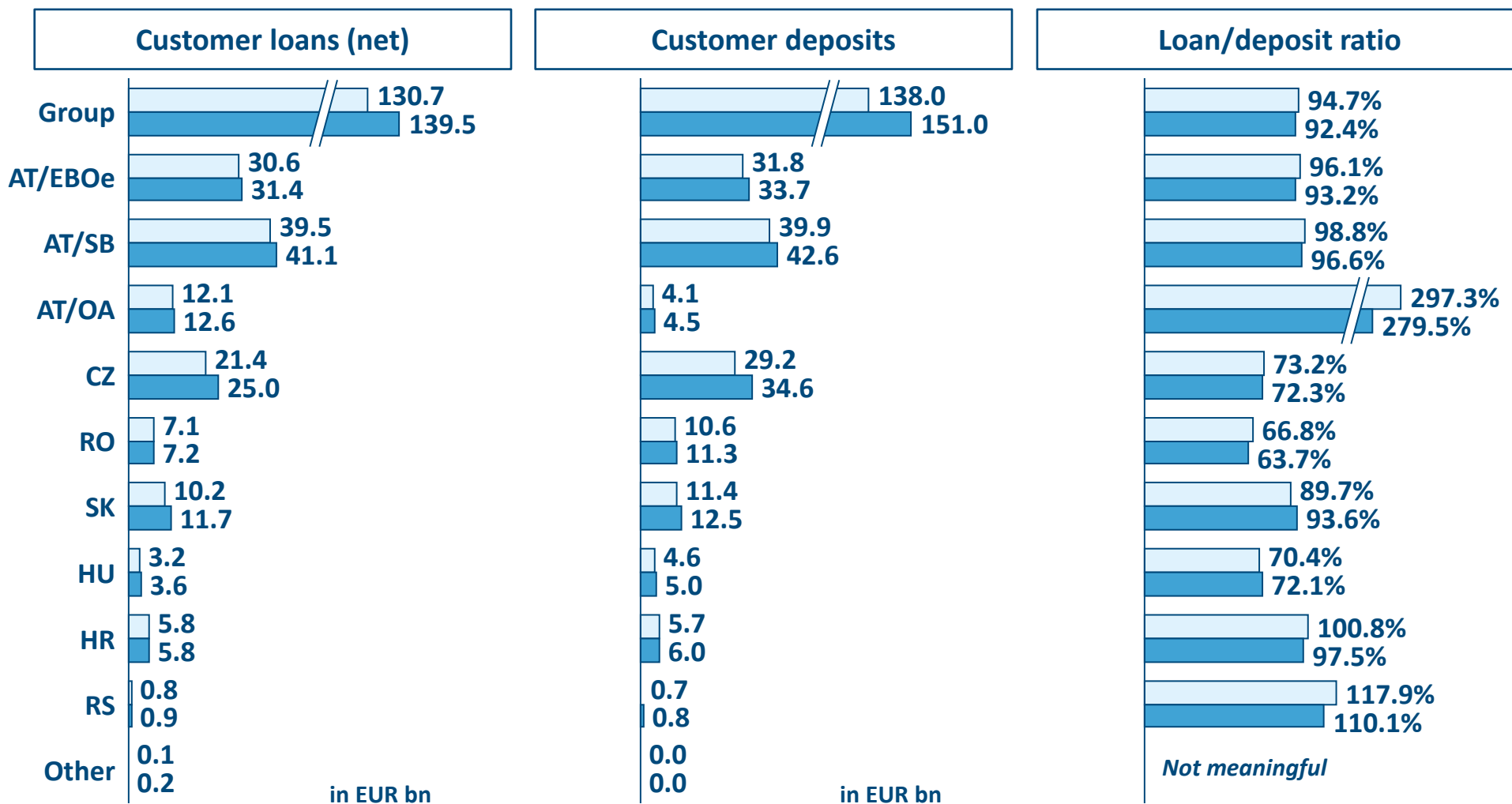
- Central bank maintains discount rate at 3.0% since 2015

Source: Bloomberg.

Business performance: customer loans and deposits –

Continued loan growth, strong deposit base, balanced business

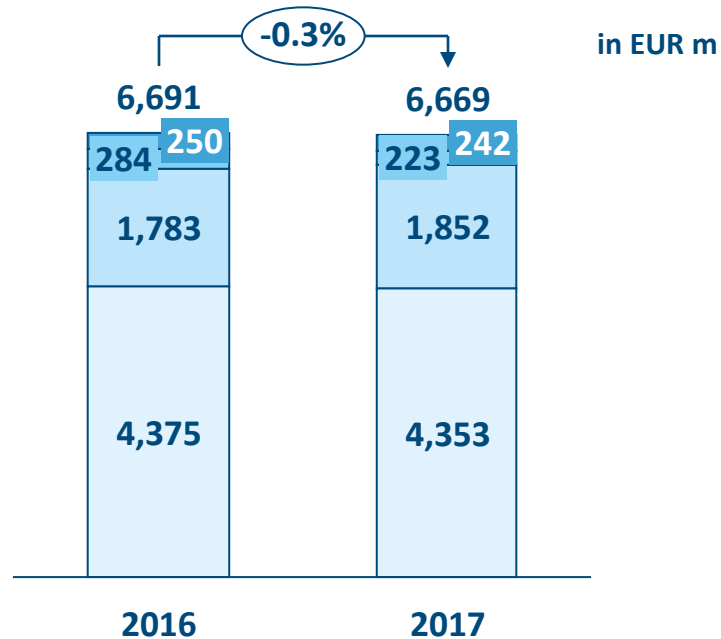
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Business performance: operating revenues and expenses –

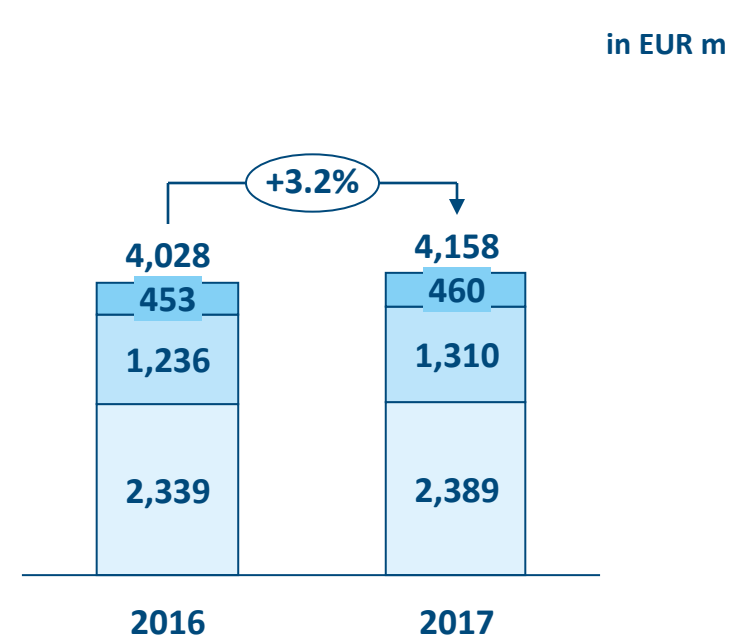
Pressure on revenues eases, increase in costs due to regulatory requirements and IT

Operating revenues



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

Operating expenses



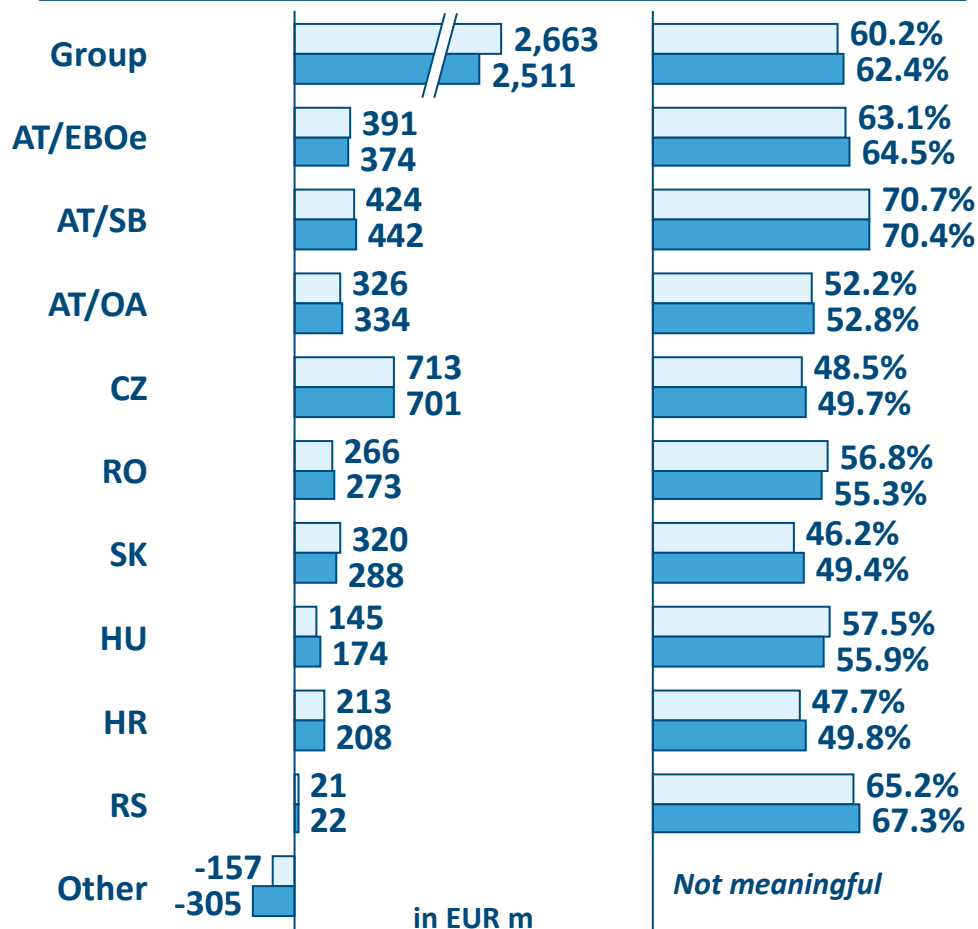
- Personnel expenses
- Other administrative expenses
- Depreciation and amortisation

Business performance: operating result and cost/income ratio –

Operating turnaround is under way, led by AT, HU and RO

2016
2017

Geographic segments



Performance summary

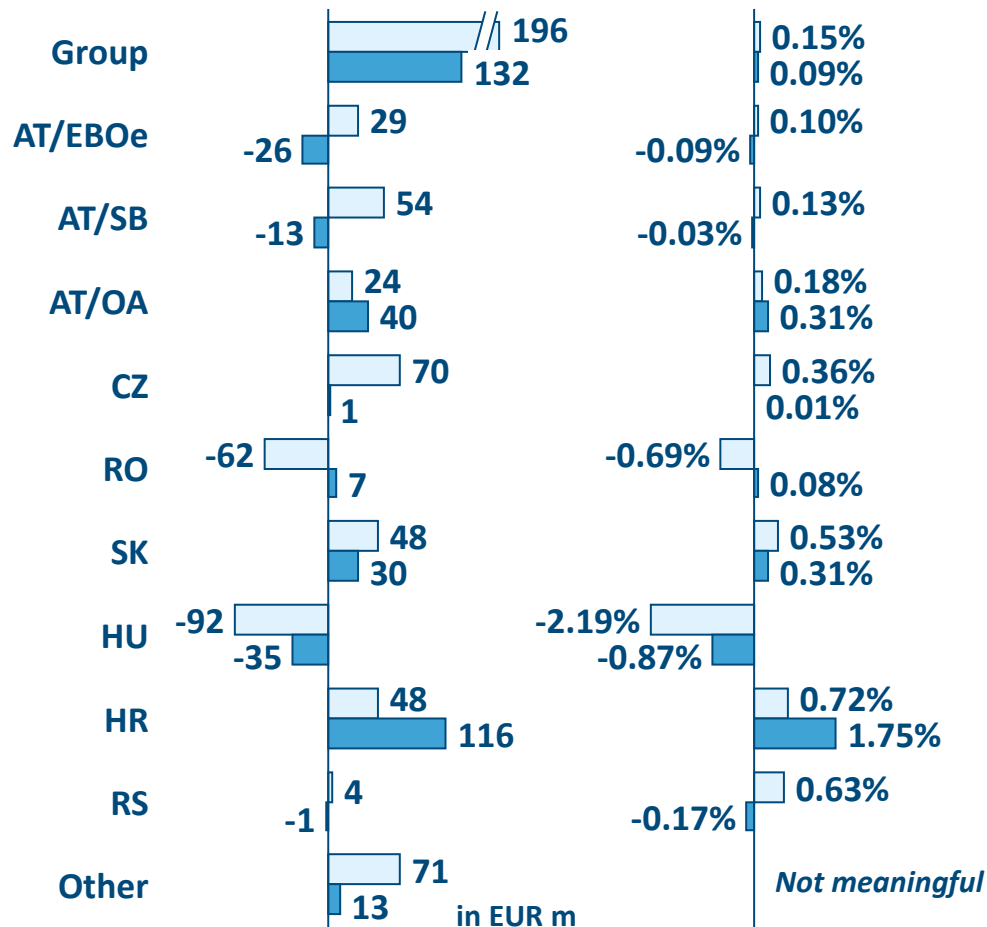
- Group operating result still down, but growing positive momentum across geographies
- Operating turnaround in:
 - Austrian savings banks driven by rising net interest and fee income
 - Other Austria supported by rising fee and trading income
 - Romania due to better cost performance
 - Hungary on the back of successful Citi integration

Business performance: risk costs –

Risk costs hit another all-time low

2016
2017

Geographic segments

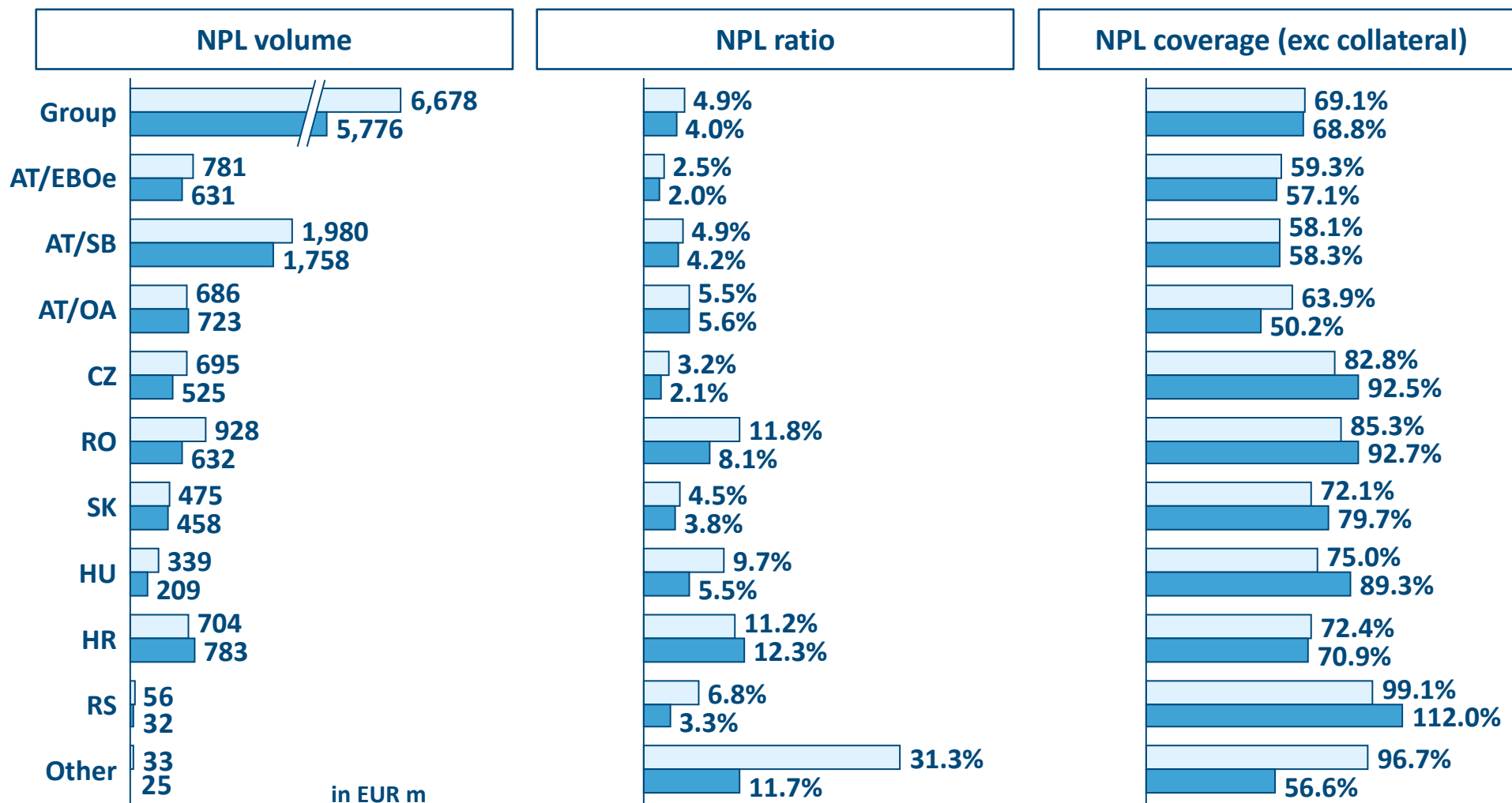


Performance summary

- Excellent credit risk environment across the board, with increases in selected segments due to single corporate cases:
 - Increase in Other Austria driven by single corporate restructuring
 - Rise in Croatia due to large scale corporate default
 - All other markets show exceptional performance

Business performance: asset quality in 2017 – Strong asset quality improvement across all segments

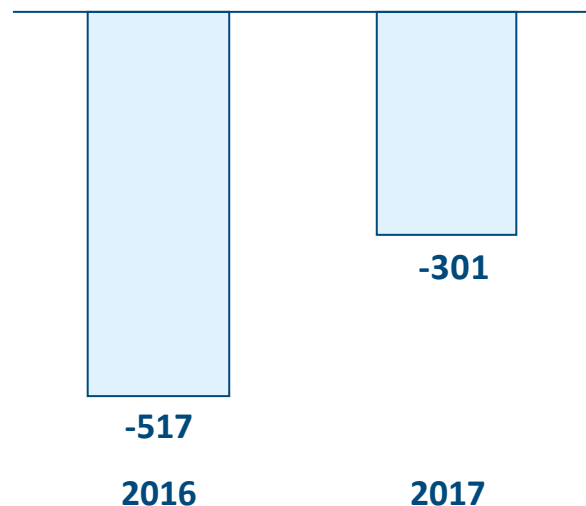
2016
2017



Business performance: other result – Other result improves as banking levies decline

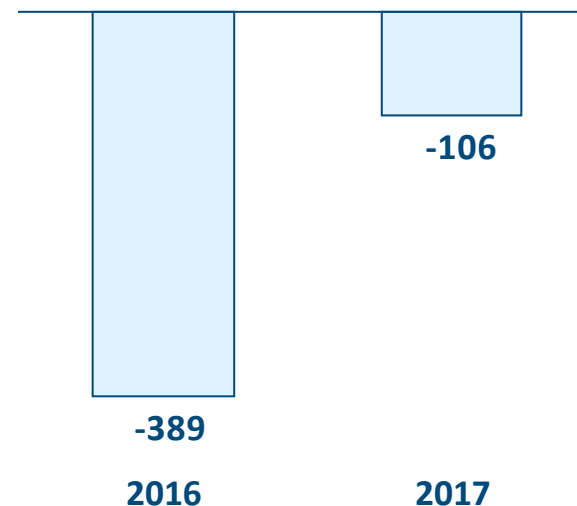
Other result *

in EUR m



Levies on banking activities

in EUR m



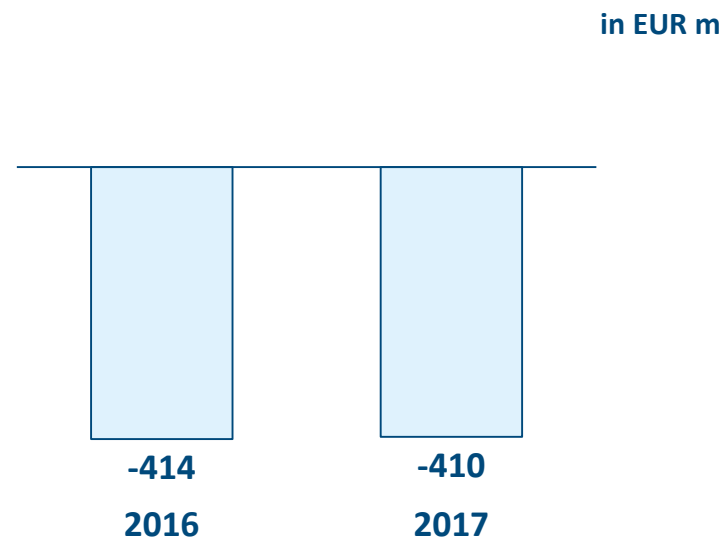
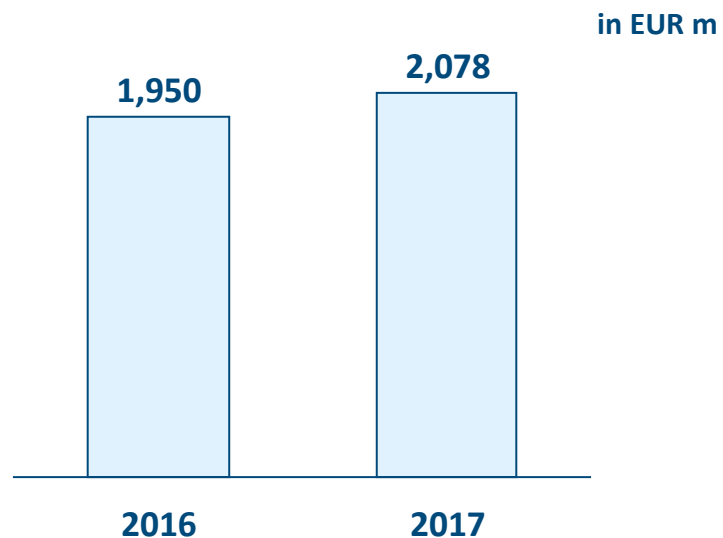
- Other result improves as banking levies decline

- Decrease in banking levies due to one-off banking tax payment in Austria in the previous year and lower recurring payments

*) 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 –

Further increase in pre-tax result



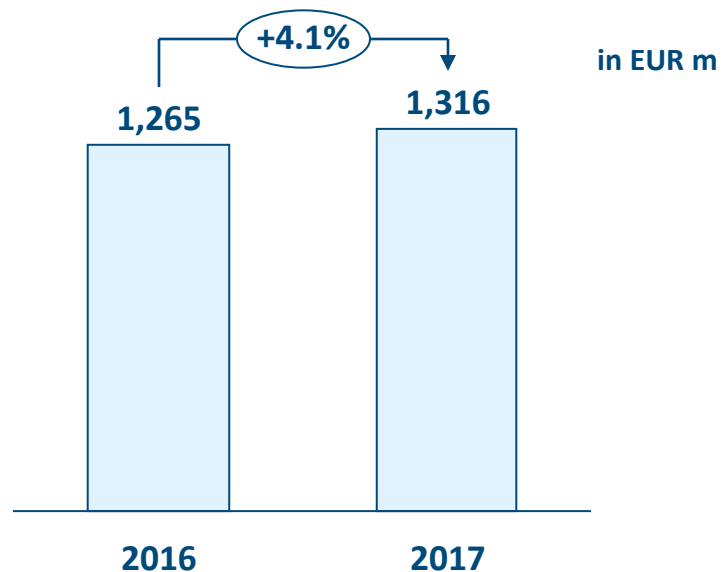
- Other result improvement and lower risk costs lead to further improvement of pre-tax result

- Tax rate is at 19.7% in 2017

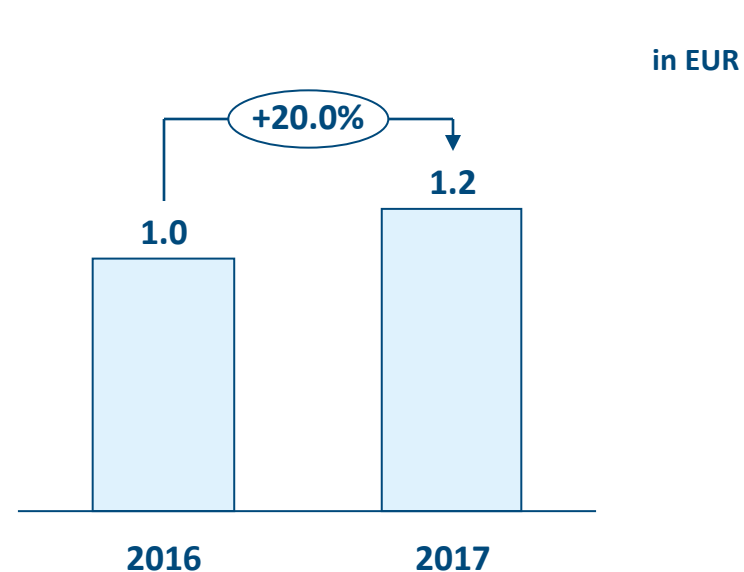
Business performance: net result and dividend –

Dividend raised to EUR 1.2 per share on the back of record net profit

Net result



Dividend



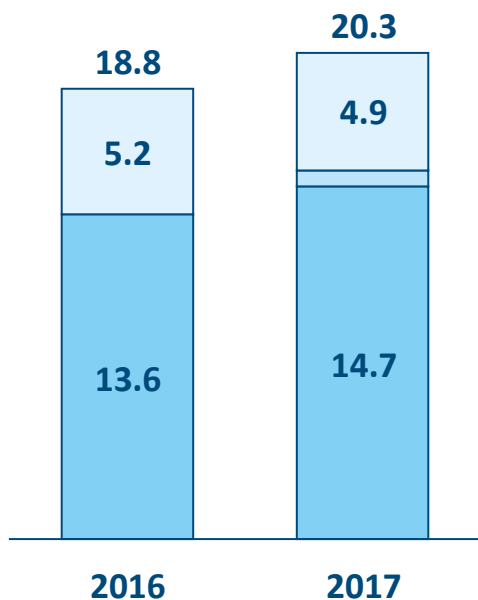
- Highest net profit in corporate history

- Payout ratio equates 39.2%

Business performance: regulatory capital position –

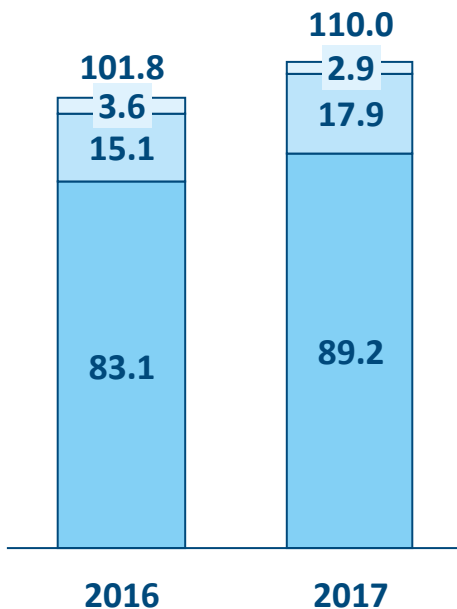
Continued strong capital position: phased-in CET1 ratio at 13.4%

Regulatory capital (EUR bn)



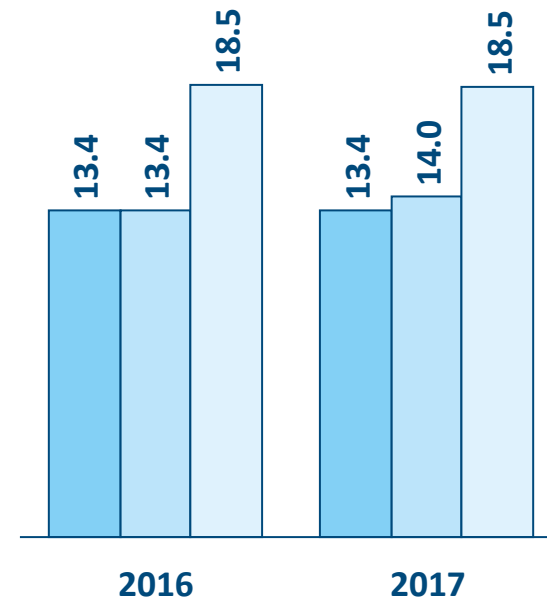
CET1 AT1 Tier 2

Risk-weighted assets (EUR bn)



Credit RWA Op risk Market risk

Capital ratios (in %)



CET1 Tier 1 Total capital

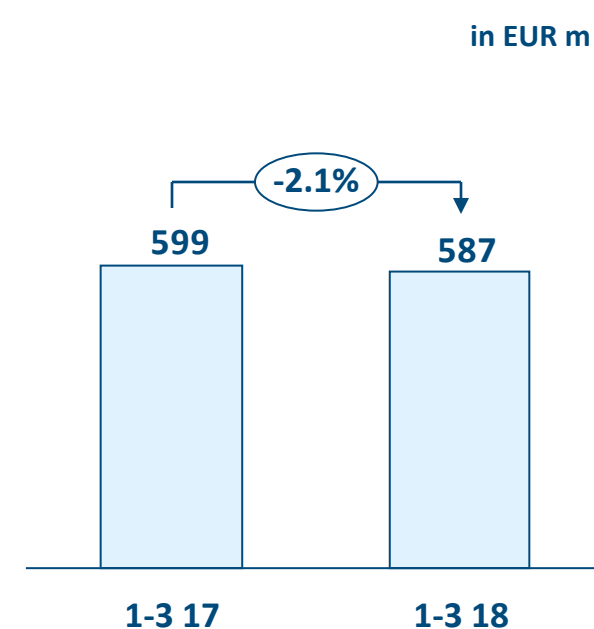
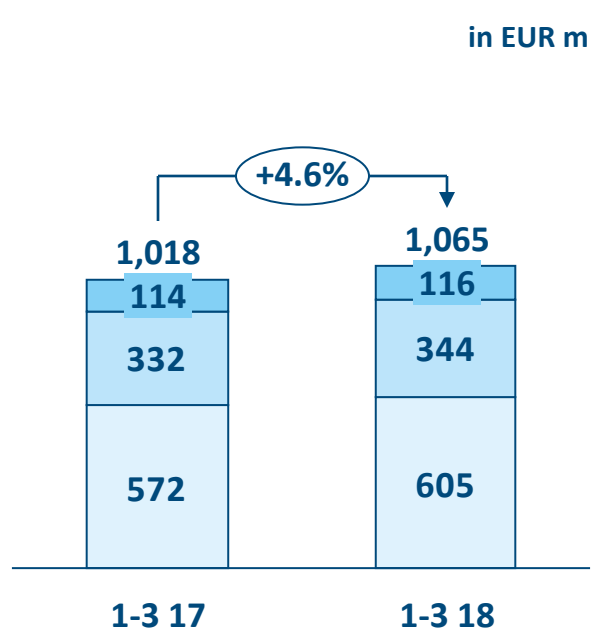
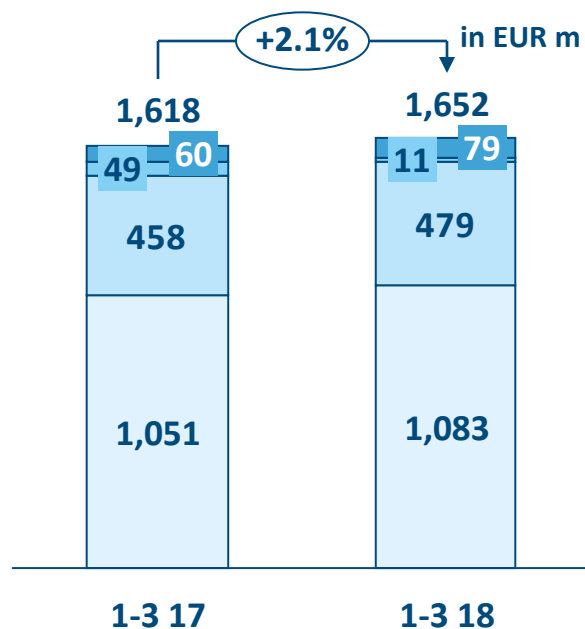
Q1 18 performance summary –

Operating result pressure eases as NII and fees grow

Operating revenues

Operating expenses

Operating result



Net interest income

Net fee and commission income

Net trading result

Other income

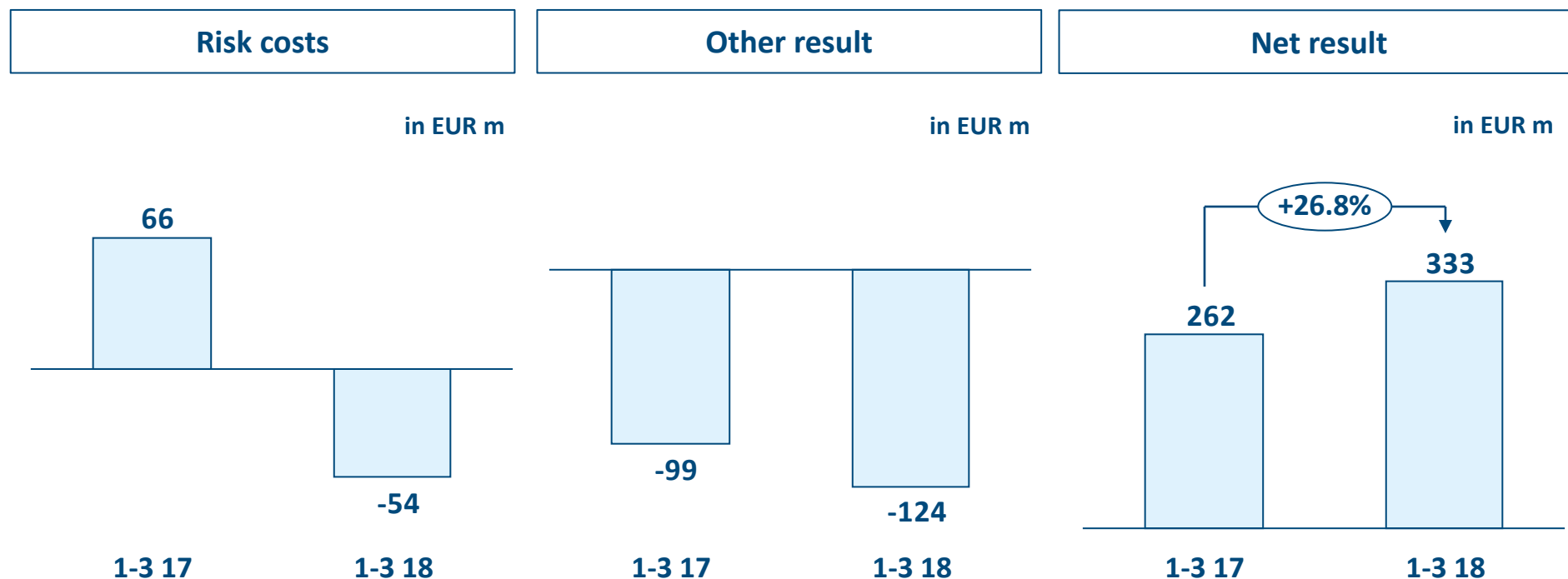
Personnel expenses

Other administrative expenses

Depreciation and amortisation

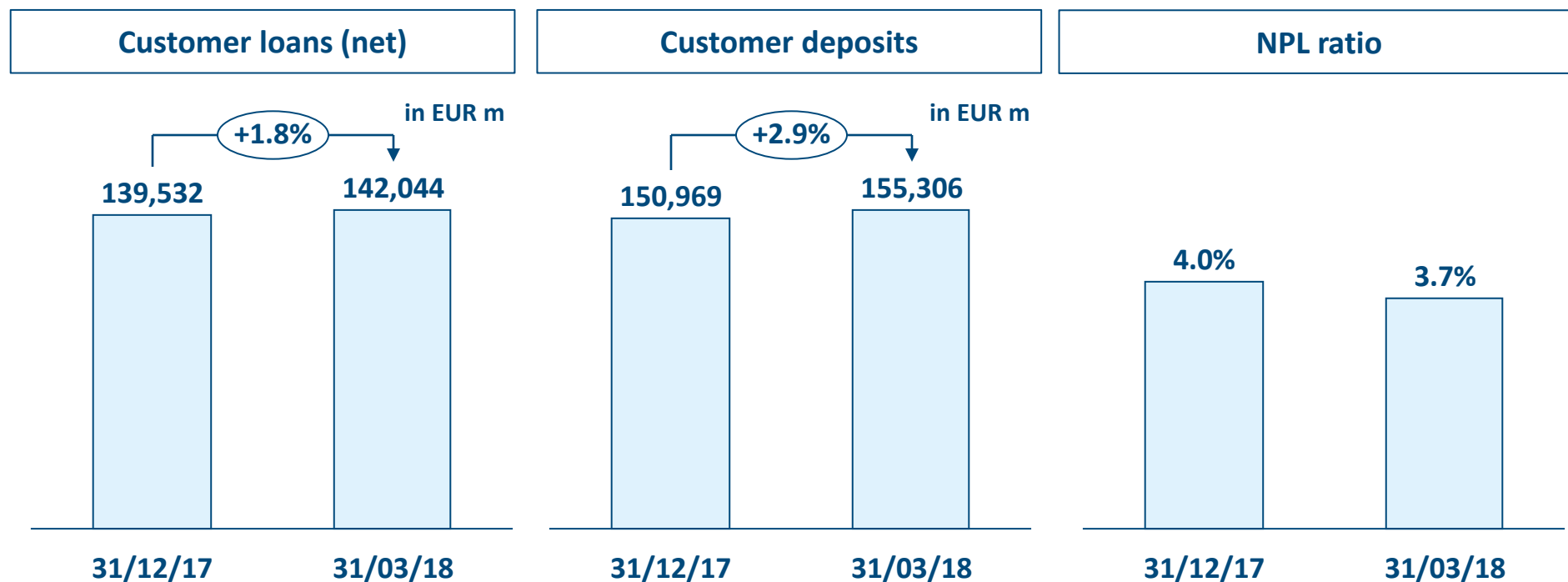
Q1 18 performance summary –

Net profit improves on net release of risk provisions in Q1 18



- Risk costs remain at historic low supported by releases
- Other result declines due to lower securities sales
- Return on tangible equity of 11.8%

Q1 18 performance summary – Volume growth & excellent asset quality



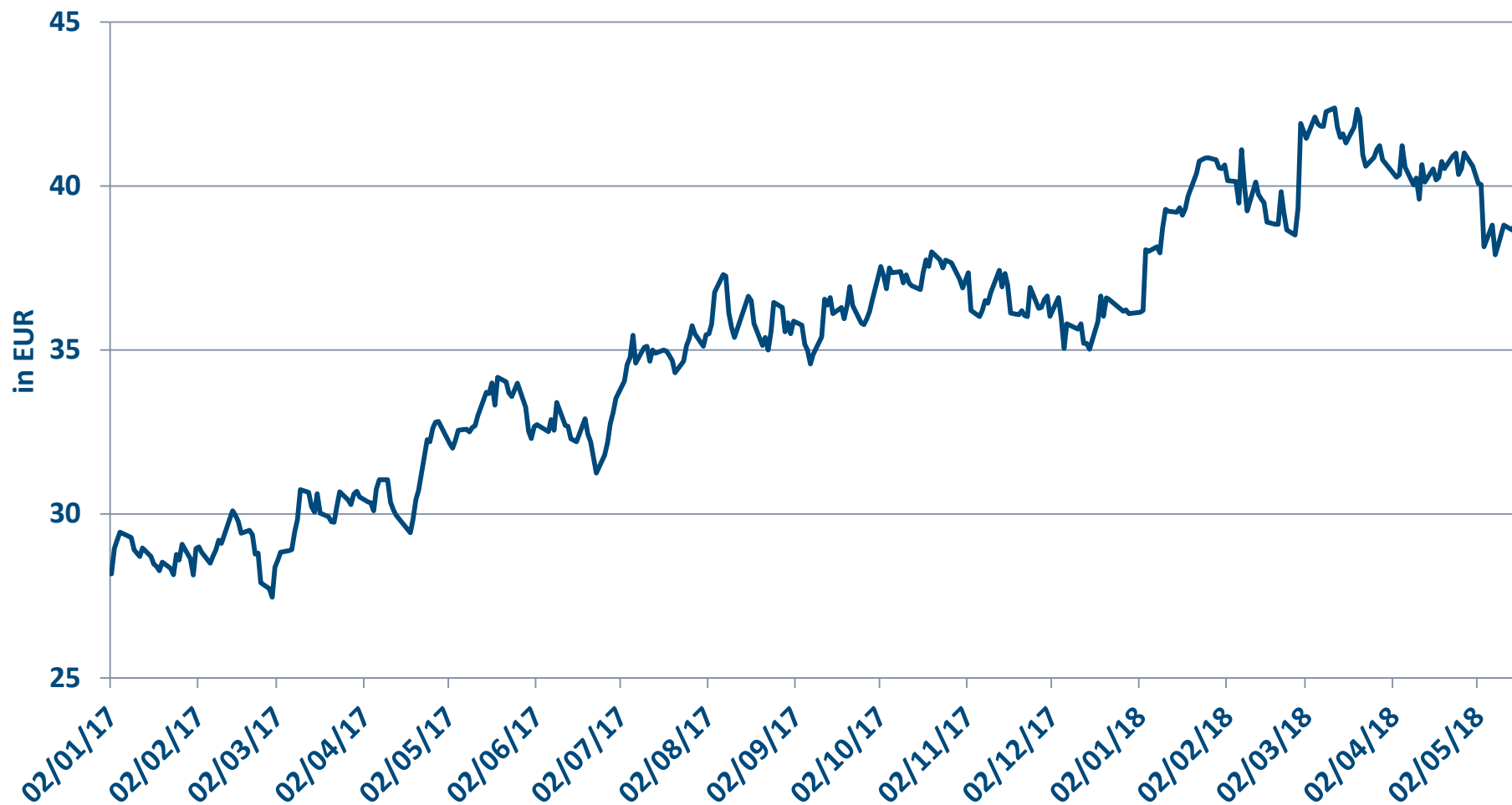
- Customer loan growth mainly driven by the Czech Republic, Slovakia and Austria

- Continued inflow of customer deposits despite low interest rate environment

- Asset quality improves further

Share price performance –

Share price 2017 up 30% and year-to-date plus 5%



Better aligning employee with shareholder interests – Increasing the number of employee shareholders in Erste Group Bank AG

- **On 1 January 2018 the “Mitarbeiterbeteiligungsstiftungsgesetz 2017” (Employee Participation Foundation Act) entered into force – that means**
 - A new form of employee participation in Austria through the incorporation of a “Mitarbeiterbeteiligungsstiftung” (employee participation foundation)
 - Transfer of shares for free or at a discounted rate of eg. Erste Group Bank AG to employees
 - Tax and social insurance exemption up to a value of EUR 4,500 per year and employee
 - Prerequisite is the fiduciary custody and administration by the employee participation foundation until the termination of the employment contract
 - Uniform execution of voting rights at the annual general meeting by the employee participation foundation
- **On this basis Erste Group Bank AG intends to launch an Employee Share Programme and to found “Erste-Mitarbeiter-Privatstiftung” (Erste Employee Foundation); this step is in preparation and planned to enter into force in June 2018**
- **Details about the Employee Share Programme 2018:**
 - The structure is similar to the ESOP (employee share ownership programme) / MSOP (management stock option plan) as approved by the AGM in 2001
 - In a first step, the employees will make their existing shares in Erste Group Bank AG available to the employee participation foundation for trustee custody and administration and will receive 1 additional share in Erste Group Bank AG for every 10 shares
- **Through further employee share programmes in the coming years, shares in Erste Group Bank AG will be donated to the employees of Erste Group Bank AG**
- **It is the aim that Erste-Mitarbeiter-Stiftung holds >1% in Erste Group Bank AG over the next 5 years**
- **The employees’ council is involved in the incorporation of Erste-Mitarbeiter-Stiftung and the implementation of the employee share programme 2018**
- **The basis for the allocation of the shares is the resolution of the AGM of Erste Group Bank AG from May 2017 to item 9 “Acquisition of own shares for no designated purpose”; the corresponding repurchase programme (over 2 years, 300,000 shares; this equals 0.07% of the share capital) will be published in the near future**

Conclusion – Outlook 2018

Macro outlook 2018

- Real GDP growth of approx. 3-5% expected in 2018 in CEE and Austria
- Real GDP growth to be driven by solid domestic demand, as real wage growth and low unemployment support economic activity in CEE
- Solid public finances across CEE

Business outlook 2018

- ROTE for 2018 targeted at 10%+ (based on average tangible equity in 2018)
- Assumptions for 2018: slightly growing revenues (assuming 5%+ net loan growth and further interest rate hikes in CZ and RO); slightly falling expenses due to lower project-related costs; increase in risk costs, but remaining at historically low levels

Risk factors for guidance

- Impact from other than expected interest rate development
- Political or regulatory measures against banks
- Geopolitical risks and global economic risks

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

Reduction of the number of supervisory board members

Eighth item on the agenda

Authorisation to issue convertible bonds

Ninth item on the agenda

Authorised capital

Tenth item on the agenda

Amendments of the articles of association

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Erste Group Bank AG

Q & A

25th Annual General Meeting Erste Group Bank AG

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Thank you for your active participation!