

BoAML Annual Financials CEO Conference

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Erste Group: Being successful in Central and Eastern Europe

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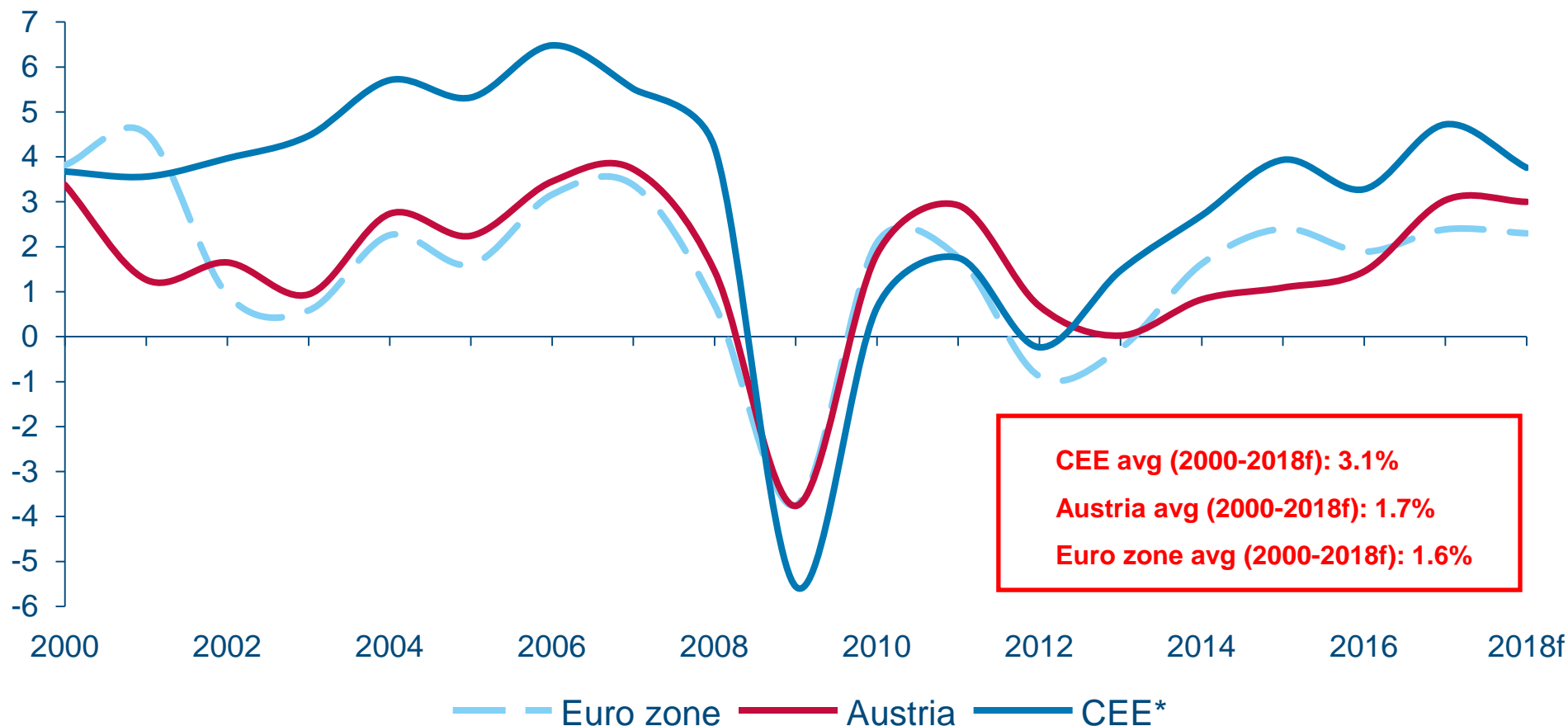
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Presentation topics

- Business environment in Central and Eastern Europe
- Erste Group business performance
- Digital banking
- Conclusion & Outlook
- Appendix

Operating in the most promising region of Europe – CEE and Austria have outgrown the Euro zone

Real GDP growth in the Euro zone, Austria and CEE (in %)

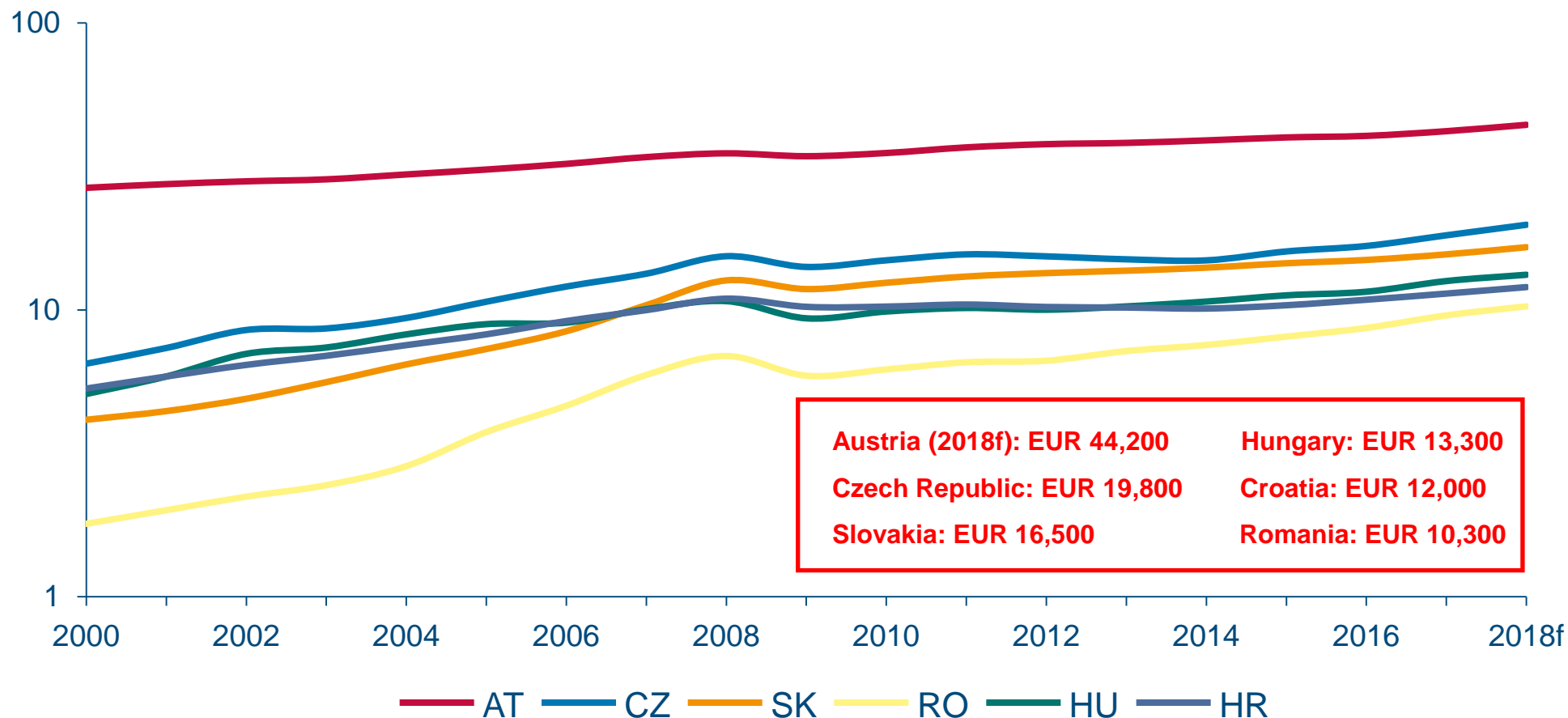


Source: Erste Group Research, Eurostat

*CEE includes Erste Group's CEE markets (CZ, SK, RO, HU, HR, RS)

Operating in the most promising region of Europe – Despite faster growth CEE still represents huge potential

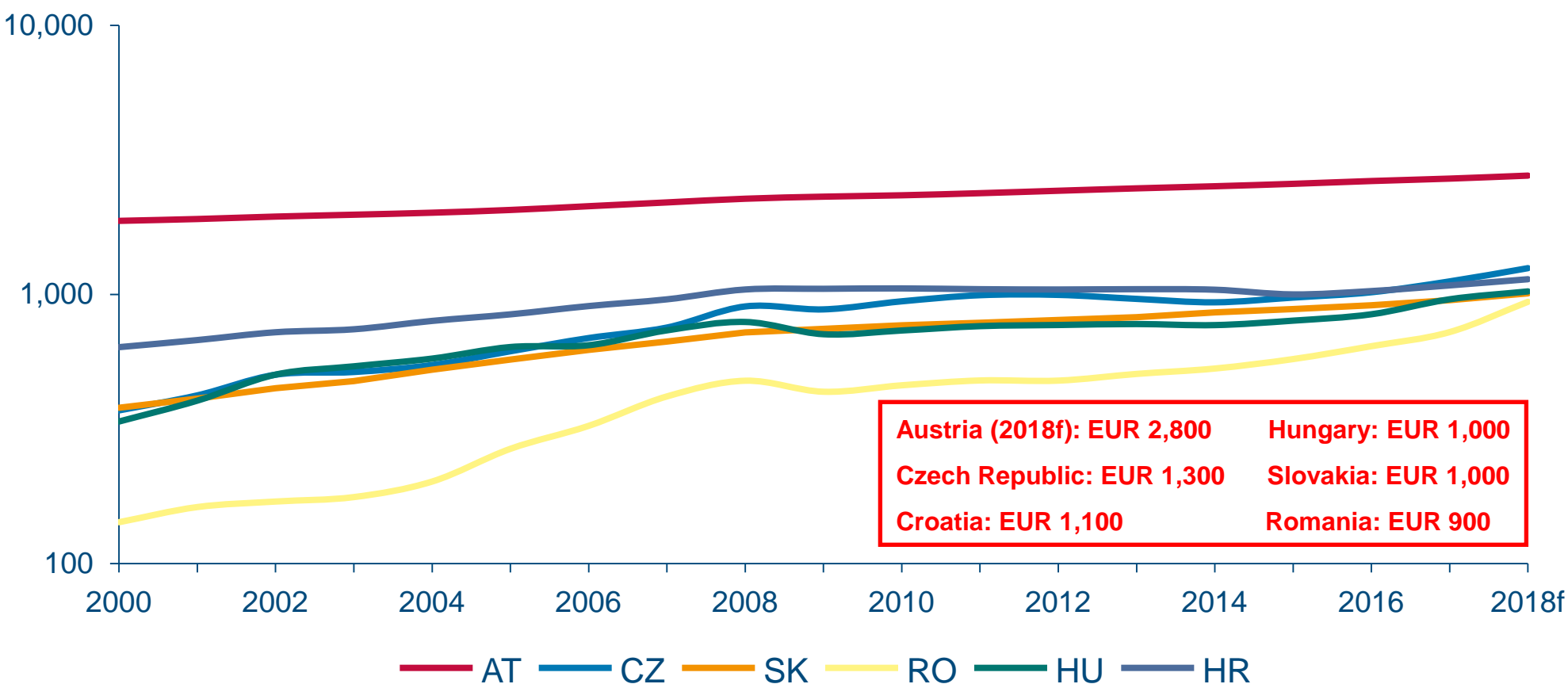
GDP per capita in Austria and CEE (in EUR th)



Source: Erste Group Research

Operating in the most promising region of Europe – Recent wage increase in CEE represents convergence of the region

Nominal wage in Austria and CEE/month (in EUR)

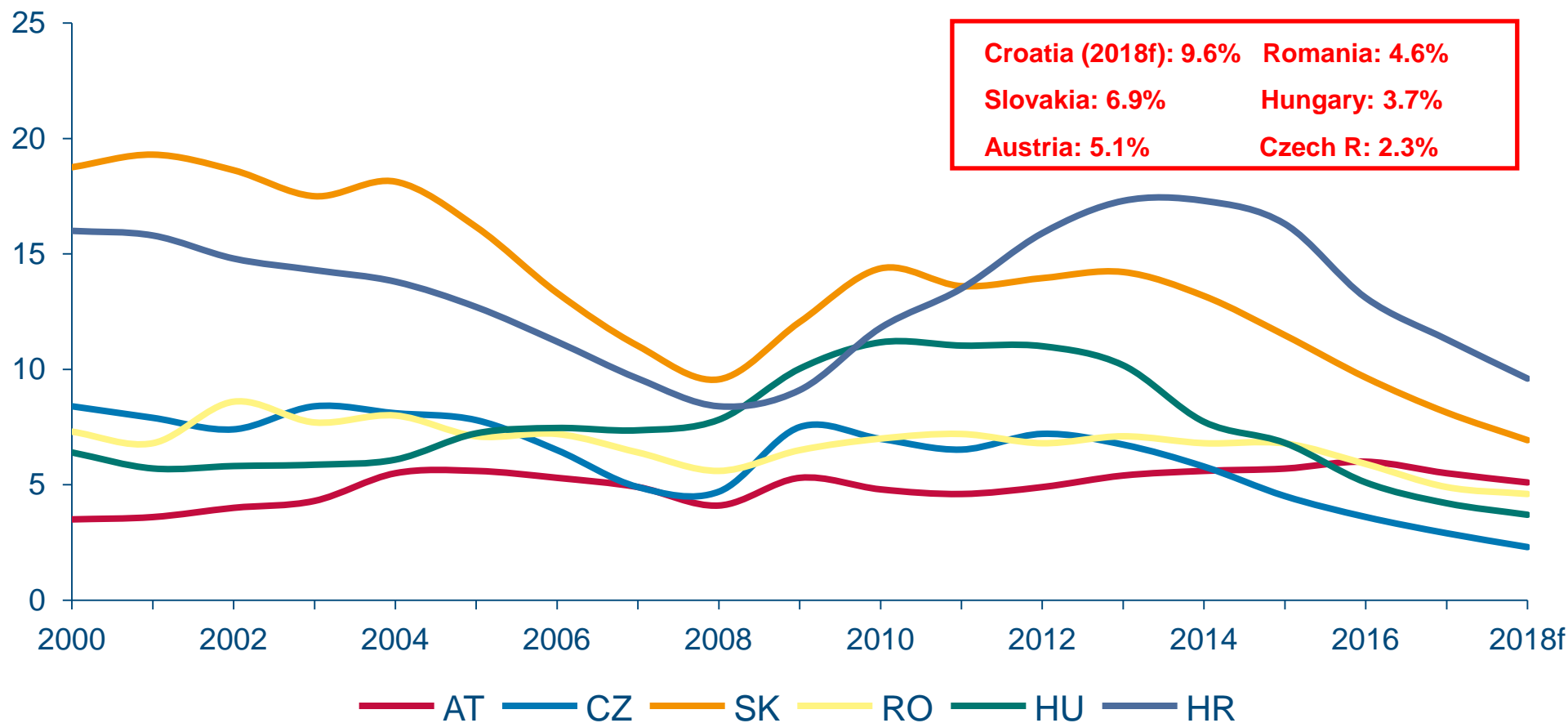


Source: Erste Group Research

Operating in the most promising region of Europe –

Some of the CEE countries have among the lowest unemployment in the EU

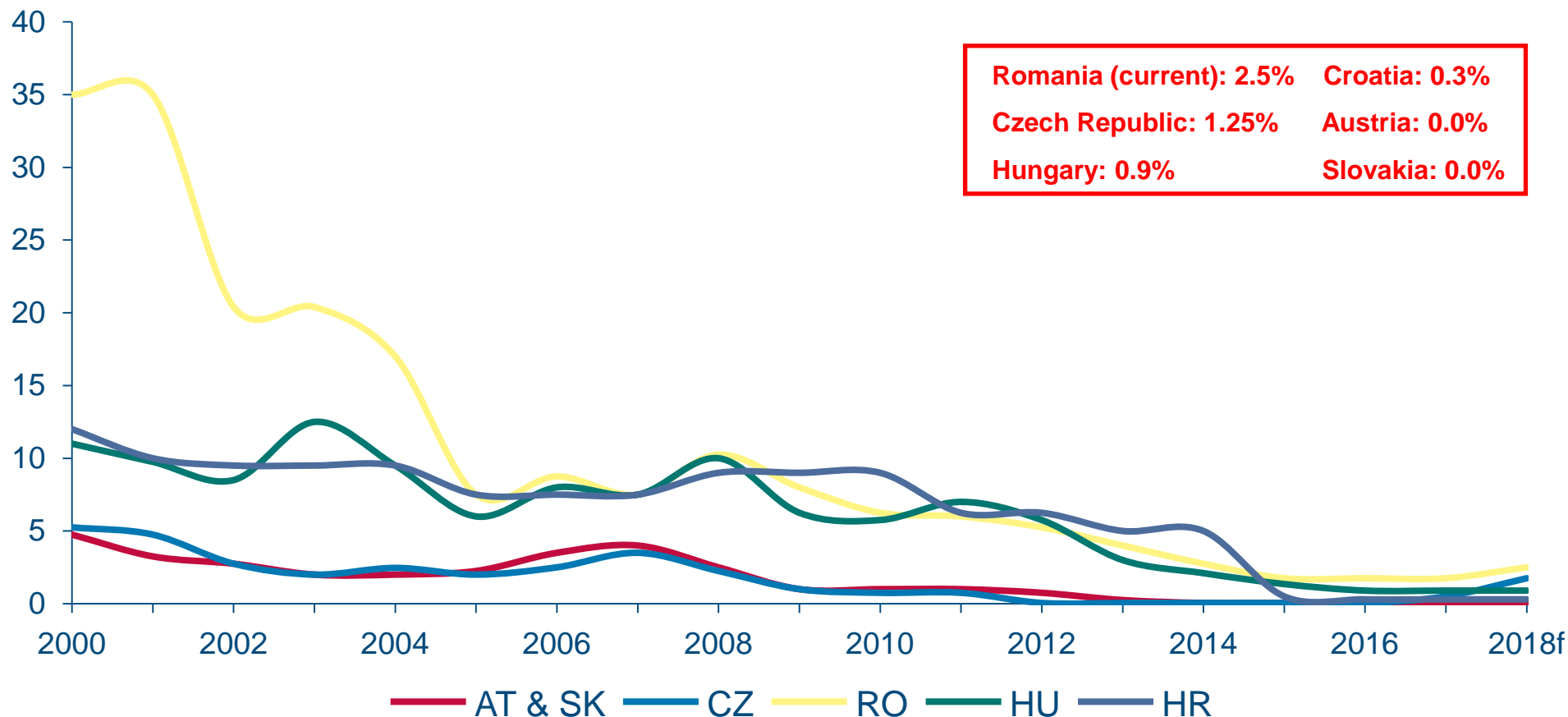
Unemployment rate in Austria and CEE (in %)



Source: Erste Group Research

Operating in the most promising region of Europe – Interest rates have moderately started to increase

Key policy rates in Austria and CEE (in %)



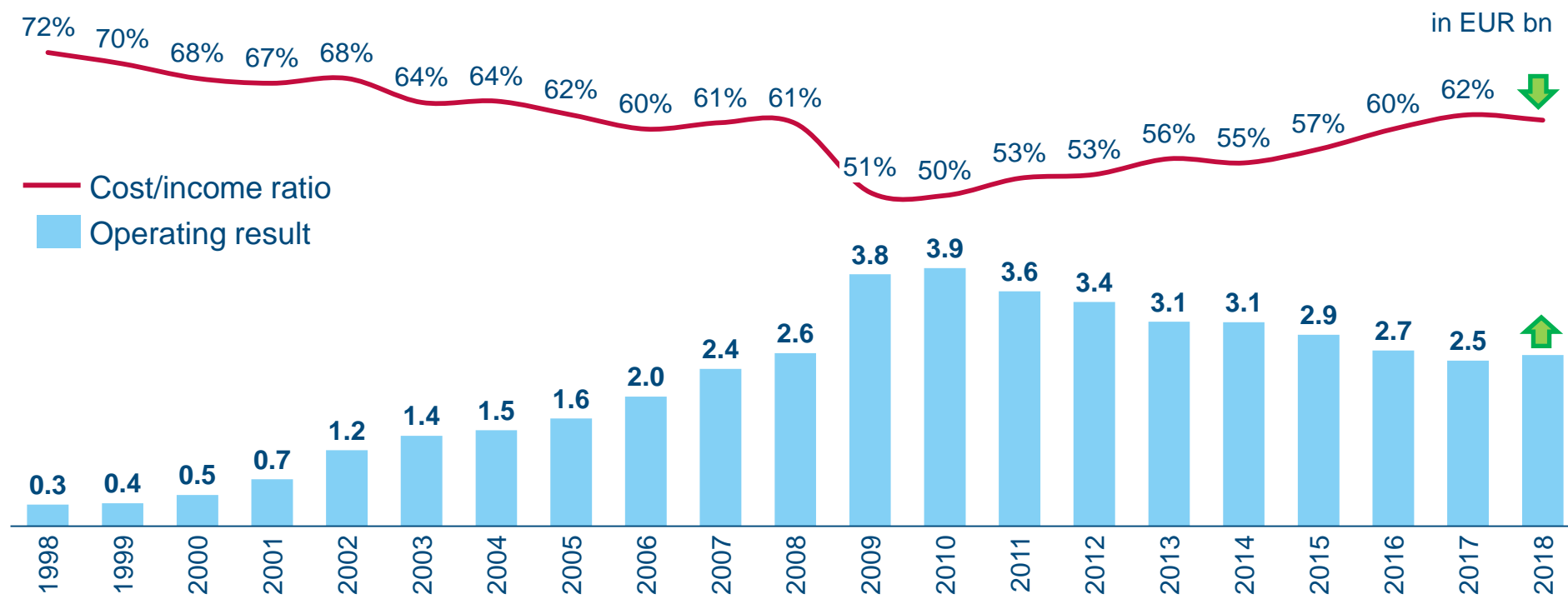
Source: National banks, Erste Group Research

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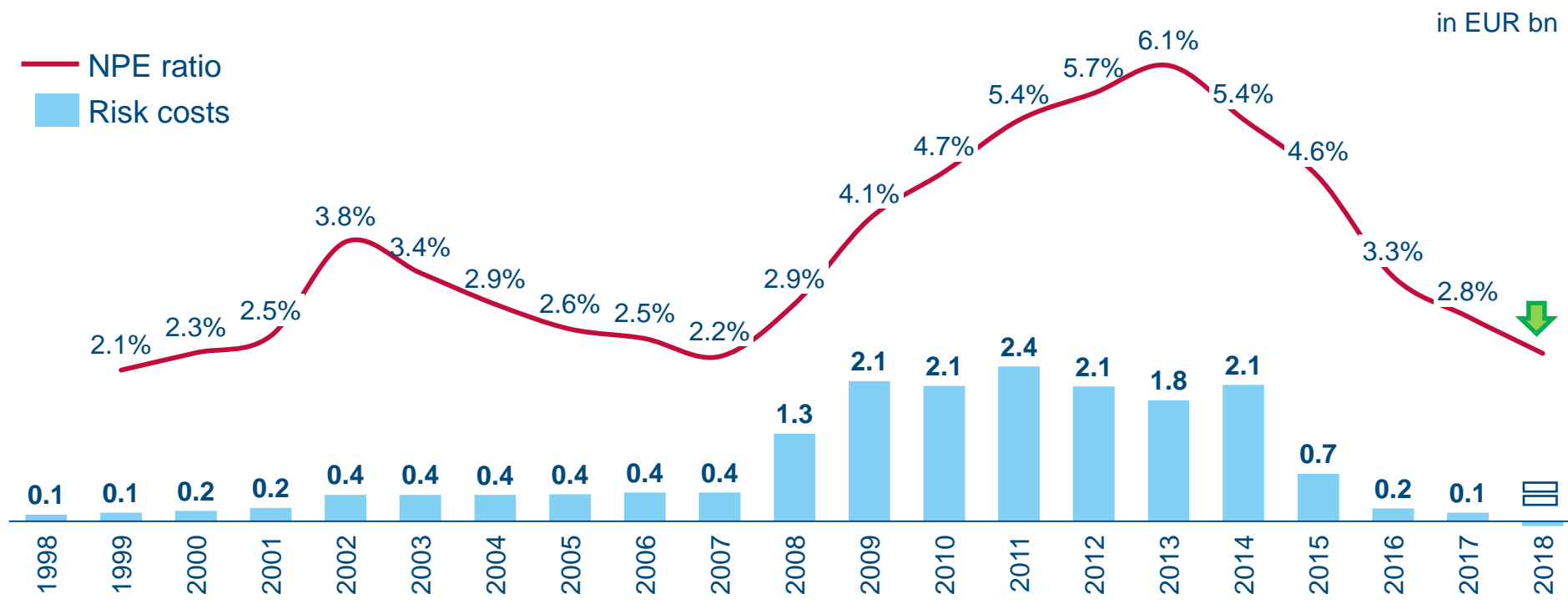
Business performance – Operating performance review and outlook

- 2018: Operating turnaround under way, as volumes grow and interest rates rise moderately
- 2011-2017: Low interest rates and slow banking market recovery bite into revenues
- 2009-2010: Financial crisis induced outliers, especially driven by exceptional trading results
- 1998-2008: High growth phase driven by acquisitions and organic growth



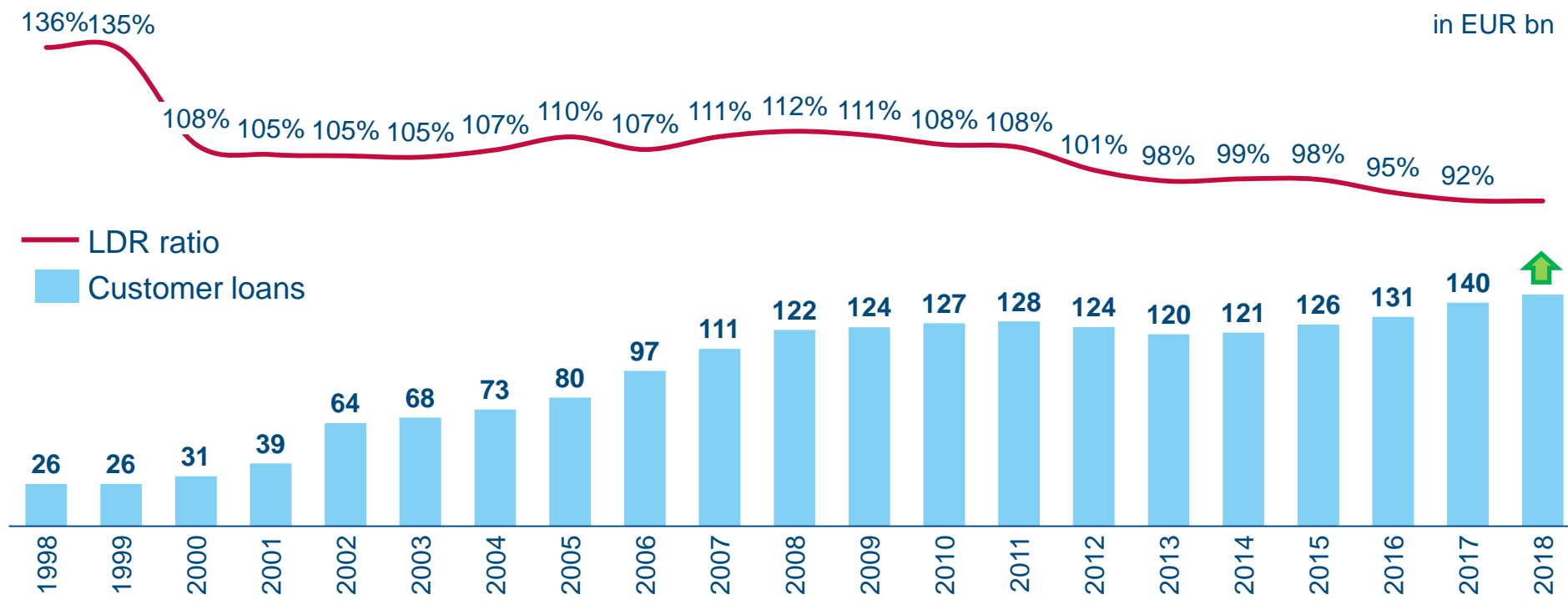
Business performance – Risk costs and asset quality

- 2015-now: Low interest rates and economic recovery drive risk costs to unprecedented lows
- 2008-2014: Financial crisis leads to economic downturn and deleveraging, resulting in spike of risk costs and asset quality
- 1998-2007: Benign risk environment on the back of economic and volume growth



Business performance – Loan growth and loan/deposit ratio

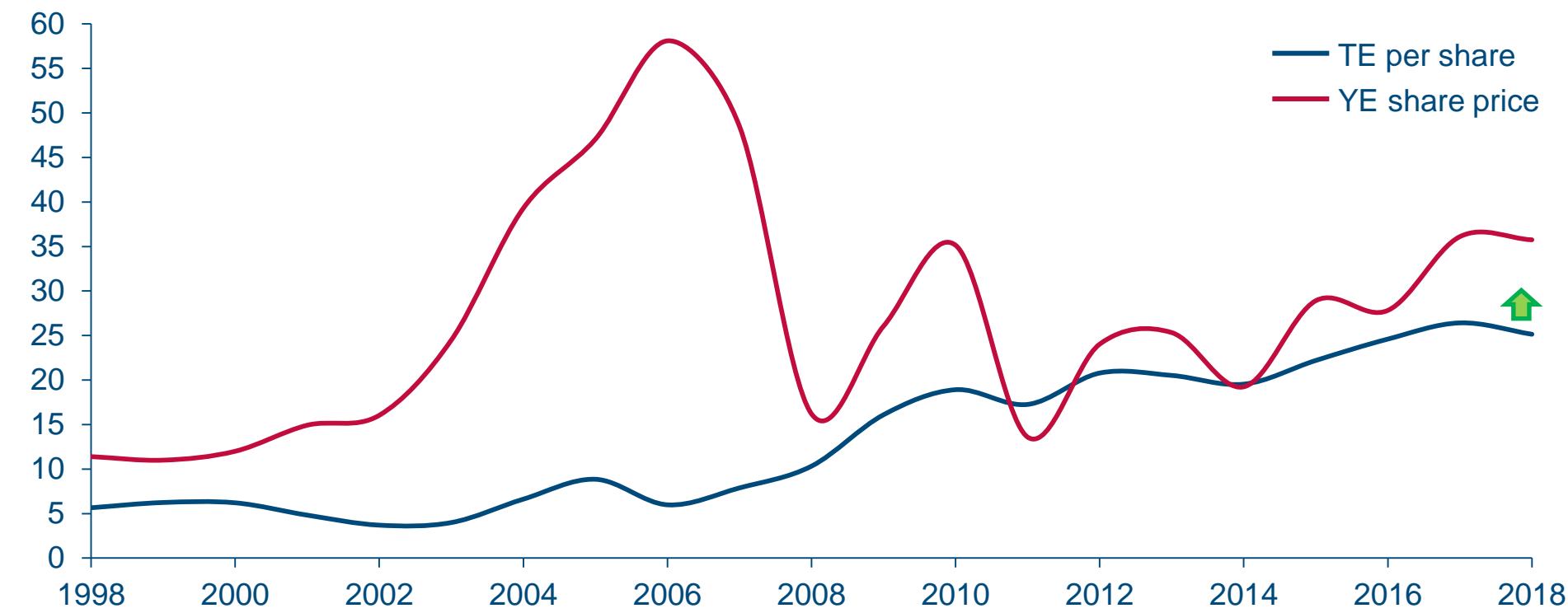
- From 2009: continued decline of LDR towards 90%, initially driven by financial crisis induced deleveraging, followed by consistently higher deposit than loan growth
- 2000-2008: Expansion into CEE initially drives down LDR before growth lifts it to 112%
- 1998-1999: Post-Girocredit merger and pre-CEE expansion, Erste was dependent on wholesale funding



Business performance –

Tangible equity per share CAGR (1998-2018) > 8%

- 2018 ytd decline in TE/share driven exclusively by IFRS 9 adoption, underlying continued growth
- 2015-2017: improved profitability drives TE/share growth
- 2008-2014: TE/share growth driven primarily by goodwill writedowns and equity issuance
- 1998-2007: Limited TE/share growth in acquisition phase, significant build-up in goodwill

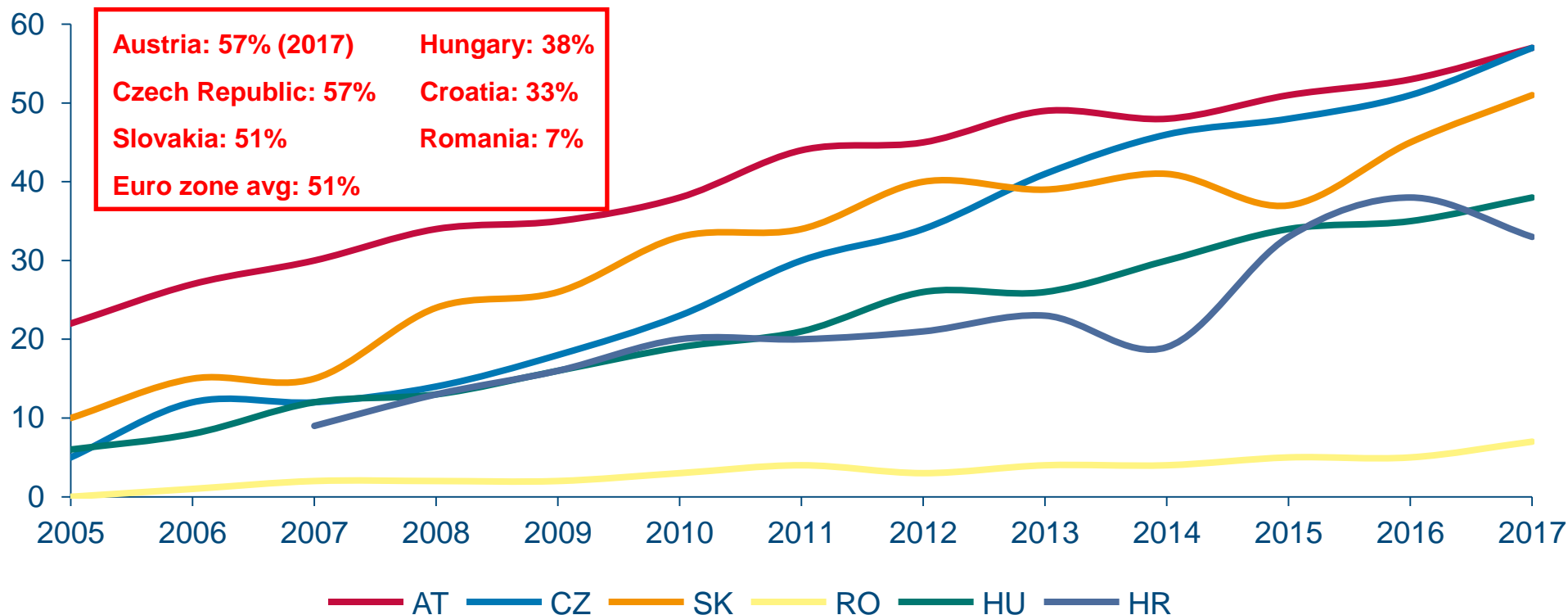


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Embracing digital banking – Changing customer behaviour

Online banking penetration (in %)

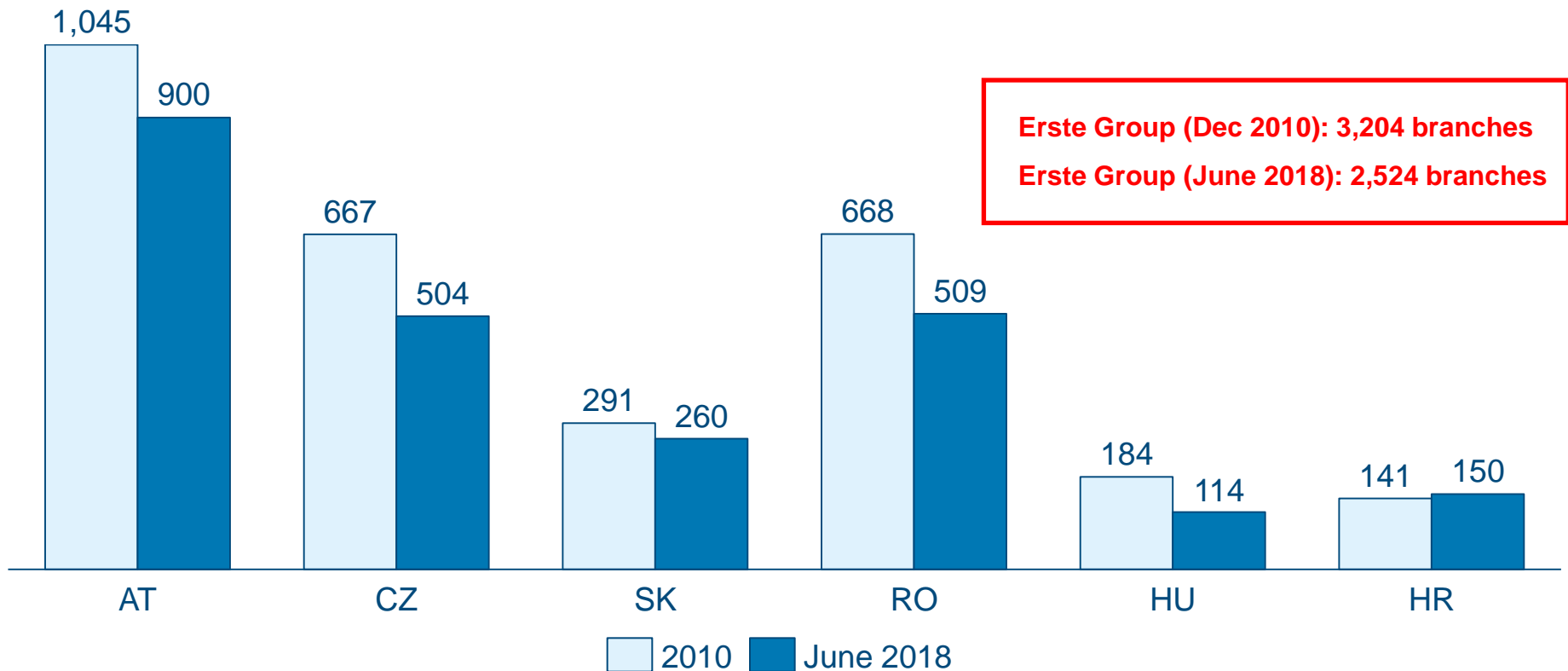


- Very high penetration in Northern European countries (90%) compared to Southern Europe (30%)
- Penetration of CEE countries is expected to significantly increase further

Source: Eurostat; Croatia not available for 2005 and 2006

Embracing digital banking – Branch has become less important to customers

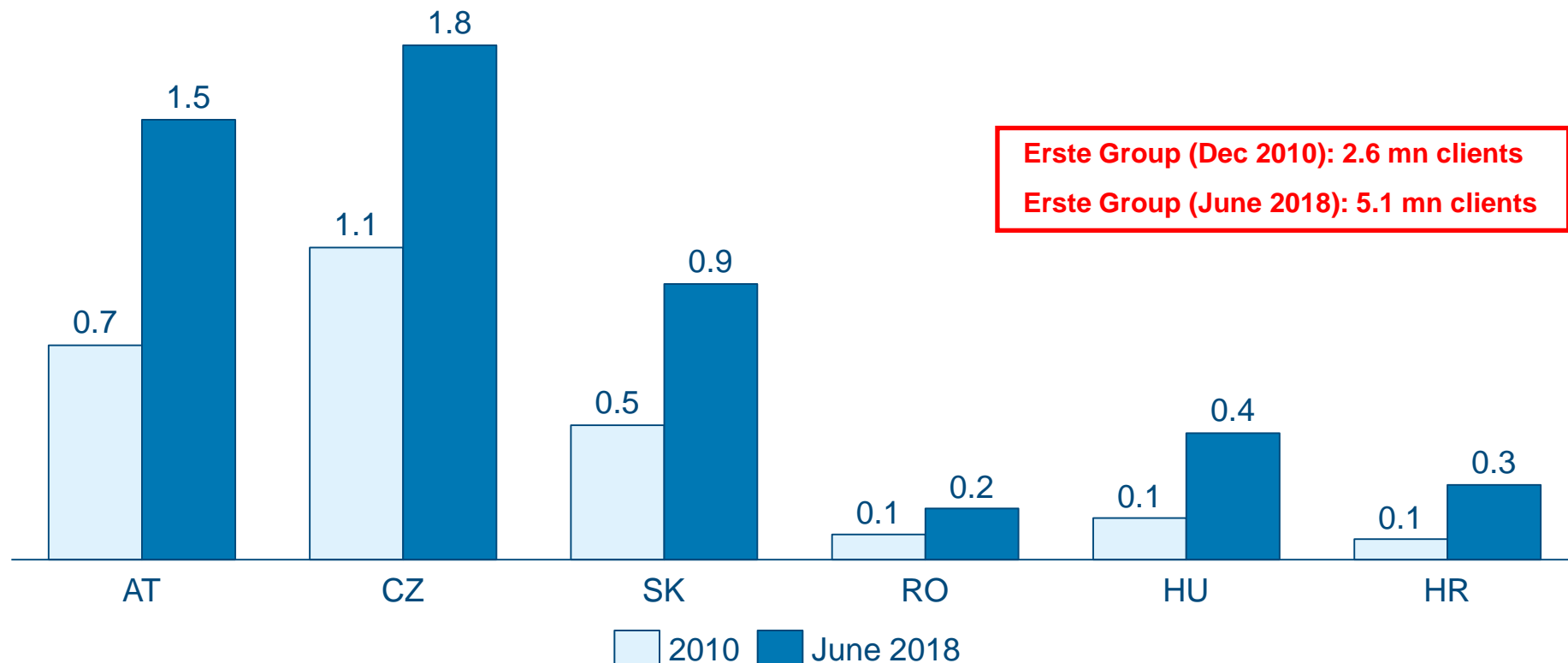
Erste Group: Number of branches



- Erste Group's branch network has been significantly reduced in the last eight years
- Further scope for branch network reduction

Embracing digital banking – Continuous increase of digital clients

Erste Group: Number of digital clients (in mn)



- Value in customer data
- Digitalisation will lead to cost reductions from smaller branch network and lower transaction costs

Embracing digital banking – George goes to CEE



- 100 years ago the first autopilot in aviation history was named George
- George was developed in Austria with an introduction in January 2015
 - Launched in Slovakia and Czech Republic in H1 2018
 - Romania to follow in the autumn of 2018; other CEE countries in 2019-2020
- Number of clients has recently reached 3 million

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Conclusion – Outlook 2018

Macro outlook 2018

- Real GDP growth of approx. 3-4% 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 interest rate hikes in CZ and RO); slightly falling expenses due to lower project-related costs; risk costs to remain at historically low levels

Risk factors for guidance

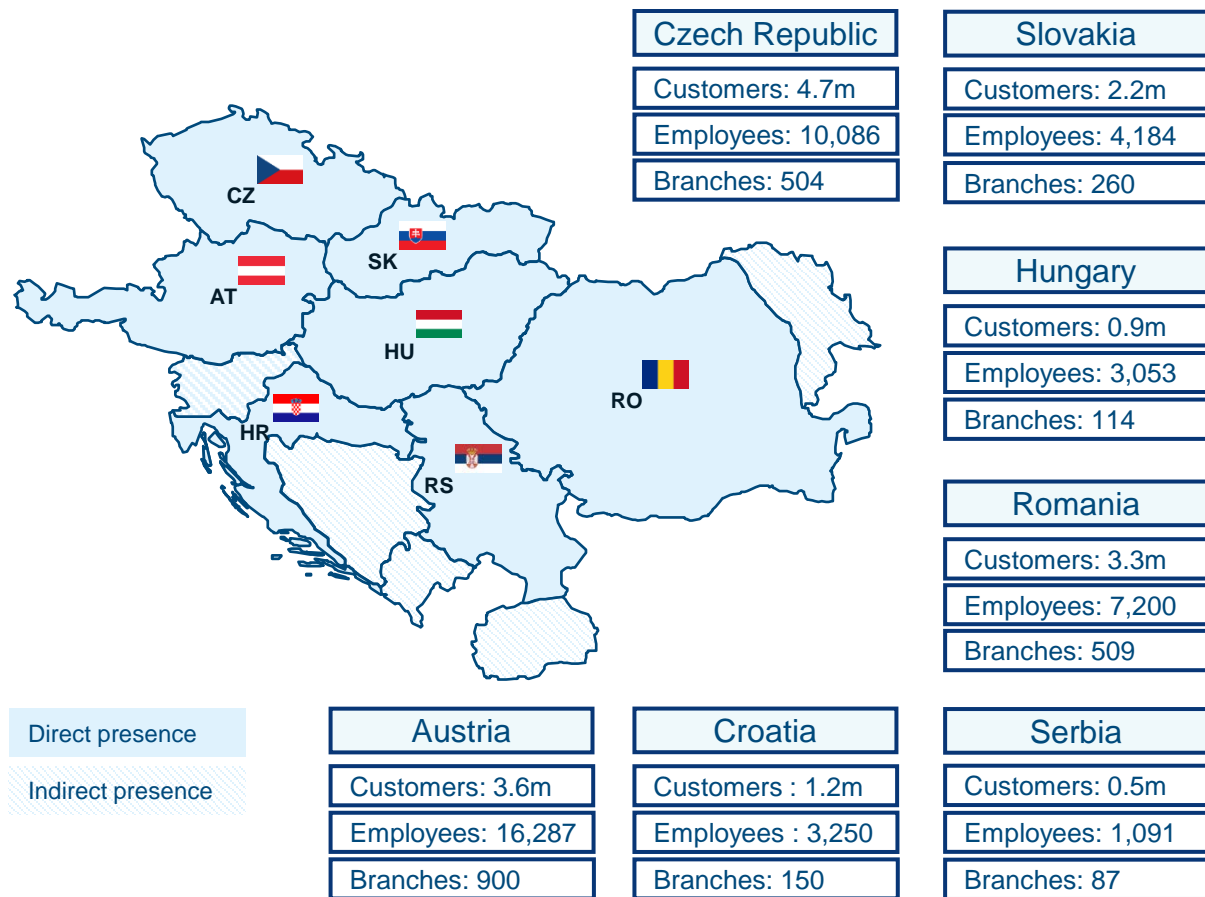
- Impact from other than expected interest rate development
- Political or regulatory measures against banks
- Geopolitical risks and global economic risks

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Additional information: footprint – Customer banking in Austria and the eastern part of the EU

Erste Group footprint



Highlights

- Leading retail and corporate bank in 7 geographically connected countries
- Favourable mix of mature & emerging markets with low penetration rates
- Potential for cross selling and organic growth in CEE

Employees: FTEs as of end of reporting period

Additional information: Ratings – Composition of Erste Group Bank AG's issuer ratings

MOODY'S

Macro Profile	
Strong	
+	
Financial Profile	
Asset Risk	baa2
Capital	baa1
Profitability	baa3
Funding Structure	a3
Liquid Resources	baa1
+	
Qualitative Factors	
Business Diversification	0
Opacity, Complexity	0
Corporate Behaviour	0
=	
BCA Baseline Credit Assessment	baa1
+	
Affiliate Support	0
=	
Adjusted BCA	baa1
+	
LGF Loss Given Failure	+ 2
Government Support	0
=	
Issuer Rating / Senior Unsecured Long-Term Outlook / Short-Term	
A2 Positive / P-1	

S&P Global Ratings

SACP - Stand-Alone Credit Profile		
a		
▲		
Anchor	bbb+	
Business Position	Strong	+1
Capital & Earnings	Adequate	0
Risk Position	Adequate	0
Funding	Above Average	+1
Liquidity	Strong	
+		
Support	0	
▲		
ALAC Support	0	
GRE Support	0	
Group Support	0	
Sovereign Support	0	
+		
Additional Factors	0	
=		
Issuer Credit Rating Long-Term Outlook / Short-Term		
A Positive / A-1		

FitchRatings

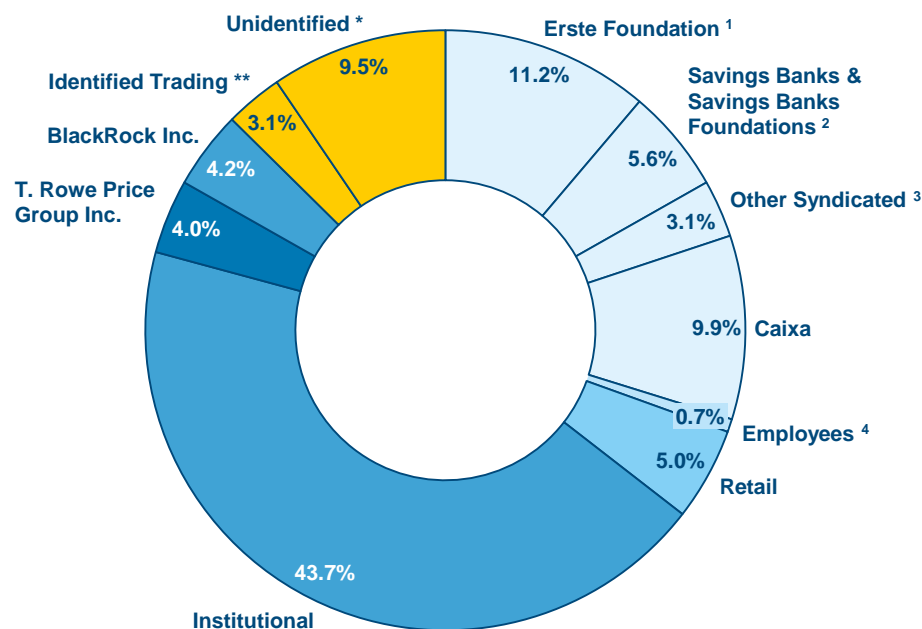
VR - Viability Rating (Individual Rating)
a-
SRF - Support Rating Floor
NF (No Floor)
IDR - Issuer Default Rating Long-Term Outlook / Short-Term
A- Stable / F1

Status as of 30 April 2018

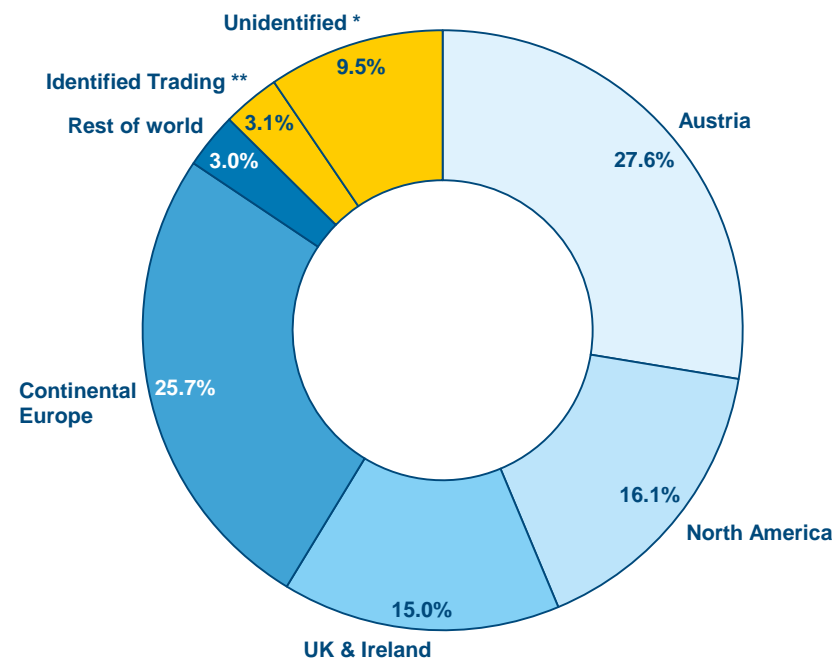
Additional information: shareholder structure –

Total number of shares: 429,800,000

By investor



By region



¹ Economic interest Erste Foundation

² Economic interest Savings Banks & Savings Banks Foundations

³ Other parties to the shareholder agreement of Erste Foundation, Savings Banks and CaixaBank

⁴ Including Erste Employees Private Foundation

* Unidentified institutional and retail investors

** Including Market Makers, Prime Brokerage, Proprietary Trading, Collateral and Stock Lending positions which are visible through custodian banklists

Status as of 21 August 2018