

26th Annual General Meeting Erste Group Bank AG

15 May 2019
Wiener Stadthalle

Friedrich Rödler
Chairman of the supervisory board

First item on the agenda

Report on the financial year 2018

Report on the financial year 2018 of Erste Group Bank AG (consolidated)

Andreas Treichl
CEO Erste Group

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Cautionary note regarding forward-looking statements

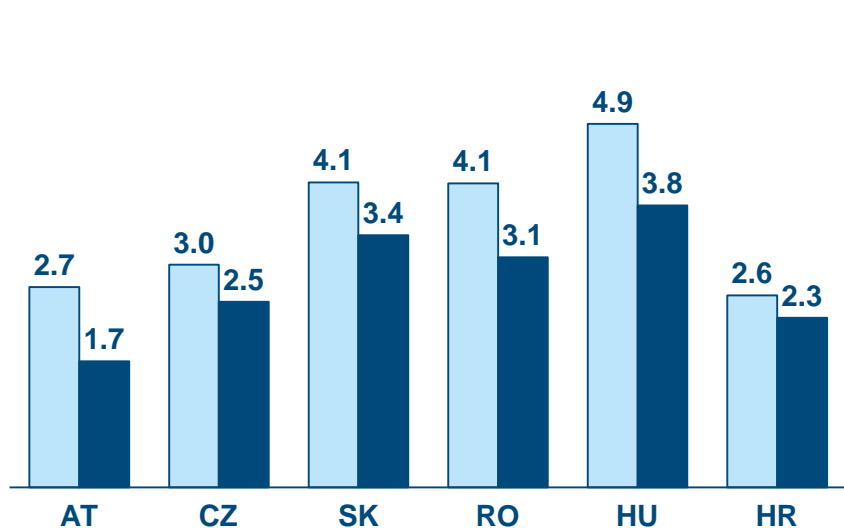
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Operating environment –

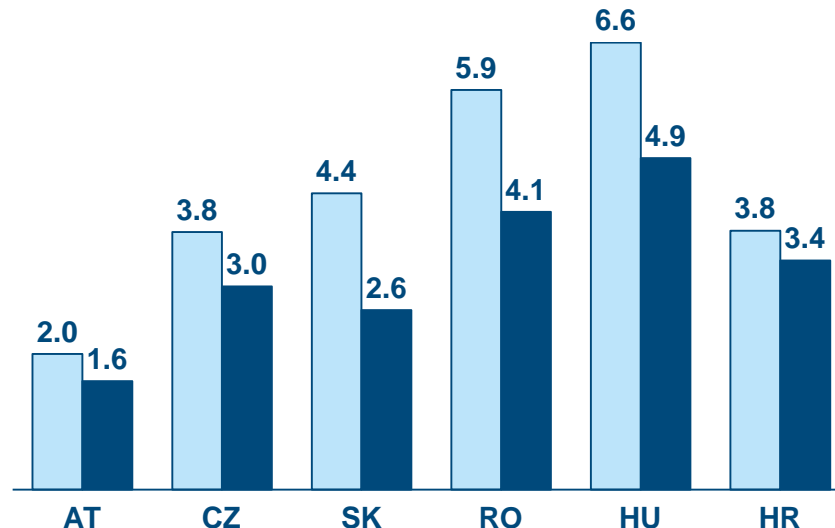
Strong economic development in Erste Group's key markets

2018
2019

Real GDP growth (in %)



Domestic demand contribution to GDP growth (in %)

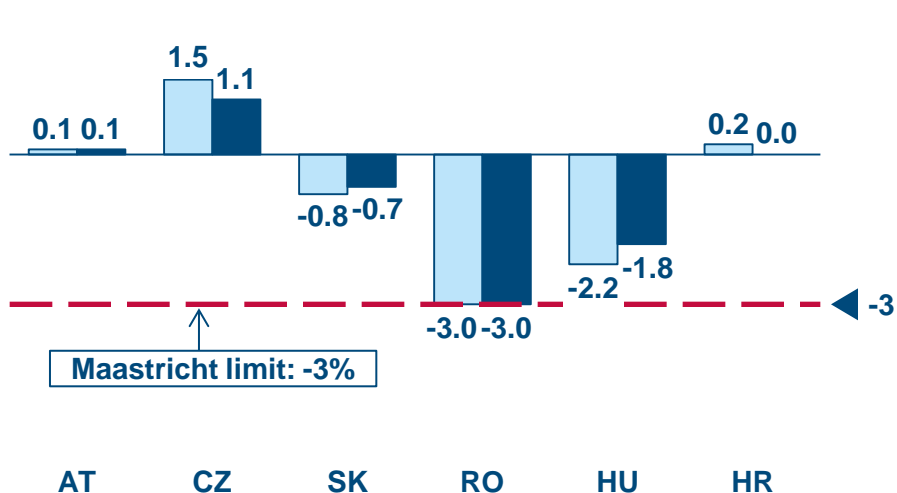


- CEE economies grew faster than the euro zone in 2018 (euro zone GDP grew by 1.8% yoy in 2018)
- Domestic demand remained significant growth driver in 2018
- Insignificant contribution of net exports to GDP growth in 2018

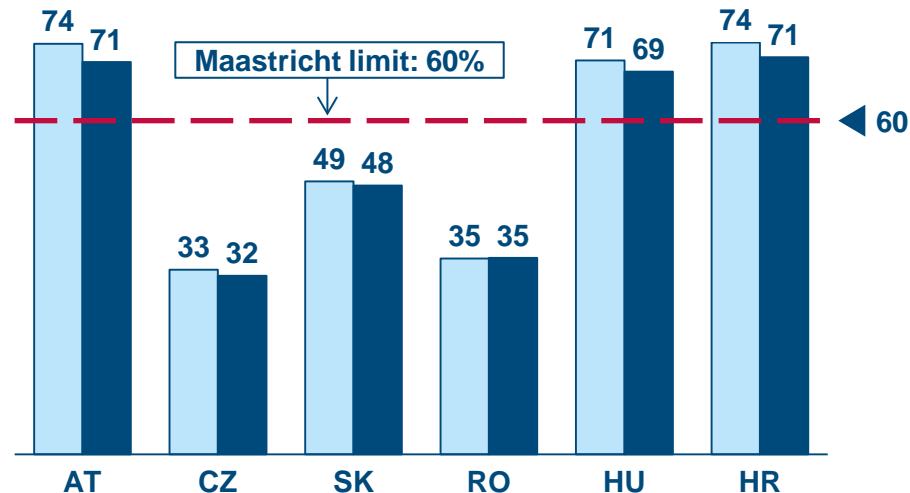
Operating environment – Solid public finances in Erste Group's markets

2018
2019

General government balance (in % of GDP)



Public debt (in % of GDP)

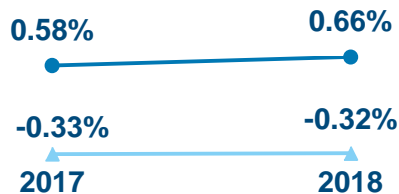


- General government balance in all markets within Maastricht limit
- Public debt in most markets below 60% Maastricht limit; Austria, Hungary and Croatia are exceptions, but with a positive trend

Business environment – Low interest rates still hurt, CZ rates have started to rise

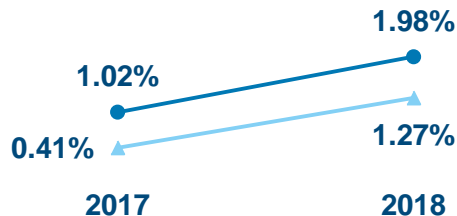
▲ 3m Interbank
● 10-year Gov

Austria



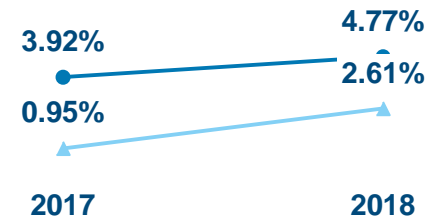
- ECB cut discount rate to 0% in March 2016; maintains expansionary monetary policy stance

Czech Republic



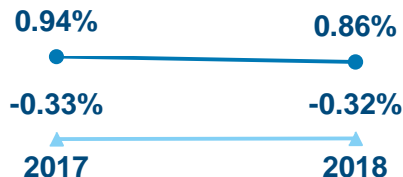
- National bank increased its benchmark rate in several steps from historic low of 0.05% to 2.00% since August 2017

Romania



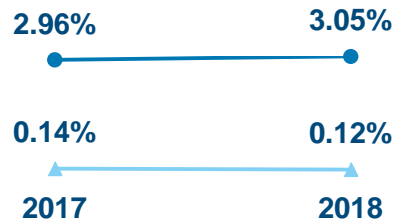
- Central bank increased policy rate from historic low of 1.75% to 2.50% in January, February and May 2018

Slovakia



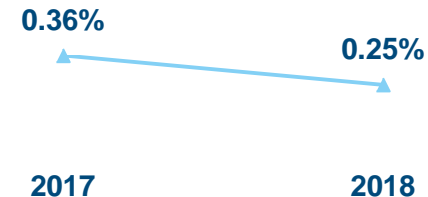
- As part of euro zone ECB rates are applicable in SK

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

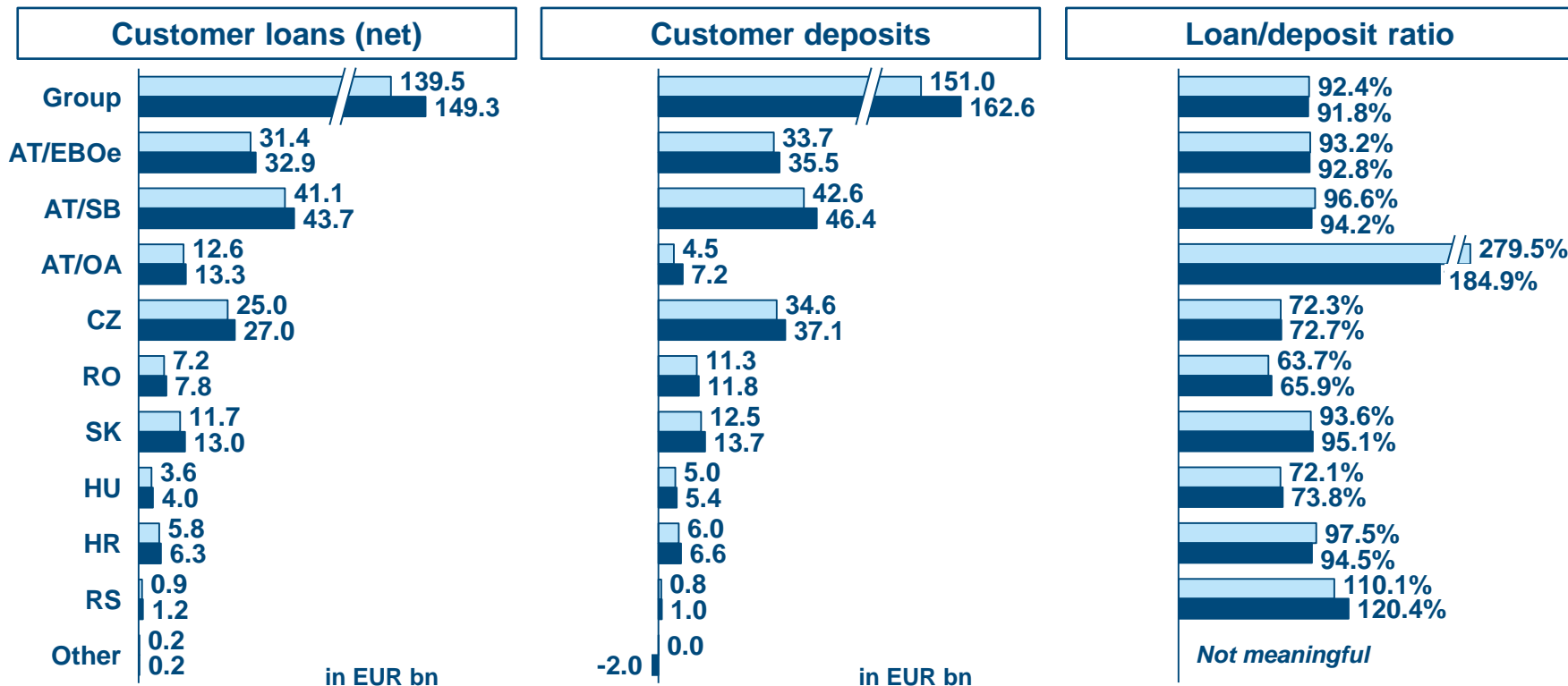
Source: Bloomberg.

Business performance: customer loans and deposits –

Continued loan growth, strong deposit base, balanced business

31/12/17

31/12/18

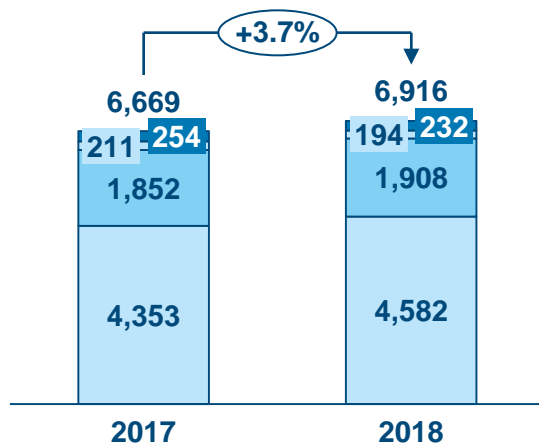


Business performance: operating revenues and expenses –

Revenues rise on strong net interest income, operating expenses stable

Operating revenues

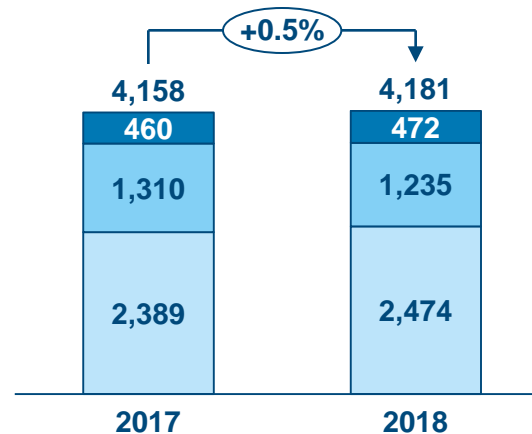
in EUR m



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

Operating expenses

in EUR m



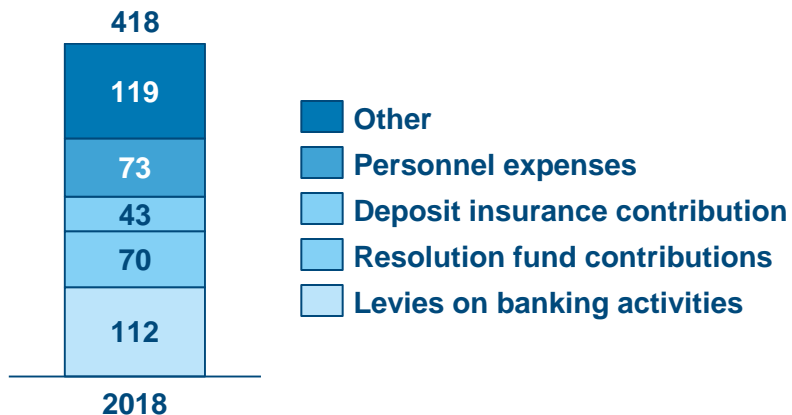
- Personnel expenses
- Other administrative expenses
- Depreciation and amortisation

Focus on operating expenses –

Regulatory costs and inflation absorbed in 10-year comparison

Additional expenses related to regulation

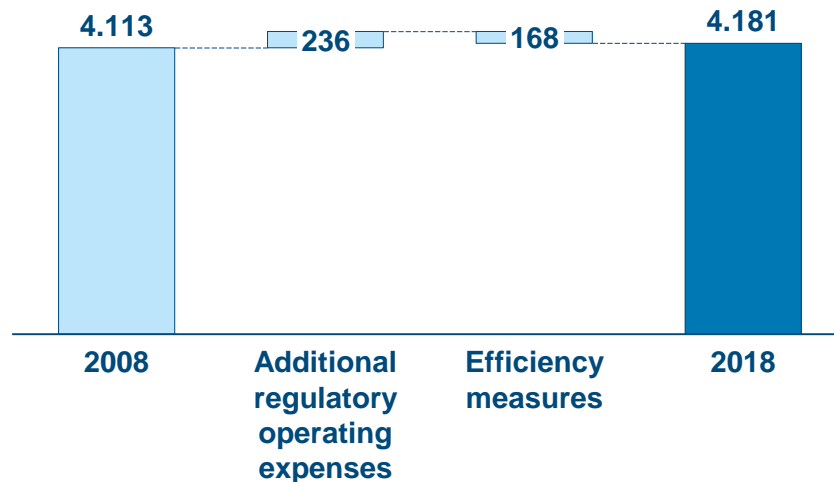
in EUR m



- Presentation of additional regulatory expenses p.a. compared to 2008
- Increase in deposit insurance contributions since 2008 (Total 2018: EUR 89m)
- Other comprises IT-Projects, additional trainings and supervisory costs

Development of operating expenses¹

in EUR m

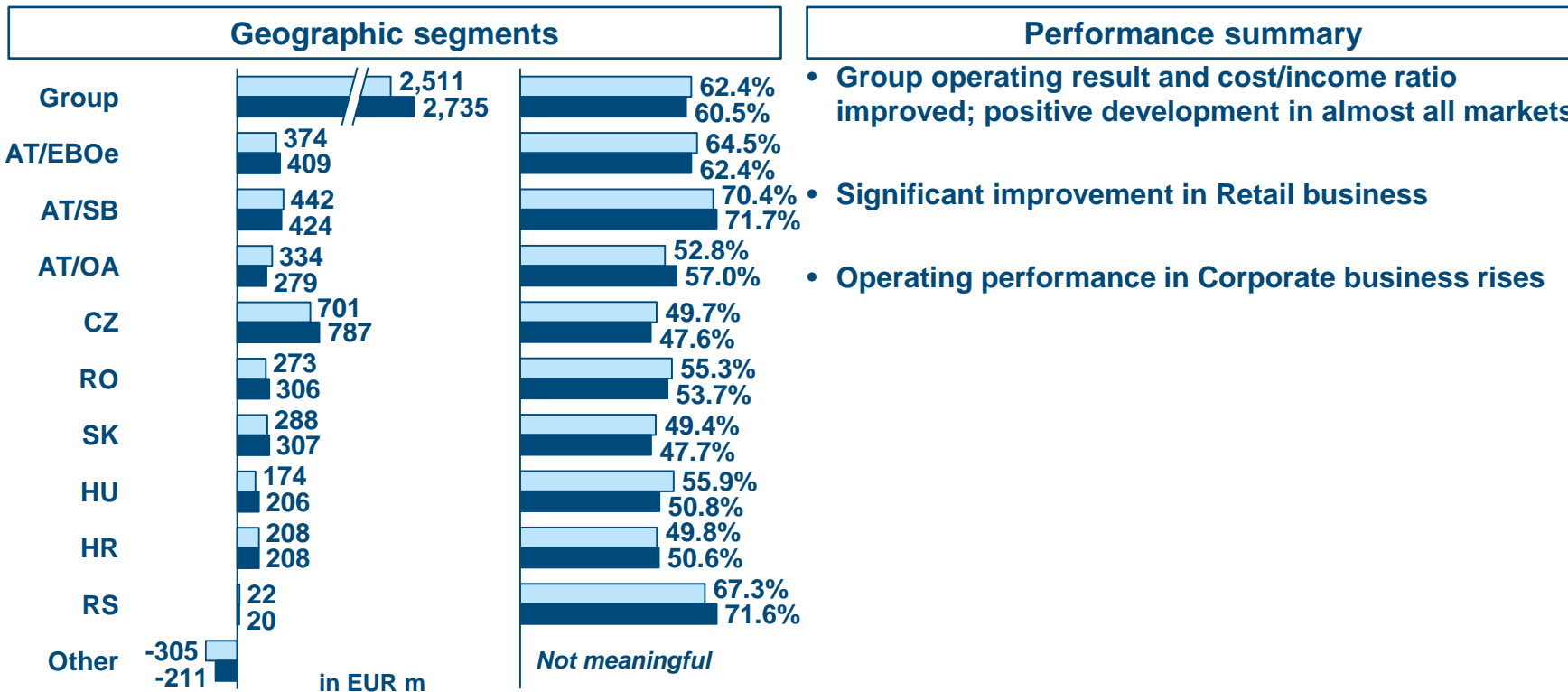


1) Contributions into resolution funds and levies on banking activities are shown in other operating result

Business performance: operating result and cost/income ratio –

Operating turnaround, led by CZ, RO and AT/EBOe

2017
2018

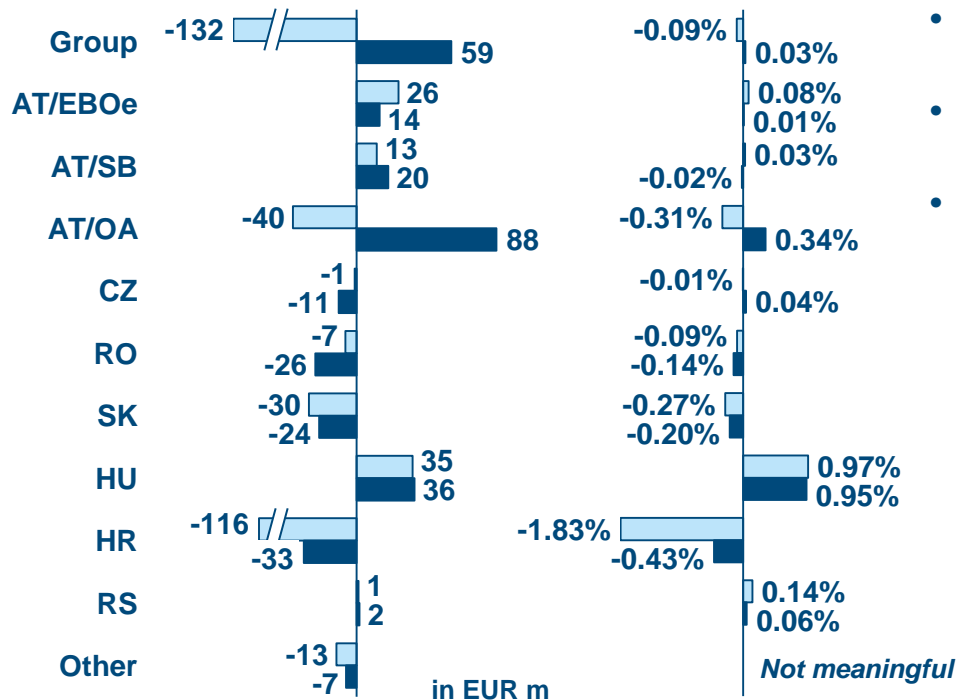


Business performance: risk costs –

Net releases reflect improving asset quality

2017
2018

Geographic segments

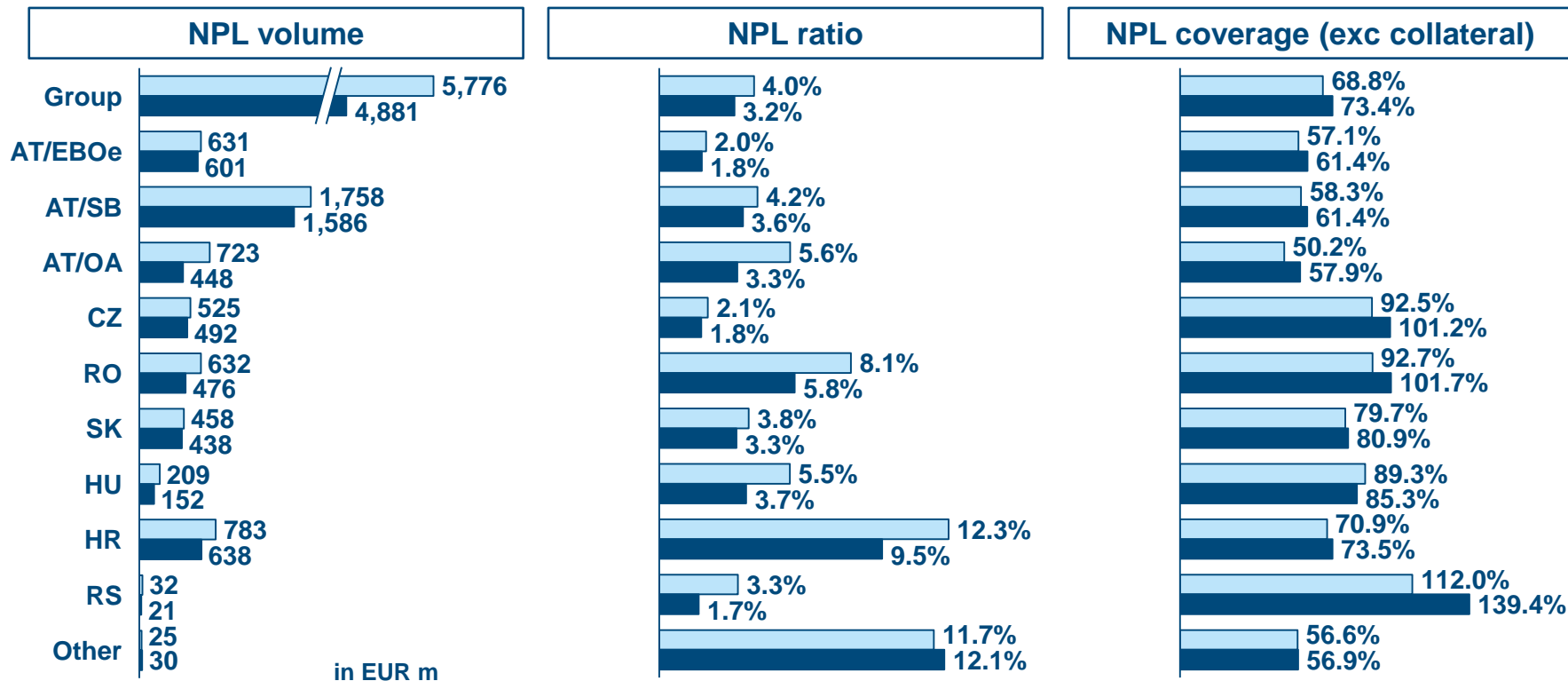


Performance summary

- Excellent credit risk environment across the board
- Historically low risk costs
- Net releases in Austria, Croatia and Serbia

Business performance: asset quality in 2018 – Strong asset quality improvement

2017
2018

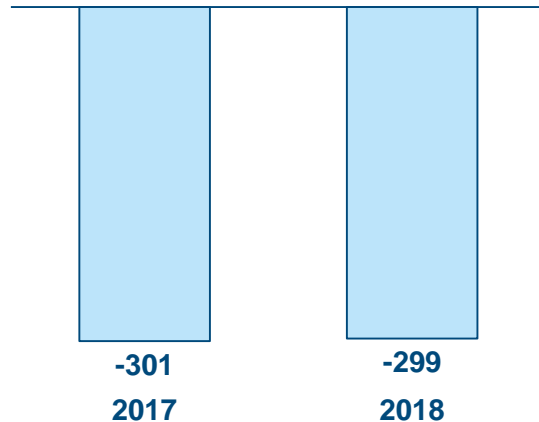


Business performance: other result –

Other result stable at 2017 levels

Other result *

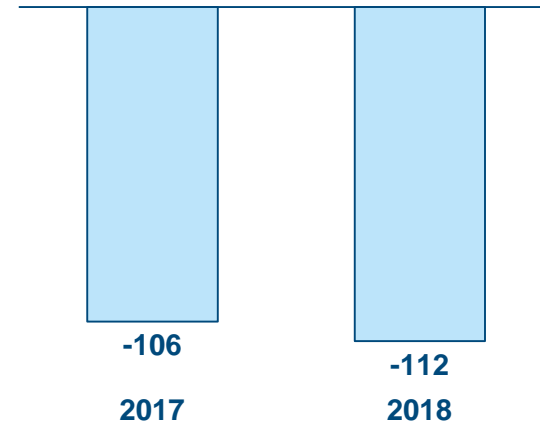
in EUR m



- Other result remains relatively stable despite minor increases in banking levies and contributions into resolution funds

Levies on banking activities

in EUR m



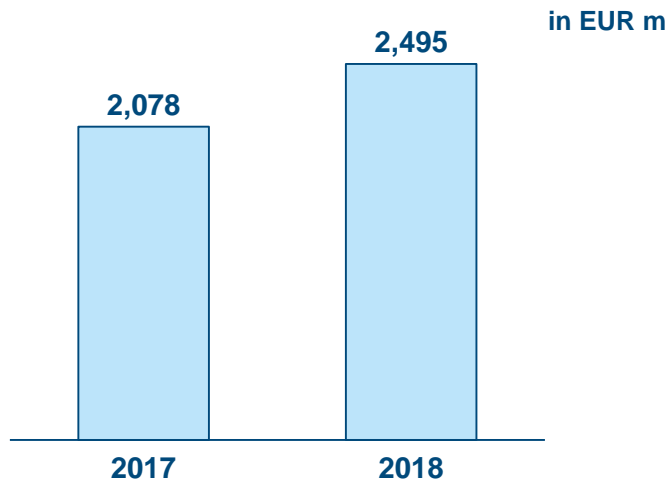
- Slight increase in banking levies in Slovakia and Hungary, stable in Austria

*) 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 –

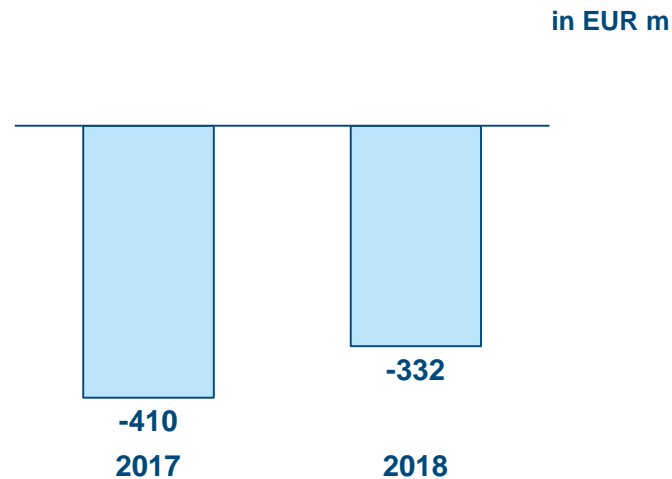
Further increase in pre-tax result

Pre-tax result



- Strong increase in operating performance and net releases lead to further improvement of pre-tax result

Taxes on income

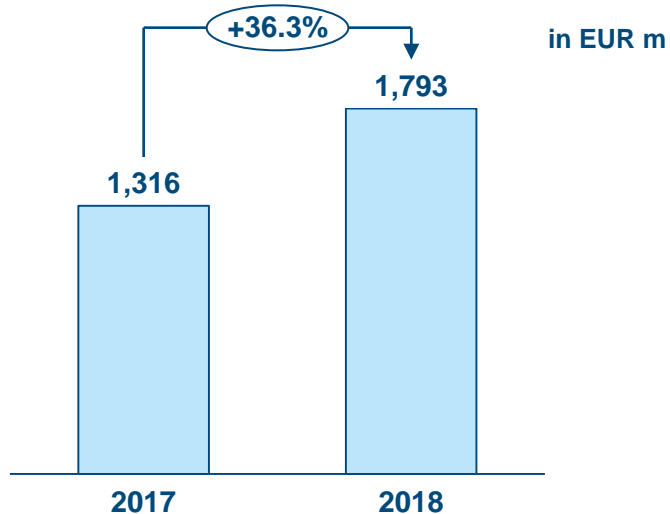


- Tax rate is at 13.3% in 2018 due to the recognition of deferred tax assets

Business performance: net result and dividend –

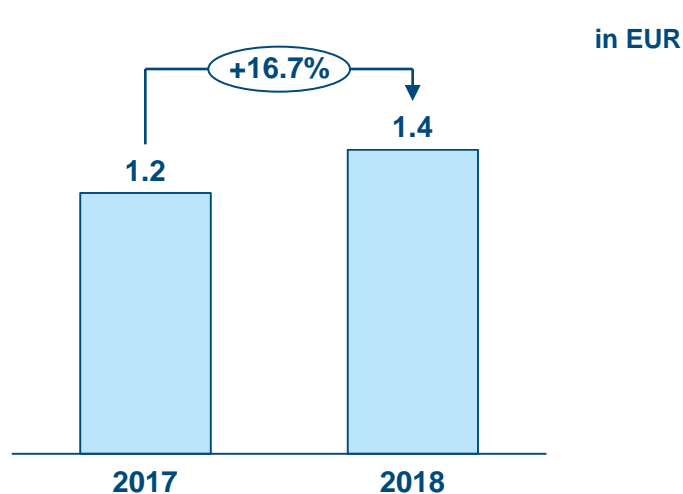
Dividend raised to EUR 1.4 per share on the back of record net profit

Net result



- Highest net profit in corporate history

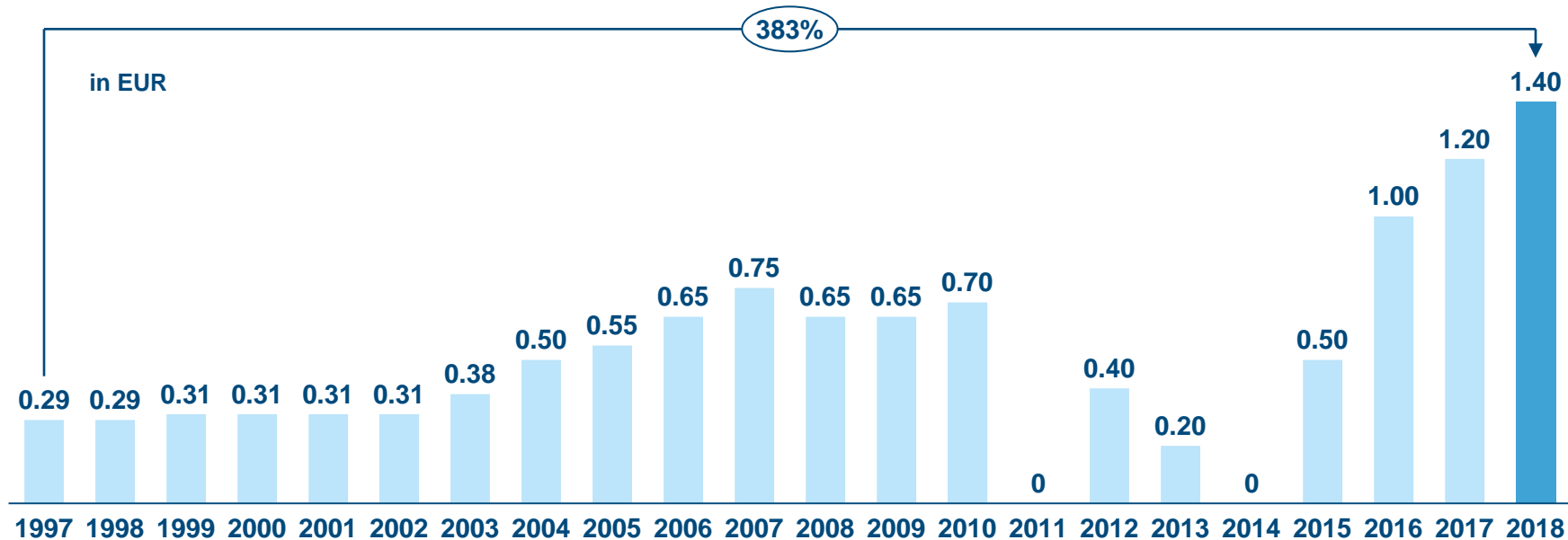
Dividend



- Payout ratio equates 33.6%

Erste Group since 1997 –

Dividend payments since IPO amount to EUR 3.9 billion

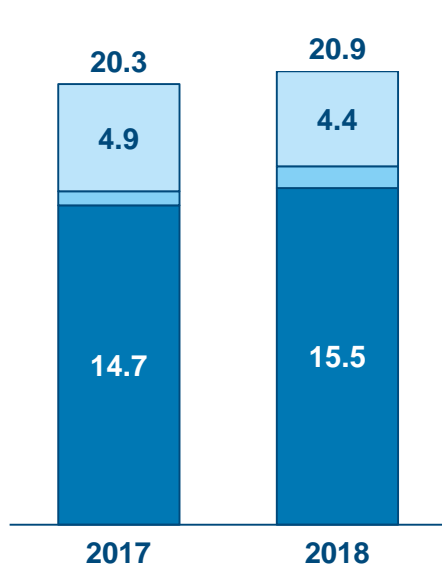


- Since the IPO (and including the dividend for 2018) a total of EUR 11.35 has been paid out per share
- Total dividend payment for 2018 amounts to about EUR 601.7m

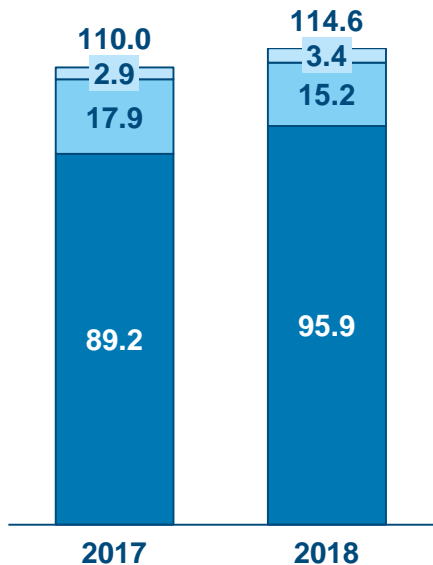
Business performance: regulatory capital position –

Continued strong capital position in 2018: CET1 ratio at 13.5%

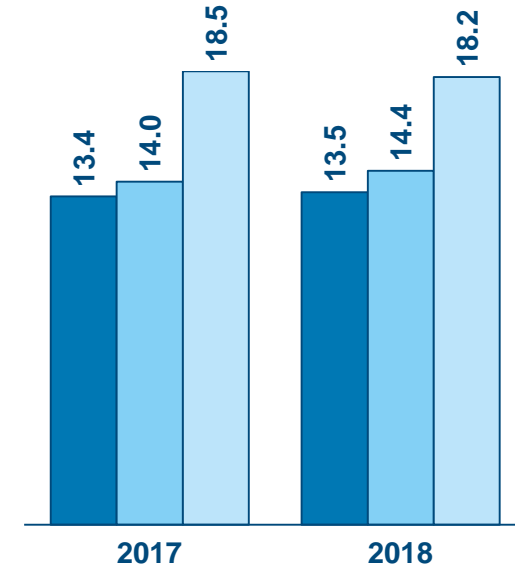
Regulatory capital (EUR bn)



Risk-weighted assets (EUR bn)



Capital ratios (in %)



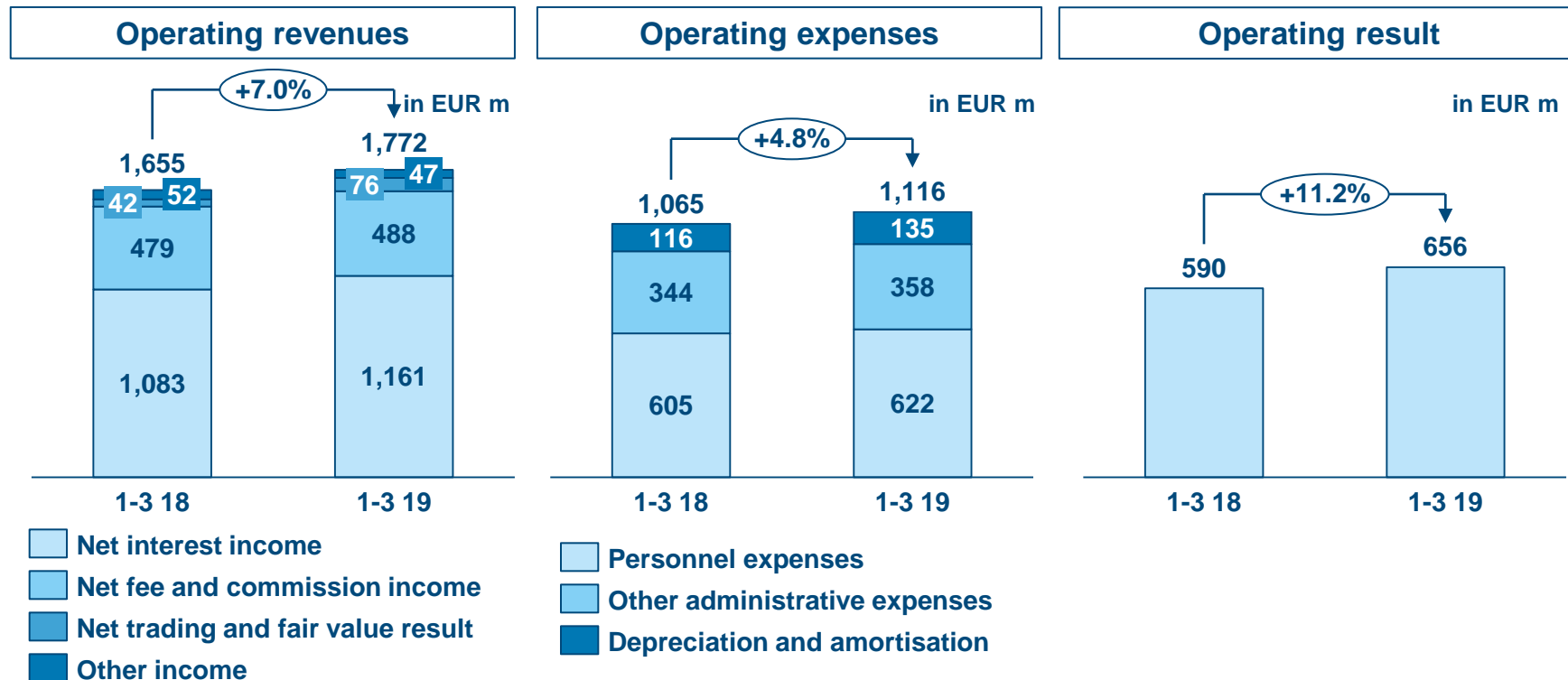
■ CET1 ■ AT1 ■ Tier 2

■ Credit RWA ■ Market risk
■ Op risk

■ CET1 ■ Tier 1 ■ Total capital

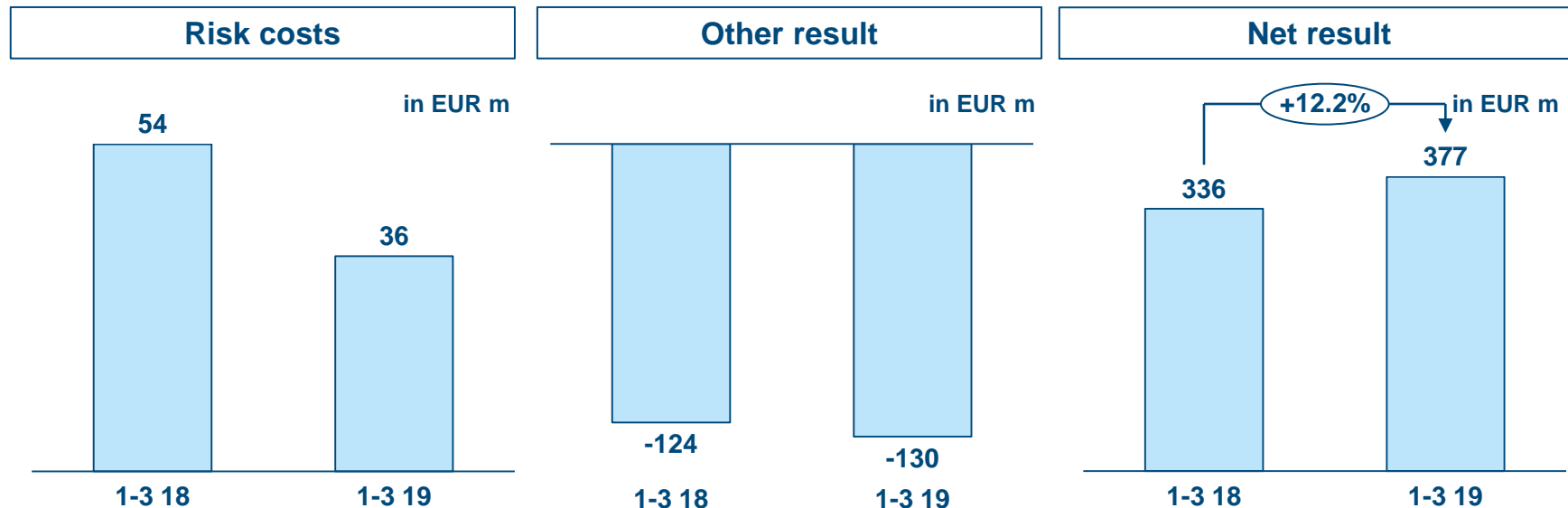
Q1 19 performance summary –

Operating result rises substantially as NII and fees grow



Q1 19 performance summary –

Operating performance drives improvement in net result in Q1 19

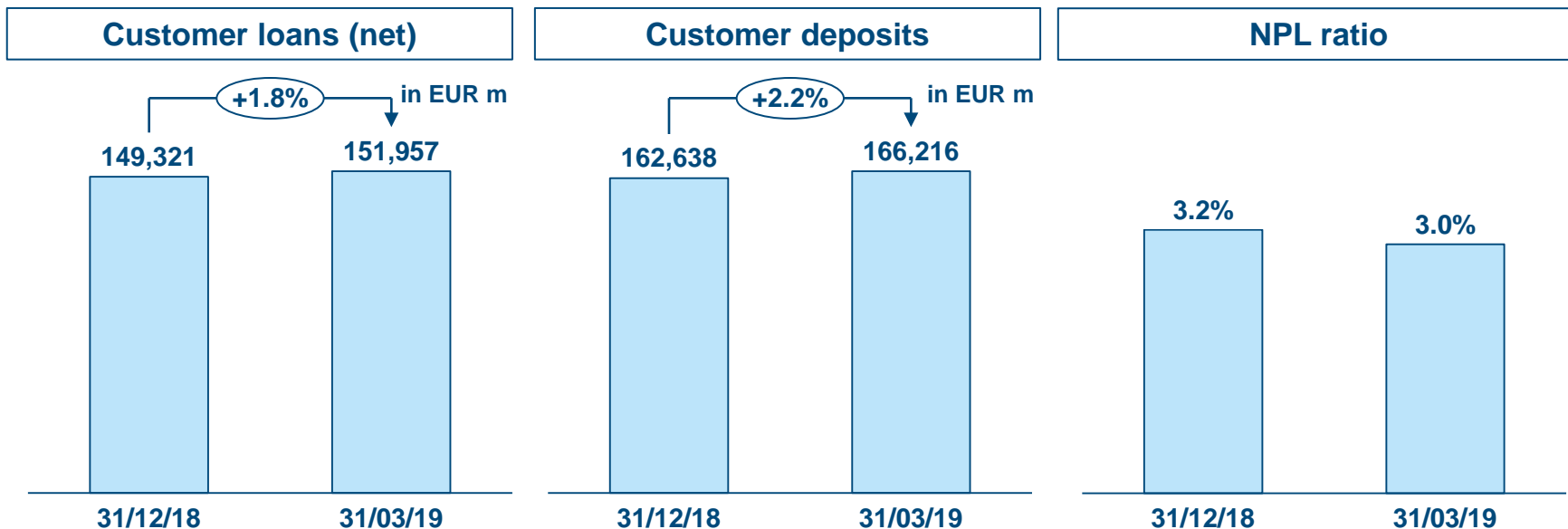


- Net releases

- Other result remains stable, slight increase in contributions into resolution funds

- Return on tangible equity of 12.5%

Q1 19 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

Conclusion – Outlook 2019

Macro outlook 2019

- Real GDP growth of approx. 3% expected in 2019 in CEE and about 2% in 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 2019

- ROTE for 2019 targeted at >11% (based on average tangible equity)
- Revenue growth > cost growth based on mid-single digit loan growth
- Risk costs to rise, but to remain at historically low levels (10-20 bps)
- Other operating result negatively impacted by Romanian banking tax (max EUR 20m)
- Tax rate expected below 20%

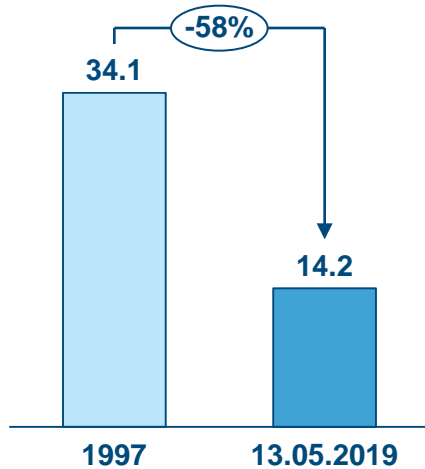
Risk factors for guidance

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

Focus capital markets (1) – CEE strategy paid off for investors in the long run

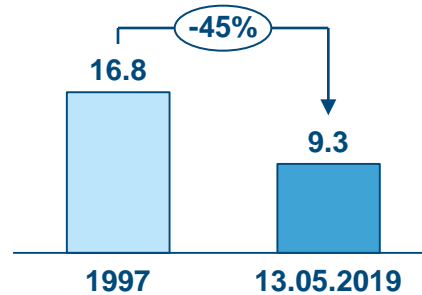
Deutsche Bank

in EUR bn



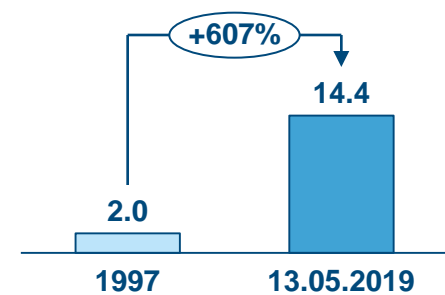
Commerzbank

in EUR bn



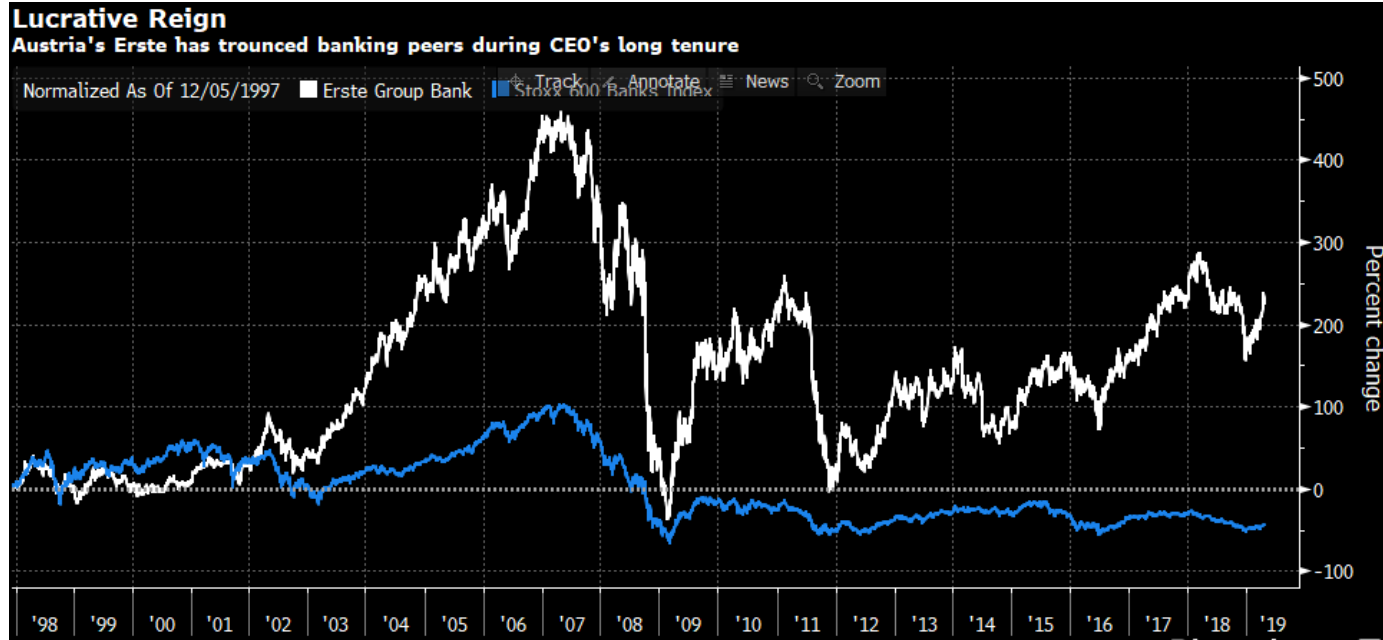
Erste Group

in EUR bn



- Market capitalisation including all capital increases between 1997 and 2019
- Erste Group has become one of the leading banks in CEE
- As of 13 May 2017, Erste Group's market capitalisation exceeds Deutsche Bank

Focus capital markets (2) – CEE strategy paid off for investors in the long run



- 400% outperformance against EuroStoxx Bank Index since IPO
- Anyone who invested in Erste Group at the IPO in 1997 and did not participate in capital increases quadrupled, including dividends (gross), the investment

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

Appointment of an additional auditor

Sixth item on the agenda

Amendment of the articles of association with respect to the number of supervisory board members

Seventh item on the agenda

Elections to the supervisory board

Eighth item on the agenda

Approval of the acquisition of own shares for the purpose of securities trading

Ninth item on the agenda

Authorisation for the acquisition of own shares for the purpose of offering free or concessionary shares

Tenth item on the agenda

Authorisation for the acquisition of own shares for no designated purpose

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Q & A

26th Annual General Meeting Erste Group Bank AG

Resolutions

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Thank you for your active participation!