

# 24<sup>th</sup> Annual General Meeting Erste Group Bank AG

17 May 2017  
Wiener Stadthalle

**Friedrich Rödler**

Chairman of the supervisory board

## First item on the agenda

# Report on the financial year 2016

# Report on the financial year 2016 of Erste Group Bank AG (consolidated)

**Andreas Treichl**

CEO Erste Group

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### Cautionary note regarding forward-looking statements

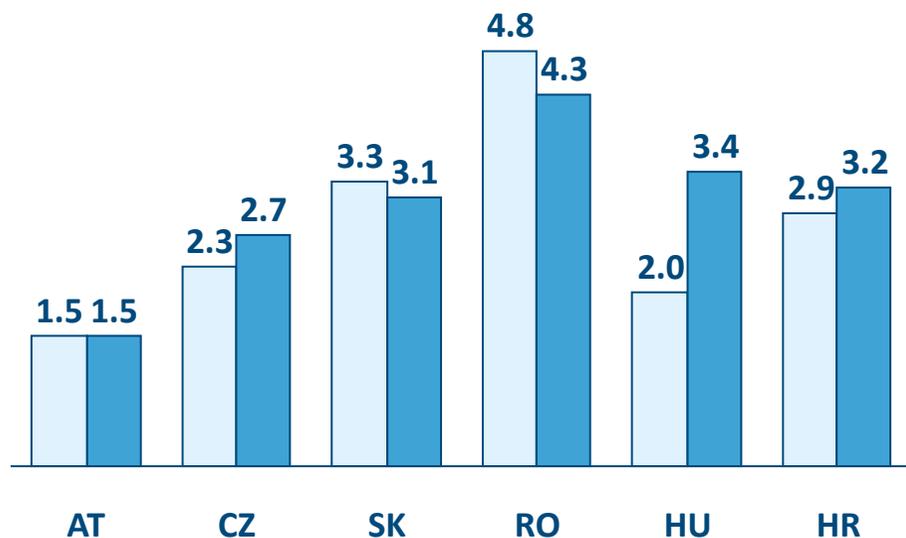
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## Operating environment –

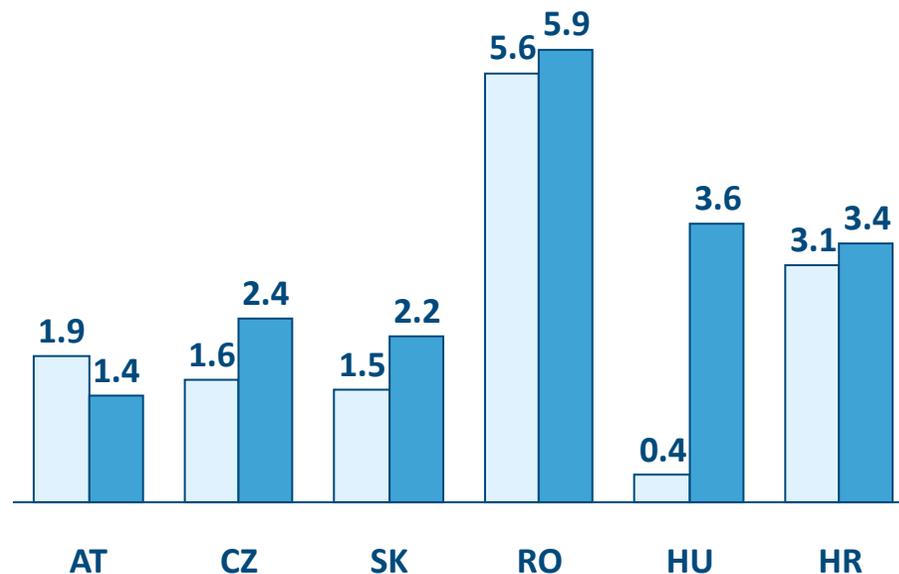
Strong economic development in Erste Group's markets



Real GDP growth (in %)



Domestic demand contribution to GDP growth (in %)

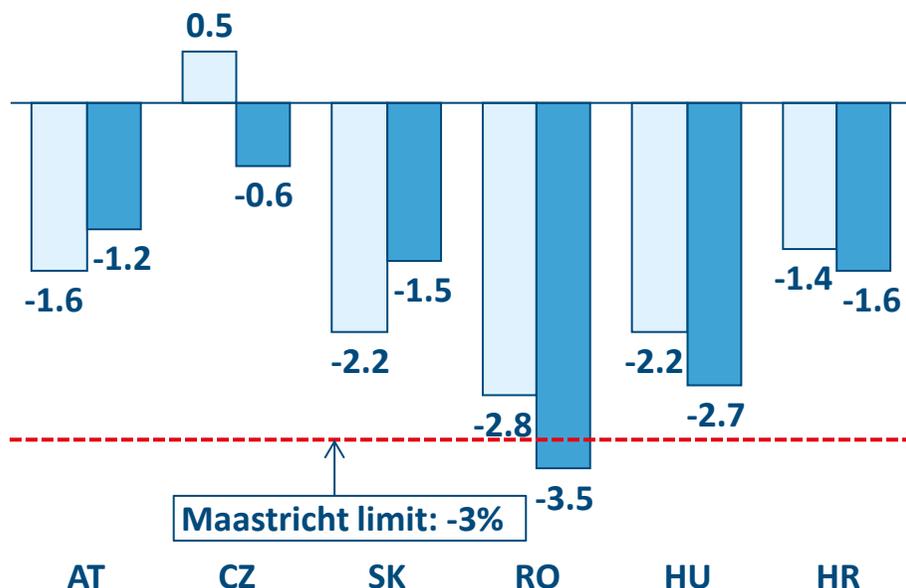


- CEE economies grew faster than the euro zone in 2016 (euro zone GDP grew by 1.8% yoy in 2016)
- Domestic demand remained significant growth driver in 2016
- Insignificant contribution of exports to GDP growth in 2016

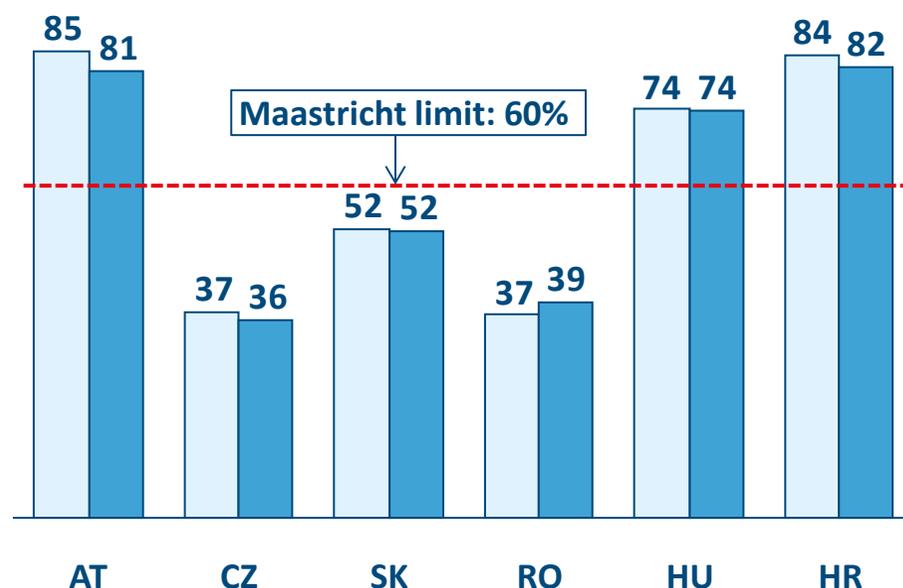
# Operating environment – Solid public finances in Erste Group’s markets

2016  
2017

General government balance (in % of GDP)



Public debt (in % of GDP)

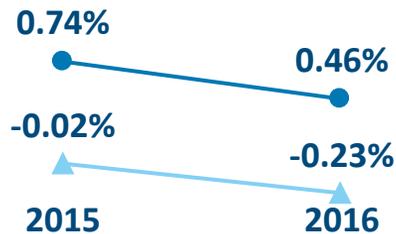


- General government balance in all markets except Romania within Maastricht limit
- Public debt in most markets below 60% Maastricht limit; Austria, Hungary and Croatia are exceptions, but with a positive trend

# Business environment – Historic low interest rate environment poses challenges

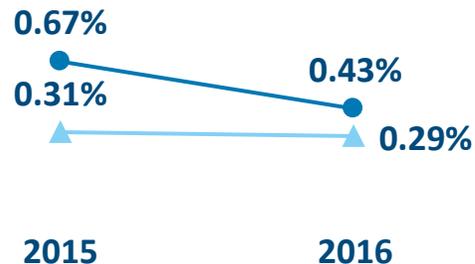
▲ 3m Interbank  
● 10-year Gov

**Austria**



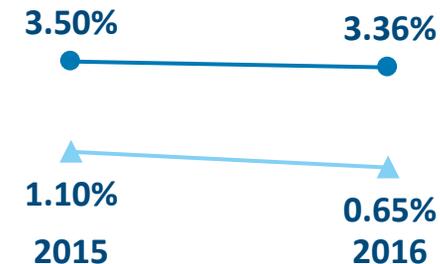
- ECB cut discount rate to 0% in March 16; maintains expansionary monetary policy stance

**Czech Republic**



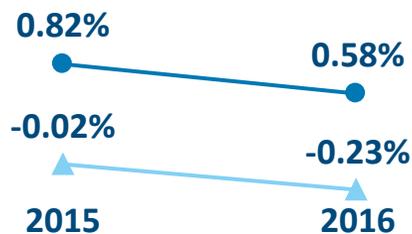
- National bank maintains ultra-low interest rates since Nov 2012 at 0.05%

**Romania**



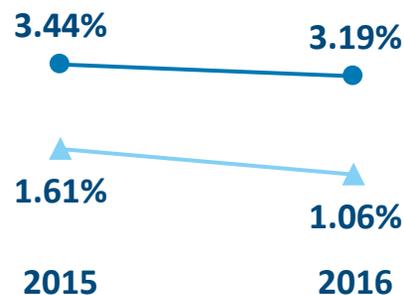
- Central bank cut policy rate to historic low of 1.75% in May 2015

**Slovakia**



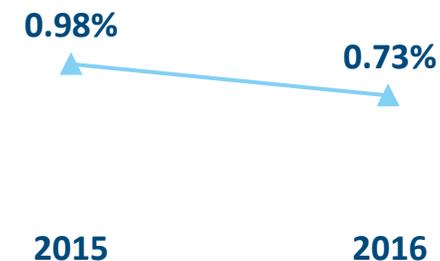
- As part of euro zone ECB rates are applicable in SK

**Hungary**



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

**Croatia**



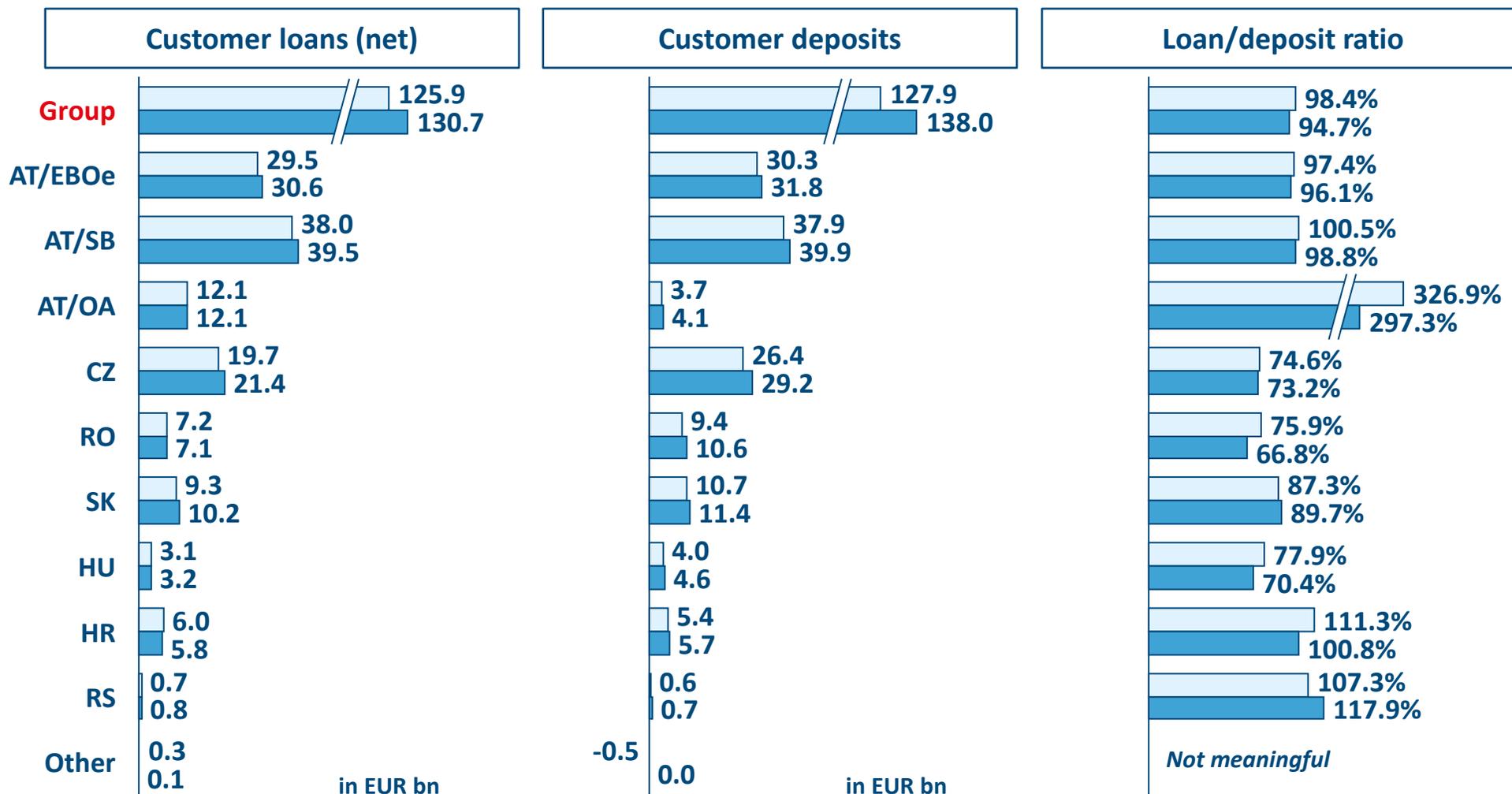
- Central bank maintains discount rate at 3.0% since 2015

Source: Bloomberg.

# Business performance: customer loans and deposits –

## Continued loan growth, strong deposit base, balanced business

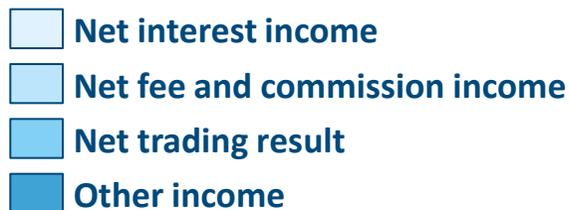
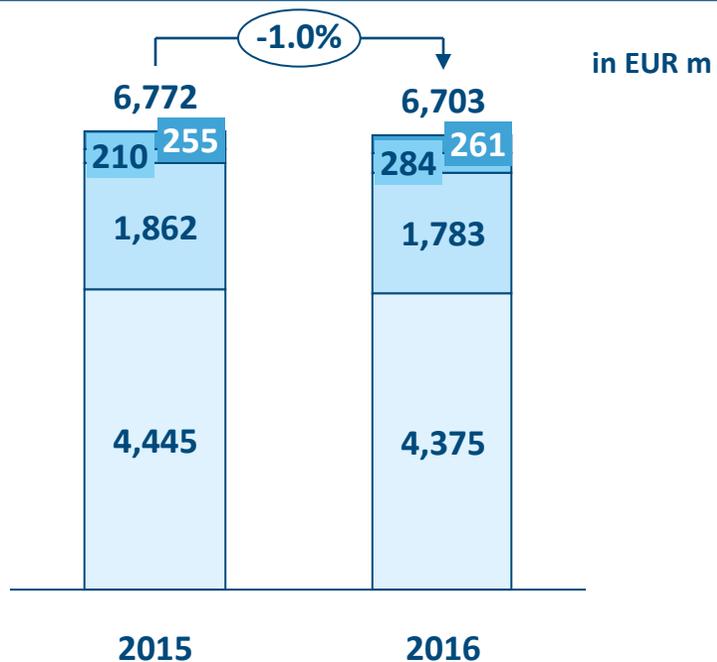
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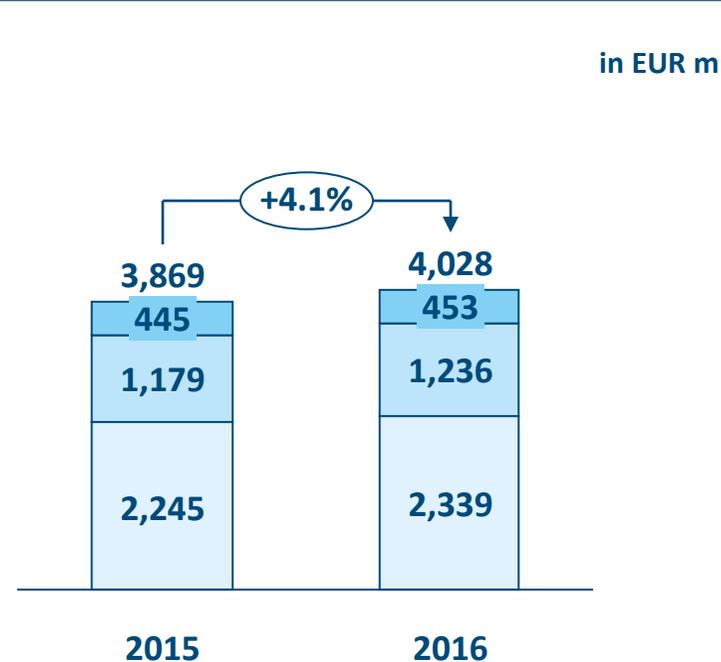
## Business performance: operating revenues and expenses –

Pressure on revenues, increase in costs driven by regulatory requirements and IT

### Operating revenues



### Operating expenses

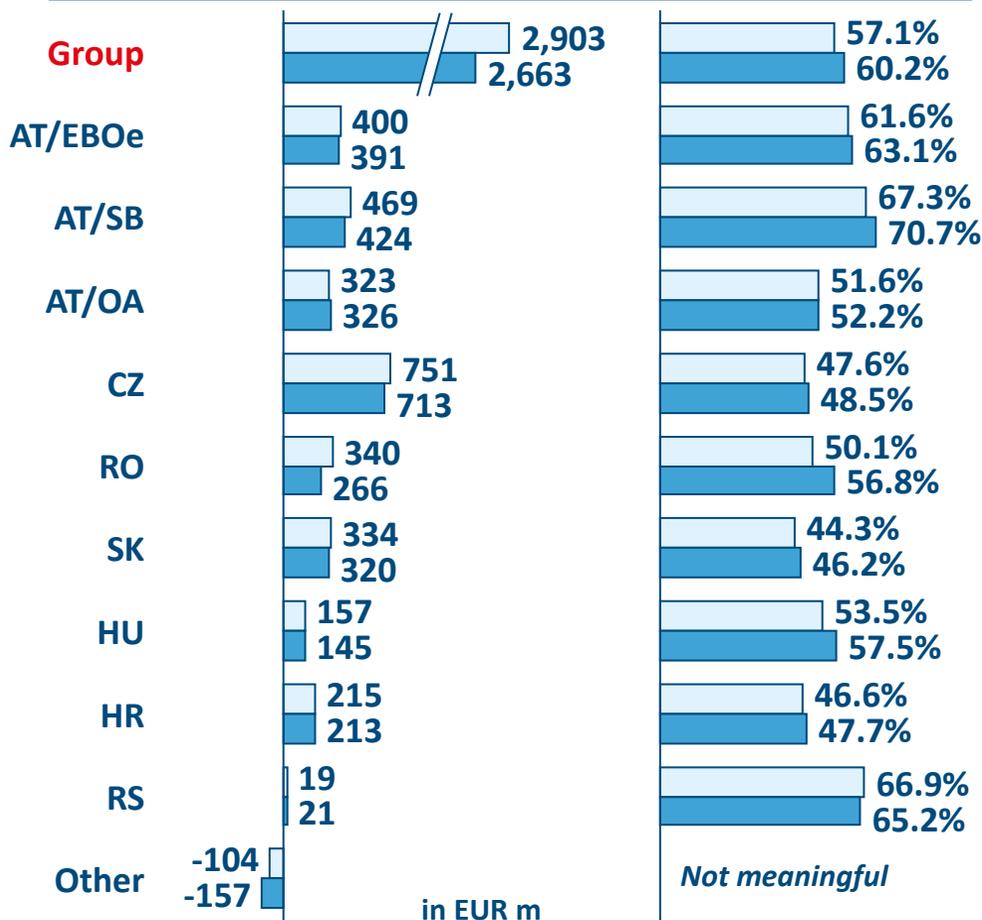


# Business performance: operating result and cost/income ratio –

Operating result declines year-on-year

2015  
2016

## Geographic segments



## Performance summary

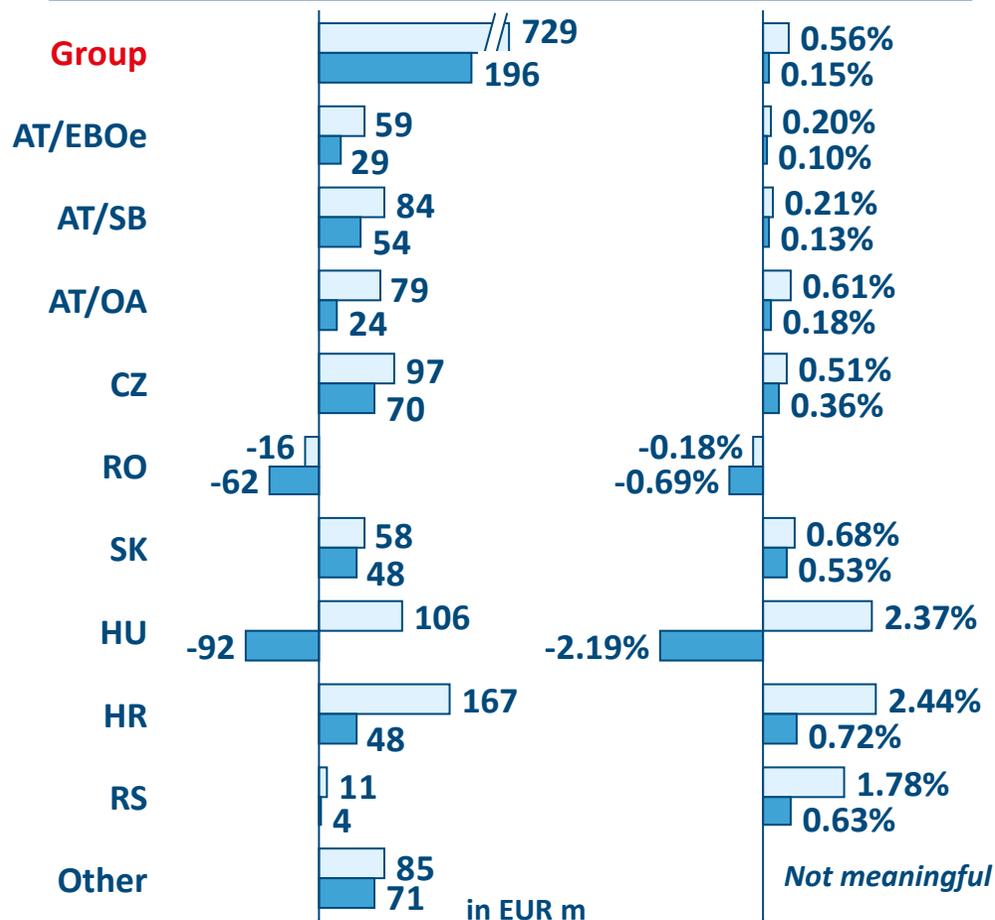
- Declining operating result across all countries, except Serbia
- Pressure on operating performance in:
  - Romania due to NPL disposals
  - Czech Republic due to low interest rate environment & card fee cap
  - Savings Banks due to higher operating expenses

# Business performance: risk costs –

## Risk costs fall in all segments

2015  
2016

### Geographic segments

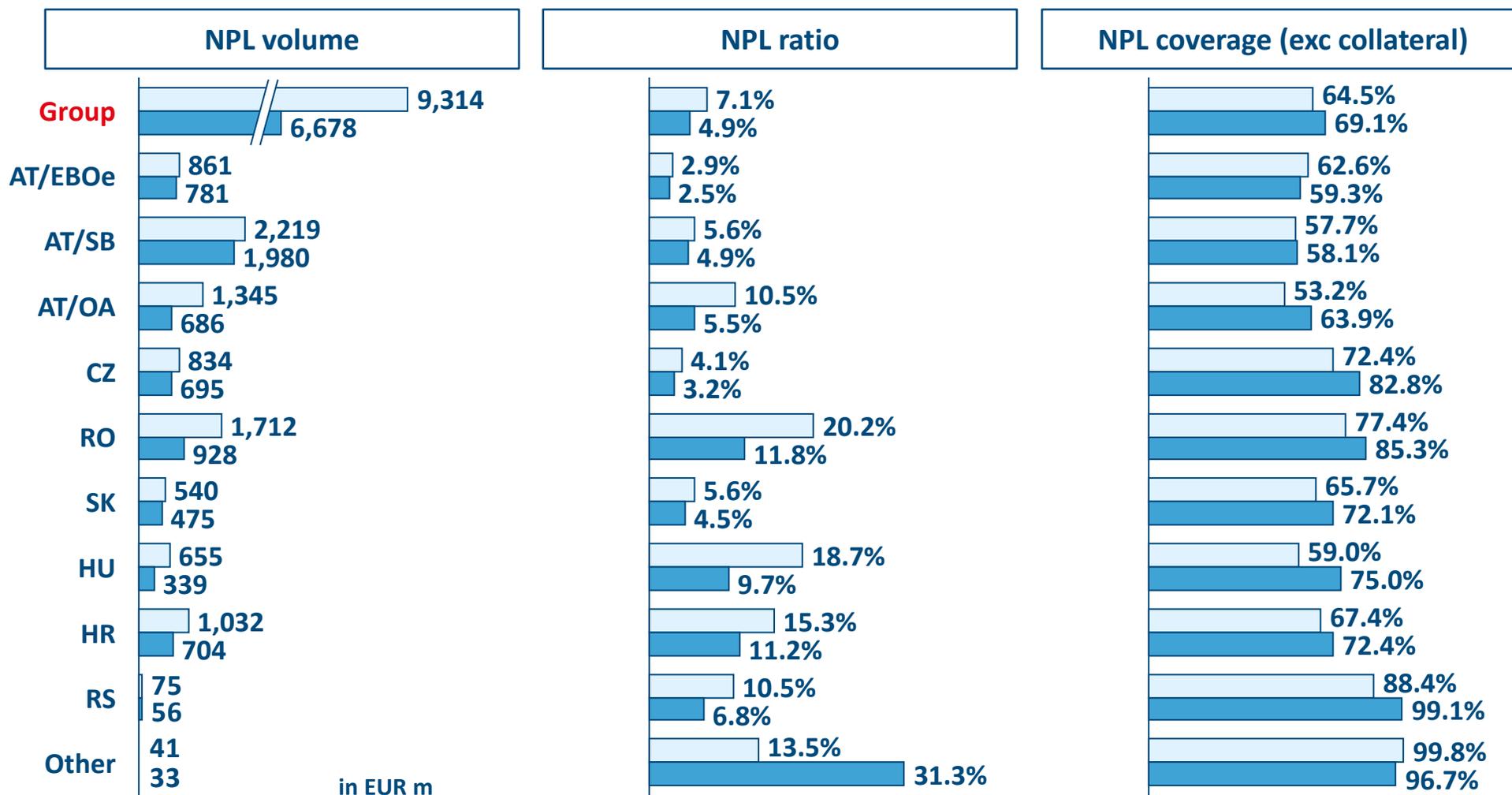


### Performance summary

- Healthy or improving credit risk environment across the board:
  - Austria, supported by all three subsegments
  - Romania and Hungary, benefited from releases of risk provisions
  - In all other CEE-markets

# Business performance: asset quality in 2016 – Strong asset quality improvement across all segments

2015  
2016



## Business performance: other result –

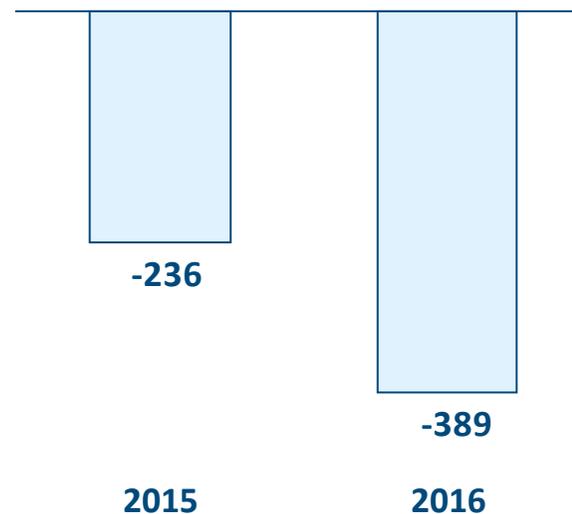
Other result improves slightly despite higher banking levies



in EUR m



in EUR m



- Other result slightly improved yoy as a result of the VISA sale

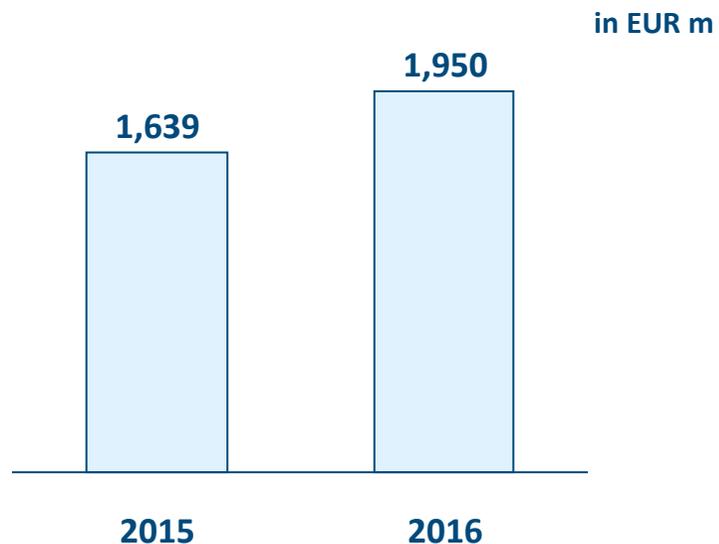
- Increase in banking levies due to one-off banking tax payment in Austria

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

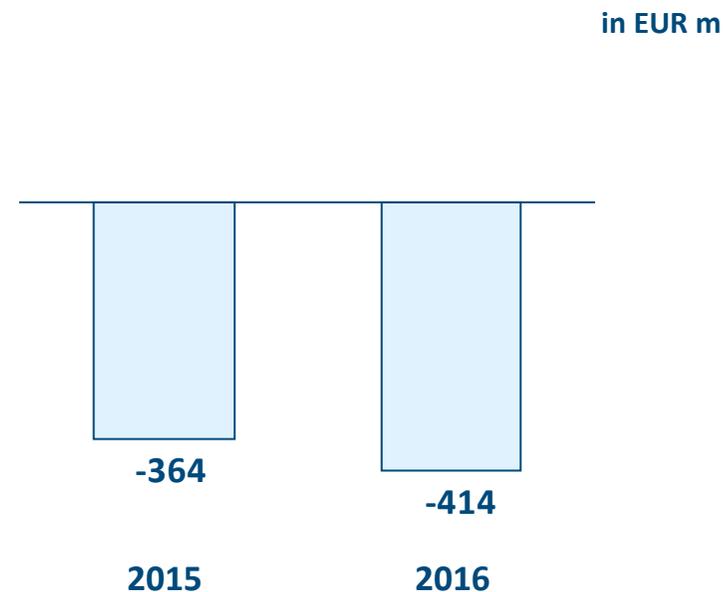
## Business performance: pre-tax result and taxes on income –

Further increase in pre-tax result

Pre-tax result



Taxes on income



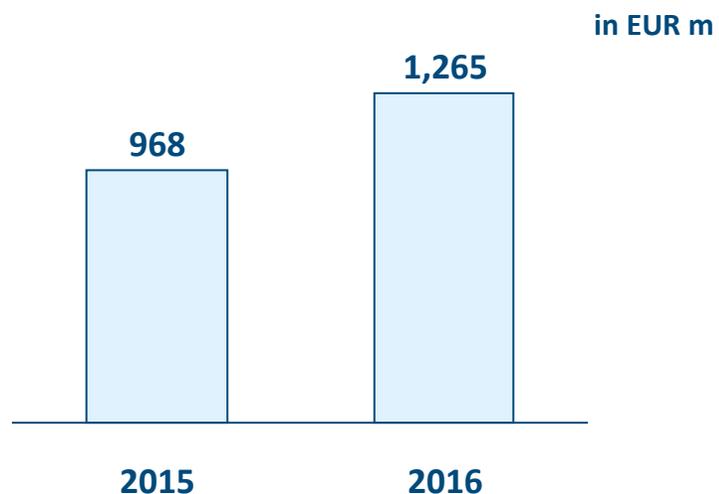
- Risk costs at historic low lead to further improvement of pre-tax result

- Tax rate is at 21.2% in 2016

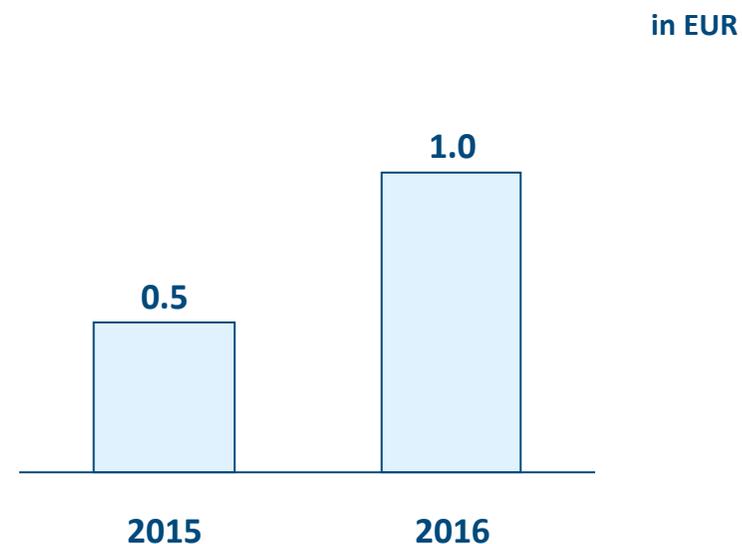
## Business performance: net result and dividend –

Dividend doubled to EUR 1.0 per share

Net result



Dividend



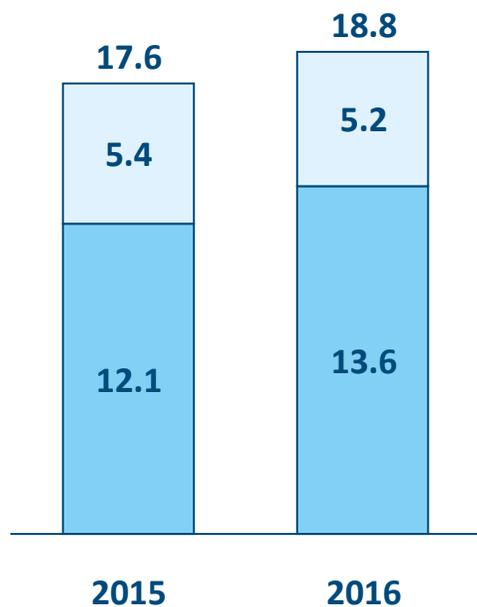
- Highest net profit in corporate history

- Payout ratio equates 34.0%

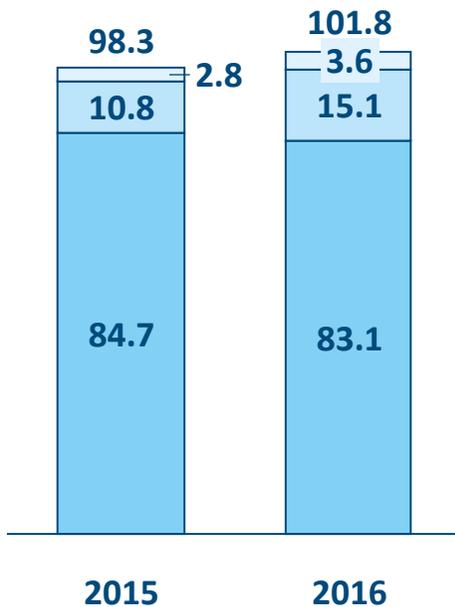
## Business performance: regulatory capital position –

Capital build continues at fast pace in 2016, resulting in 13.4% in CET1 ratio

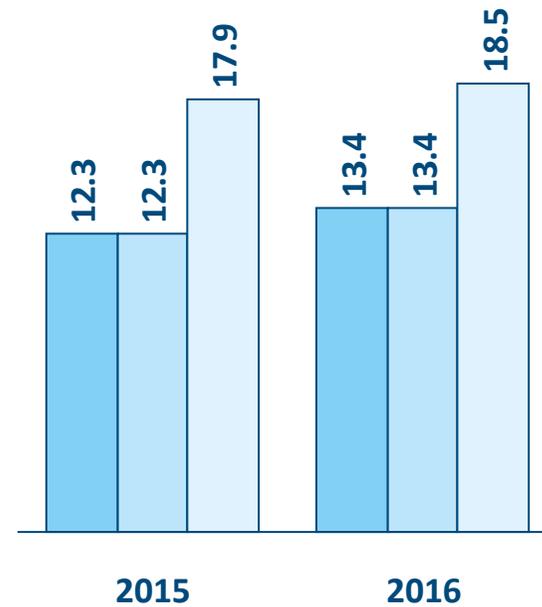
Regulatory capital (EUR bn)



Risk-weighted assets (EUR bn)



Capital ratios (in %)



CET1 Tier 2

Credit RWA Op risk Market risk

CET1 Tier 1 Total capital

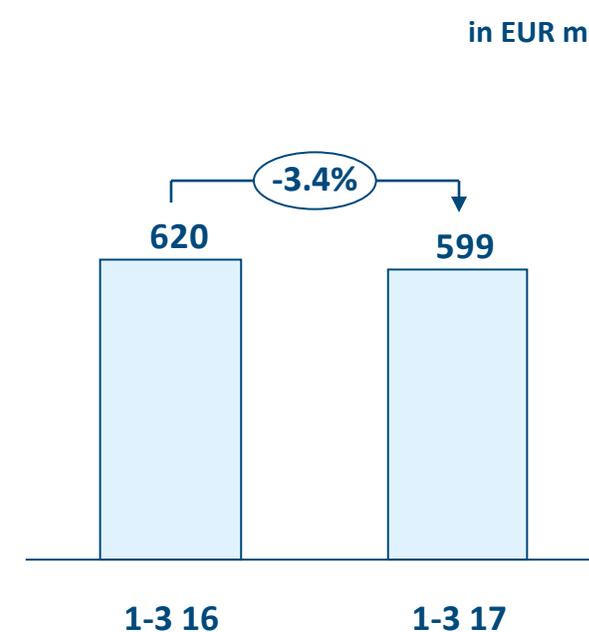
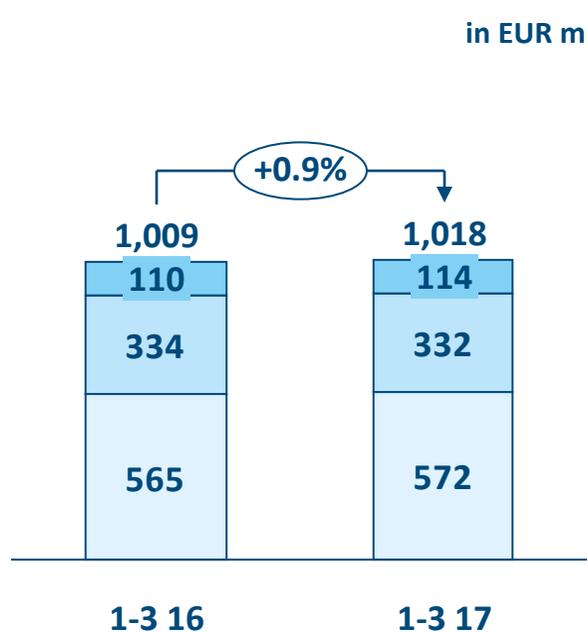
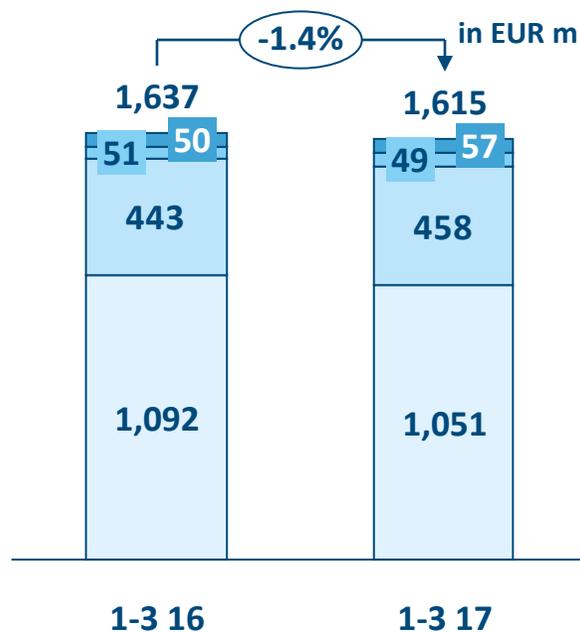
# Q1 17 performance summary –

Lower net interest income weighs on operating result

## Operating revenues

## Operating expenses

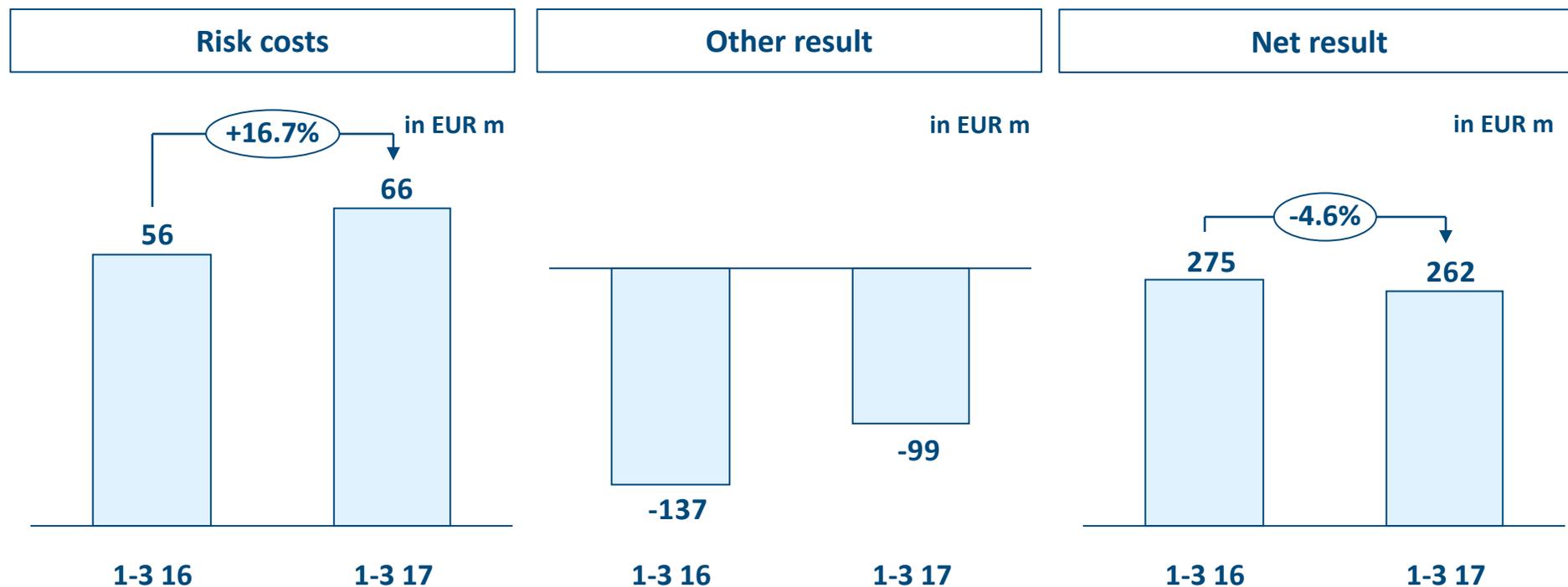
## Operating result



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

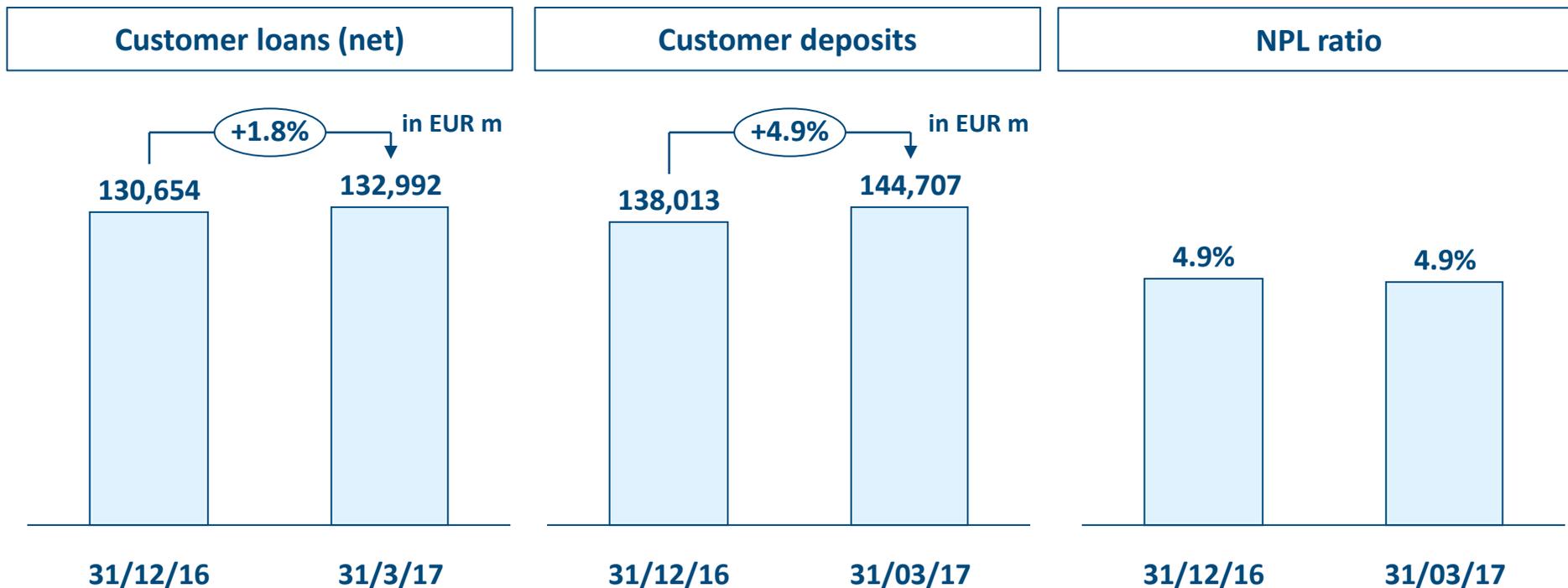
- Personnel expenses
- Other administrative expenses
- Depreciation and amortisation

## Q1 17 performance summary – Net profit slightly down in Q1 17



- Risk costs remain at historic low despite increase
- Other result improves mainly due to a lower banking levy in Austria
- Return on tangible equity of 9.8%

## Q1 17 performance summary – Volume growth at excellent asset quality



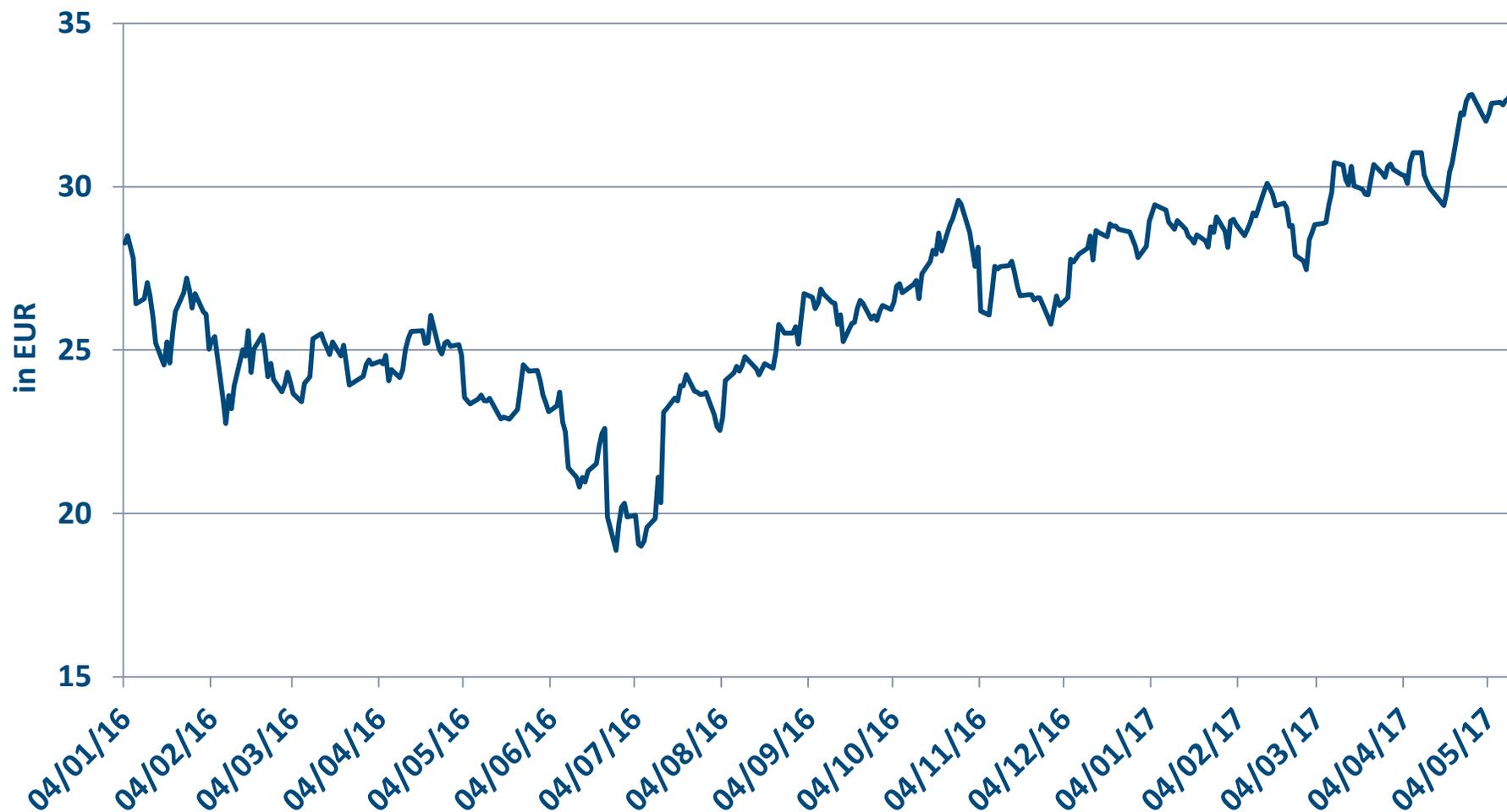
- Customer loan growth mainly driven by the Czech Republic

- Continued inflow of customer deposits despite low interest rate environment

- Asset quality remains at excellent level

## Share price performance –

Share price up 21% year-to-date and up 46% year-on-year



## 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

- ROTC 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 regulatory projects and 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, inc negative interest rates
- Political risks, eg various elections in key EU economies
- Geopolitical risks and global economic risks
- Consumer protection initiatives

**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

### Elections to the supervisory board

## Eighth item on the agenda

Acquisition of own shares for the purpose of securities trading

## Ninth item on the agenda

Acquisition of own shares for no designated purpose

## Tenth item on the agenda

Acquisition of own shares for the purpose of offering these to employees, members of the management board or to a private foundation

## Eleventh item on the agenda

### Amendments of the articles of association

# 24<sup>th</sup> Annual General Meeting

## Erste Group Bank AG

Q & A

# 24<sup>th</sup> Annual General Meeting Erste Group Bank AG

## Resolutions

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Thank you for your active participation!