

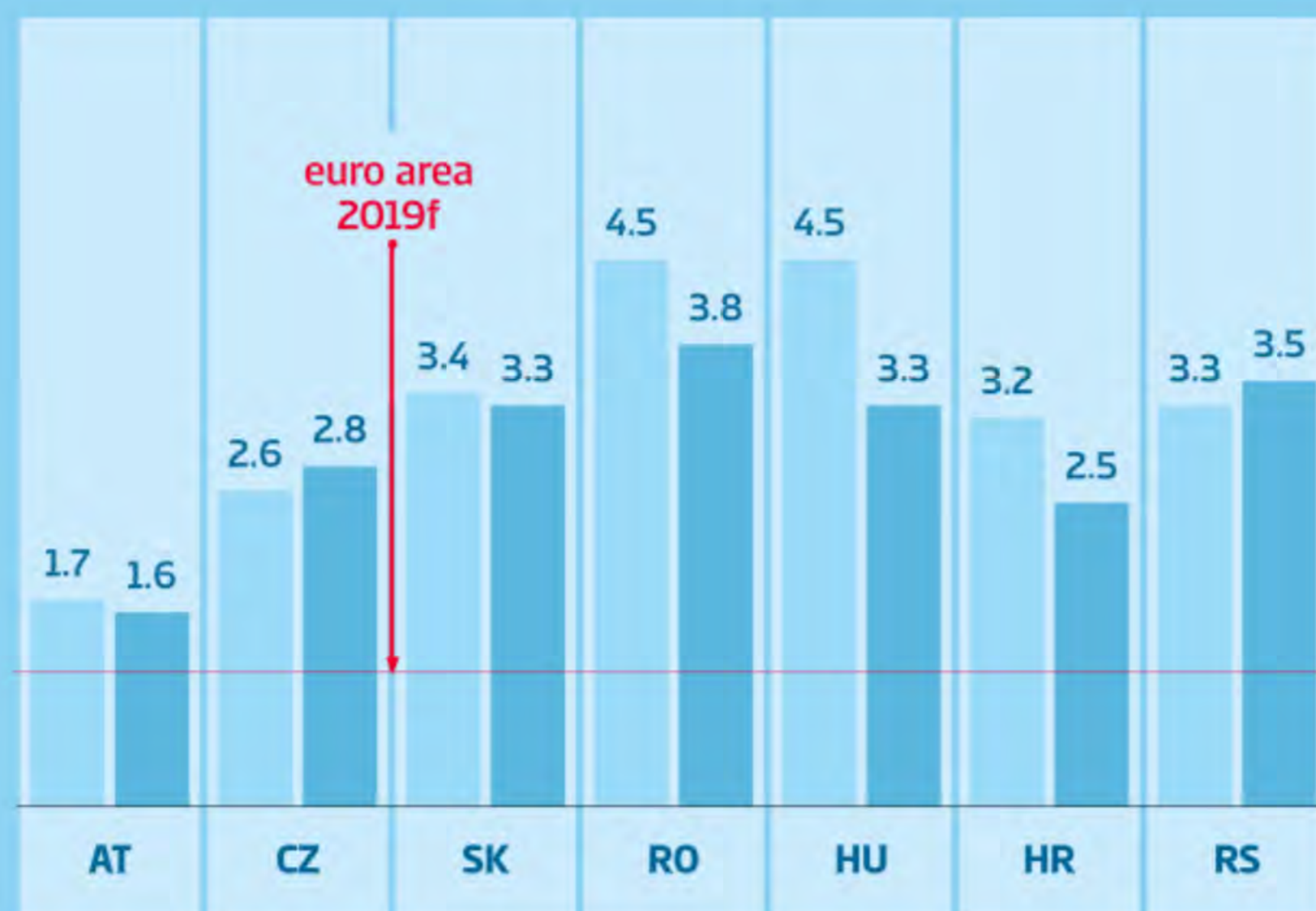


H1 2019 results presentation

# Business environment

## Growth in CEE to remain clearly above euro area average

### Real GDP growth (in %)



○ 2019f ● 2020f

Source: Erste Group Research

### Unemployment rate (avg, in %)



○ 2019f ● 2020f

Source: Erste Group Research

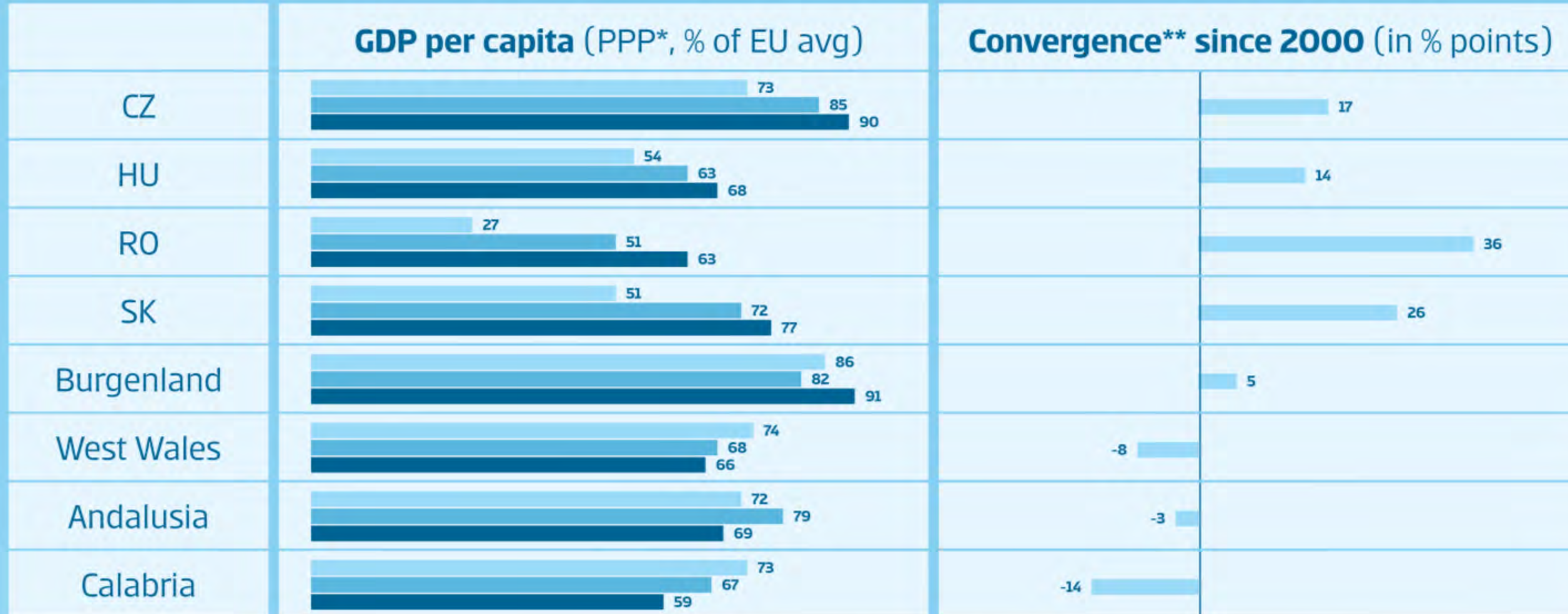


### Summary

- Erste Group's core CEE markets expected to grow by ca. 3-4% in 2019, well above euro area average
- Domestic demand is expected to remain the main driver of economic growth

# Changing of the guard in the periphery

## CEE has what the Western periphery lacks: High level of competitiveness and a location close to the key industrial centers



\* Purchasing Power Parity

○ 2000 ● 2008 ● 2017

\*\* Convergence - How the per capita GDP (adjusted for purchasing power) has developed vs. EU average

Source: Eurostat

# Central and Eastern Europe is on track for convergence

## A sustainable growth trend has replaced the bonanza-like atmosphere in the pre- and post-crisis eras

Annual rate of convergence (Average in %-points)



○ 2001-2008 ○ 2009-2018 ● 2018

Source: Eurostat

Cumulated convergence (in %-points)



○ 2000-2008 ○ 2009-2018

Source: Eurostat

# What counts in the long run: The growth bonus of the region as a whole is back!

Real GDP growth: Divergence from EU-28 average (in %-points)



○ AT ○ CEE

Source: Eurostat ○ 2009-2018 ○ 2014-2018 ● 2018

Source: Eurostat

What's especially important for us:

## Developments since 2008 show that the formula "convergence = lower poverty and greater prosperity" applies fully

Population at risk of poverty (in %)



○ 2008 ● 2018

Source: Eurostat



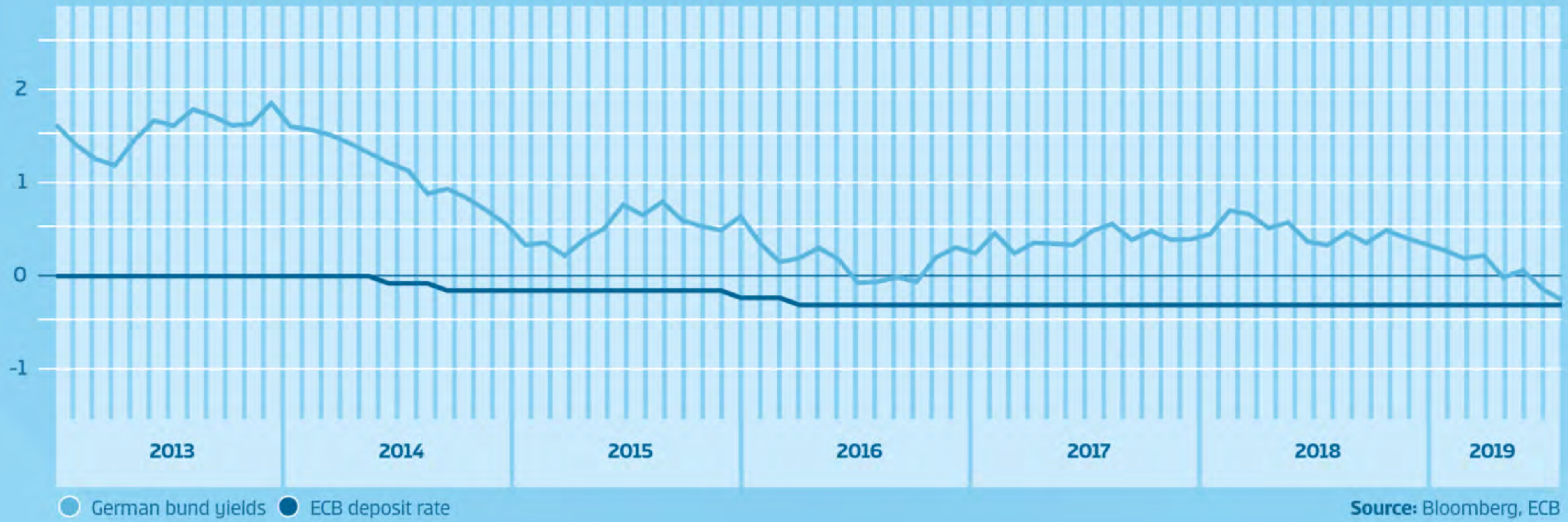
### Summary

- Across all of our markets, the share of the population at risk of poverty has declined significantly
- In particular, Hungary, Croatia and Romania have made large strides
- Because the definition of at risk of poverty is country-specific, a direct comparison of figures across countries is not possible

# Bond market: yields at record low

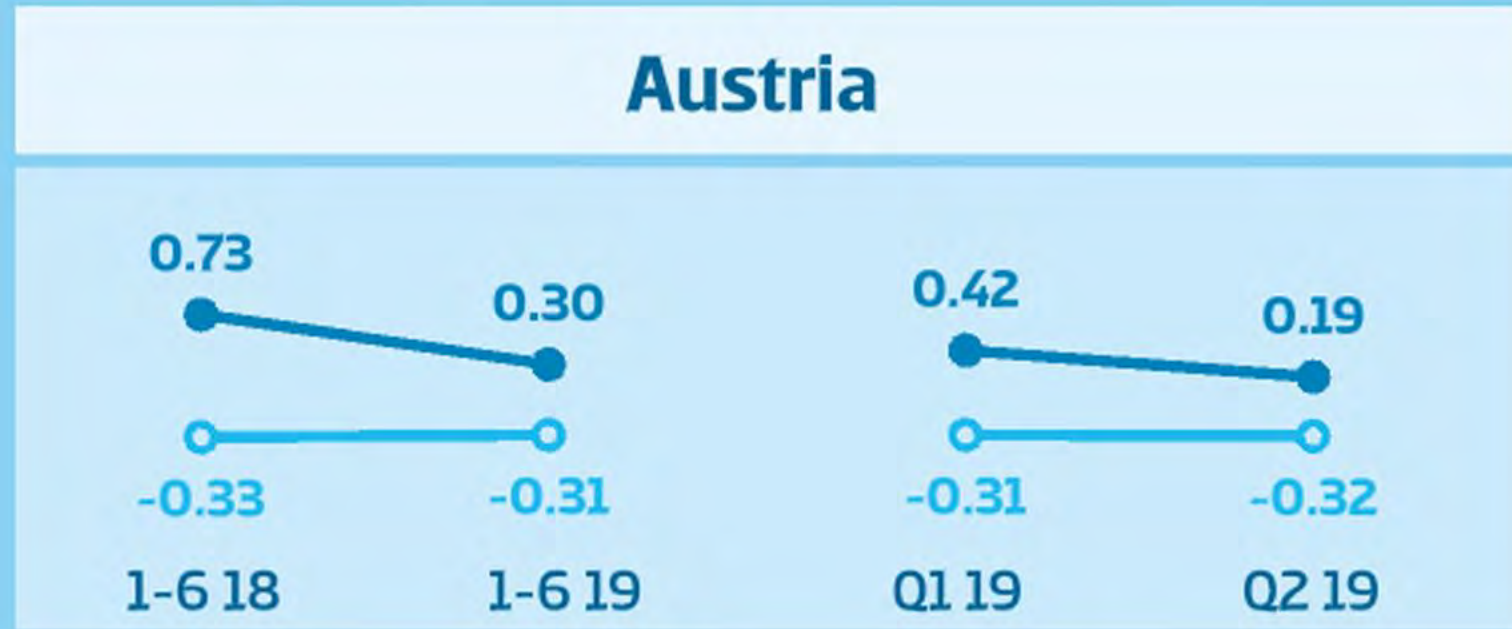
## Negative interest rates remain a challenge

German bund yields and ECB deposit rate (in %)



# Interest rate environment

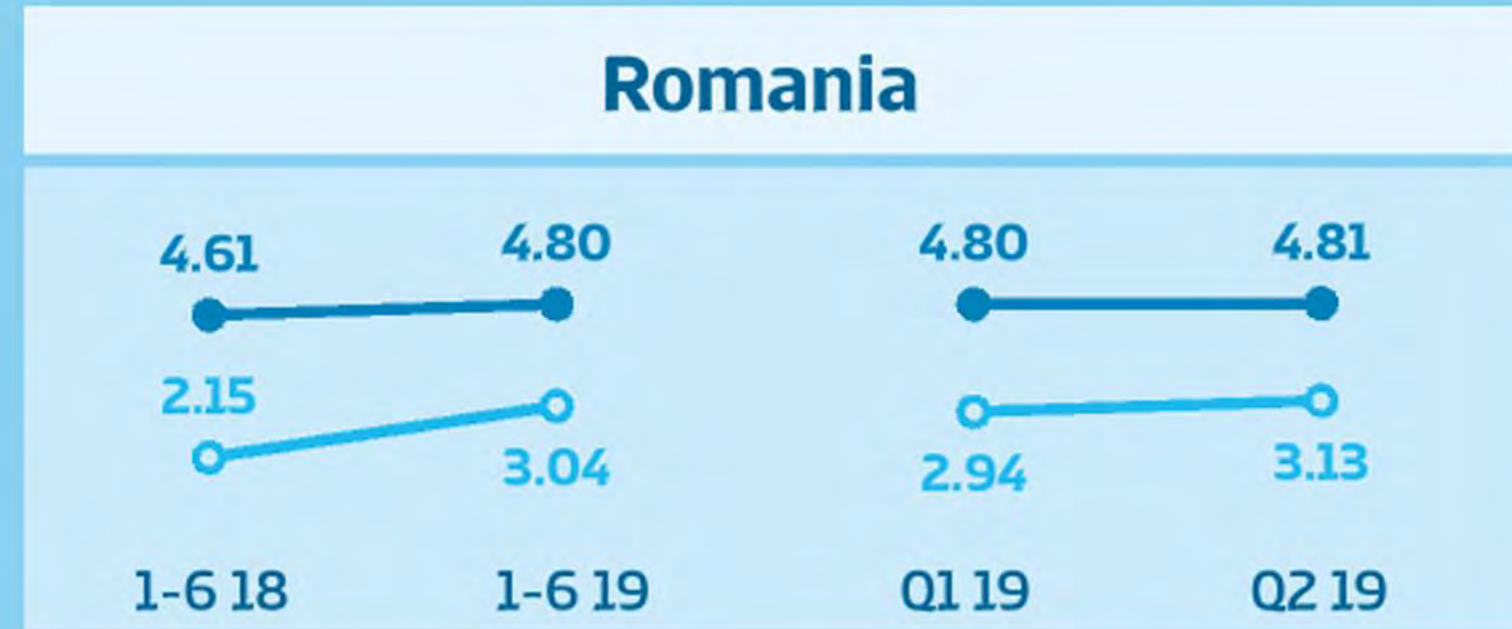
## Interest rate environment remains challenging, despite hikes in some markets



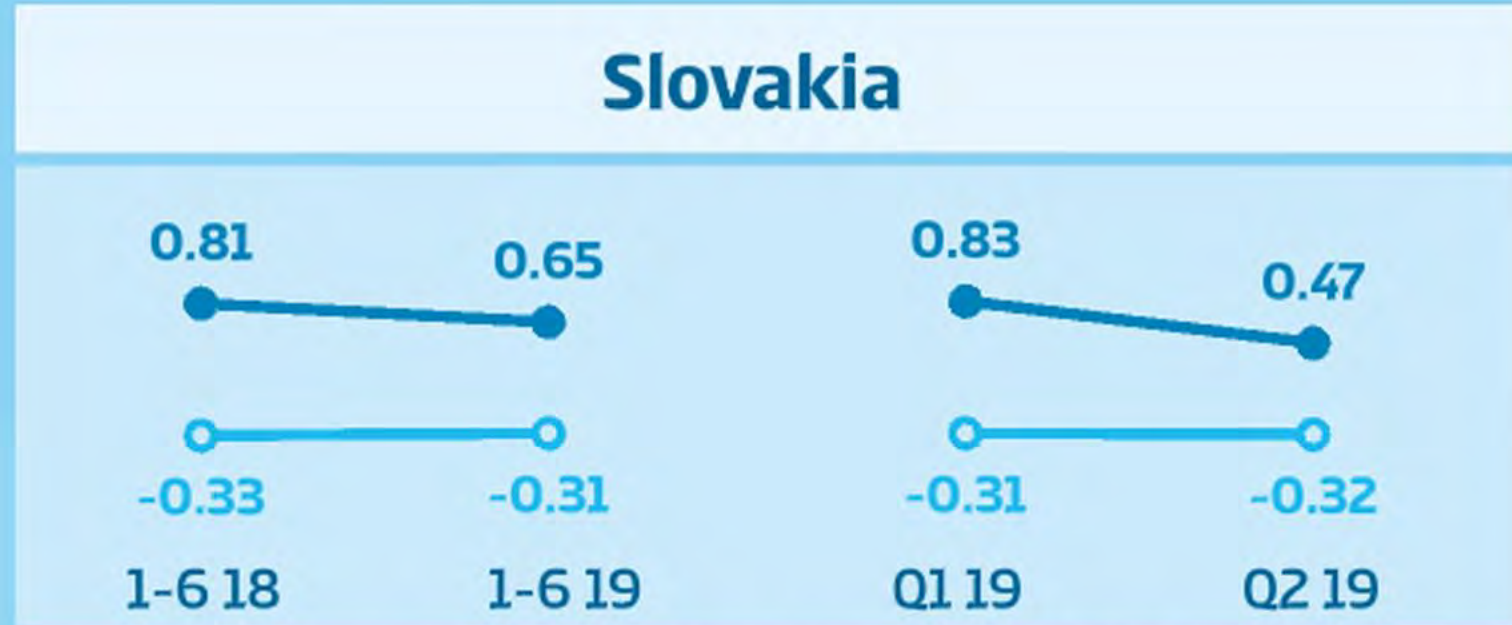
→ ECB cut discount rate to zero in March 2016  
 → Maintains expansionary monetary policy stance, despite tapering announcement



→ National bank has increased its benchmark rate in eight steps from historic low of 0.05% to 2.00% since August 2017



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



→ As part of euro area, ECB rates are applicable in SK



→ National bank cut the benchmark interest rate to record low of 0.9% in May 2016



→ Central bank has maintained discount rate at 3.0% since 2015

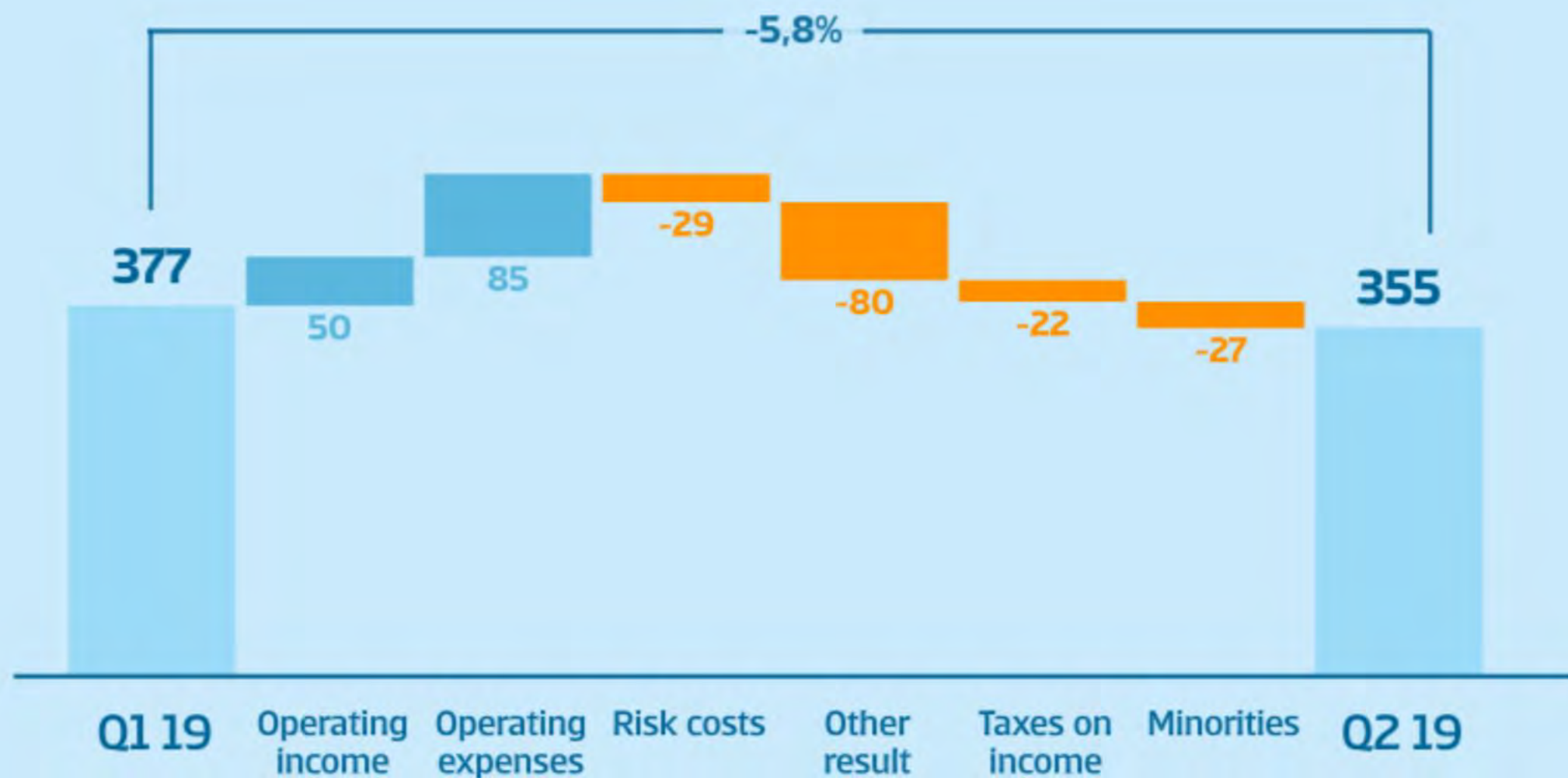
○ 3M INTERBANK (%) ○ 10YR GOV (%) Source: Bloomberg, Reuters



# Business performance

## Solid net profit despite one-off effect in Romania

### QoQ net profit reconciliation (EUR mn)

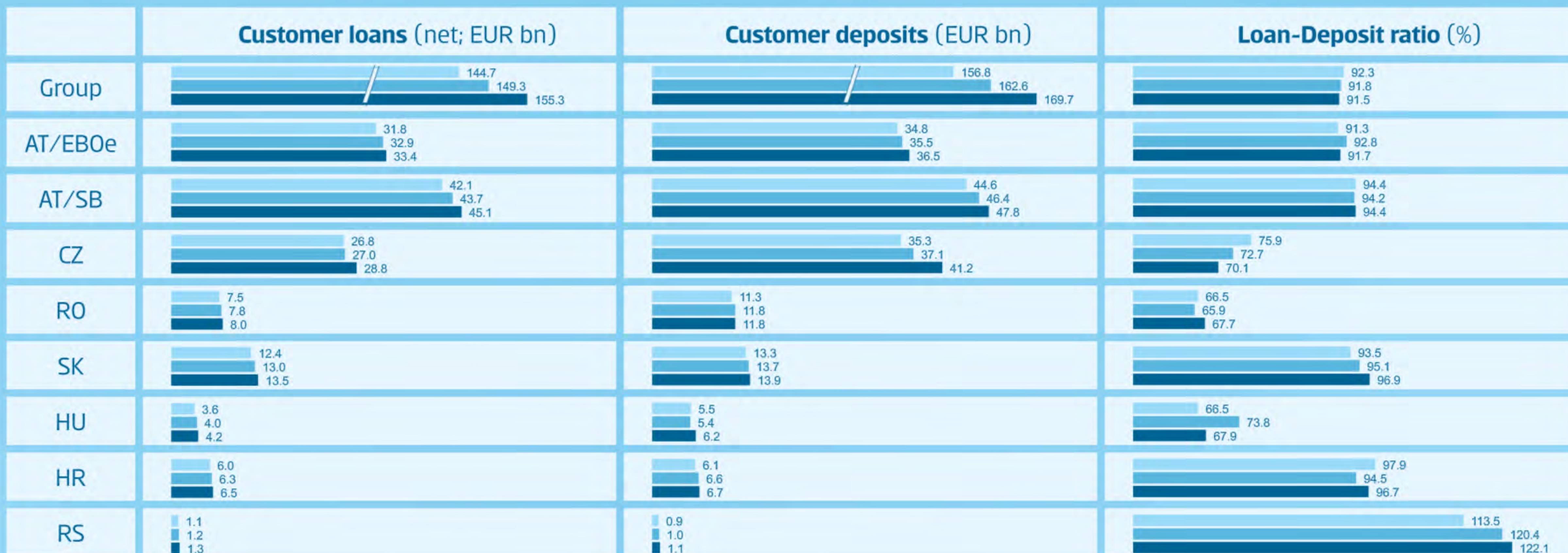


### YoY net profit reconciliation (EUR mn)



# Business performance

## Solid growth in customer loans (+7.3% YoY) and deposits (+8.2% YoY)

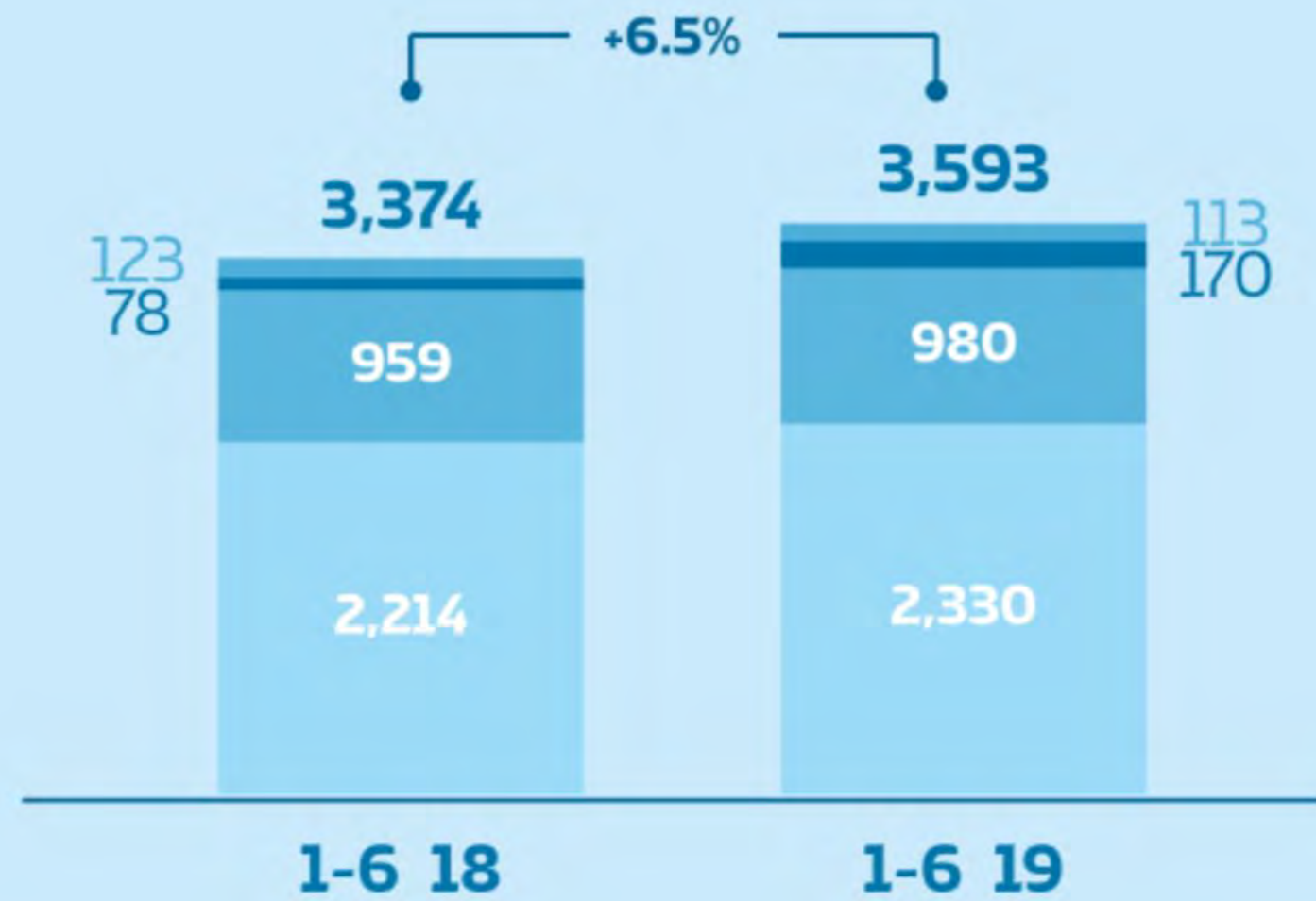


○ JUNE 2018 ● DECEMBER 2018 ● JUNE 2019

# Business performance

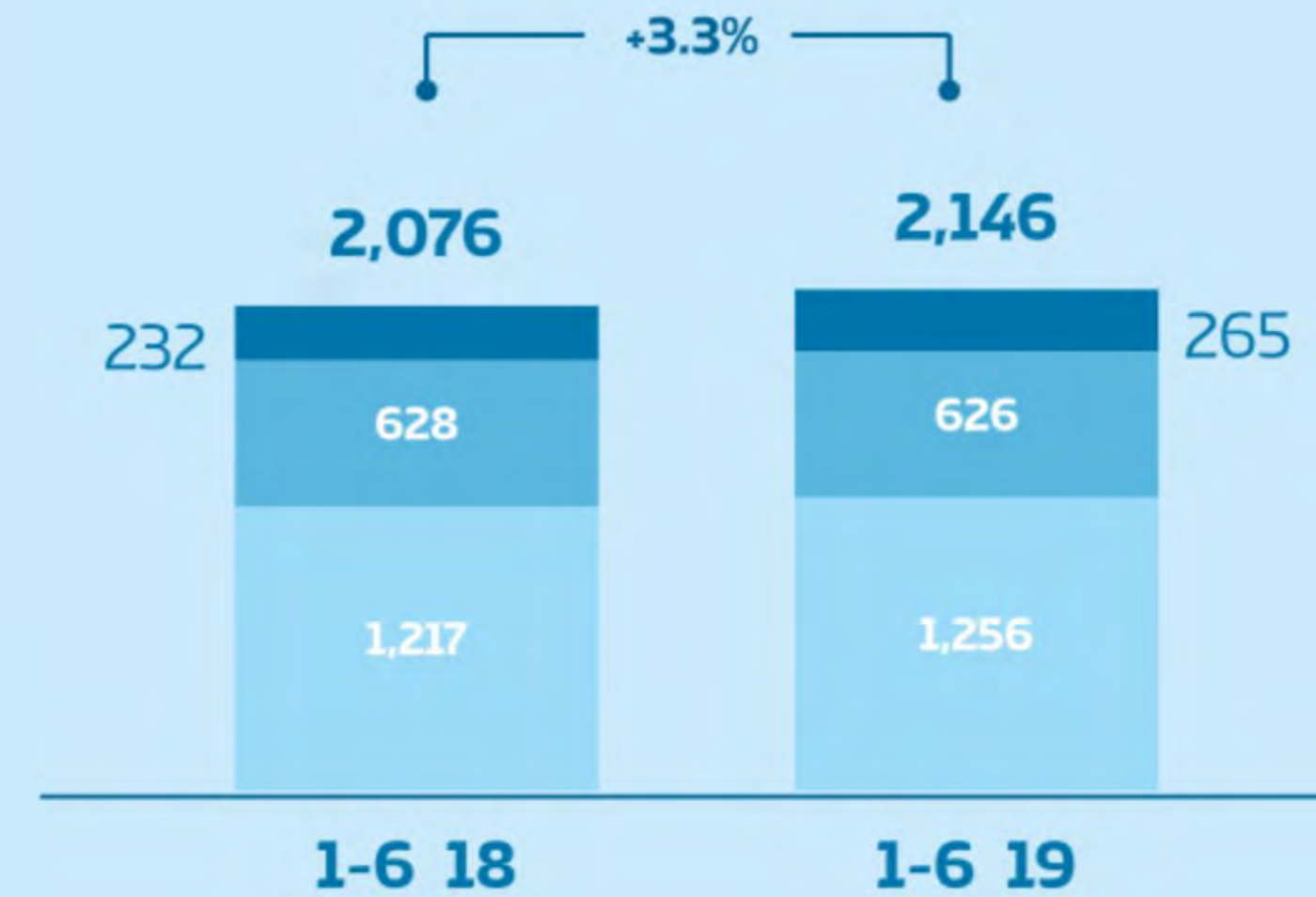
## Operating revenues up on all major components

Operating revenues (EUR mn)



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

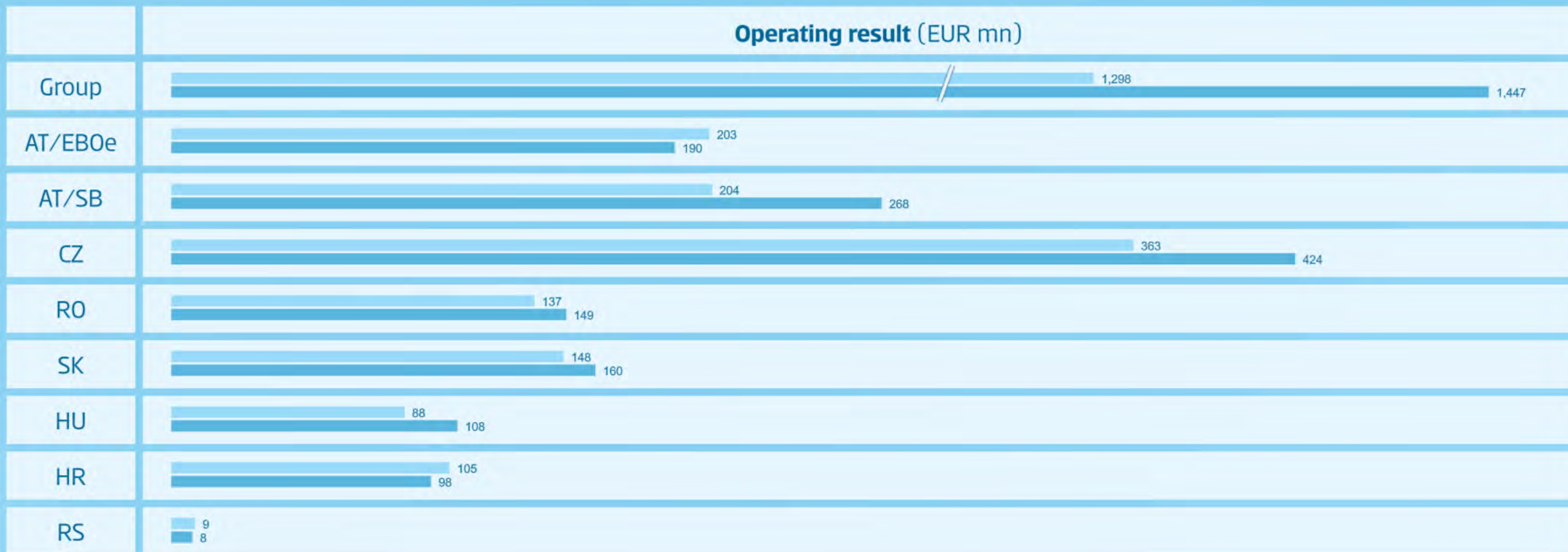
Operating expenses (EUR mn)



- Personnel expenses
- Depreciation and amortisation
- Other administrative expenses

# Business performance

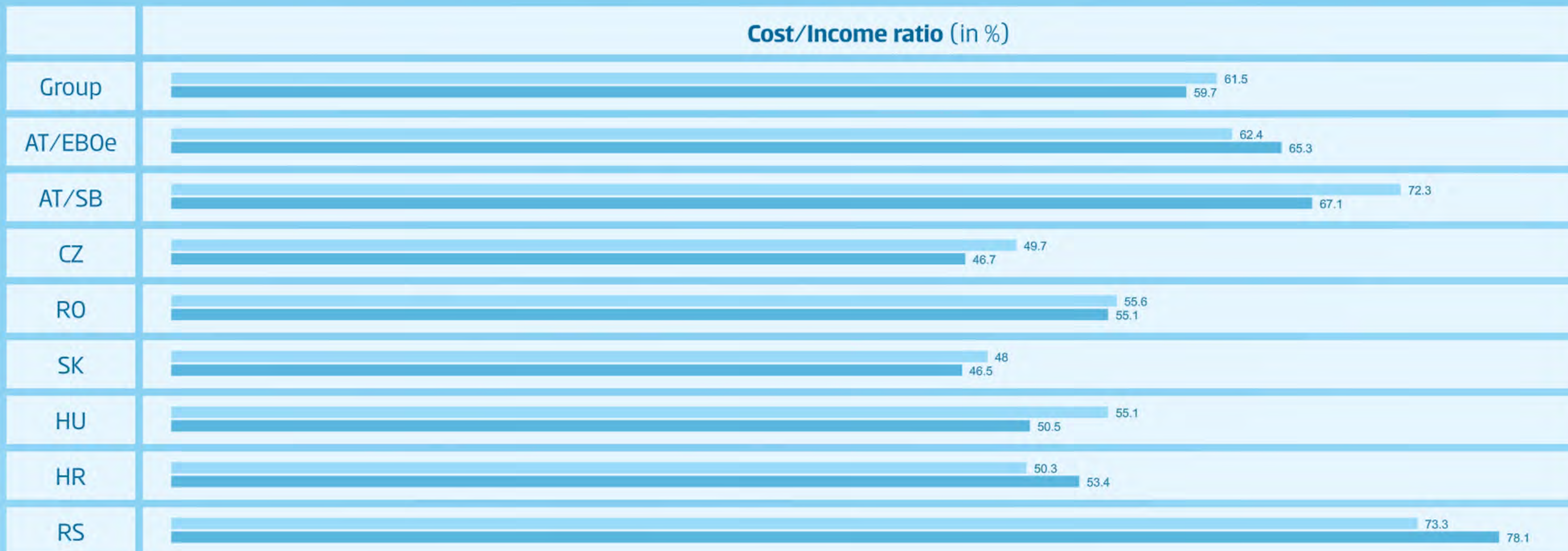
## Operating result rises 11.5% YoY



○ 1-6 18 ● 1-6 19

# Business performance

## Cost/Income ratio improves to below 60%

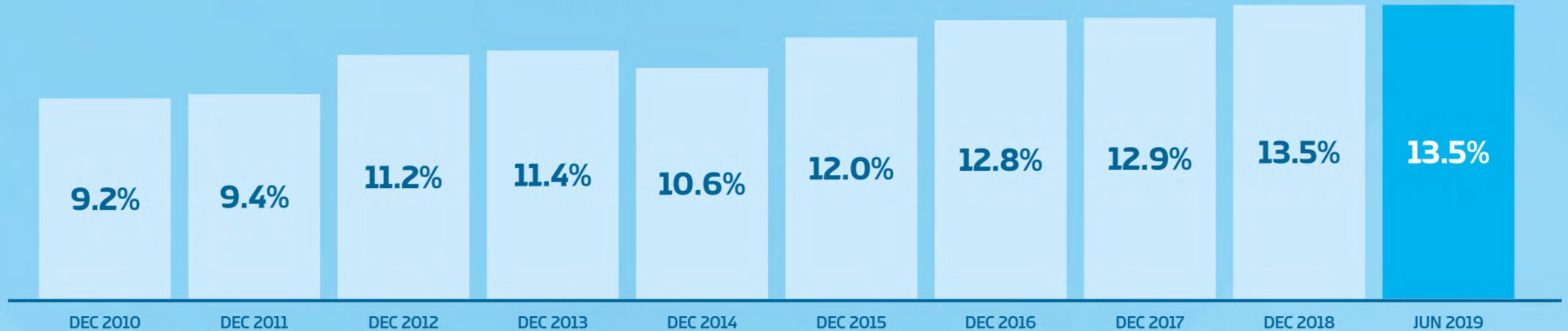


○ 1-6 18 ● 1-6 19

# Business performance

## Excellent capital generation over the past decade

Common equity tier one capital ratio (CET1, Basel 3, fully loaded)



# Business performance

## Risk costs: Net releases in most geographies

	Absolute* (EUR mn)	Relative (in %)
Group	-73 -43	-0.12 0.02
AT/EBOe	-9 1	-0.07 0.06
AT/SB	-4 -11	-0.02 0.02
CZ	-35 -8	-0.24 0.06
RO	-6 -19	-0.39 0.00
SK	12 19	0.19 0.27
HU	-19 -15	-0.99 -0.67
HR	9 3	0.20 0.10
RS	4 0	0.75 0.04

\* negative figure reflects a net release of risk provisions

○ 1-6 18 ● 1-6 19



### Summary

- Continuation of healthy asset quality resulting in net releases in most geographies
- Risk cost remain at historic low levels

# Business performance

## NPL ratio improves further to 2.8%

	NPL volume (EUR mn)	NPL ratio (%)	NPL coverage (excl. collateral; %)
Group			
AT/EBOe			
AT/SB			
CZ			
RO			
SK			
HU			
HR			
RS			

○ DECEMBER 18 ● JUNE 19



# Business performance

## Solid growth in corporate lending and income, active cap. markets role

### H1 2019 Corporates and Markets Highlights

#### TOTAL GROSS LOANS

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**EUR 53.8 bn**

rise by 6% since end-2018

#### SME GROWTH

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- 3,500 new SME clients
- Growth in income +6% and loan volume +8% YoY

#### CAPITAL MARKETS: ADVANCING ROLE IN REGION

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- Lead manager of 18 equity and debt capital market transactions
- Facilitated over EUR 4 bn in capital markets funding to region's corporates

#### BUILDING BLOCKS FOR DIGITAL INNOVATION

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**Dealfabrix**  
paperless SSD  
issuance

**we.trade**  
trade finance  
on blockchain

**Klick Kredit**  
E2E digital  
lending

# Business performance

## Retail lending volume rises by 7.1% YoY on net basis

### Retail Highlights for H1 2019

#### MORTGAGES

**EUR 45.7 bn** 

Volume rises by 8.9% YoY

#### CONSUMER LENDING

**EUR 12.8 bn** 

Volume decreases by 9.8% YoY

#### RETAIL DEPOSITS

**EUR 117 bn** 

Volume grows by 9.1% YoY

#### ASSET MANAGEMENT

**EUR 61.1 bn** 

Assets under Management increased between January and June by 5.7%

Customers love digital innovation

**Nearly 5 million George users; Erste launches Apple Pay in 4 markets**

**3 million**  
after 3.5 years

**1 million**  
after 2 years

**5 million**  
after 4.5 years

**Still counting ...**

# Customers love digital innovation

## Nearly 5 million George users; Erste launches Apple Pay in 4 markets

- George is the leading pan-European banking platform, onboarding over 5,000 users a day
- George is open to partners thanks to APIs and modular architecture
- Strong client uptake for Apple Pay



# Outlook 2019

The outlook is based on a solid macroeconomic development in our markets. Real GDP growth is forecast to come around 3-4% in CEE core markets and about 2% in Austria, again driven primarily by robust domestic demand. In CEE, economic activity should be supported by real wage growth and low unemployment. Fiscal discipline is expected to be maintained across CEE.

Based on loan growth in the mid-single digit percentage range, we expect revenues to grow more strongly than costs. Risk costs will rise, but remain at historically low levels (up to 10bps). On the back of the low average tax rates in CEE, the tax rate of Erste Group is expected to remain below 20%.

Based on this assumption, Erste Group aims to achieve a return on tangible equity (ROTE) of more than 11% in 2019.

