

Erste Group investor presentation FY 2016 preliminary results

28 February 2017

Erste Group delivers 12.3% ROTE in 2016, proposes EUR 1 DPS and confirms guidance for 2017

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Cautionary note regarding forward-looking statements

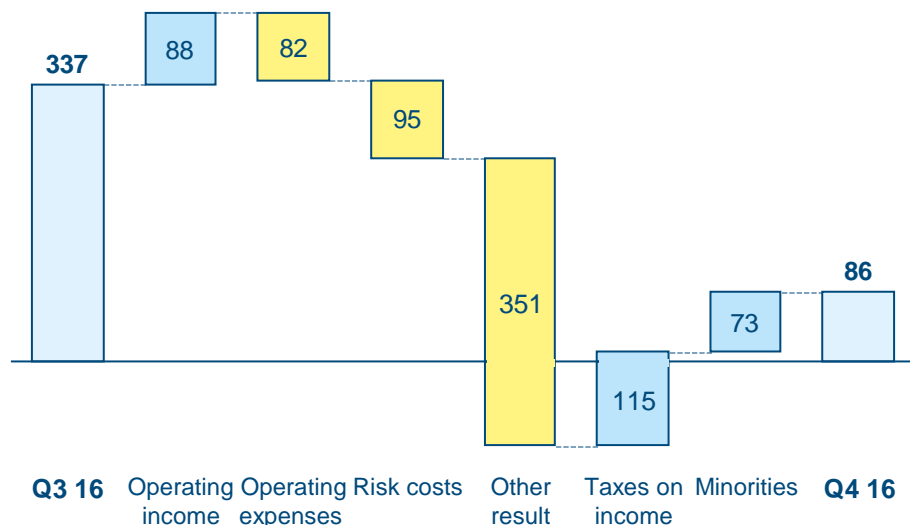
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Presentation topics

- Executive summary
- Business environment
- Business performance
- Assets and liabilities
- Outlook
- Additional information

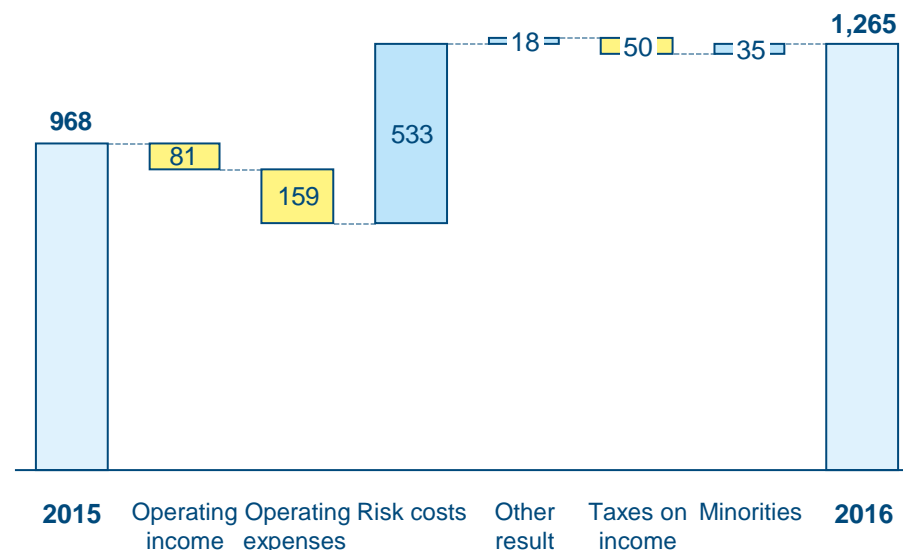
Executive summary – Group income statement performance

QoQ net profit reconciliation (EUR m)



- Erste Group Q4 16 net profit amounted to EUR 85.6m; qoq decline primarily due to one-off banking tax in Austria (other result), rise in risk provisions and higher operating expenses
- Revenues rose on the back of higher NII (technical effects), seasonally stronger fees and higher rental income
- Operating expenses up qoq due to higher IT, consulting and personnel costs as well as first time consolidation of subsidiaries

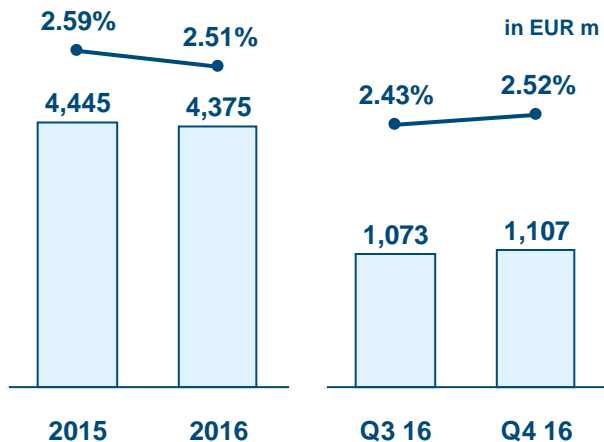
YoY net profit reconciliation (EUR m)



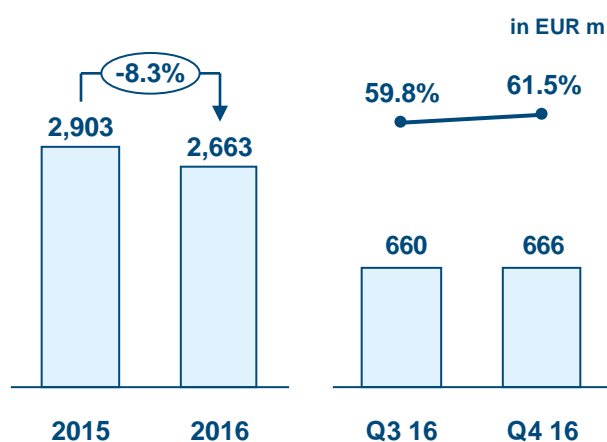
- 30.6% yoy rise in net profit primarily driven by decrease in risk provisions as well as better other result, lower minority charge
- Negative yoy impact from lower revenues, as a result of lower fee and net interest income, partly offset by higher rental income
- Negative yoy impact from costs primarily due to higher IT, personnel and consulting expenses associated with digitalisation and regulation

Executive summary – Key income statement data

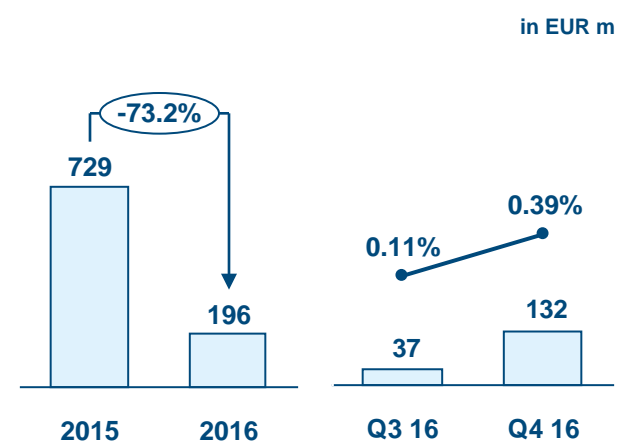
Net interest income & margin



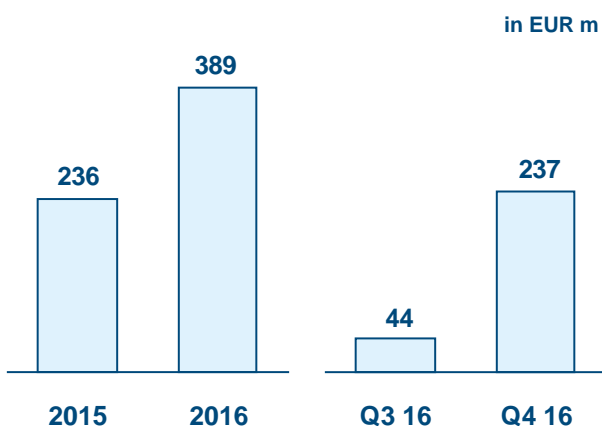
Operating result & cost/income ratio



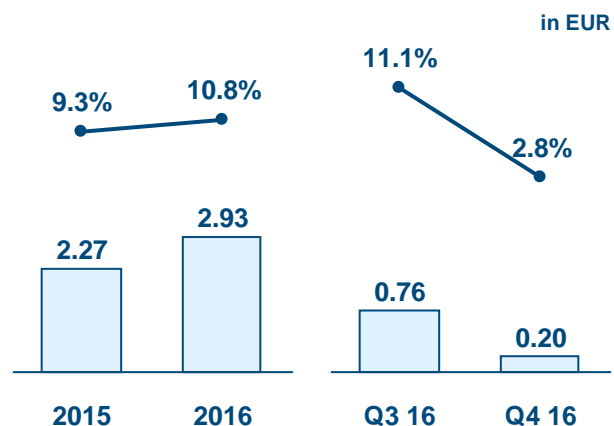
Cost of risk



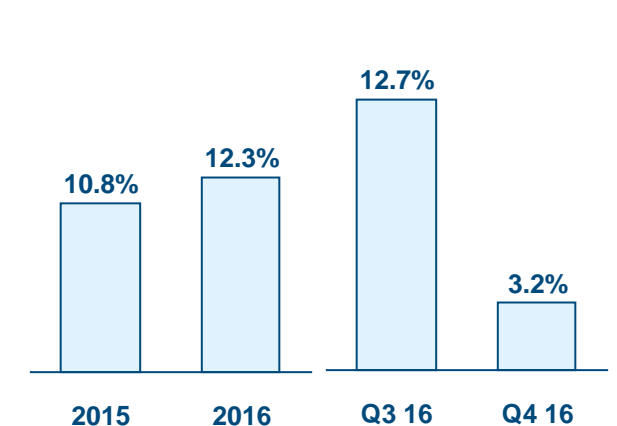
Banking levies



Reported EPS & ROE

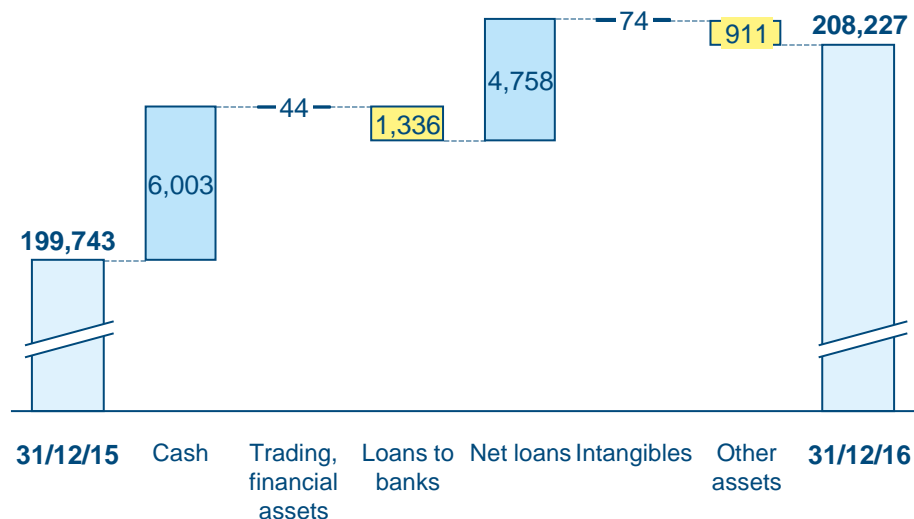


Return on tangible equity



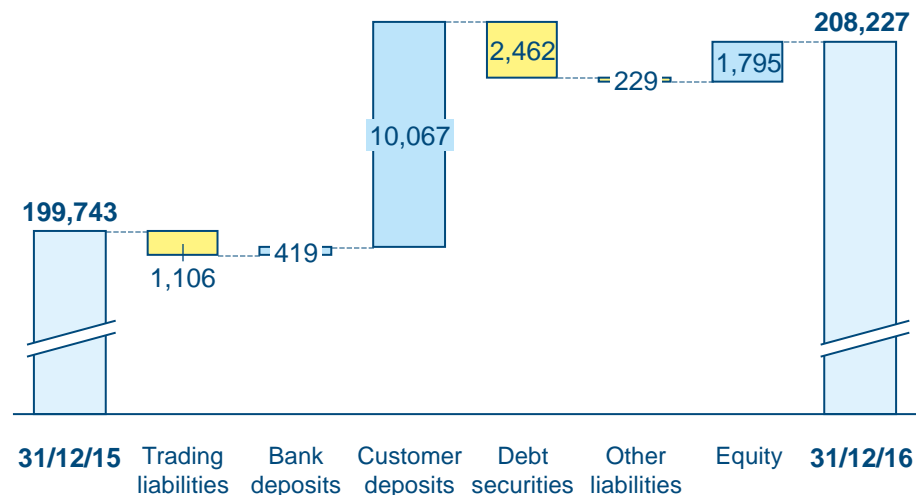
Executive summary – Group balance sheet performance

YTD total asset reconciliation (EUR m)



- Balance sheet total rises by 4.2% in 2016, driven by increase in net customer loans and cash, while interbank loans declined
- Net customer loans rise by 3.8% in 2016, supported mainly by continued strong demand in Czech Republic (+8.4% in 2016) and Slovakia (+9.5% in 2016), as Romania, Hungary and Croatia lag behind

YTD equity & total liability reconciliation (EUR m)

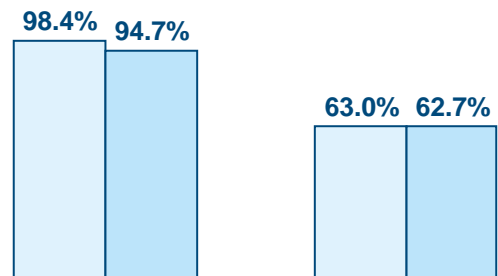


- Deposit growth by 7.9% in 2016 was the key development on the liability side of the balance sheet, driving the loan/deposit ratio down to 94.7% on group level
- Significant 12.1% rise in total equity due to better profitability; and inclusion of AT1 instrument (EUR 497m) in equity as of Q2 16
- Strong deposit inflows led to a reduction in debt securities issued

Executive summary – Key balance sheet data

31/12/15
31/12/16

Loan/deposit & loan/TA ratio

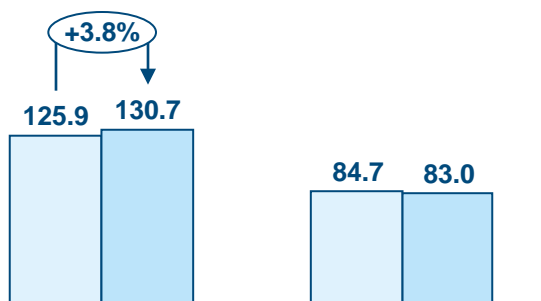


Loan/deposit ratio

Loans/total assets

Net loans & credit RWA

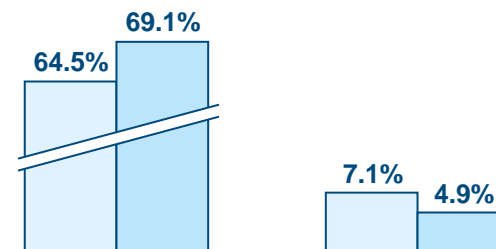
in EUR bn



Net loans

Credit RWA

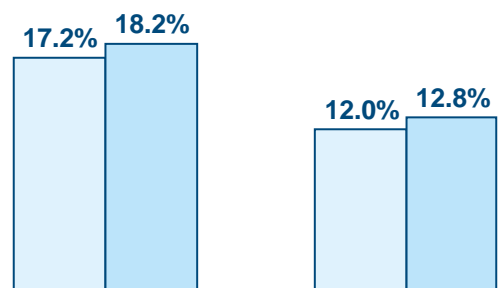
NPL coverage ratio & NPL ratio



NPL coverage

NPL ratio

B3FL capital ratios

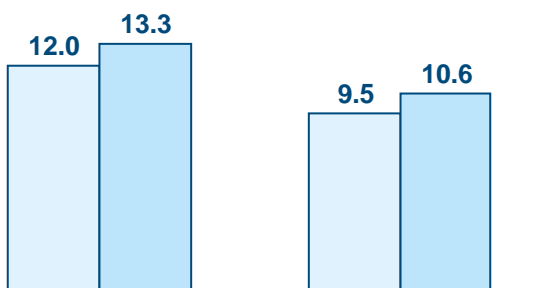


Total capital

CET 1

B3FL capital & tangible equity*

in EUR bn

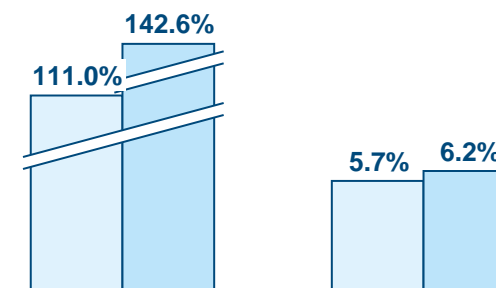


CET 1

Tangible equity

* Based on shareholders' equity, not total equity

Liquidity coverage & leverage ratio**



LCR

LR (B3FL)

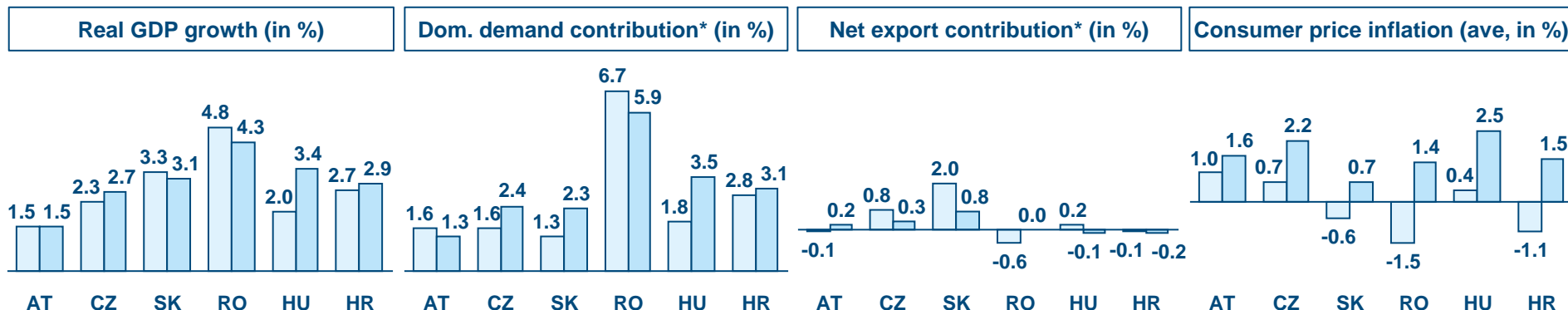
** Pursuant to Delegated Act

Presentation topics

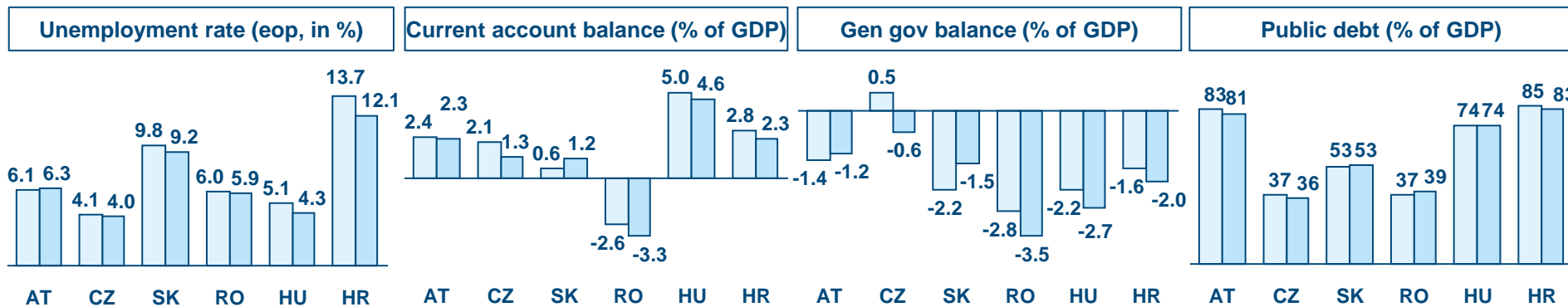
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Business environment – Continued solid CEE GDP growth expectations for 2017

2016
2017



- Erste Group's core CEE markets expected to grow by about 3-4% in 2017
 - Domestic demand is expected to be main driver of economic growth in 2017
 - Consumption is supported by improving labour markets, wage increases and very low inflation rates across the region



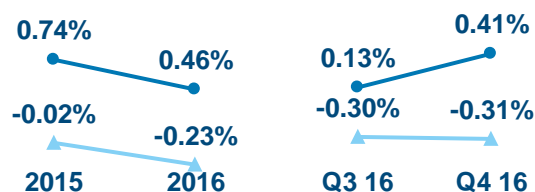
- Solid public finances across Erste Group's core CEE markets: almost all countries fulfill Maastricht criteria
- Sustainable current account balances, supported by competitive economies with decreasing unemployment rates

* Contribution to real GDP growth. Domestic demand contribution includes inventory change. Source: Erste Group Research

Business environment – Interest rates remain at very low levels in Q4 16

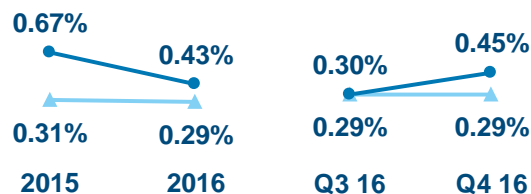
—▲ 3M Interbank
—● 10YR GOV

Austria



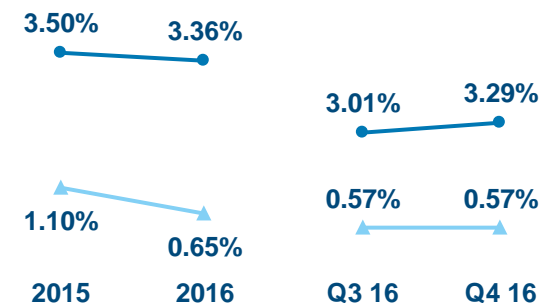
- ECB cut discount rate to zero in March 15
- Maintains expansionary monetary policy stance

Czech Republic



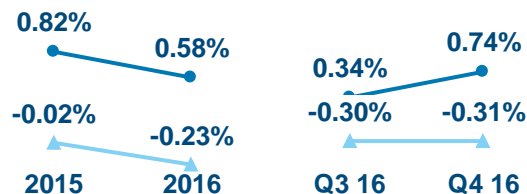
- National bank maintains ultra-low interest rates since November 2012 at 0.05%

Romania



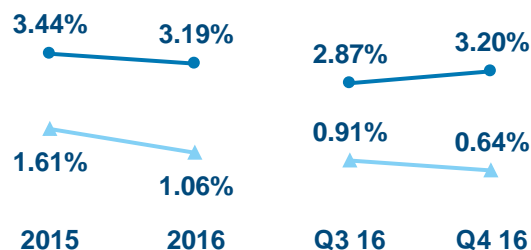
- Central bank cut policy rate to historic low of 1.75% in May 2015

Slovakia



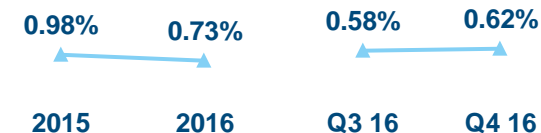
- As part of euro zone ECB rates are applicable in SK

Hungary



- Easing cycle continues in 2016
- National bank cut the benchmark interest rate to record low of 0.9% in May 16

Croatia

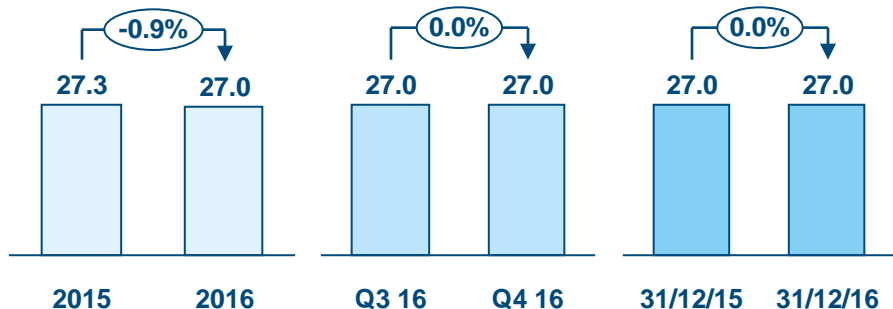


- Central bank maintains discount rate at 3.0% since 2015

Source: Bloomberg

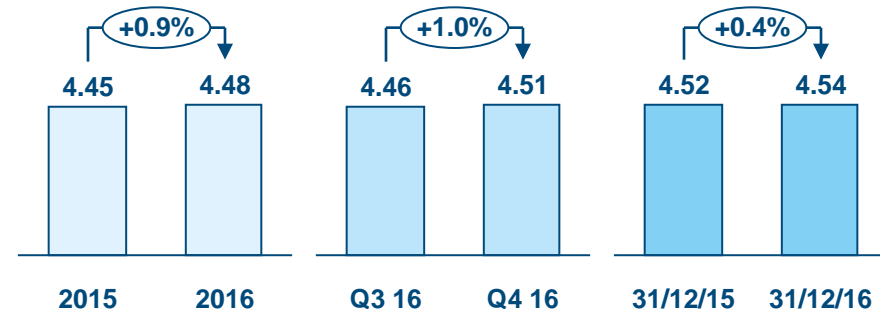
Business environment – Limited currency volatility in CEE

EUR/CZK



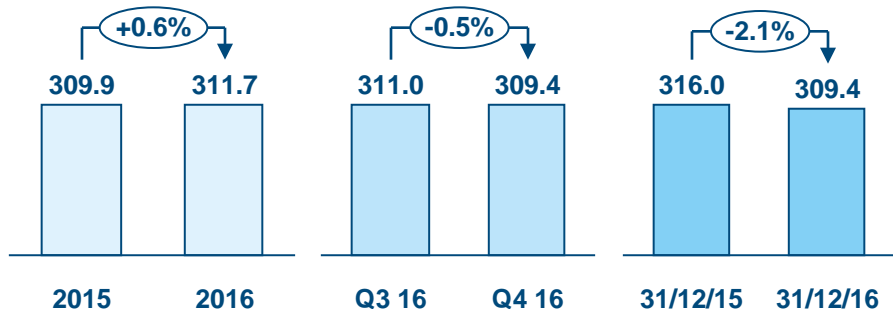
- Czech National Bank maintains exchange rate stability; discount rate also stable at 0.05% in Q4 16

EUR/RON



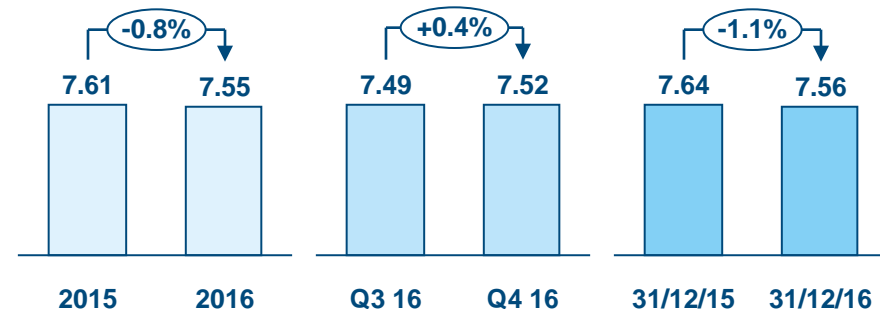
- RON movements marked by limited volatility, despite decreasing interest rates: policy rate cut to 1.75% in Q2 15

EUR/HUF



- Stable currency development, despite expansionary monetary stance of the national bank

EUR/HRK

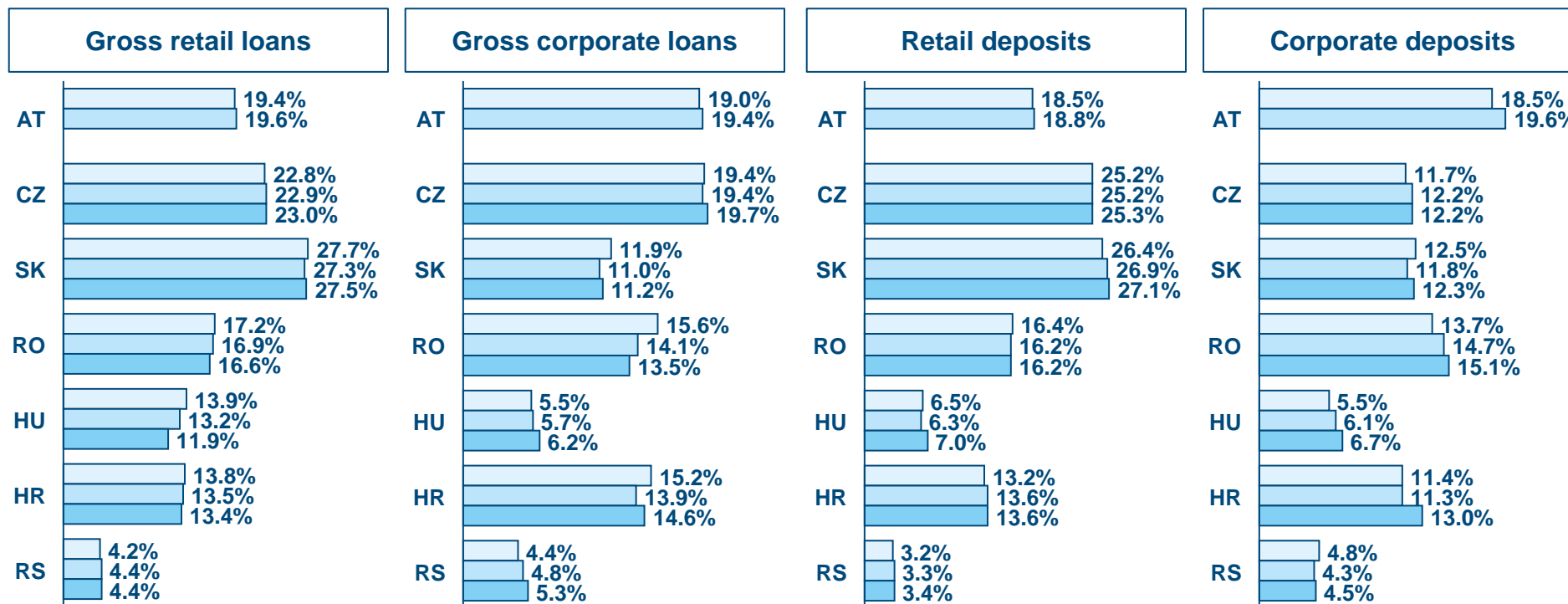
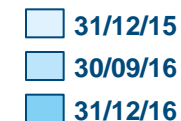


- Strong grip of national bank on HRK is reflected in lack of volatility

Source: Bloomberg

Business environment –

Market shares: mostly gains except in RO, HU, due to NPL sales



- CZ and SK: stable qoq market shares in growing markets
- RO: slightly lower market share mainly due to more restrictive lending standards
- HU: lower market shares driven mainly by NPL sales

- RO: continued pressure on gross loan based market share due to NPL sales
- HU: increasing qoq market share driven mainly by SME segment

- Continued inflows in all markets despite low interest rate environment, with broadly stable market shares

- Changes mainly due to normal quarterly volatility in corporate business

AT market shares for 31/12/2016 not yet available

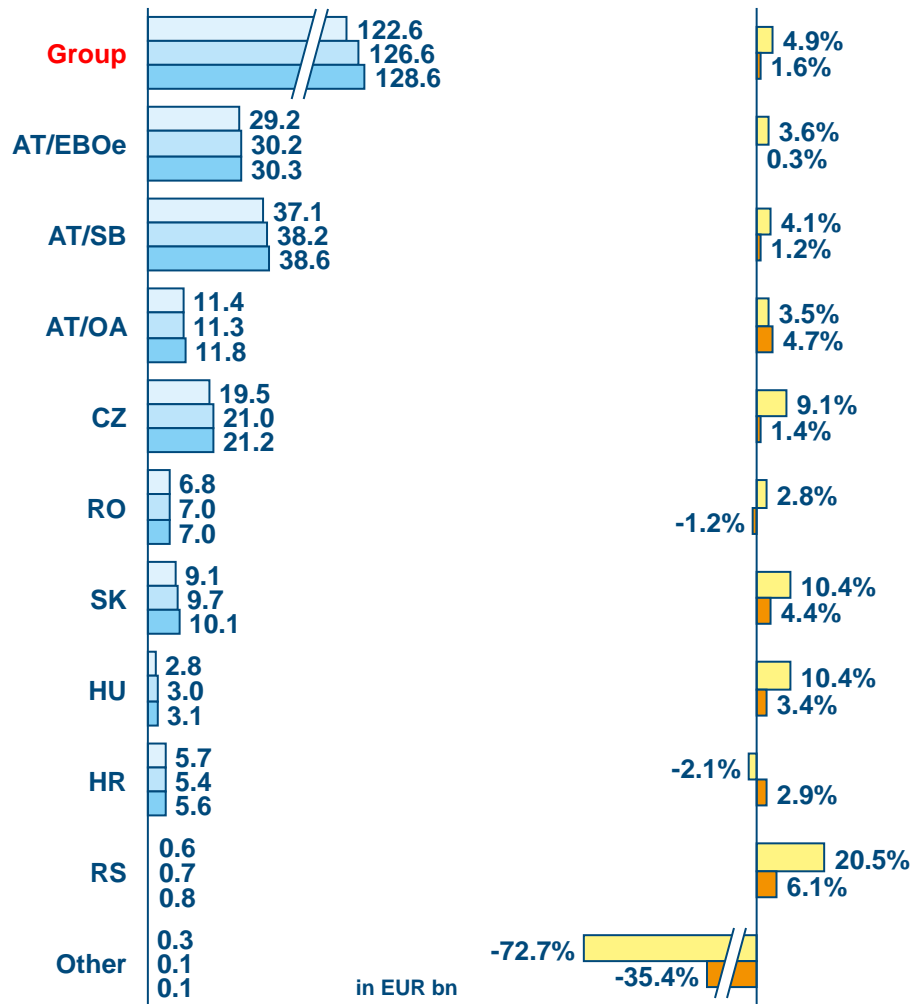
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Business performance: performing loan stock & growth –

Performing loan volume increases by 4.9% in 2016

■ YoY ■ 31/12/15
■ QoQ ■ 30/09/16
■ 31/12/16

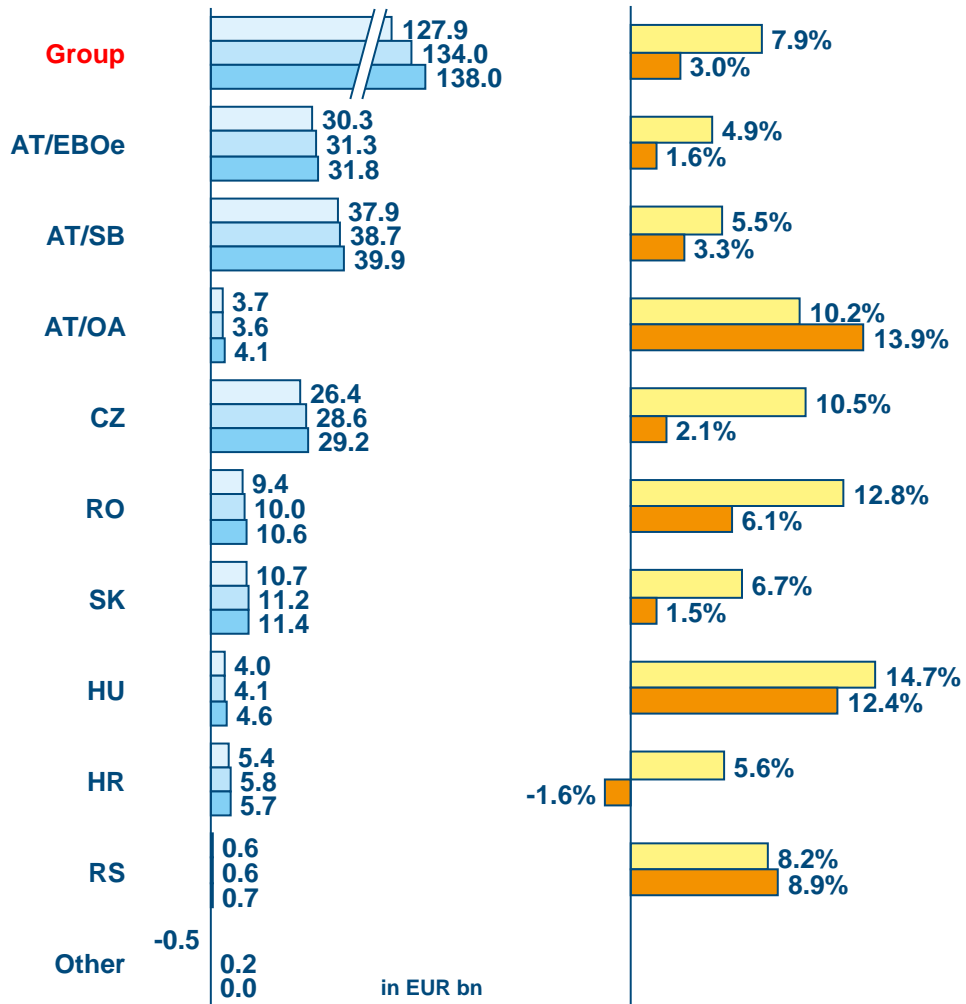


- Rising performing loan volume trend continues in Q4 16 across most geographies, most pronounced in AT/OA, SK, HU, RS & HR; yoy growth driven by CZ, SK, HU and RS
- Yoy growth primarily driven by Retail, with good contributions from Corporates segment
- Qoq growth almost exclusively attributable to Corporates
- Year-on-year segment trends:
 - AT/EBOe: strong performance in Retail business line; Corporates segment flat
 - CZ: unchanged growth in Retail (mainly mortgages), accompanied by increases in Local Large Corporates, CRE and Public Sector lending
 - SK: increase mainly driven by Retail segment, as Corporates segment also grows slightly
- Quarter-on-quarter segment trends:
 - AT/OA: growth driven by GLC and CRE
 - SK: rise mainly in the Retail segment
 - HU: increase driven exclusively by Corporates segment

Business performance: customer deposit stock & growth –

Deposits advance by 7.9% in 2016, despite zero interest rates

■ YoY ■ 31/12/15
■ QoQ ■ 30/09/16
■ 31/12/16

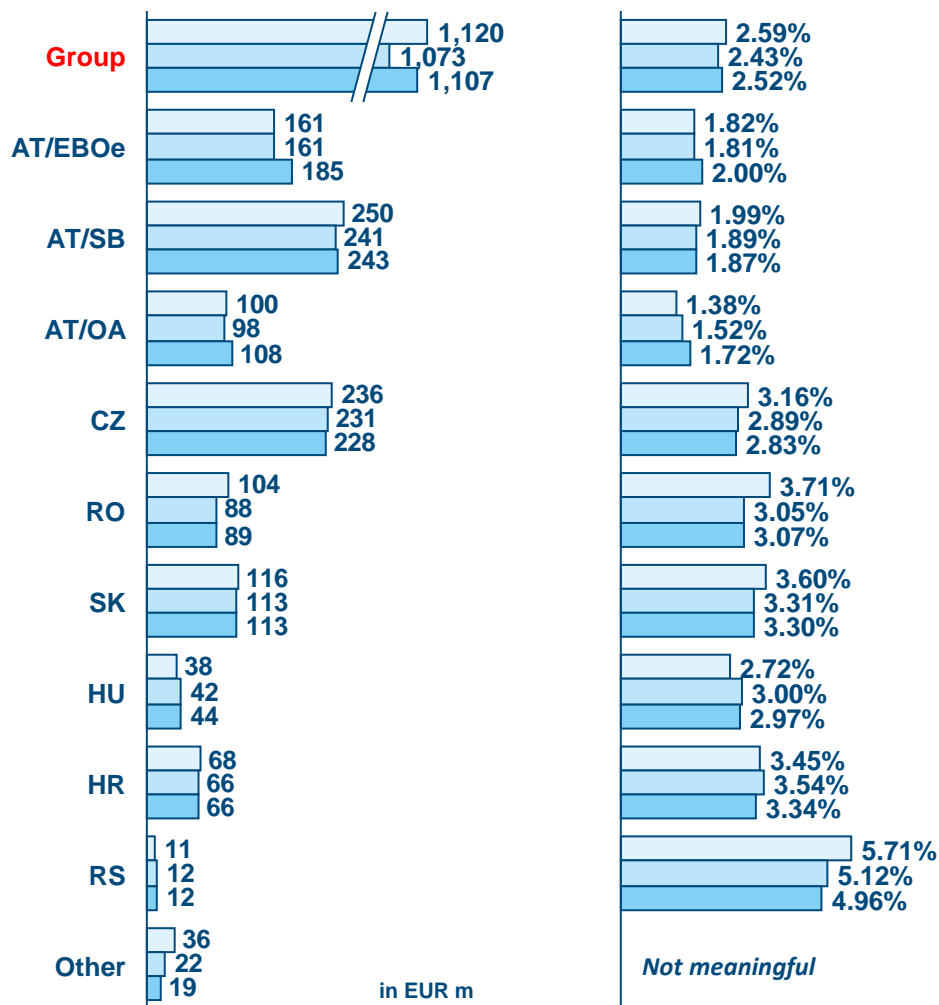


- Exceptional deposit growth across all geographies, despite zero interest rate environment as retail and corporate clients parked cash in overnight accounts
- Yoy growth in absolute terms driven by Retail segment (+EUR 4.6bn), while Corporate segment grew by 20.7% (+EUR 3.3bn); Savings Banks also with strong contributions
- Qoq increase balanced between Retail, Corporates and Savings banks segments
- Year-on-year segment trends:
 - AT/OA: increased inflows in Large Corporates segment
 - CZ: growth driven in equal measure mainly in Retail and Corporates segments
 - RO: strong inflow in Corporates (in particular Group Large Corporates and Public Sector), to a lesser but still significant extent in Retail
 - HU: increase driven primarily by Corporates segment, supported by inflows in Retail
- Quarter-on-quarter segment trends:
 - AT/EBOe and AT/SBs: mainly retail driven growth
 - RO: increase driven primarily by Corporates segment

Business performance: NII and NIM –

NII improvement in Q4 16 (qoq) mainly due to one-offs

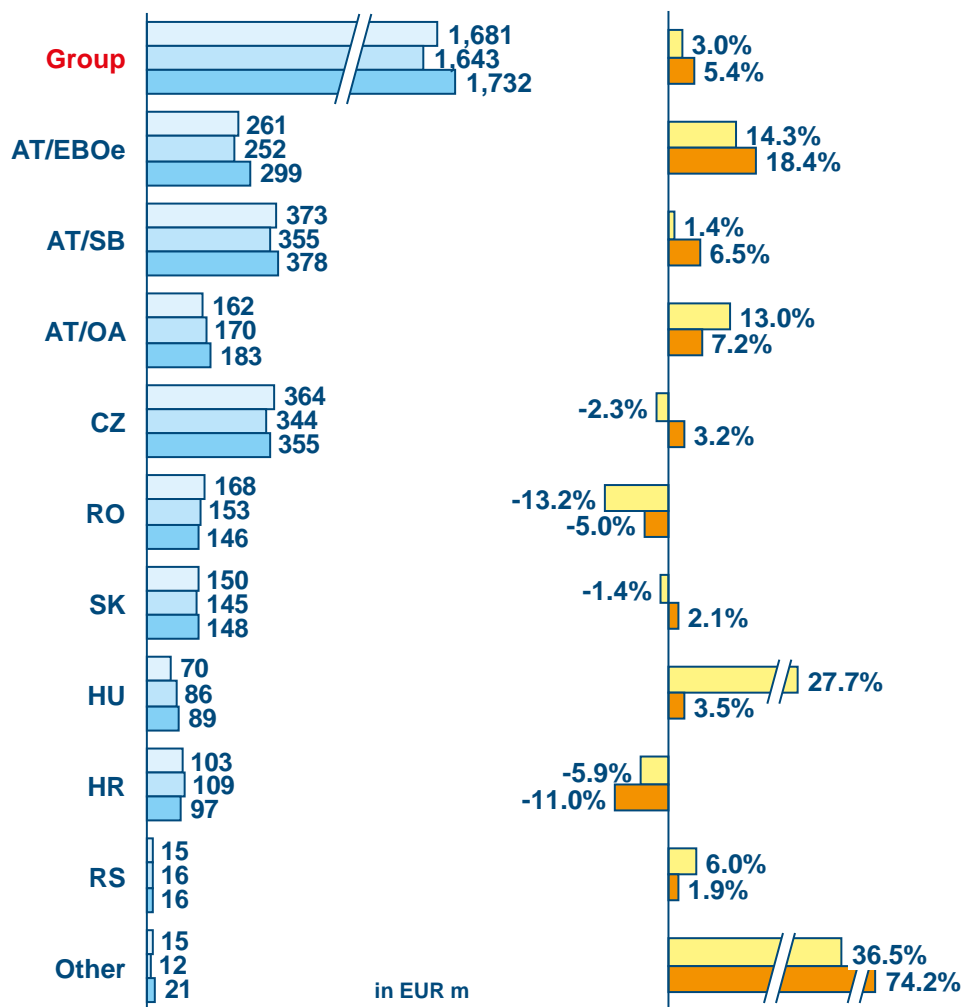
Q4 15
Q3 16
Q4 16



- Yoy slight decline on lower interest income from government bonds as well as lower unwinding impact; main segment impact in Other (Holding ALM) and Romania, partially compensated by positive one-off effect in AT/EBOe
- Qoq increase mainly due to one-off effects in AT/OA related to Czech CRE project and AT/EBOe (change in accrual policy at building society)
- Year-on-year segment trends:
 - AT/EBOe: Q4 16 benefits from positive one-off at Austrian building society, both in yoy and qoq comparison
 - AT/OA: increase mainly driven by CRE-related one-off in the Czech Republic
 - RO: decrease mainly due to lower margins on loans as well as lower unwinding impact
 - HU: increase driven by EUR 10.0m negative one-off in Q4 15
 - Other: lower NII from investment portfolio
- Quarter-on-quarter segment trends:
 - AT/EBOe, AT/OA: see above
 - HU: improvement on higher volumes in Corporates business and better asset/liability management performance

Business performance: operating income –

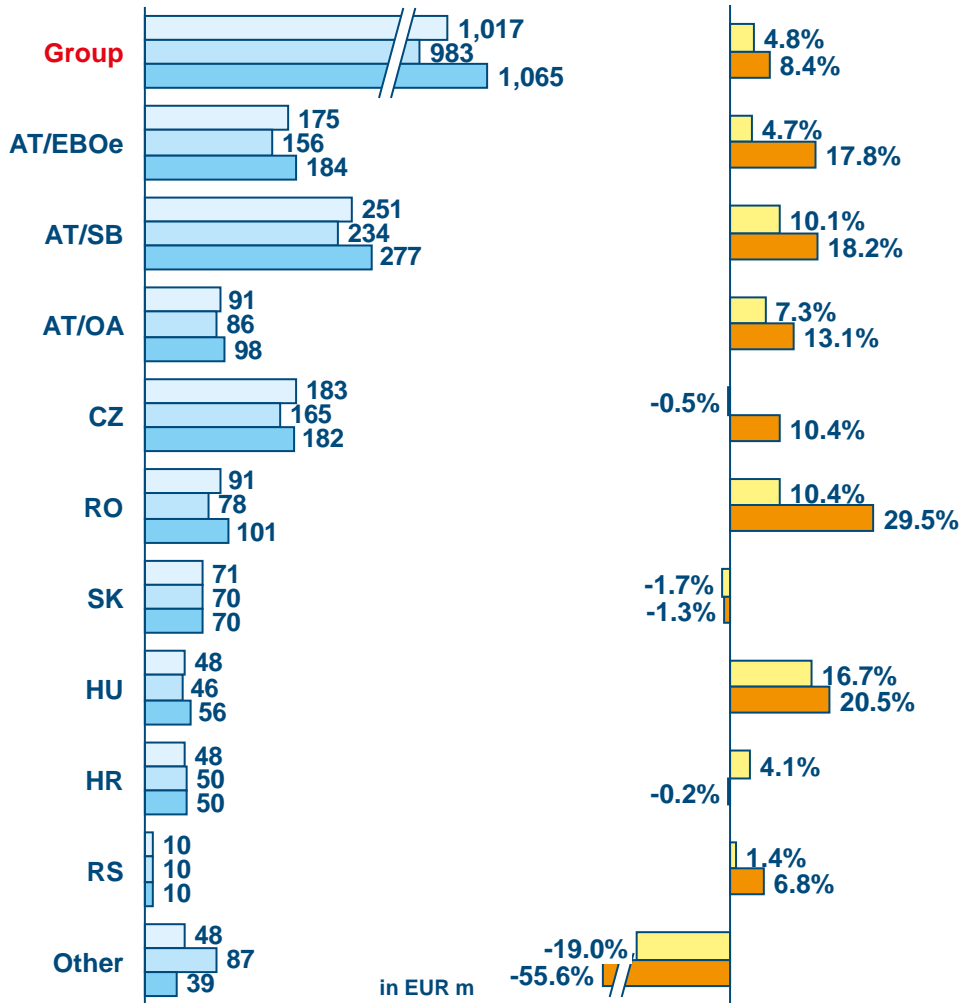
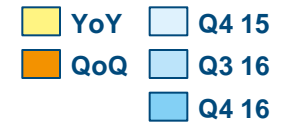
Operating income rises qoq and yoy, primarily due to one-offs



- Yoy up primarily due to better trading result and rental income (one-off due to first time consolidation of subsidiaries), partly offset by lower net interest income and lower fees
- Qoq increase driven by seasonally higher fees, better net interest income and rental income on the back of one-offs, eg first time consolidation of subsidiaries
- Year-on-year segment trends:
 - AT/EBOe: rise attributable to one-off at building society (NII) and first time consolidation of subsidiary (rental income)
 - AT/OA: increase mainly driven by CRE-related one-off in CZ (NII), better trading and rental income (Erste Campus)
 - RO: decline mainly driven by lower NII resulting from mortgage refinancing campaign and lower market rates as well as lower unwinding contribution
 - HU: mainly up due to better trading income
- Quarter-on-quarter segment trends:
 - AT/EBOe: see above yoy comment
 - AT/SB: increase mainly due to seasonally higher fees and better trading income
 - AT/OA: increase due to CRE-related one-off in CZ (NII)
 - HR: decrease due to weaker fee and trading income

Business performance: operating expenses –

Operating costs up due to IT and regulatory projects, one-offs



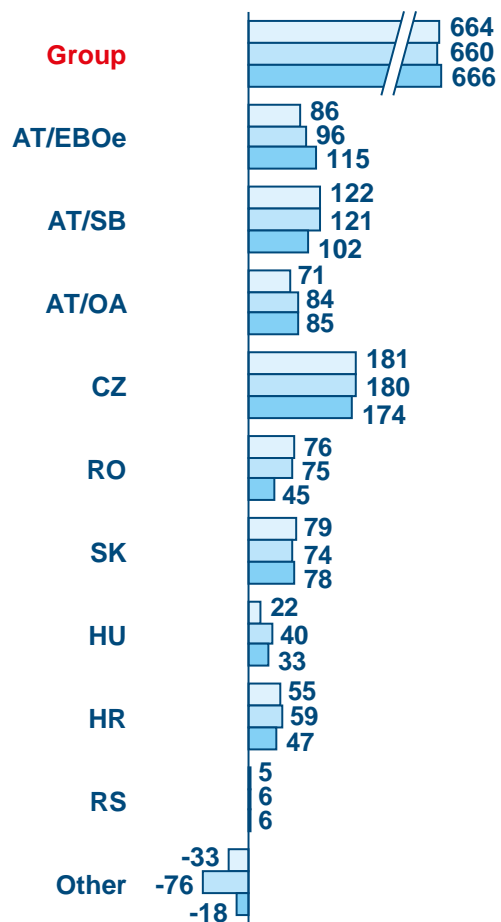
- YoY cost increase driven by higher IT and consulting expenses, higher personnel costs, and one-off due to first time consolidation of subsidiaries
- QoQ rise driven by higher IT and personnel expenses, and one-off due to first time consolidation of subsidiaries
- Year-on-year segment trends:
 - AT/SB: driven up primarily by higher IT expenses
 - RO: increase due to higher consultancy and IT expenses
 - HU: up due to higher personnel costs, Citi migration
 - Other: down due to consolidation bookings
- Quarter-on-quarter segment trends:
 - AT/EBOe: up due to first time consolidation of subsidiary, higher IT and marketing costs
 - AT/SB: higher IT expenses in Q4 16
 - AT/OA: higher regulatory-induced IT costs in Q4 16
 - CZ: increase mainly driven by restructuring expenses
 - RO: higher consultancy, marketing, personnel and IT expenses in Q4 16
 - HU: up due to higher IT, marketing and Citi migration costs
 - Other: down due to lower costs in service entities

Business performance: operating result and CIR –

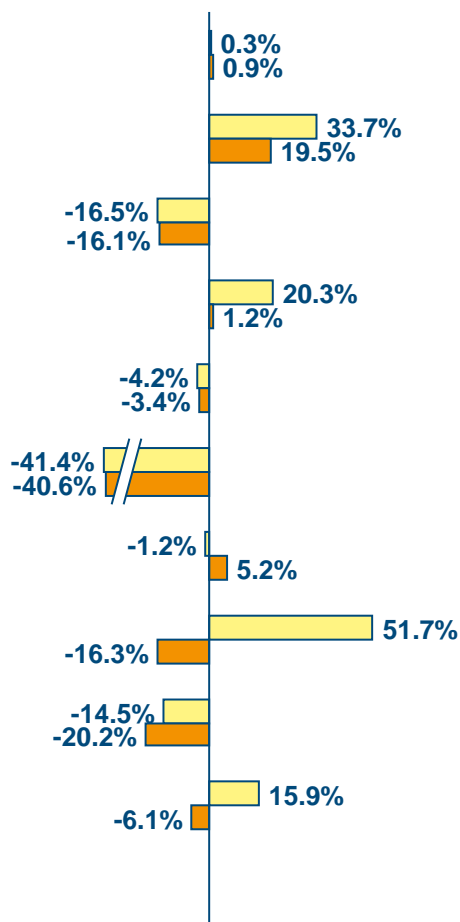
Operating result almost unchanged qoq and yoy

■ YoY ■ Q4 15
■ QoQ ■ Q3 16
■ Q4 16

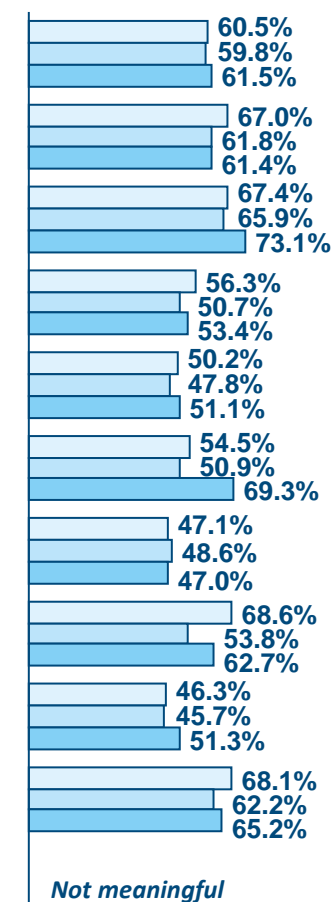
Operating result



YoY & QoQ change

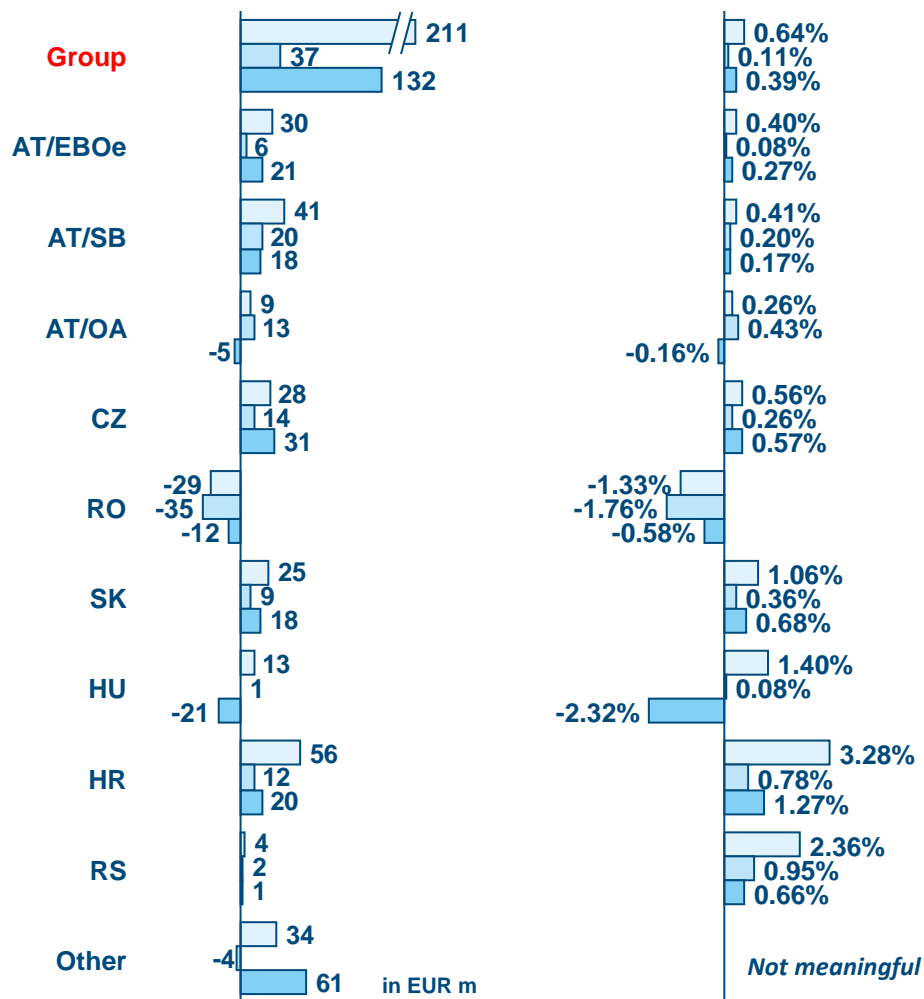
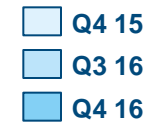


Cost/income ratio



Business performance: risk costs (abs/rel*) –

Risk costs remain at historically low levels in Q4 16, even though up qoq



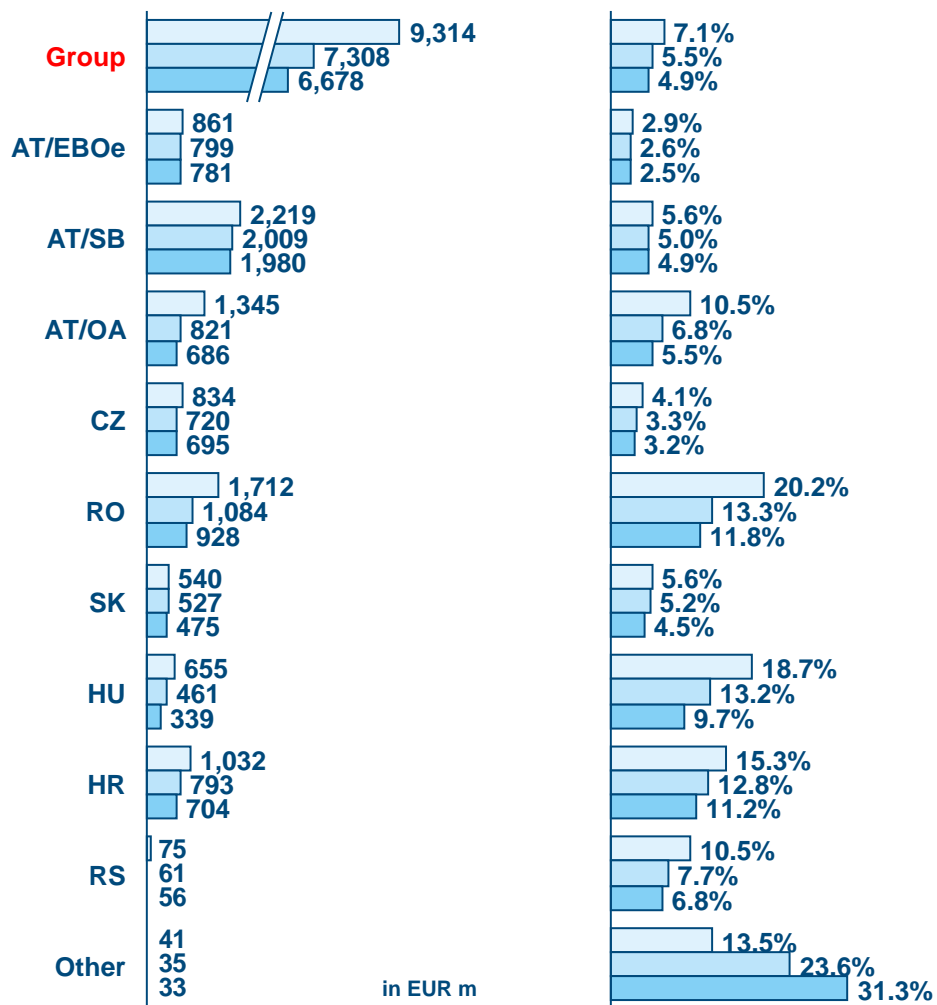
- Yoy improvement driven by significantly reduced new allocations and higher releases
- Qoq development partially attributable to higher CEE real estate impairments in Q4 16
- Year-on-year segment trends:
 - RO: lower net releases after exceptional performance in Q4 15
 - HU: releases mainly due to mortgage NPL sales in Q4 16
 - HR: improvements both in Corporate and Retail portfolios
 - Other: increase driven primarily attributable to higher CEE real estate impairments in Q4 16
- Quarter-on-quarter segment trends:
 - AT/EBOe: slight increase from very low levels driven by new allocations mainly in Corporates segment
 - RO: continued releases in Retail and SME segments due to higher recoveries
 - SK: up due to CRE and SME segments
 - HU: releases on the back of mortgage NPL sales in Q4 16
 - Other: see yoy explanation above

* Relative risk costs are defined as annualised quarterly risk costs over average gross customer loans.

Business performance: non-performing loans and NPL ratio –

NPL ratio improves for 12th consecutive quarter to 4.9%

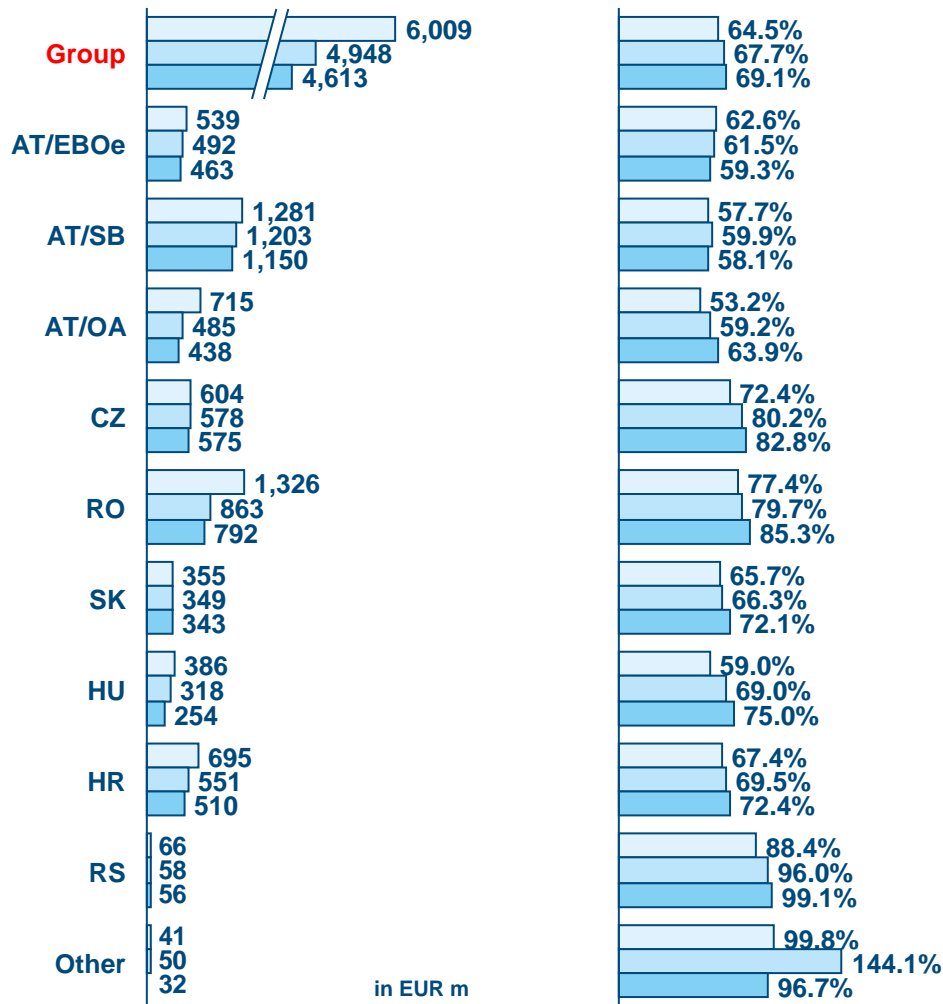
31/12/15
30/09/16
31/12/16



- Continued decline of group NPL volume in Q4 16 mainly due to low NPL inflows, continued portfolio upgrades and net recoveries as well as further NPL sales
- NPL sales of EUR 381.1m in Q4 16 (Q3 16: EUR 216.8m), bringing total NPL sales for 2016 to EUR 1.6bn
 - Retail: EUR 311.0m (Q3 16: EUR 25.8m, 2016: EUR 0.5bn)
 - Corporate: EUR 70.0m (Q3 16: EUR 191.0m, 2016: EUR 1.1bn)
 - Q4 16 NPL sales mainly in Romania (EUR 122.9m), Hungary (EUR 109.7m), and Croatia (EUR 50.6m) as well as sales at Holding level (EUR 57.3m) and minor sales in CZ, SK
- NPL sales in the pipeline:
 - 2016 was peak NPL sales year
 - Further meaningful sales will depend on economic trade-off between internal workout vs sale

Business performance: allowances for loans and NPL coverage – NPL provision coverage edges up to excellent 69.1%

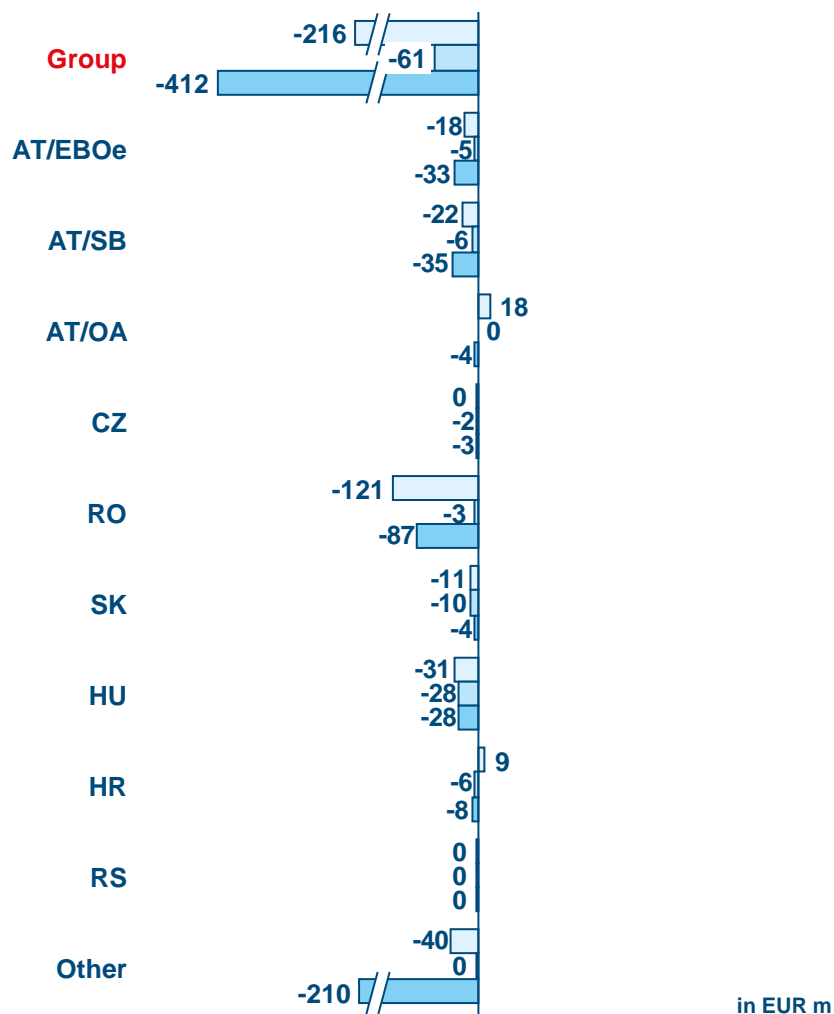
■ 31/12/15
■ 30/09/16
■ 31/12/16



- NPL cash coverage rises to excellent 69.1%, as NPL stock – supported by NPL sales and upgrades – declined faster than allowances, both qoq and yoy
- Year-on-year segment trends:
 - SK: coverage ratio normalises following temporary decline at year-end 2015 (due to adoption of EBA default definition)
- Quarter-on-quarter segment trends:
 - HU: coverage improves to excellent 75.0% despite mortgage NPL sales in Q4 16
 - HR: continued up-tick in coverage, as asset quality improves
 - Excellent levels of cash coverage in all other markets

Business performance: other result –

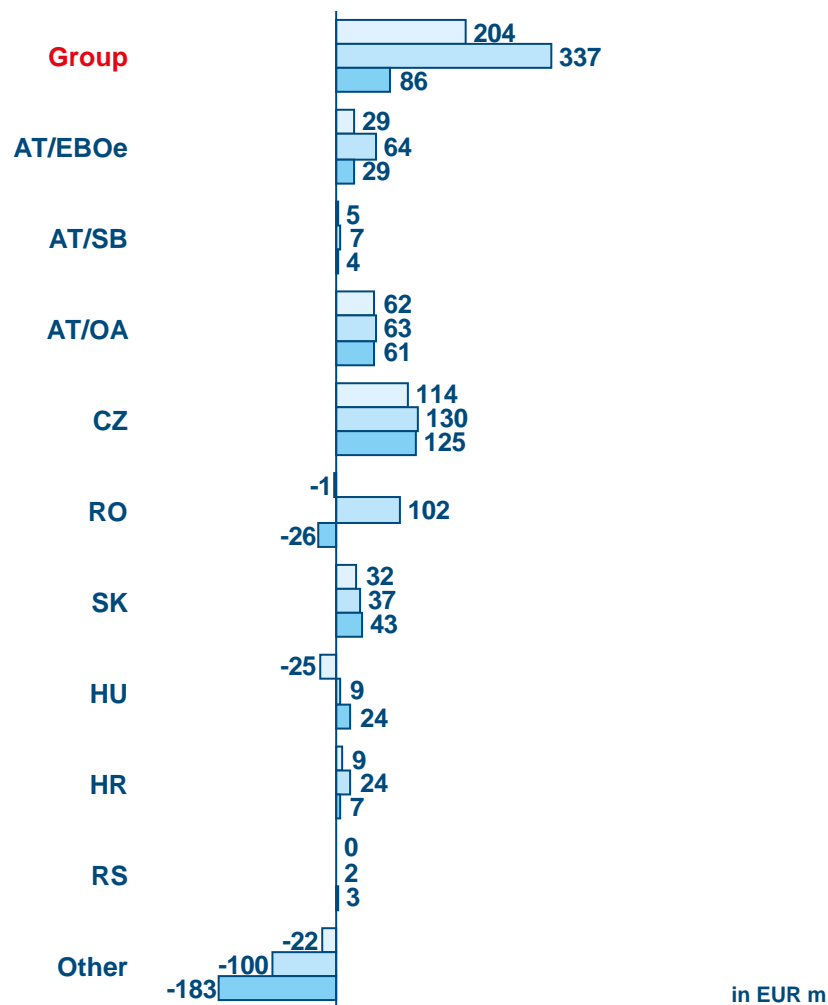
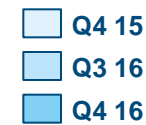
Other result with significant negative one-offs in Q4 16



- Yoy deterioration primarily due to extraordinary banking tax payment of EUR 200.9m in Q4 16, other one-offs (see below)
- Qoq decline driven by extraordinary Austrian banking tax payment of EUR 200.9m, EUR 62.3m provision for risks related to Romanian consumer protection claims, and partial Slovak goodwill write-down of EUR 61.3m
- Year-on-year segment trends:
 - AT/EBOe: one-time Austrian banking tax payment of EUR 30.0m weighs on other result in Q4 16
 - AT/SB: one-time Austrian banking tax payment of EUR 32.6m
 - AT/OA: deterioration due to higher provisions for commitments and guarantees in Q4 16
 - RO: improvement due to lower provision (EUR 62.3m) for risks related to Romanian consumer protection claims than in Q4 15
 - Other: one-time Austrian banking tax payment of EUR 138.3m, partial Slovak goodwill write-down of EUR 61.3m in Q4 16
- Quarter-on-quarter segment trends:
 - AT/EBOe, AT/SB, Other: see above
 - RO: deterioration mainly due to provision (EUR 62.3m) for risks related to Romanian consumer protection claims

Business performance: net result –

Q4 16 net result down on one-offs, mainly banking tax payment in Austria



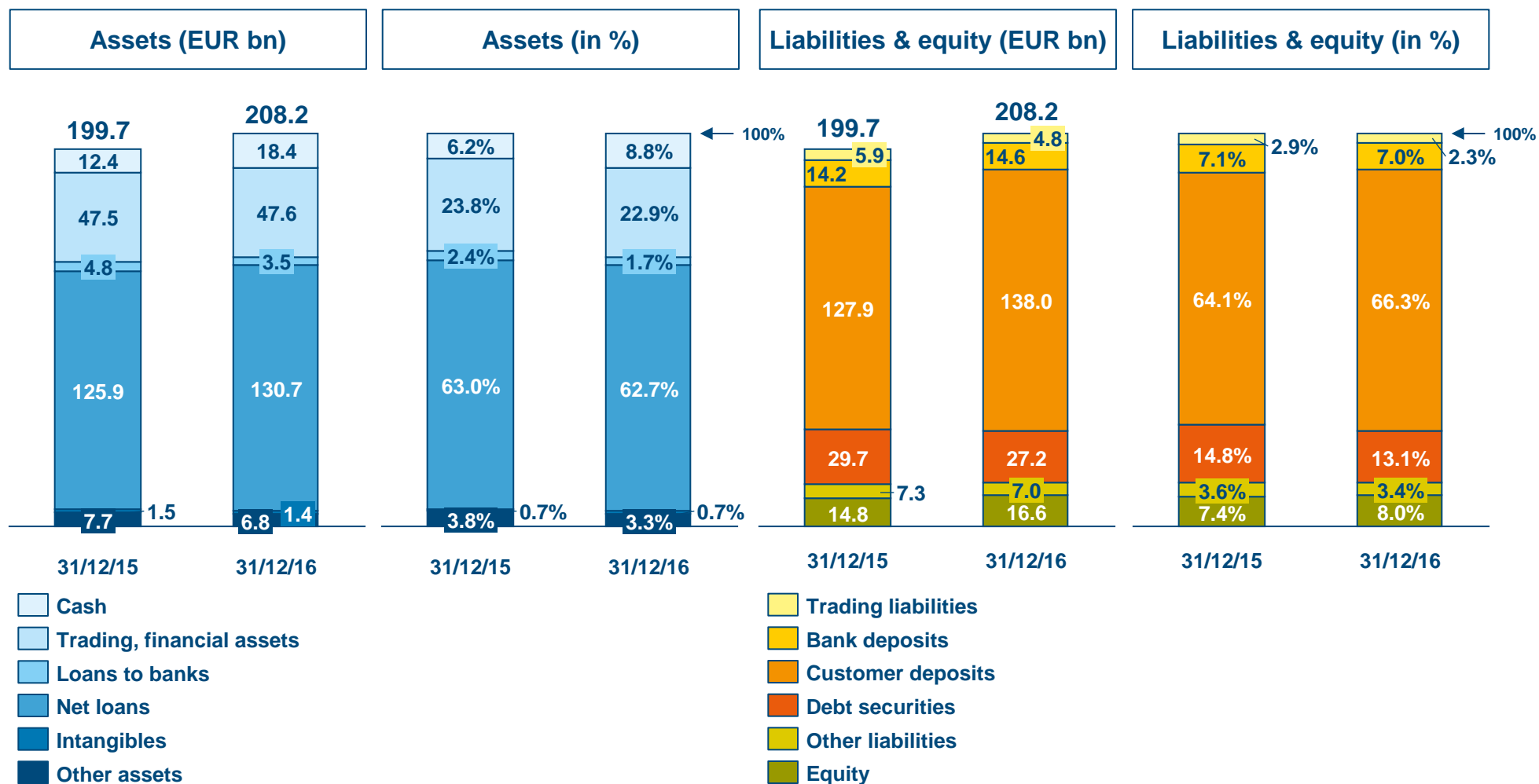
- Yoy profitability deterioration driven by one-off Austrian banking tax payment, consumer protection provisions in Romania and Slovak goodwill write-down
- Qoq decline also attributable to yoy factors (see above)
- Year-on-year segment trends:
 - RO: lower operating performance and provision releases not fully offset by lower consumer protection provisions
 - SK: improvement due to lower risk costs and better other result
 - HU: net result supported by normalised operating result and higher provision releases
 - Other: deterioration exclusively driven by one-off banking tax in Austria in Q4 16
- Quarter-on-quarter segment trends:
 - AT/EBOe: decline driven by higher risk costs and weaker other result on the back of Austrian banking tax one-off payment
 - RO: decline due to lower operating result, lower provision releases and one-off consumer protection provisions
 - HU: benefitting from provision releases in Q4 16
 - HR: weaker operating result after strong Q3 16
- Return on equity at 2.8% in Q4 16, following 11.1% in Q3 16, and 7.5% in Q4 15
- Cash return on equity at 4.9% in Q4 16, following 11.1% in Q3 16, and 6.8% in Q4 15

Presentation topics

- Executive summary
- Business environment
- Business performance
- **Assets and liabilities**
- Outlook
- Additional information

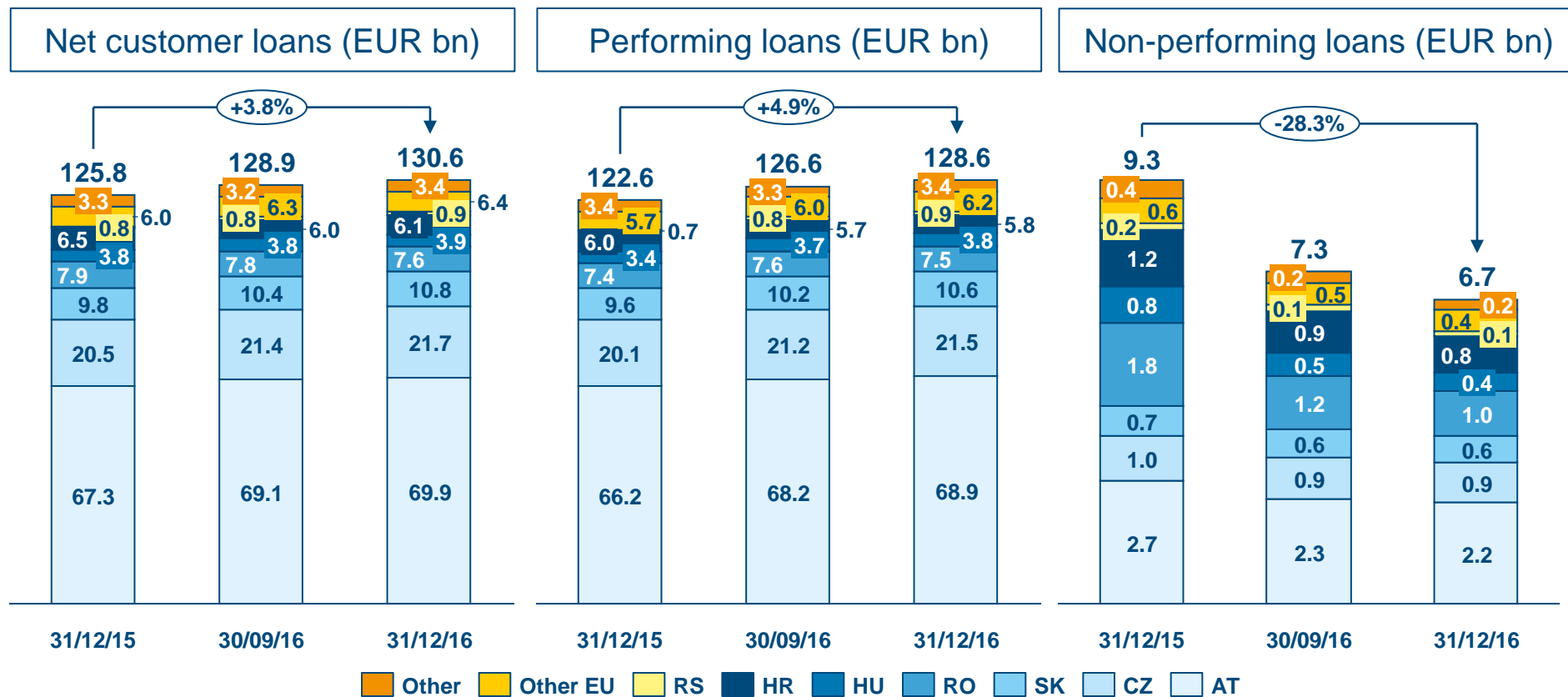
Assets and liabilities: YTD overview –

Loan/deposit ratio down to 94.7% at Dec 16 (Dec 15: 98.4%)



Assets and liabilities: customer loans by country of risk –

Net customer loans up 3.8% in 2016, NPLs down 28.3%

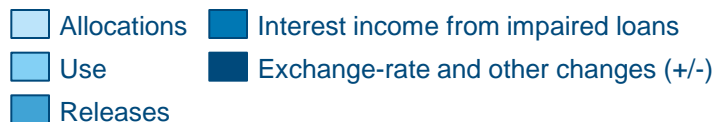
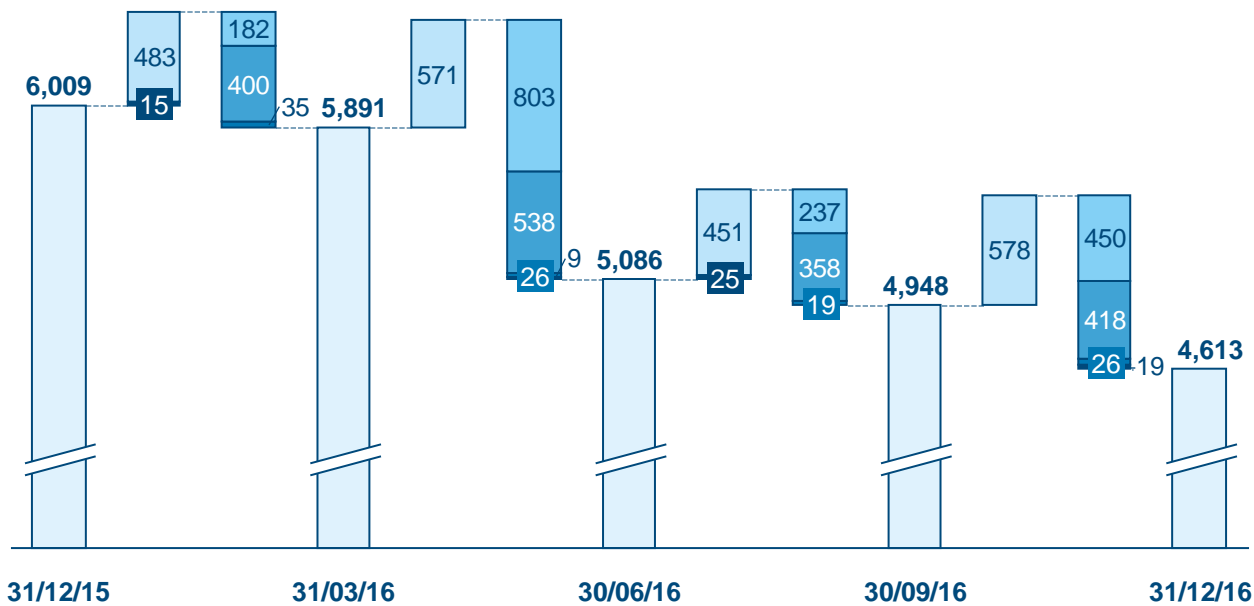


- Performing loan growth driven by Austria, Slovakia and Czech Republic:
 - Main contributing business lines: Retail and Corporates
 - Broadly stable loan volumes in RO, HU and HR
- 28.3% yoy decline in NPL stock mainly driven by NPL sales and positive migration trends across most geographies

Assets and liabilities: allowances for customer loans –

As asset quality improves lower interest income from NPLs weighs on NII

Quarterly development (EUR m)



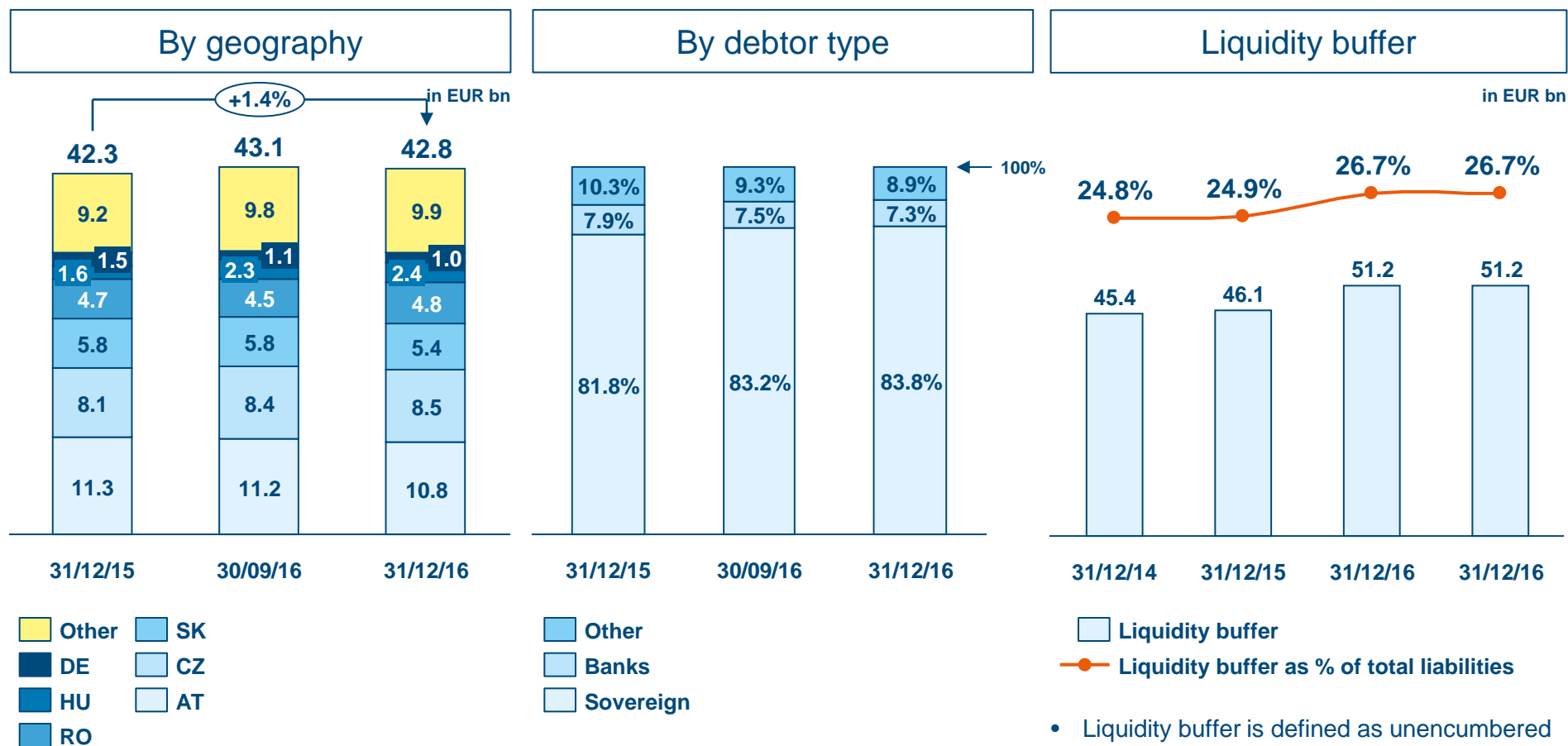
Highlights

- Development of interest income from NPLs:
 - 2013: EUR 270m
 - 2014: EUR 202m
 - 2015: EUR 162m
 - 2016: EUR 106m
- P&L unwinding impact = interest income from impaired loans = EUR 26m in Q4 16 (Q3 16: EUR 19m, Q4 15: EUR 37m)

Unwinding impact explained

- Erste Group does not accrue interest on NPLs
- When a loan turns NPL Erste Group estimates the recoverable amount and the time frame of recovery
- The recoverable amount is discounted to present (at the effective interest rate of the underlying contract) and a provision reflecting the time value of money is created, ie a higher provision than without discounting
- The time value is released through NII until recovery realisation

Assets and liabilities: financial and trading assets * – LCR remains at excellent 142.6%



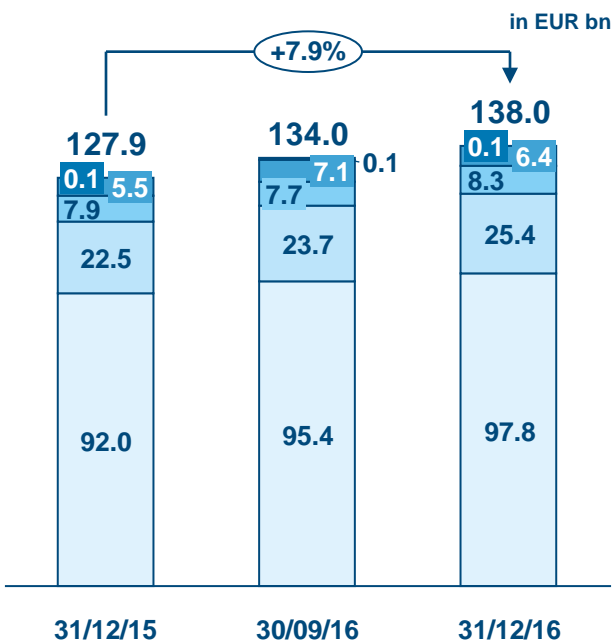
- Liquidity buffer is defined as unencumbered collateral plus cash
- Total liabilities are defined as total on balance sheet liabilities excluding total equity

* Excludes derivatives held for trading.

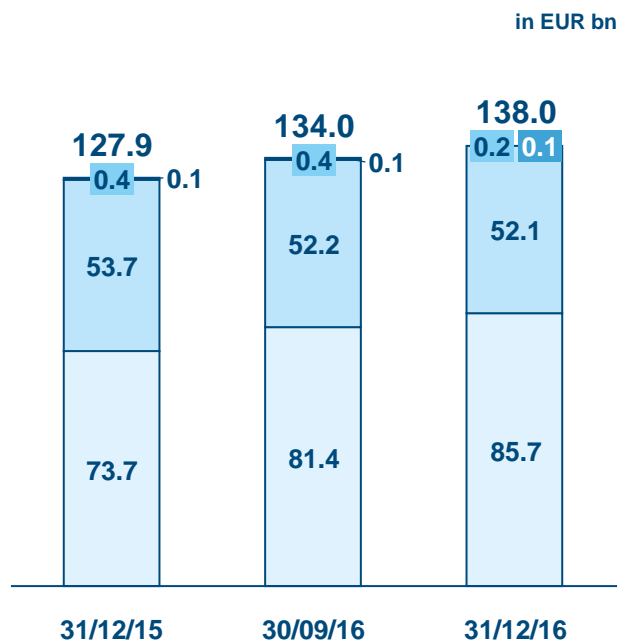
Assets and liabilities: customer deposit funding –

Customer deposits grow by 3.0% qoq, up 7.9% yoy

By customer type



By product type

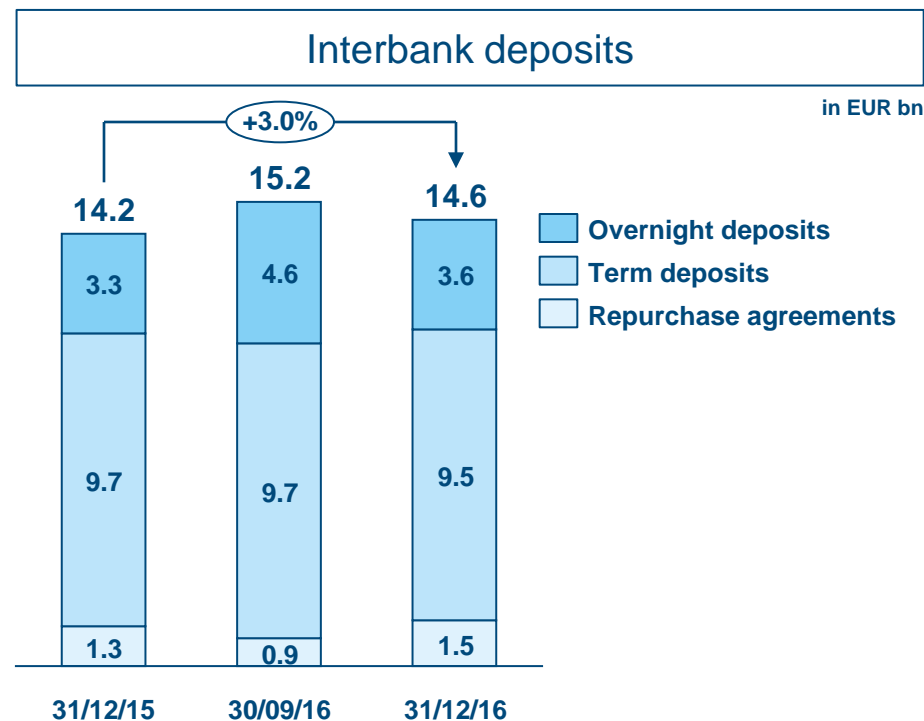
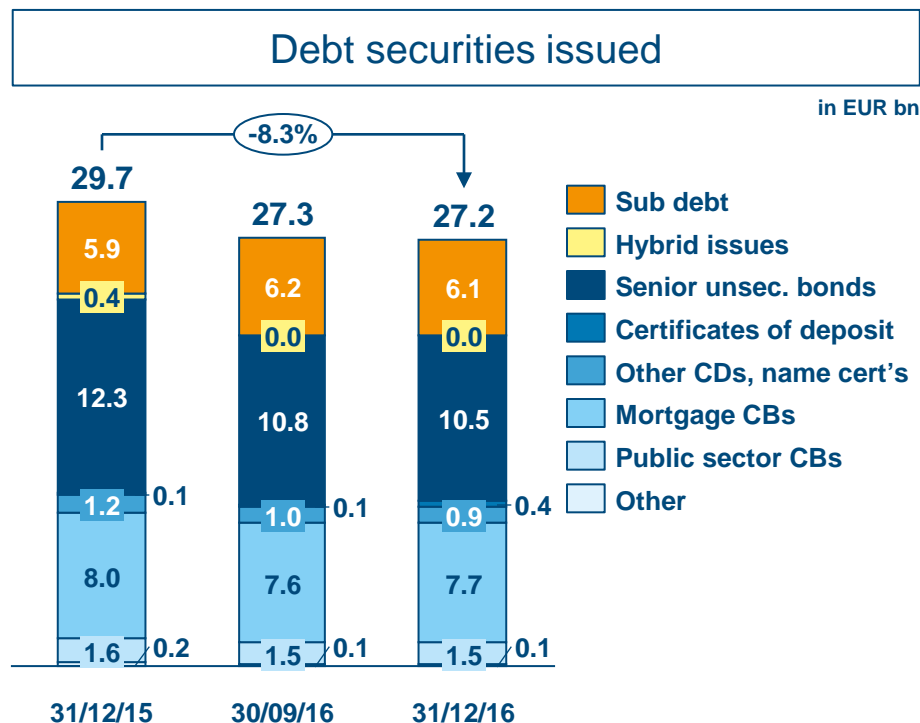


Highlights

- Continued deposit inflows driven by Retail segment with highest demand for overnight deposits amid low interest rate environment
- Solid growth also in corporate and public sector deposits
- Increasing share of overnight deposits with significantly longer behavioural maturity provides a cost effective funding source



Assets and liabilities: debt vs interbank funding – Declining wholesale funding reliance, as customer deposits grow strongly

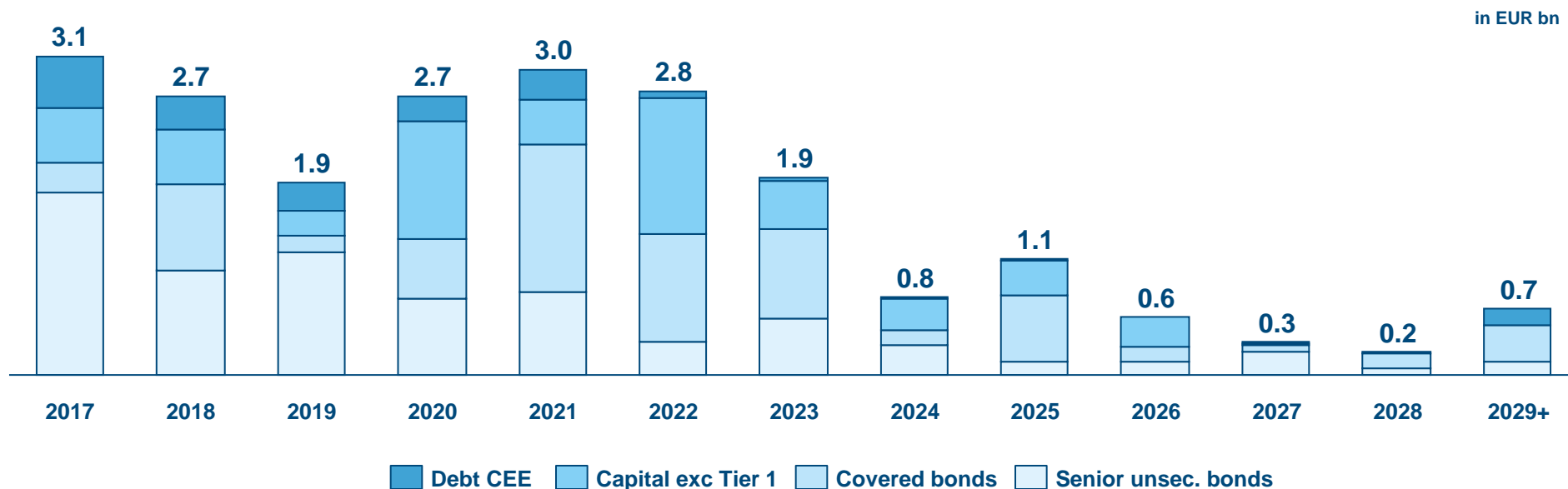


- Overall reduction in wholesale funding reliance led by decline in outstanding senior unsecured debt, which was only partly offset by increased subordinated debt

- Lower reliance on interbank deposits following strong customer deposit inflows during the course of 2016

Assets and liabilities: LT funding – Limited LT funding needs

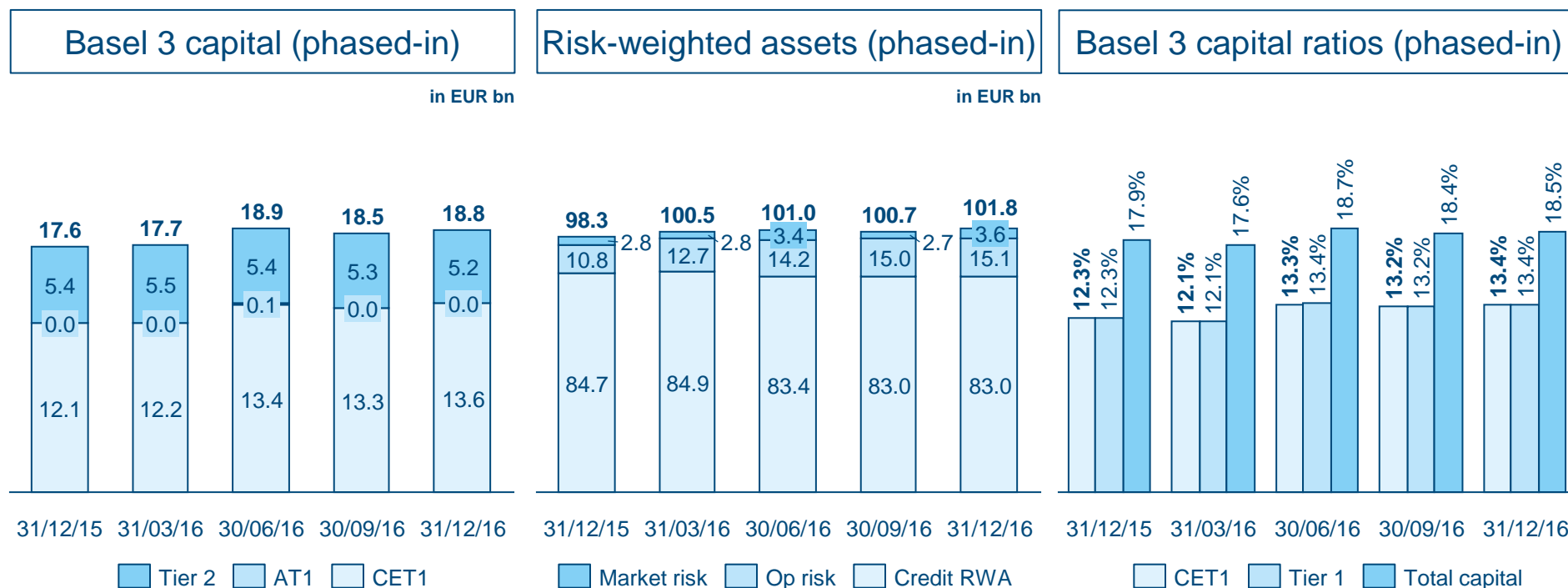
Maturity profile of debt



- Erste Group issued more than EUR 2bn in 2016 including two benchmark-sized transaction, thereof EUR 750m mortgage covered bond issued in January 2016 with a tenor of 7 years
- In addition, private placements in the tier 2 and senior segment amounted to approximately EUR 200m and 600m, respectively
- First CRD IV/CRR compliant additional tier 1 transaction of an Austrian bank issued in the 2nd quarter of 2016 (EUR 500m, perpNC5.5)
- In January 2017 Erste Group opened the covered bond market for Austrian issuers with a EUR 750m 10y mortgage covered bond

Assets and liabilities: capital position –

At 12.8% B3FL CET1 ratio remains in target area of 12.75%+



- B3FL CET1 capital rose by EUR 1.2bn to EUR 13.3bn in 2016, due to:
 - Increase in retained earnings of EUR 0.7bn, assuming EUR 1 DPS for 2016
 - Reduction in regulatory adjustments related to unrealised gains by EUR 0.2bn
 - Higher minority interest recognised in CET1 capital by EUR 0.2bn

- B3FL RWA up by EUR 3.3bn to EUR 103.6bn in 2016, driven by:
 - +40.8% increase in operational RWA on the back of inclusion of politically driven historical events (Romania, Hungary)
 - +26.9% increase in market risk RWA
 - Lower credit RWA thanks to improved portfolio quality, growth in mortgages

- B3FL CET1 ratio at 12.8% at 31 Dec 2016 (YE 2015: 12.0%)
- B3FL total capital ratio at 18.2% including AT1 issuance of EUR 0.5bn in Q2 16 (YE15: 17.2%)

Assets and liabilities: capital position – Regulatory capital requirements (SREP) for 2017, buffer to MDA & ADIs

- Almost unchanged capital requirements in 2017, excluding P2G significant decline vs 2016

| | Erste Group Consolidated | | | | Erste Group Unconsolidated | |
|--------------------------------------------------------|--------------------------|-------------------|----------------|-----------------------|----------------------------|-----------------------|
| | 2016 | Phased-in 2017 | 2018e | Fully loaded 2019e | Phased-in 2017 | Fully loaded 2019e |
| Pillar 1 CET1 requirement | 4.50% | 4.50% | 4.50% | 4.50% | 4.50% | 4.50% |
| Combined buffer requirement | 0.88% | 1.90% | 3.03% | 4.65% | 1.35% | 2.60% |
| Capital conservation buffer | 0.63% | 1.25% | 1.88% | 2.50% | 1.25% | 2.50% |
| Countercyclical capital buffer | | 0.15% | 0.15% | 0.15% | 0.10% | 0.10% |
| OSII/Systemic risk buffer | 0.25% | 0.50% | 1.00% | 2.00% | 0.00% | 0.00% |
| Pillar 2 CET1 requirement | 4.38% | 1.75% | 1.75% | 1.75% | 1.75% | 1.75% |
| Pillar 2 CET1 guidance ¹ | | 1.66% | 1.66% >P2G> 0% | 1.66% >P2G> 0% | 1.00% | 1% >P2G> 0% |
| Regulatory minimum ratios excluding P2G | | | | | | |
| CET1 requirement | 9.75% | 8.15% | 9.28% | 10.90% | 7.60% | 8.85% |
| 1.50% AT1 Tier 1 requirement | NM | 9.65% | 10.78% | 12.40% | 9.10% | 10.35% |
| 2.00% T2 Own funds requirement | NM | 11.65% | 12.78% | 14.40% | 11.10% | 12.35% |
| Regulatory minimum ratios including P2G | | | | | | |
| CET1 requirement | 9.75% | 9.81% | NA | NA | 8.60% | NA |
| 1.50% AT1 Tier 1 requirement | NM | 9.65% | NA | NA | 9.10% | NA |
| 2.00% T2 Own funds requirement | NM | 11.65% | NA | NA | 11.10% | NA |
| Reported CET1 ratio as of Dec 2016 ² | | 13.36% | | 12.79% | 18.76% | NA |

- Buffer to MDA restriction as of 31 Dec 16: 361bps (Q1 16: 239bps)
- Available distributable items (ADI) as of 31 Dec 16: EUR 1.32bn (after 2016 dividend deduction)

1) P2G is expected to be positive in the future.

2) Consolidated capital ratios pursuant to IFRS. Unconsolidated capital ratios pursuant to Austrian Commercial Code (UGB) and on phased-in basis. ADIs pursuant to UGB.

Presentation topics

- Executive summary
- Business environment
- Business performance
- Assets and liabilities
- **Outlook**
- Additional information

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

- ROTE 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

Presentation topics

- Executive summary
- Business environment
- Business performance
- Assets and liabilities
- Outlook
- **Additional information**

Additional information: income statement – Year-to-date and quarterly view

| in EUR million | Year-to-date view | | | Quarterly view | | | | |
|-----------------------------------------------------------------------------------------------------------|-------------------|----------------|--------------|----------------|--------------|--------------|---------------|---------------|
| | 2015 | 2016 | YOY-Δ | Q4 15 | Q3 16 | Q4 16 | YOY-Δ | QOQ-Δ |
| Net interest income | 4,444.7 | 4,374.5 | -1.6% | 1,120.4 | 1,073.4 | 1,107.0 | -1.2% | 3.1% |
| Net fee and commission income | 1,861.8 | 1,783.0 | -4.2% | 489.2 | 434.9 | 463.2 | -5.3% | 6.5% |
| Dividend income | 49.9 | 45.2 | -9.5% | 6.6 | 4.8 | 9.0 | 35.6% | 88.6% |
| Net trading and fair value result | 210.1 | 272.3 | 29.6% | 17.2 | 84.1 | 80.7 | >100.0% | -4.0% |
| Net result from equity method investments | 17.5 | 9.0 | -48.5% | 3.1 | 0.2 | 3.1 | -1.0% | >100.0% |
| Rental income from investment properties & other operating leases | 187.9 | 207.2 | 10.3% | 44.4 | 45.7 | 68.6 | 54.5% | 49.9% |
| Personnel expenses | -2,244.6 | -2,339.3 | 4.2% | -577.1 | -572.0 | -614.6 | 6.5% | 7.4% |
| Other administrative expenses | -1,179.3 | -1,235.8 | 4.8% | -324.1 | -299.9 | -325.8 | 0.5% | 8.6% |
| Depreciation and amortisation | -445.0 | -453.1 | 1.8% | -115.3 | -110.8 | -124.7 | 8.2% | 12.5% |
| Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net | 100.9 | 148.0 | 46.7% | 42.1 | -0.7 | 0.3 | -99.3% | n/a |
| Net impairment loss on financial assets | -729.1 | -195.7 | -73.2% | -210.7 | -37.4 | -132.5 | -37.1% | >100.0% |
| Other operating result | -635.6 | -665.0 | 4.6% | -258.2 | -60.3 | -412.5 | 59.8% | >100.0% |
| Levies on banking activities | -236.2 | -388.8 | 64.6% | -48.5 | -44.0 | -237.1 | >100.0% | >100.0% |
| Pre-tax result from continuing operations | 1,639.1 | 1,950.4 | 19.0% | 237.6 | 562.0 | 121.7 | -48.8% | -78.3% |
| Taxes on income | -363.9 | -413.6 | 13.7% | -1.6 | -125.1 | -9.7 | >100.0% | -92.2% |
| Net result for the period | 1,275.1 | 1,536.8 | 20.5% | 236.0 | 436.9 | 112.0 | -52.6% | -74.4% |
| Net result attributable to non-controlling interests | 307.0 | 272.0 | -11.4% | 32.0 | 99.4 | 26.4 | -17.4% | -73.4% |
| Net result attributable to owners of the parent | 968.2 | 1,264.7 | 30.6% | 204.0 | 337.4 | 85.6 | -58.1% | -74.6% |
| Operating income | 6,771.8 | 6,691.2 | -1.2% | 1,680.9 | 1,643.1 | 1,731.5 | 3.0% | 5.4% |
| Operating expenses | -3,868.9 | -4,028.2 | 4.1% | -1,016.5 | -982.7 | -1,065.1 | 4.8% | 8.4% |
| Operating result | 2,902.9 | 2,663.0 | -8.3% | 664.4 | 660.4 | 666.4 | 0.3% | 0.9% |

Additional information: group balance sheet – Assets

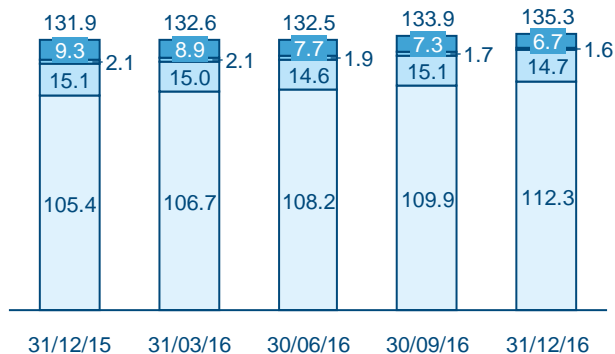
| in EUR million | Quarterly data | | | | | Change | | |
|---------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|-------------|-------------|-------------|
| | Dec 15 | Mar 16 | Jun 16 | Sep 16 | Dec 16 | YOY-Δ | YTD-Δ | QOQ-Δ |
| Cash and cash balances | 12,350 | 14,641 | 12,982 | 14,743 | 18,353 | 48.6% | 48.6% | 24.5% |
| Financial assets - held for trading | 8,719 | 9,960 | 10,373 | 9,731 | 7,950 | -8.8% | -8.8% | -18.3% |
| Derivatives | 5,303 | 5,668 | 5,610 | 5,297 | 4,475 | -15.6% | -15.6% | -15.5% |
| Other trading assets | 3,416 | 4,292 | 4,763 | 4,433 | 3,476 | 1.7% | 1.7% | -21.6% |
| Financial assets - at fair value through profit or loss | 359 | 404 | 433 | 477 | 480 | 33.6% | 33.6% | 0.6% |
| Financial assets - available for sale | 20,763 | 20,743 | 20,822 | 20,406 | 19,886 | -4.2% | -4.2% | -2.5% |
| Financial assets - held to maturity | 17,701 | 17,573 | 17,823 | 18,451 | 19,270 | 8.9% | 8.9% | 4.4% |
| Loans and receivables to credit institutions | 4,805 | 6,680 | 5,626 | 5,191 | 3,469 | -27.8% | -27.8% | -33.2% |
| Loans and receivables to customers | 125,897 | 126,740 | 127,407 | 128,985 | 130,654 | 3.8% | 3.8% | 1.3% |
| Derivatives - hedge accounting | 2,191 | 2,347 | 2,253 | 2,208 | 1,424 | -35.0% | -35.0% | -35.5% |
| Changes in fair value of portfolio hedged items | 0 | 0 | 0 | 0 | 0 | n/a | n/a | n/a |
| Property and equipment | 2,402 | 2,370 | 2,334 | 2,335 | 2,477 | 3.1% | 3.1% | 6.1% |
| Investment properties | 753 | 744 | 753 | 658 | 1,023 | 35.8% | 35.8% | 55.5% |
| Intangible assets | 1,465 | 1,447 | 1,437 | 1,443 | 1,390 | -5.1% | -5.1% | -3.7% |
| Investments in associates and joint ventures | 167 | 169 | 190 | 185 | 193 | 16.1% | 16.1% | 4.6% |
| Current tax assets | 119 | 142 | 132 | 130 | 124 | 4.6% | 4.6% | -4.3% |
| Deferred tax assets | 310 | 308 | 253 | 245 | 234 | -24.7% | -24.7% | -4.6% |
| Assets held for sale | 526 | 456 | 294 | 372 | 279 | -46.9% | -46.9% | -24.9% |
| Other assets | 1,217 | 1,646 | 1,391 | 1,254 | 1,020 | -16.2% | -16.2% | -18.6% |
| Total assets | 199,743 | 206,369 | 204,505 | 206,811 | 208,227 | 4.2% | 4.2% | 0.7% |

Additional information: group balance sheet – Liabilities and equity

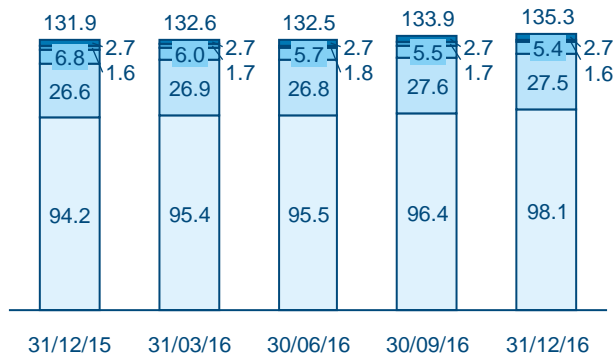
| in EUR million | Quarterly data | | | | | Change | | |
|--------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|---------------|---------------|--------------|
| | Dec 15 | Mar 16 | Jun 16 | Sep 16 | Dec 16 | YOY-Δ | YTD-Δ | QOQ-Δ |
| Financial liabilities - held for trading | 5,867 | 6,612 | 6,146 | 6,272 | 4,762 | -18.8% | -18.8% | -24.1% |
| Derivatives | 5,434 | 5,782 | 5,341 | 4,933 | 4,185 | -23.0% | -23.0% | -15.2% |
| Other trading liabilities | 434 | 830 | 805 | 1,339 | 577 | 33.1% | 33.1% | -56.9% |
| Financial liabilities - at fair value through profit or loss | 1,907 | 1,918 | 1,765 | 1,737 | 1,763 | -7.5% | -7.5% | 1.5% |
| Deposits from banks | 0 | 0 | 0 | 0 | 0 | n/a | n/a | n/a |
| Deposits from customers | 149 | 122 | 113 | 79 | 74 | -50.3% | -50.3% | -6.4% |
| Debt securities issued | 1,758 | 1,796 | 1,652 | 1,658 | 1,689 | -3.9% | -3.9% | 1.9% |
| Other financial liabilities | 0 | 0 | 0 | 0 | 0 | n/a | n/a | n/a |
| Financial liabilities measured at amortised cost | 170,787 | 175,026 | 173,943 | 175,780 | 178,909 | 4.8% | 4.8% | 1.8% |
| Deposits from banks | 14,212 | 17,330 | 16,367 | 15,228 | 14,631 | 3.0% | 3.0% | -3.9% |
| Deposits from customers | 127,797 | 128,518 | 130,304 | 133,944 | 137,939 | 7.9% | 7.9% | 3.0% |
| Debt securities issued | 27,896 | 28,263 | 26,362 | 25,642 | 25,503 | -8.6% | -8.6% | -0.5% |
| Other financial liabilities | 882 | 914 | 911 | 966 | 836 | -5.2% | -5.2% | -13.5% |
| Derivatives - hedge accounting | 593 | 650 | 666 | 642 | 473 | -20.3% | -20.3% | -26.4% |
| Changes in fair value of portfolio hedged items | 966 | 1,089 | 1,148 | 1,128 | 942 | -2.4% | -2.4% | -16.5% |
| Provisions | 1,736 | 1,801 | 1,715 | 1,758 | 1,702 | -2.0% | -2.0% | -3.2% |
| Current tax liabilities | 90 | 101 | 98 | 62 | 66 | -26.8% | -26.8% | 6.0% |
| Deferred tax liabilities | 96 | 119 | 133 | 174 | 68 | -29.5% | -29.5% | -61.2% |
| Liabilities associated with assets held for sale | 578 | 451 | 0 | 3 | 5 | -99.2% | -99.2% | 53.9% |
| Other liabilities | 2,317 | 3,383 | 2,913 | 2,727 | 2,936 | 26.7% | 26.7% | 7.7% |
| Total equity | 14,807 | 15,218 | 15,977 | 16,529 | 16,602 | 12.1% | 12.1% | 0.4% |
| Equity attributable to non-controlling interests | 3,802 | 3,889 | 3,948 | 4,063 | 4,142 | 8.9% | 8.9% | 1.9% |
| Equity attributable to owners of the parent | 11,005 | 11,329 | 12,029 | 12,466 | 12,460 | 13.2% | 13.2% | -0.1% |
| Total liabilities and equity | 199,743 | 206,369 | 204,505 | 206,811 | 208,227 | 4.2% | 4.2% | 0.7% |

Additional information: gross customer loans – By risk category, by currency, by industry

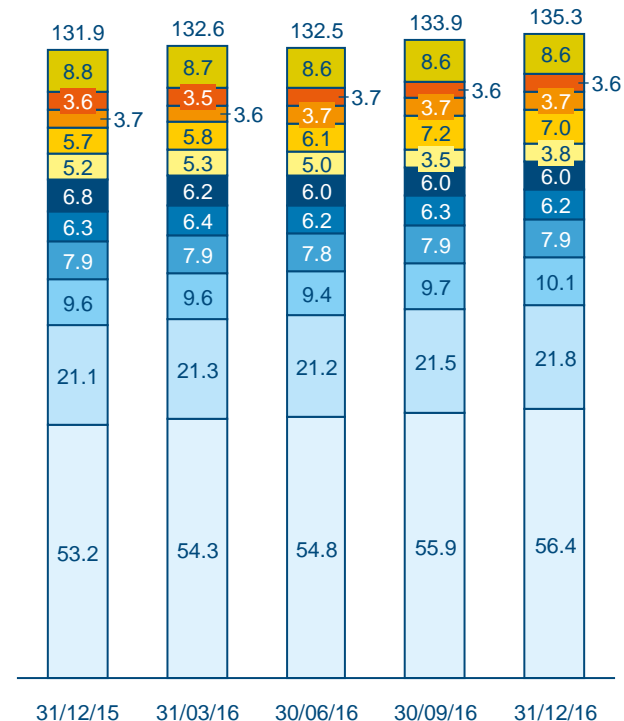
Gross cust. loans by risk category (EUR bn)



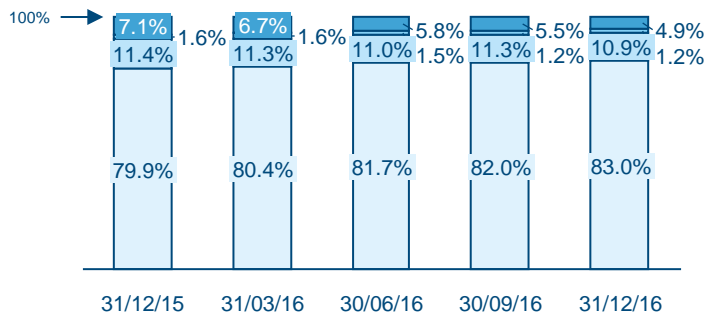
Gross customer loans by currency (EUR bn)



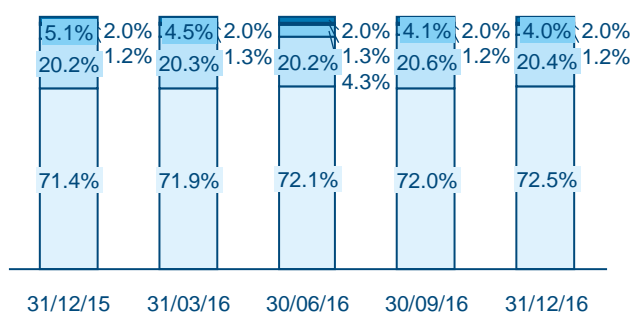
Gross customer loans by industry (EUR bn)



Gross customer loans by risk category (in %)



Gross customer loans by currency (in %)



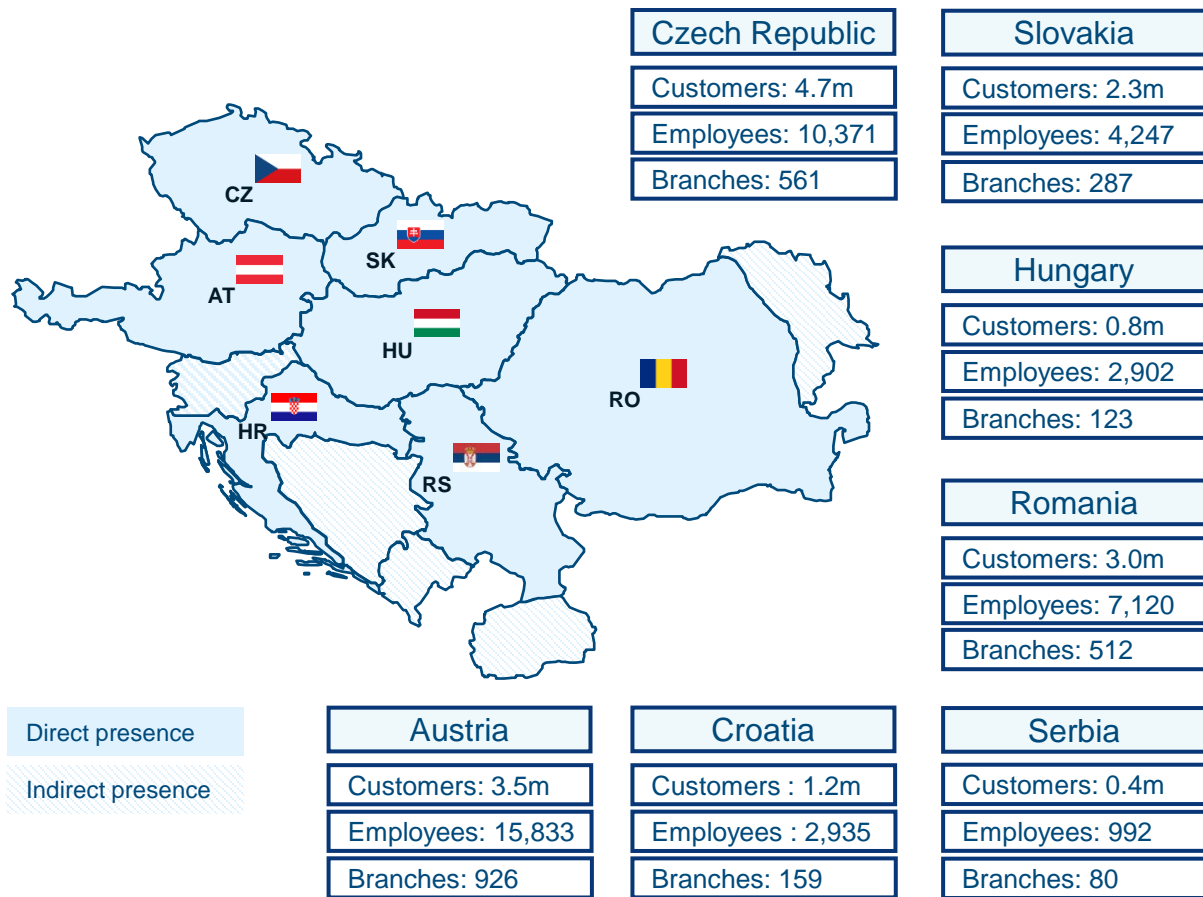
■ Non-performing ■ Management attention
■ Substandard ■ Low risk

■ USD ■ Other ■ CHF ■ CEE-LCY ■ EUR

■ Other ■ Financial inst. ■ Manufacturing
■ Transport & comms ■ Public admin ■ Real estate
■ Tourism ■ Construction ■ Households
■ Services ■ Trade

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

Additional information: strategy –

A real customer need is the reason for all business

Customer banking in Central and Eastern Europe

Eastern part of EU

Retail banking

Focus on local currency mortgage and consumer loans funded by local deposits

FX loans only in EUR for clients with EUR income (or equivalent) and where funded by local FX deposits (HR & RS)

Savings products, asset management and pension products

Corporate banking

Large, local corporate and SME banking

Advisory services, with focus on providing access to capital markets and corporate finance

Real estate business that goes beyond financing

Capital markets

Focus on customer business, incl. customer-based trading activities

In addition to core markets, presences in Poland, Germany and London with institutional client focus and selected product mix

Building debt and equity capital markets in CEE

Public sector

Financing sovereigns and municipalities with focus on infrastructure development in core markets

Any sovereign holdings are only held for market-making, liquidity or balance sheet management reasons

Interbank business

Focus on banks that operate in the core markets

Any bank exposure is only held for liquidity or balance sheet management reasons or to support client business

Focus on CEE, limited exposure to other Europe

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

MOODY'S

| | |
|----------------------------------------------------------------------------|-------------|
| Macro Profile | |
| Strong - | |
| + | |
| Financial Profile | |
| Asset Risk | ba1 |
| Capital | baa2 |
| Profitability | ba1 |
| Funding Structure | baa1 |
| Liquid Resources | baa3 |
| + | |
| Qualitative Factors | |
| Business Diversification | 0 |
| Opacity, Complexity | 0 |
| Corporate Behaviour | 0 |
| = | |
| BCA Baseline Credit Assessment | baa3 |
| + | |
| Affiliate Support | 0 |
| = | |
| Adjusted BCA | baa3 |
| + | |
| LGF Loss Given Failure | + 2 |
| Government Support | 0 |
| = | |
| Issuer Rating / Senior Unsecured Long-Term Outlook / Short-Term | |
| Baa1 (stable) / P-2 | |

S&P Global Ratings

| | | |
|----------------------------------------------------------------|---------------|----|
| SACP - Stand-Alone Credit Profile | | |
| bbb+ | | |
| ▲ | | |
| Anchor | bbb | |
| Business Position | Strong | +1 |
| Capital & Earnings | Adequate | 0 |
| Risk Position | Adequate | 0 |
| Funding | Above Average | 0 |
| Liquidity | Adequate | |
| + | | |
| 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 | | |
| BBB+ Stable / A-2 | | |

FitchRatings

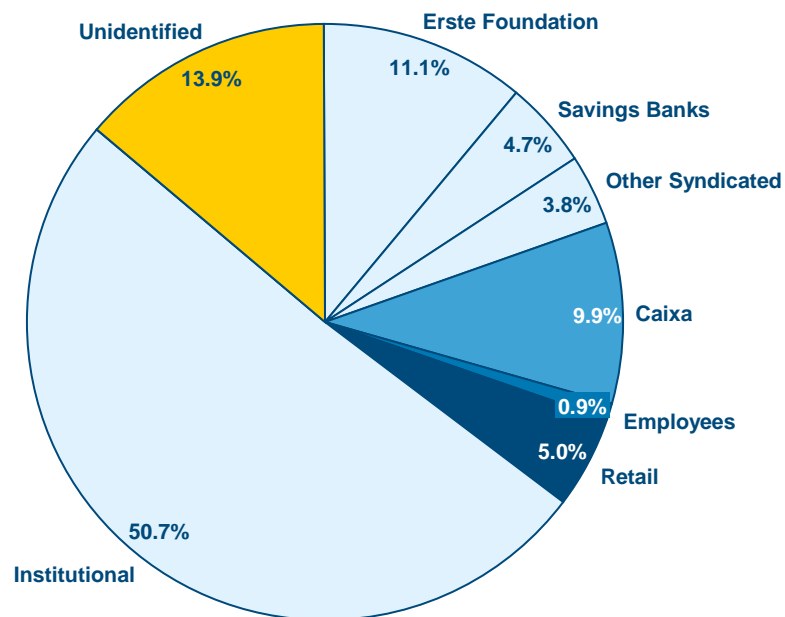
| |
|-----------------------------------------------------------------------|
| VR - Viability Rating (Individual Rating) |
| a- |
| SRF - Support Rating Floor |
| NF (No Floor) |
| IDR - Issuer Default Rating Long-Term Outlook / Short-Term |
| A- Stable / F1 |

Status as of 3 March 2017

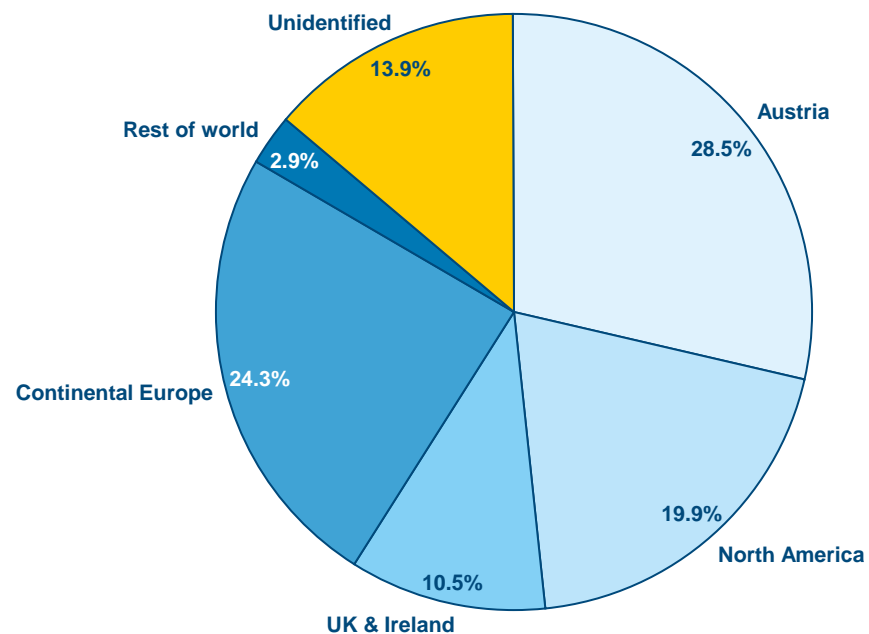
Additional information: shareholder structure –

Total number of shares: 429,800,000

By investor



By region



* Including voting rights of Erste Foundation, savings banks, savings banks foundations and Wiener Städtische Wechselseitige Versicherungsverein

Status as of 30 January 2017

Investor relations details

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<http://twitter.com/ErsteGroupIR> http://www.slideshare.net/Erste_Group

Erste Group IR App for iPad, iPhone and Android http://www.erstegroup.com/de/Investoren/IR_App

Reuters: **ERST.VI** Bloomberg: **EBS AV**

Datastream: **O:ERS** ISIN: **AT0000652011**

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