

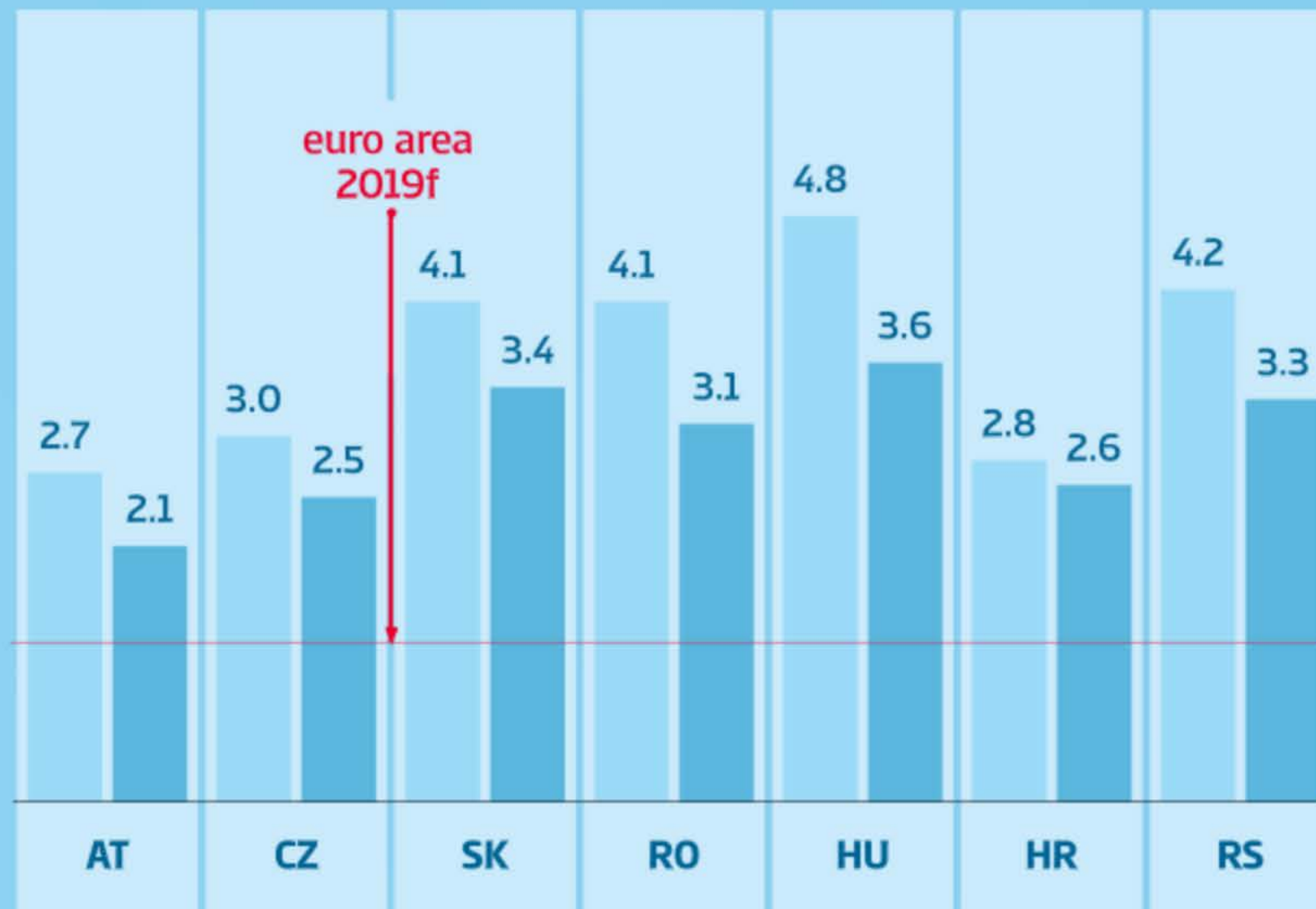


Annual Results 2018

# Business environment

## Positive economic outlook for Erste Group's markets

Real GDP growth (in %)



○ 2018 ○ 2019f

Source: Erste Group Research

Wage growth (avg. in %)



○ 2017 ○ Q3 2018

Source: Erste Group Research, Bloomberg

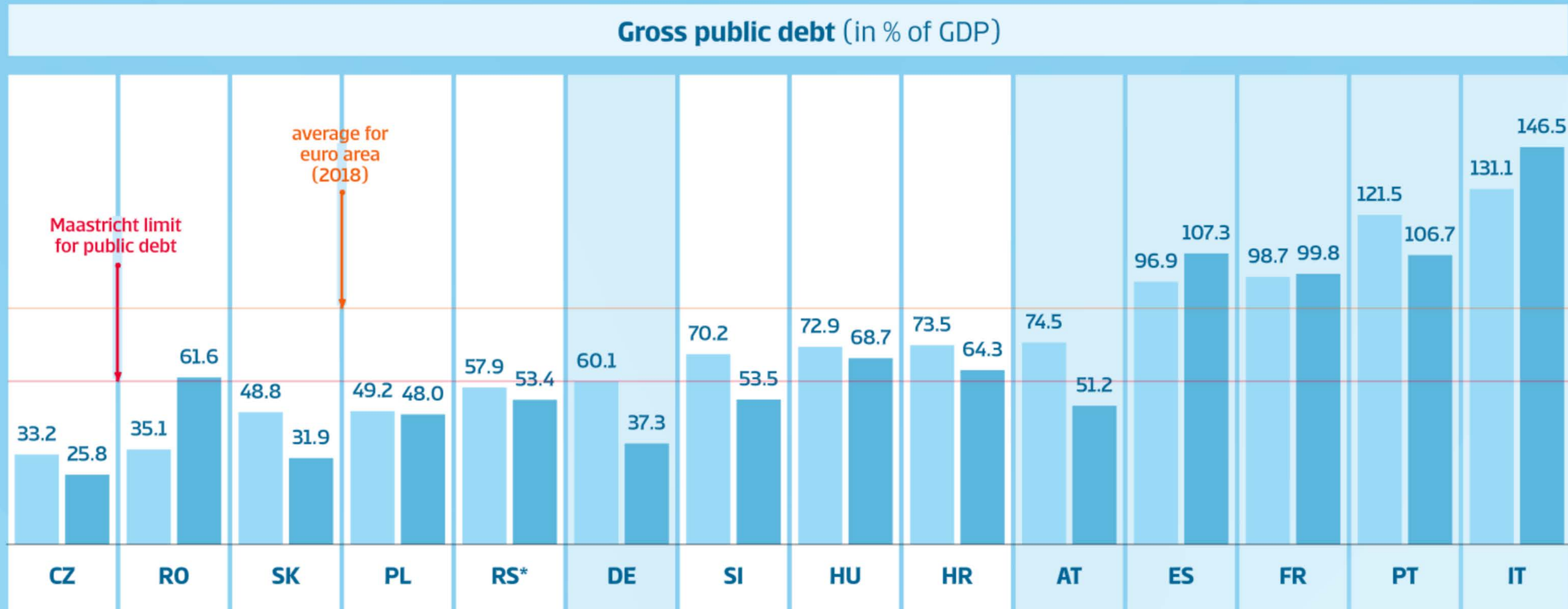


### Summary

- Economic growth in CEE countries will remain clearly above the euro area average also in 2019
- Solid economic environment provides basis for wage growth and low unemployment

# Business environment

## Sustainable CEE public debt outlook well below euro area average



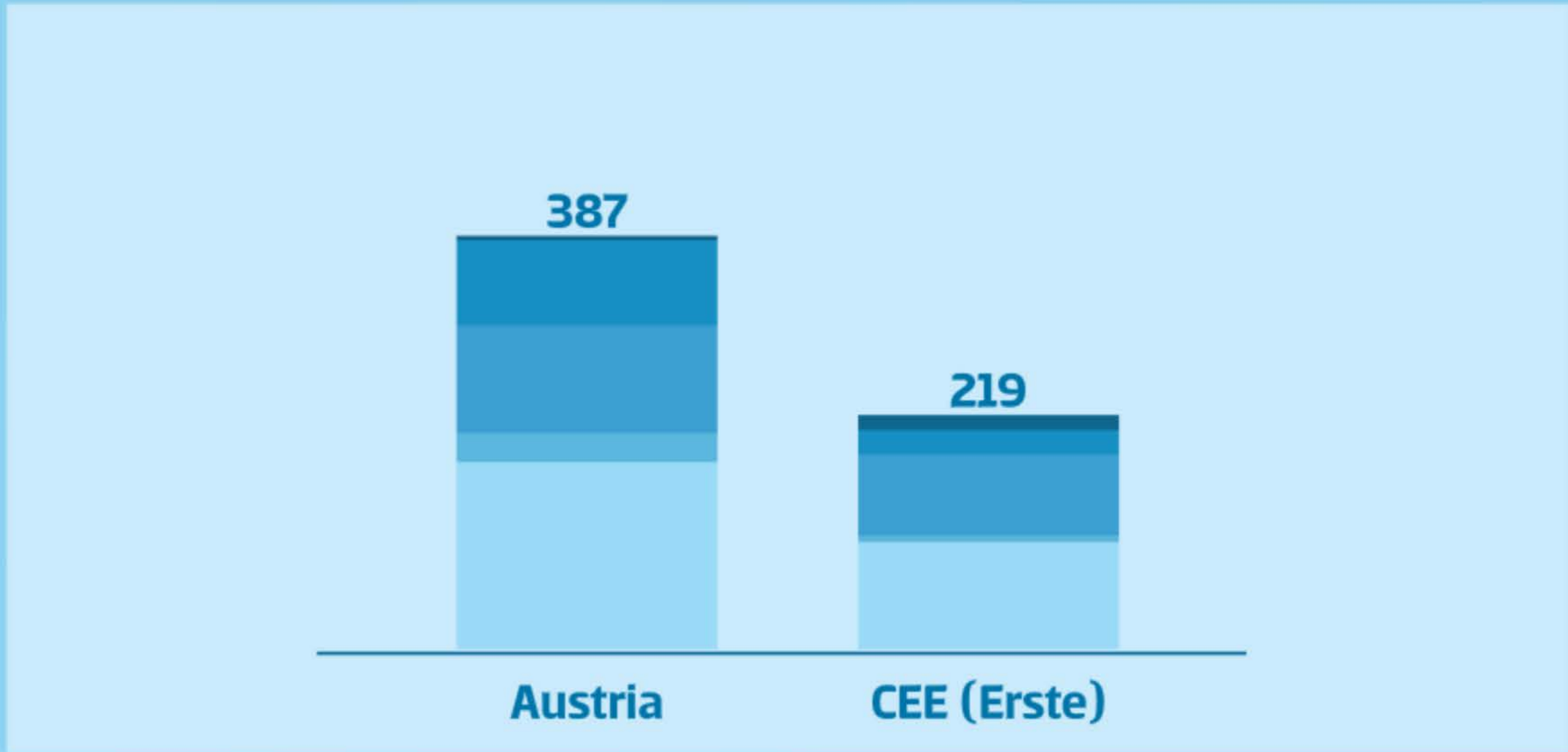
○ 2018 ○ 2029f ● CEE Countries

Source: European Commission, Erste Group Research  
\* only 2019 forecast

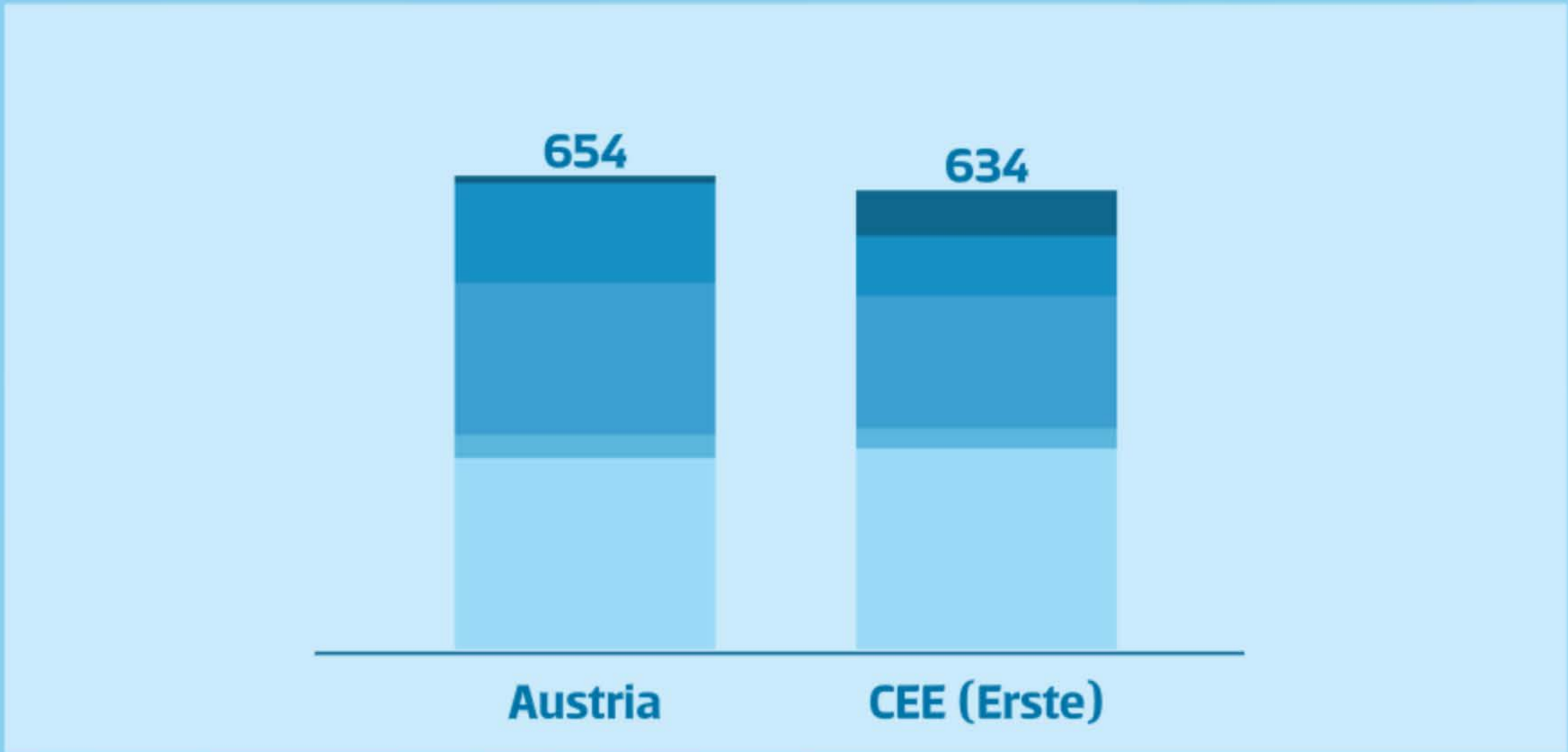
# 15 years of CEE in EU

## Volume of CEE households' financial assets approaching Austrian level

Financial Assets 2004 (EUR mn)



Financial Assets 2017 (EUR mn)



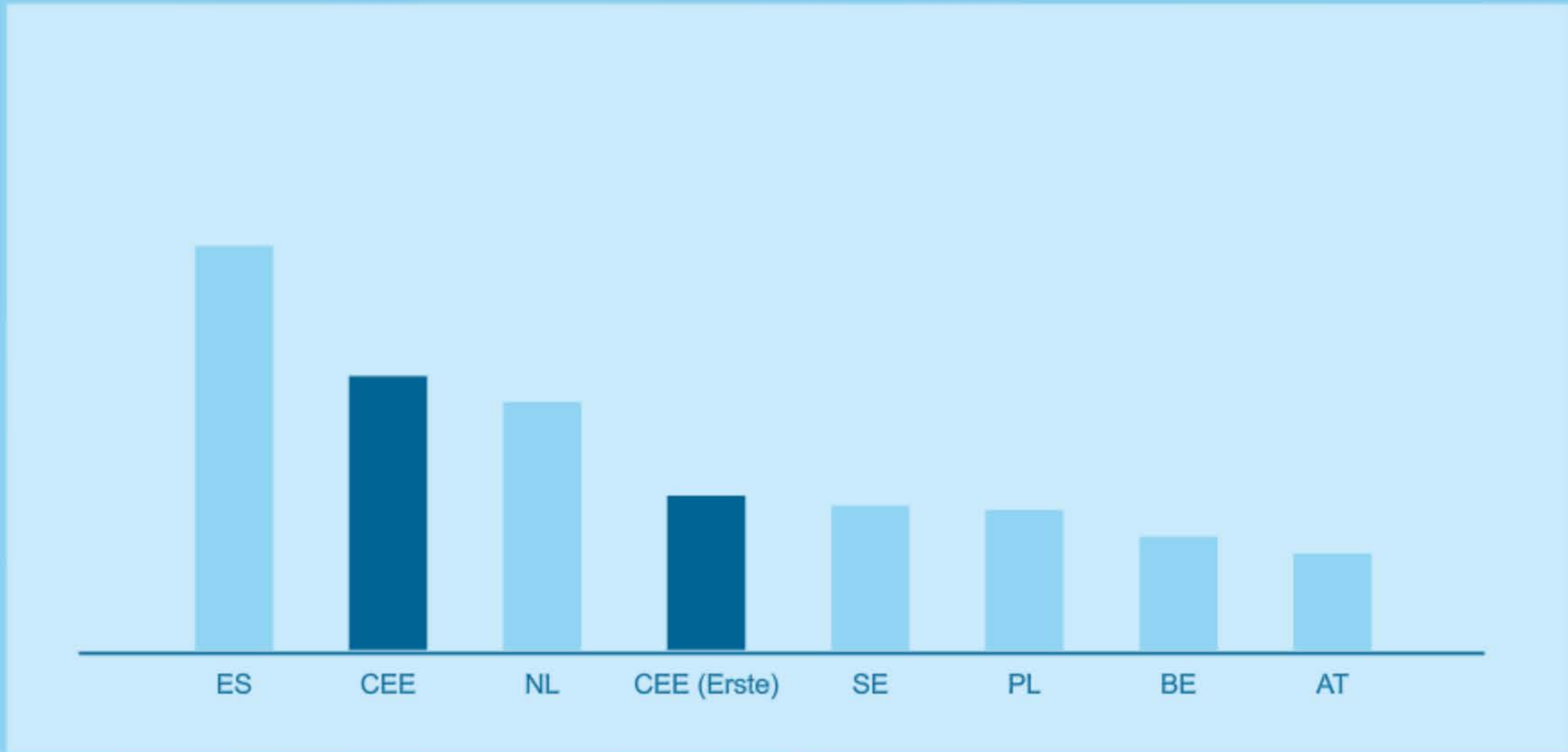
- Deposits and cash
- Bonds
- Shares and investment funds
- Pensions and insurance
- Other

CEE (Erste): CZ, SK, HU, RO, HR Source: Eurostat

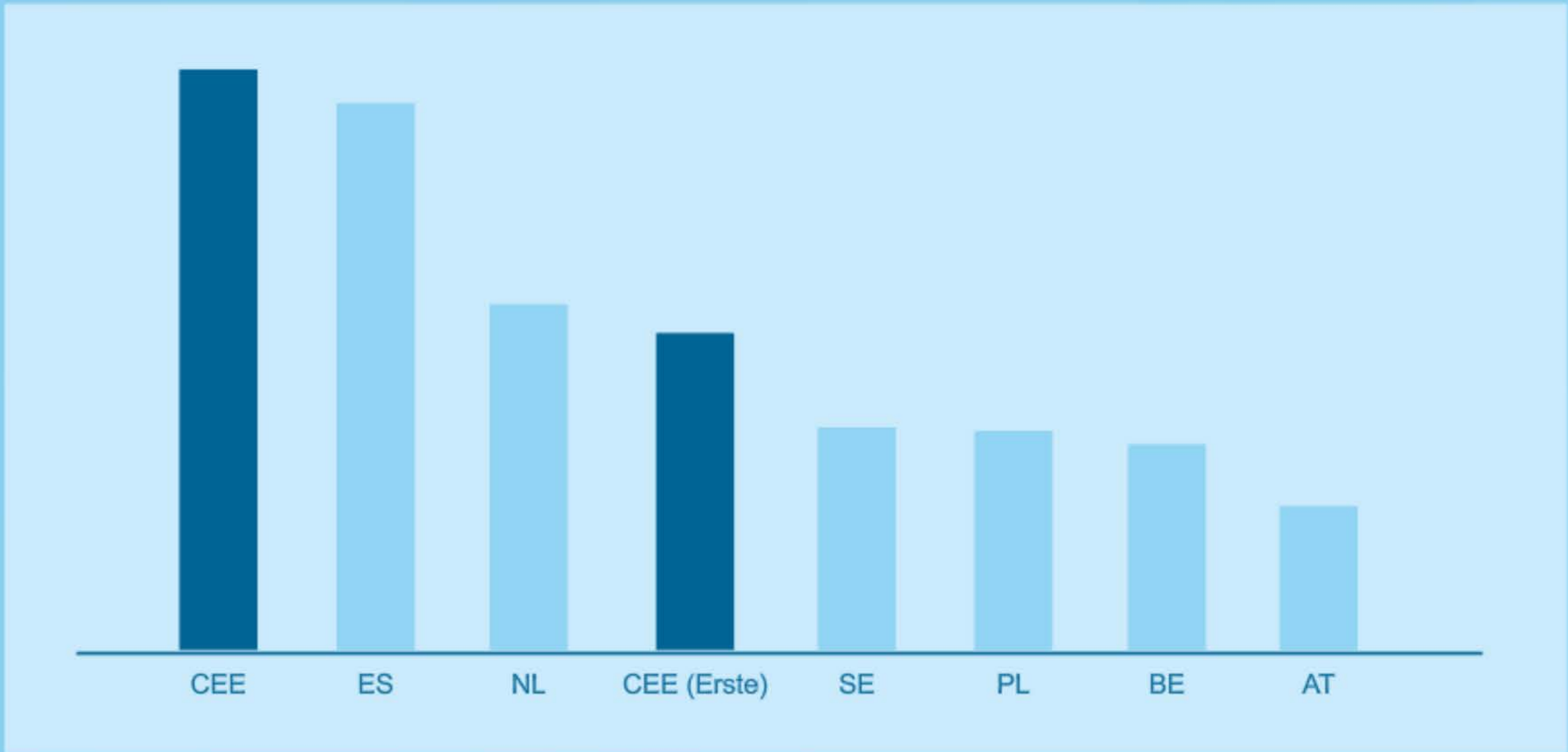
# Business environment

## CEE catching up with Europe's Big Four, having overtaken Spain

Nominal GDP 2004 (EUR bn)



Nominal GDP 2017 (EUR bn)



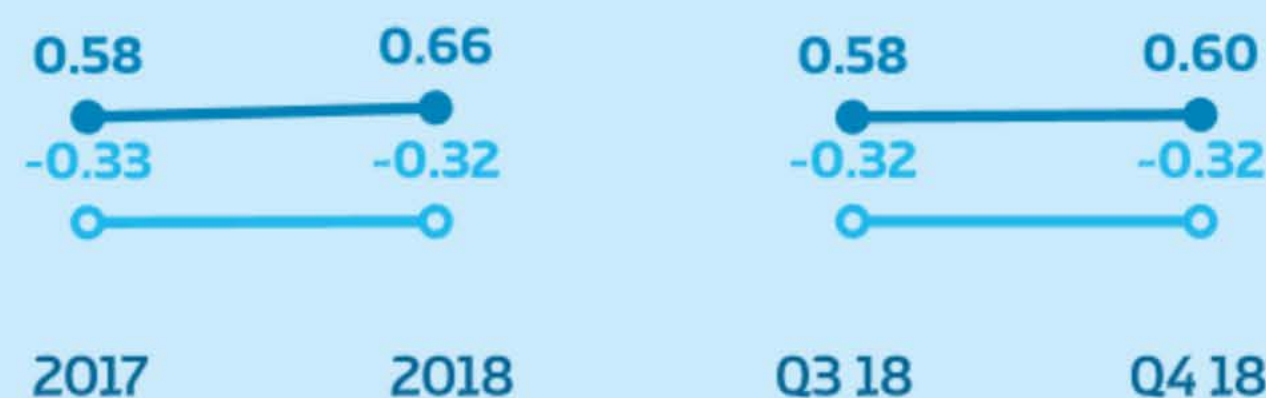
CEE: CZ, SK, HU, PL, BG, RO, SI, HR, RS  
CEE (Erste): CZ, SK, HU, RO, HR, RS  
Big Four: DE, UK, FR, IT

Quelle: Eurostat

# Interest rate environment

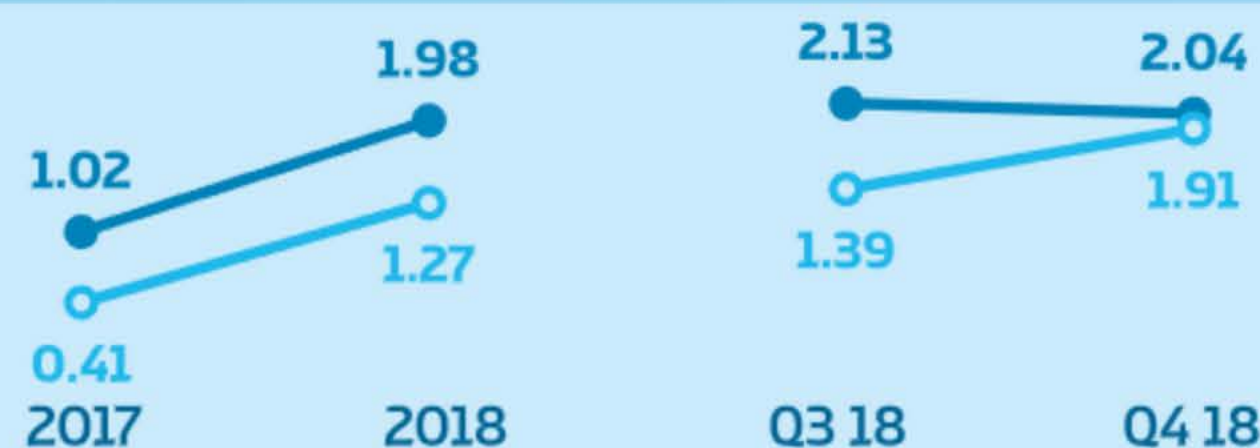
## Rising interest rates in CEE countries

### Austria



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

### Czech Republic



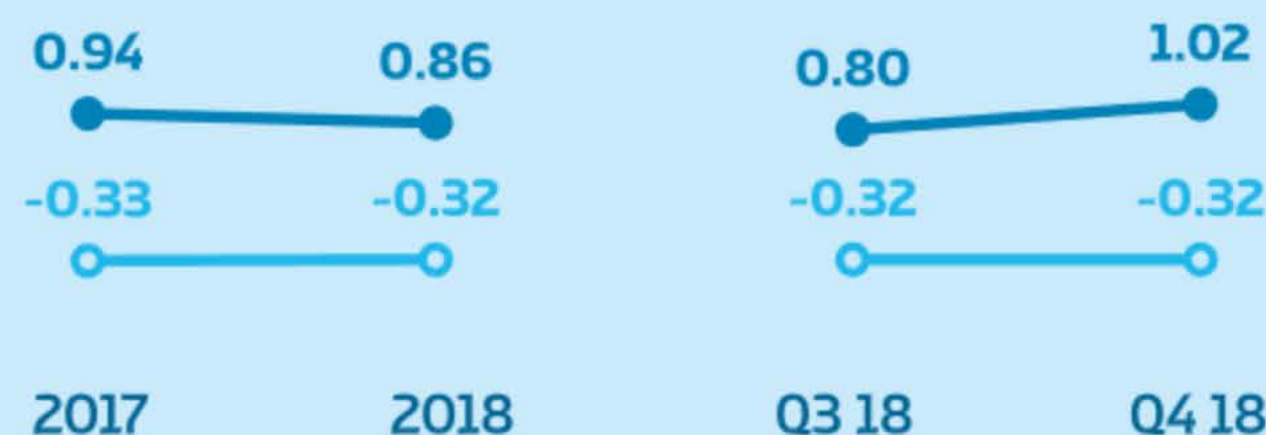
- National bank has increased its benchmark rate in seven steps from historic low of 0.05% to 1.75% since August 2017

### Romania



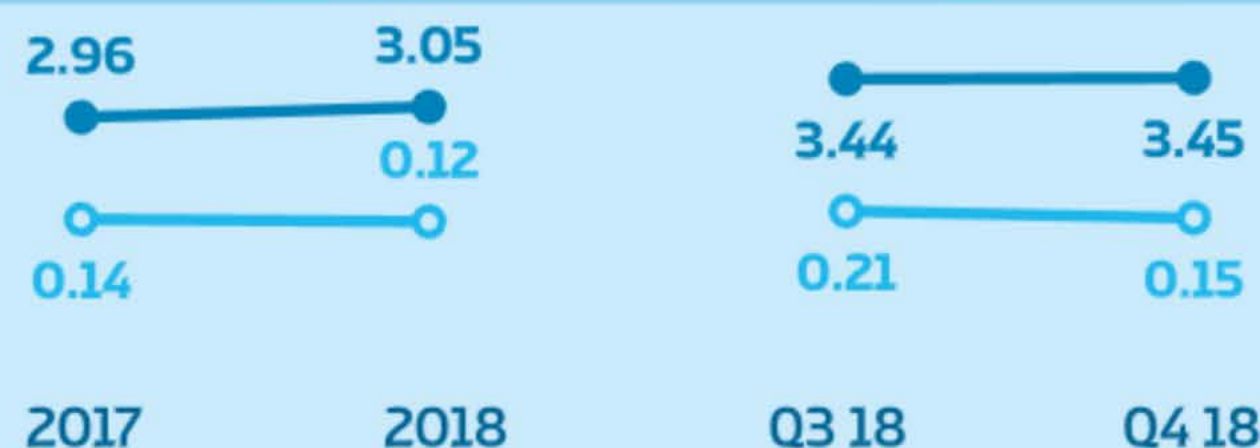
- Central bank increases policy from historic low of 1.75% to 2.50% in January, February and May 2018

### Slovakia



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

### Hungary



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

### Croatia



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

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

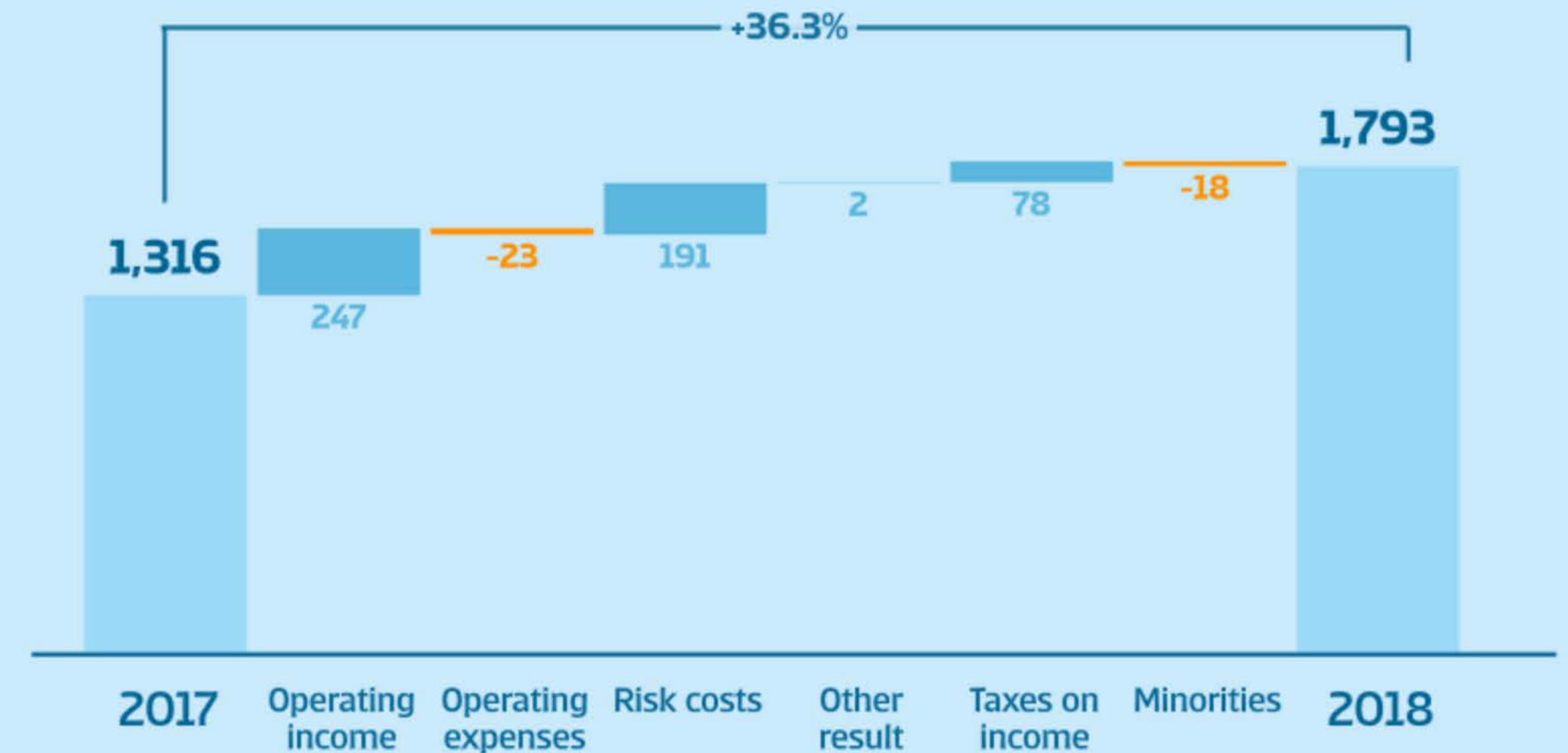
# Business performance

## Net profit of EUR 1.8 bn on improved operating performance

QoQ net profit reconciliation (EUR mn)
















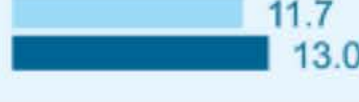


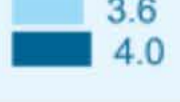
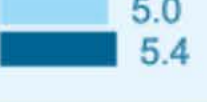




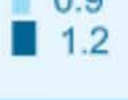
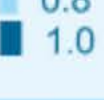



YoY net profit reconciliation (EUR mn)



# Business performance

## Solid growth in customer loans (+7.0%) and deposits (+7.7%)

	Customer loans (net; EUR bn)	Customer deposits (EUR bn)	Loan-Deposit ratio (%)
Group			
AT/EBOe			
AT/SB			
CZ			
RO			
SK			
HU			
HR			
RS			

○ DEC 2017 ● DEC 2018

# Business performance

## Retail lending volume rises 6.3%

### Retail Highlights for 2018

#### NEWLY-GRANTED MORTGAGES (Volume: -1.75%)

**EUR 7.33 bn** 

provided to over 95,500 households

#### CONSUMER LENDING (Volume: +7.40%)

**EUR 7.92 bn** 

Average loan size: EUR 6,200

#### INFLOW OF RETAIL DEPOSITS (Volume: +7.43%)

**EUR 5.79 bn** 

continued inflow in all markets

#### BANCASSURANCE VOLUMES

**EUR 1.25 bn** 

gross premium written in 2018

## Digital advances

### George is Europe's largest platform, with over 4.4 million users

- 1 billion customer engagements across all channels
- Over 30% growth in digital sales of consumer loans, deposits and current account openings
- Mobile engagements rising at twice the rate of digital overall



# Business performance

## SMEs driving growth in corporate loans

### 2018 Corporate Highlights

#### TOTAL GROSS LOANS

EUR 51.9 bn 

rise by 6%

#### SME LENDING

11.5% growth in loan volume  
2,500 new SME clients acquired



#### TOP PERFORMING SUBSIDIARIES\*

Serbia  
+30%

Slovakia  
+21%

Hungary  
+20%

#### TOP GROWTH SECTORS IN OUR PORTFOLIO\*

Hotels & Leisure  
+27%

Telecom & Media  
+24%

Natural Resources  
and Agriculture  
+18%

\*(Annual growth in volumes, gross)

# Business performance

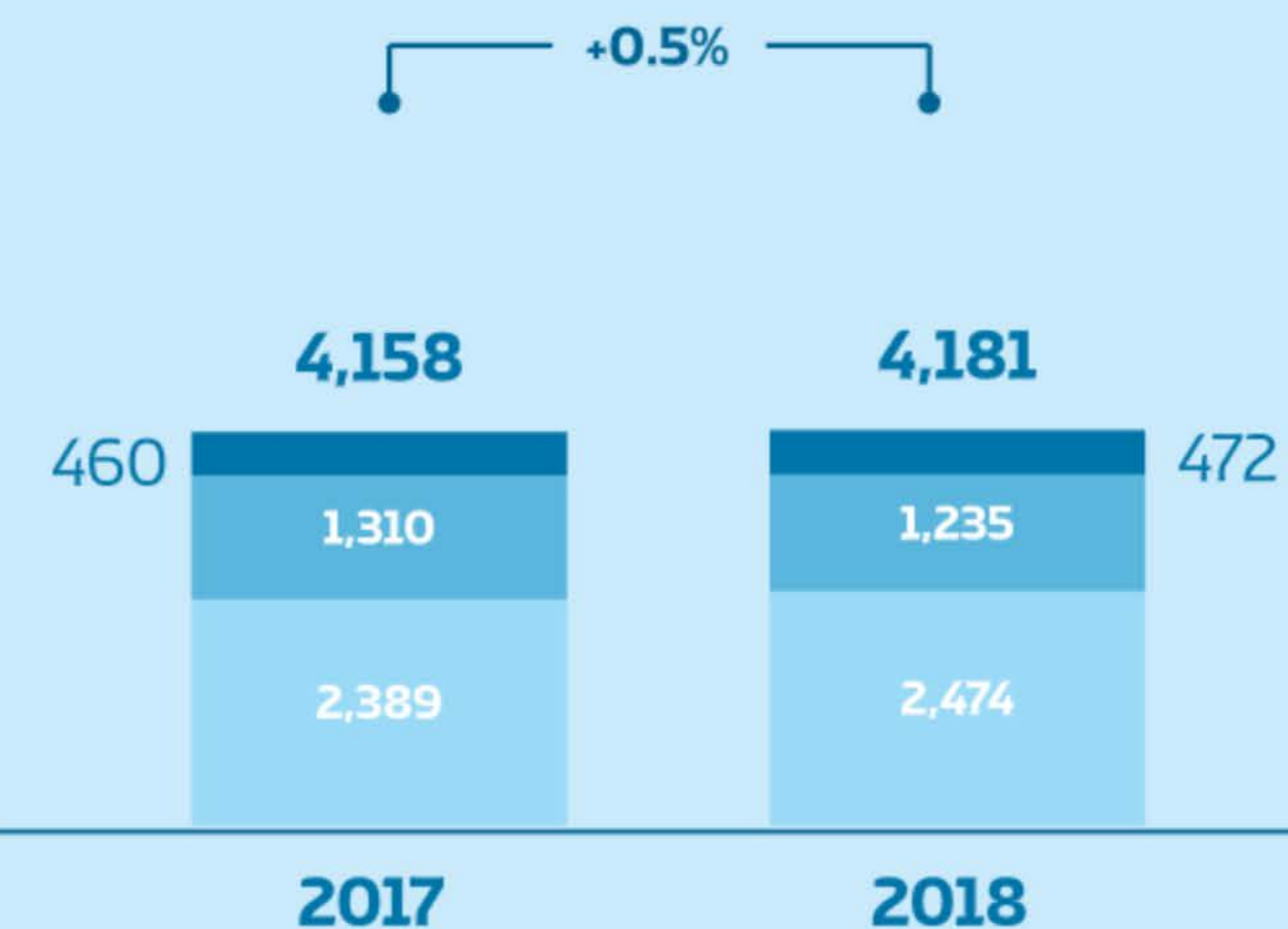
## Higher operating revenues due to strong net interest income and fees

Operating revenues (EUR mn)



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

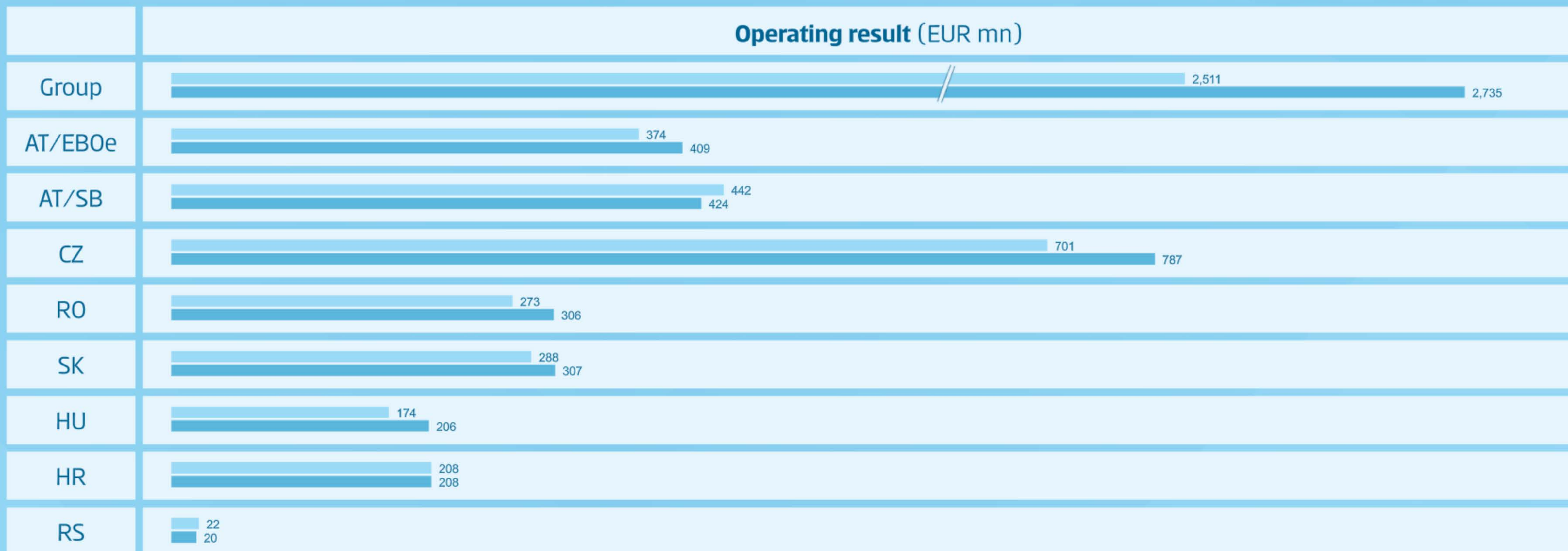
Operating expenses (EUR mn)



- Personnel expenses
- Depreciation and amortisation
- Other administrative expenses

# Business performance

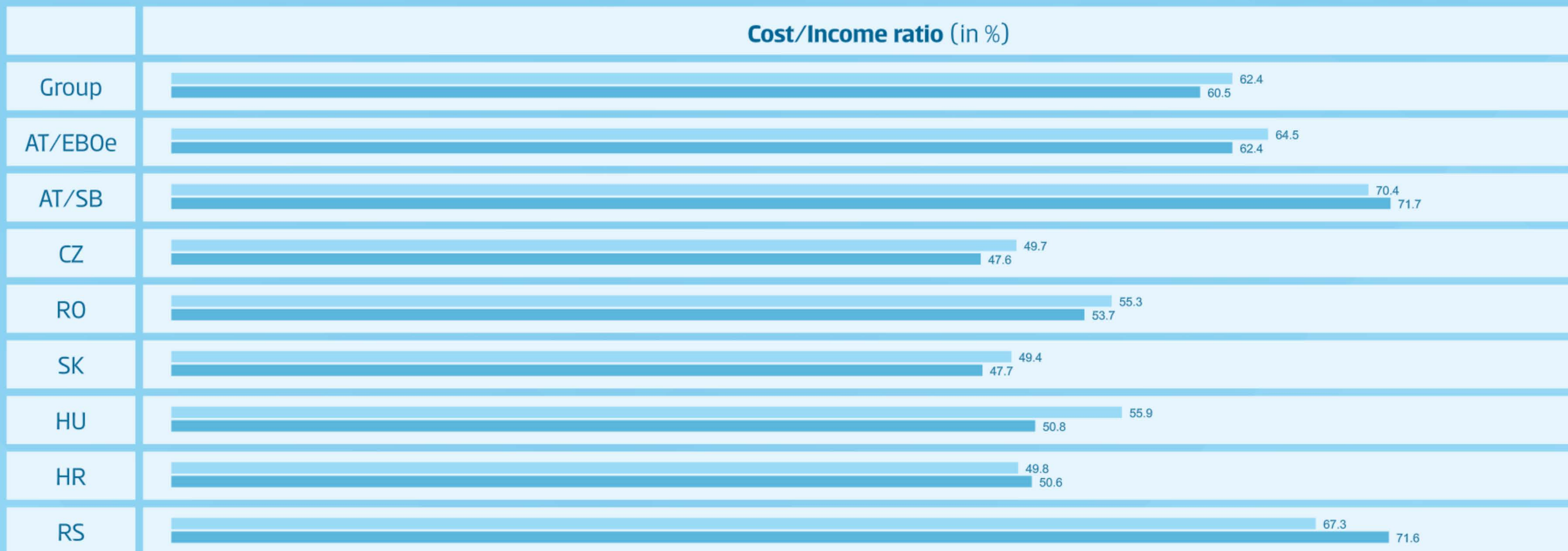
## Operating result rises on growth across markets



○ 2017 ● 2018

# Business performance

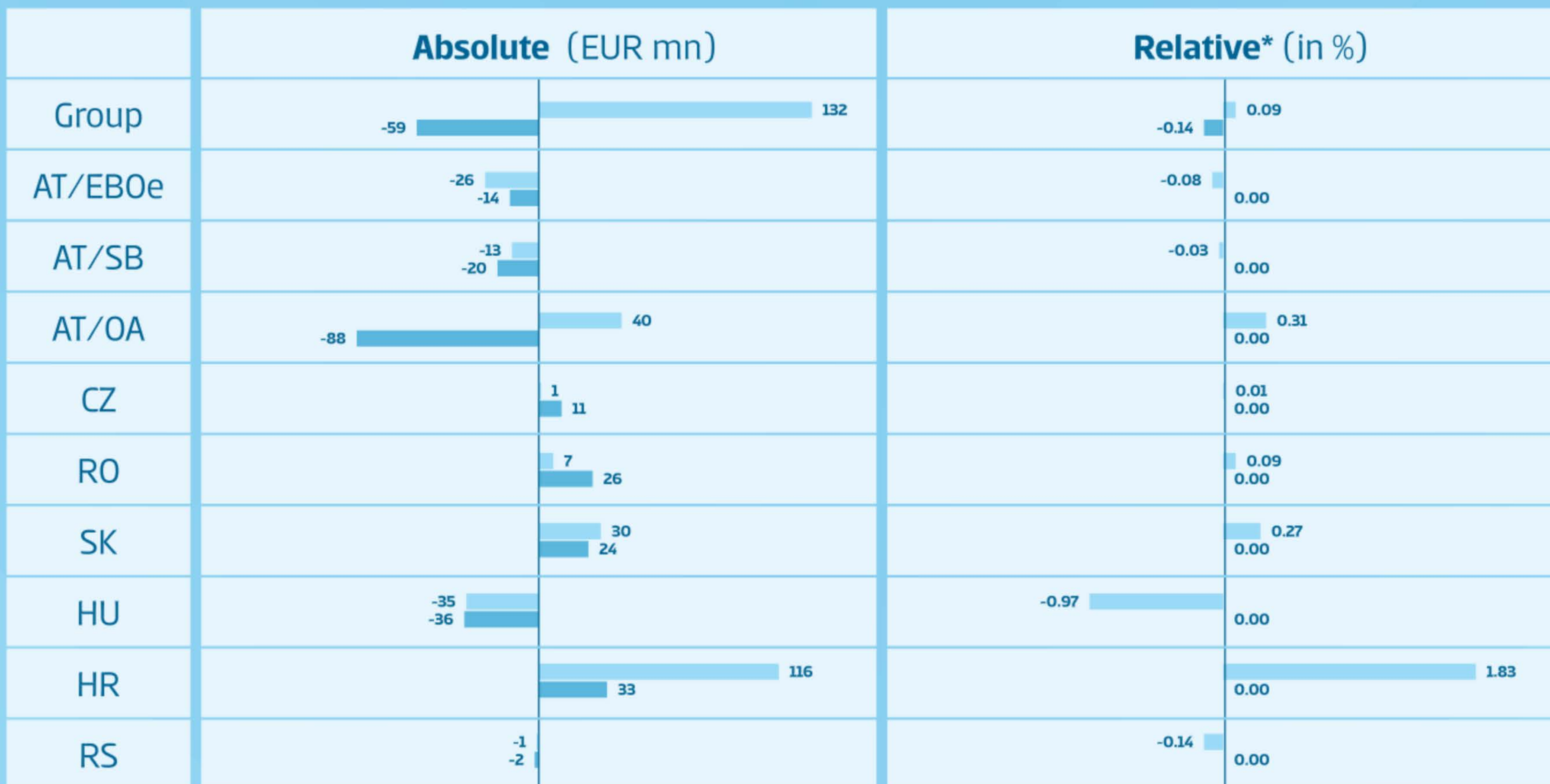
## Cost/Income ratio declines slightly



○ 2017 ● 2018

# Business performance

## Risk provisions releases continue

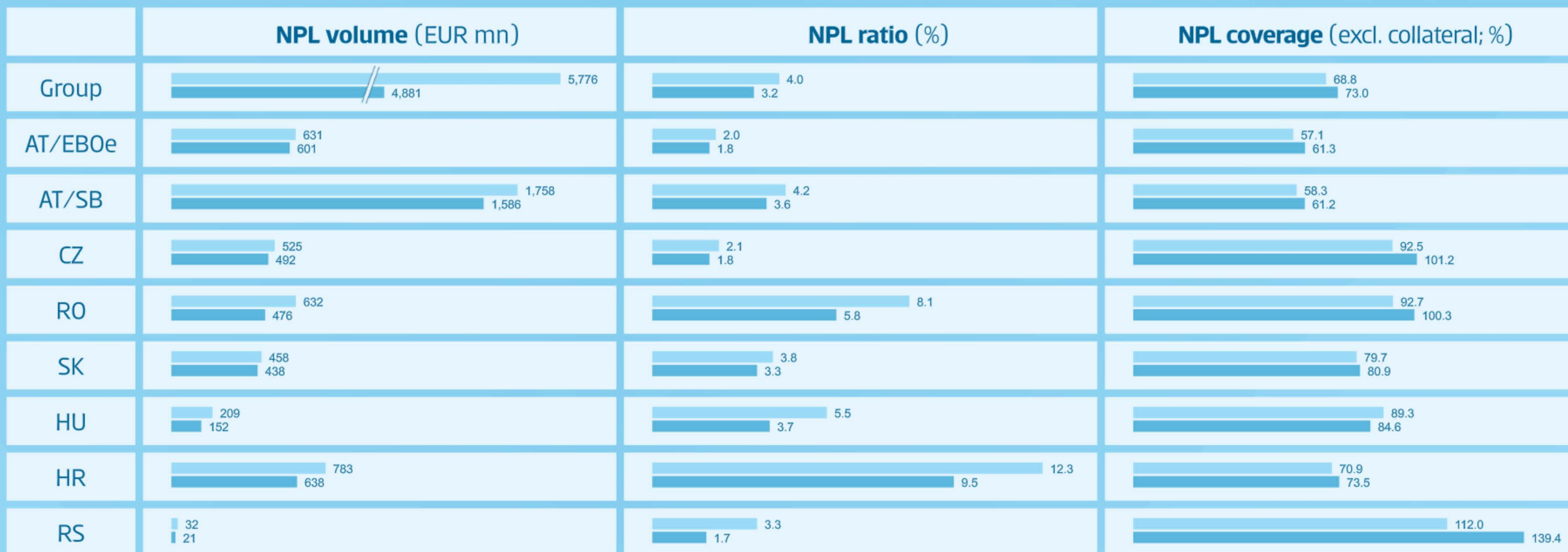


### Summary

- Improved asset quality primarily due to net releases in Hungary and the Other Austria segment (AT/OA)
- Risk costs remain at historic low levels
- Minor risk provisions in Q4 18, after three quarters of releases

# Business performance

## NPL volumes decline in all markets, with NPL ratio improving to 3.2%



○ 2017 ● 2018

# Business performance

## Excellent capital generation over past decade (+50% since 2009)

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



# Outlook 2019

The outlook is based on a solid macroeconomic development in our markets. We expect real GDP growth of approximately 3% in CEE and above 2% in Austria on the back of continued strong domestic demand, rising real wages, low unemployment, and healthy public finances.

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 (10-20bps). Other operating result will be negatively impacted by the Romanian banking tax. 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, the Return on Tangible Equity (ROTE) for 2019 is targeted at above 11%.