

Report on the financial year 2019 of Erste Group Bank AG (consolidated)

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CEO Erste Group

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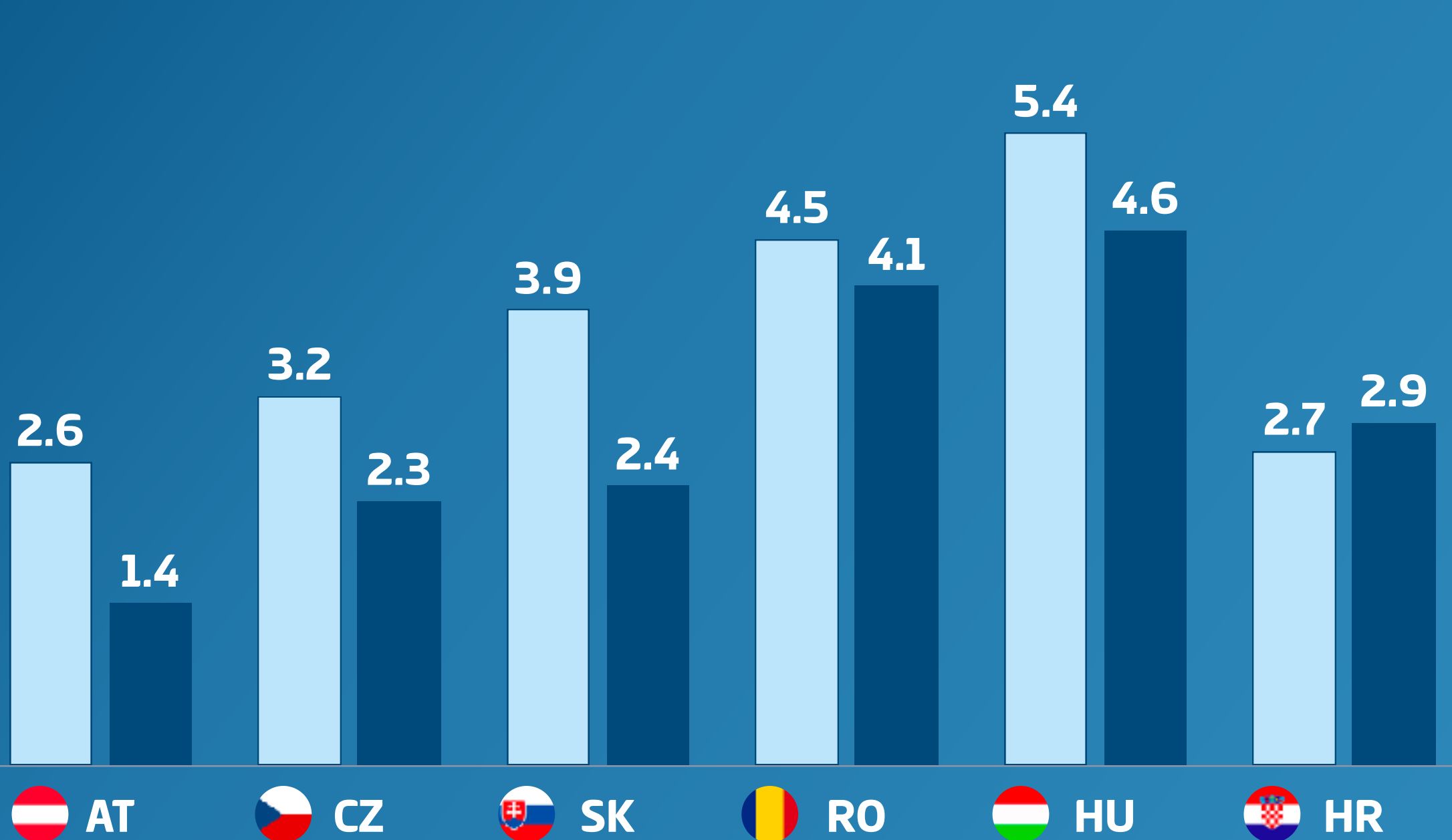
A person with long blonde hair, wearing a yellow jacket and a dark backpack, stands on a wooden dock by a calm lake. They are holding binoculars to their eyes, looking towards a range of mountains in the distance. The scene is reflected in the still water of the lake. The overall color palette is a soft, muted blue and green.

The year 2019

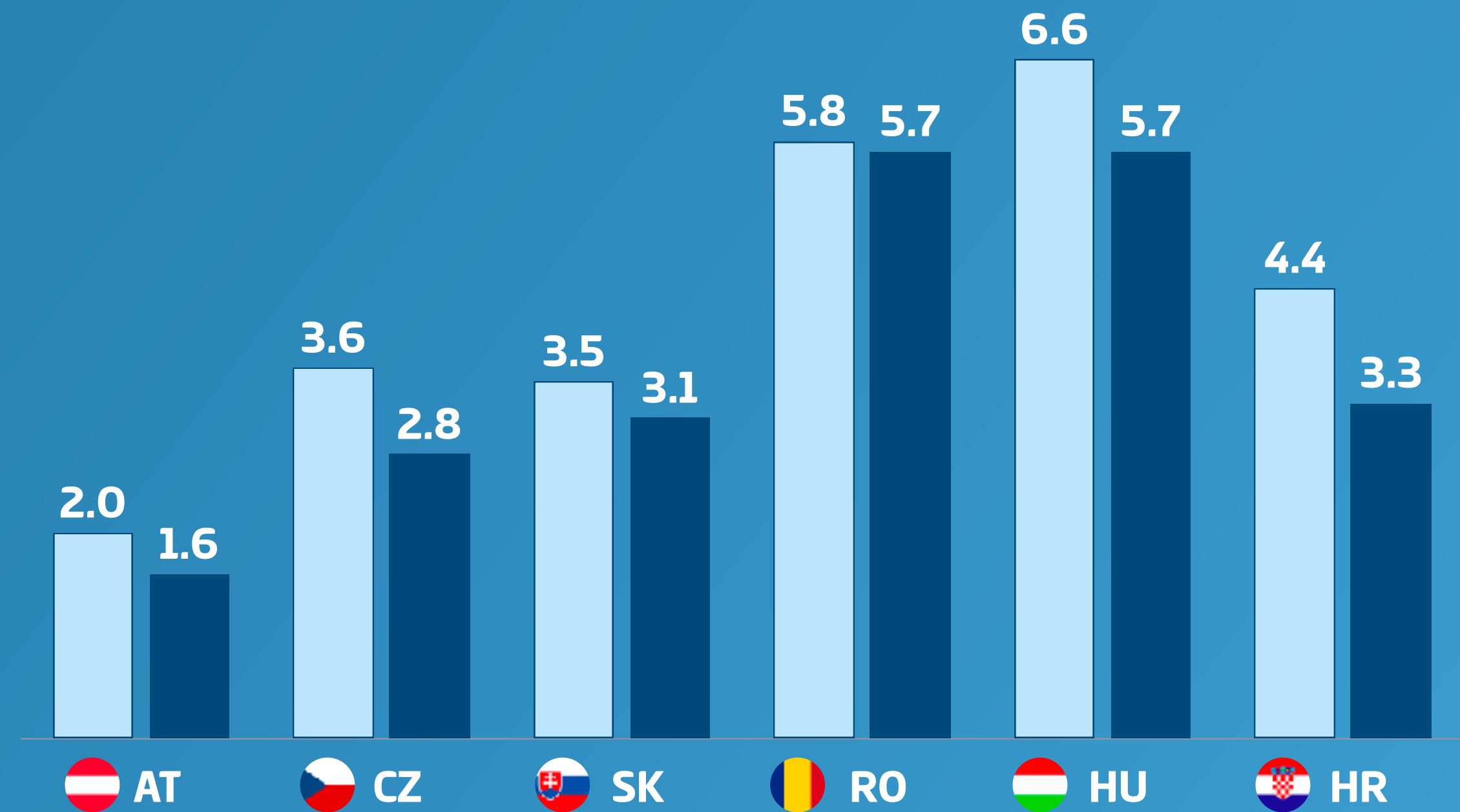
Operating environment

Solid economic environment prior to Covid-19

Real GDP growth (in %)



Domestic demand contribution to GDP growth (in %)



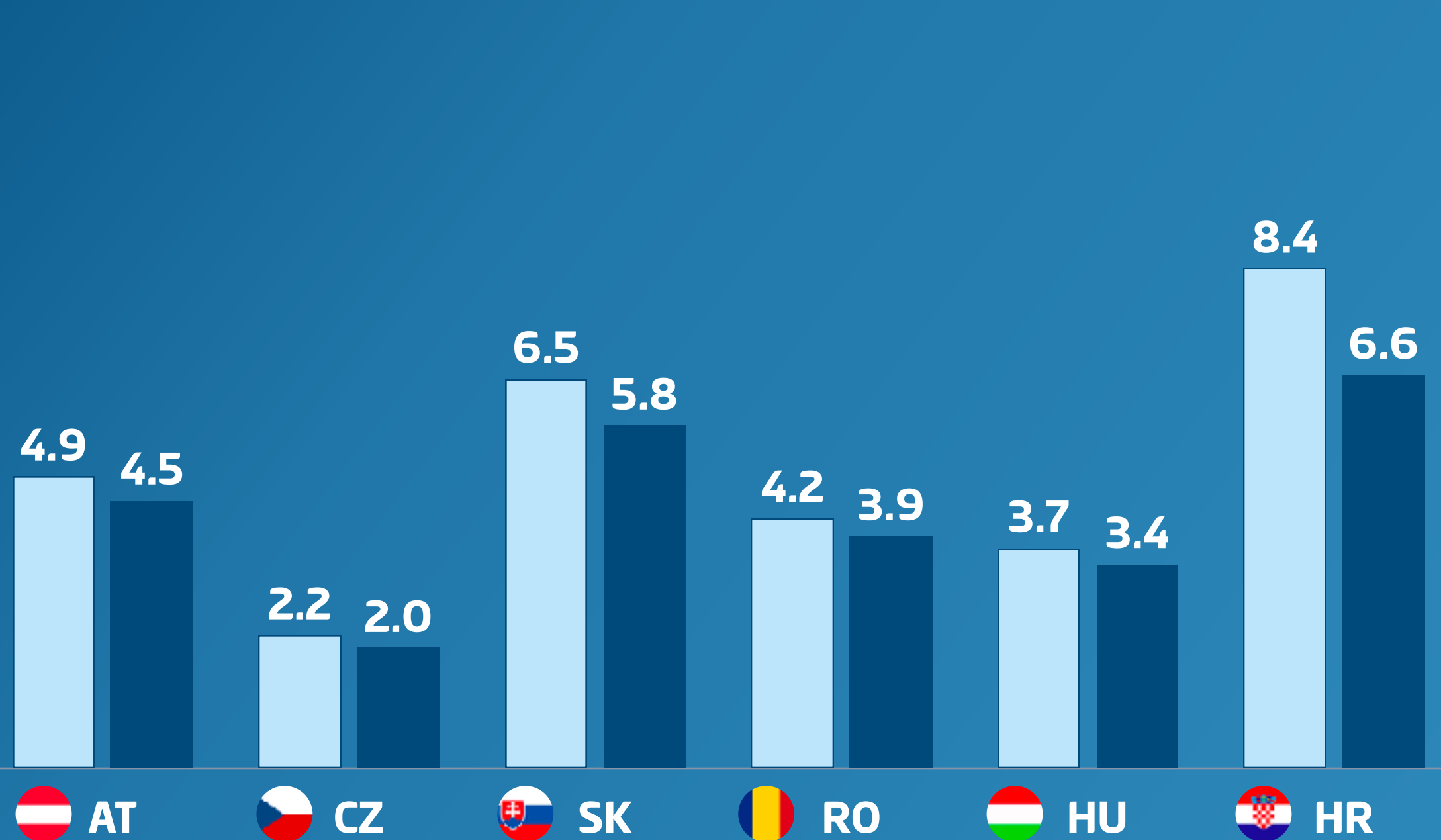
- CEE economies grew substantially faster than the euro zone in 2019 (euro zone GDP grew by 1.3% yoy in 2019)
- Domestic demand remained significant growth driver in 2019
- Insignificant contribution of net exports to GDP growth in 2019

2018 2019

Operating environment

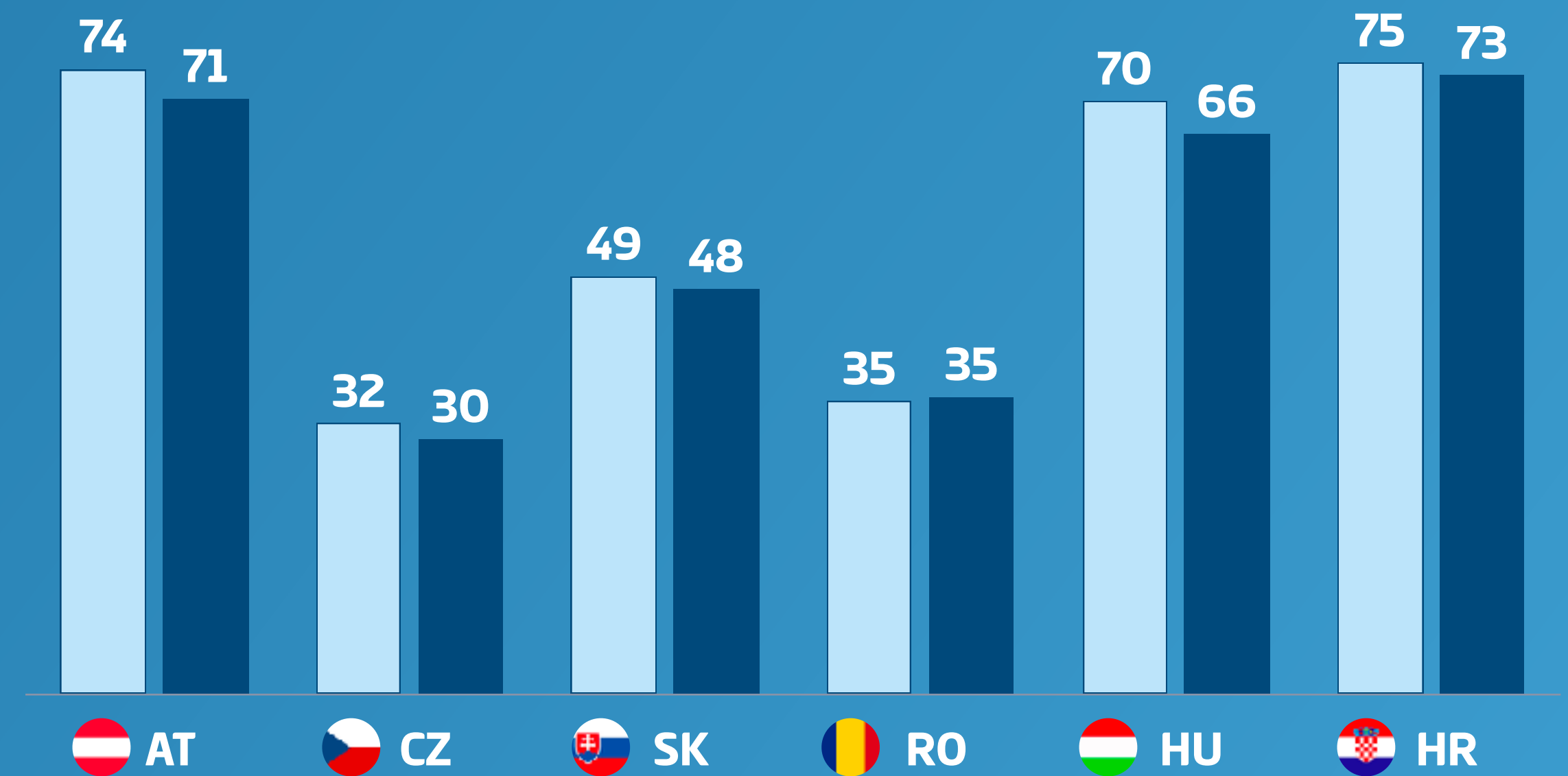
Favourable labour market and declining public debt levels in 2019

Unemployment rate (in %)



Public debt (in % of GDP)

Euro zone average: 84.1%



- Positive labour market development; labour shortage resulted in rising wage levels
- Public debt levels in CEE substantially lower than in the euro zone and with positive trend

2018 2019

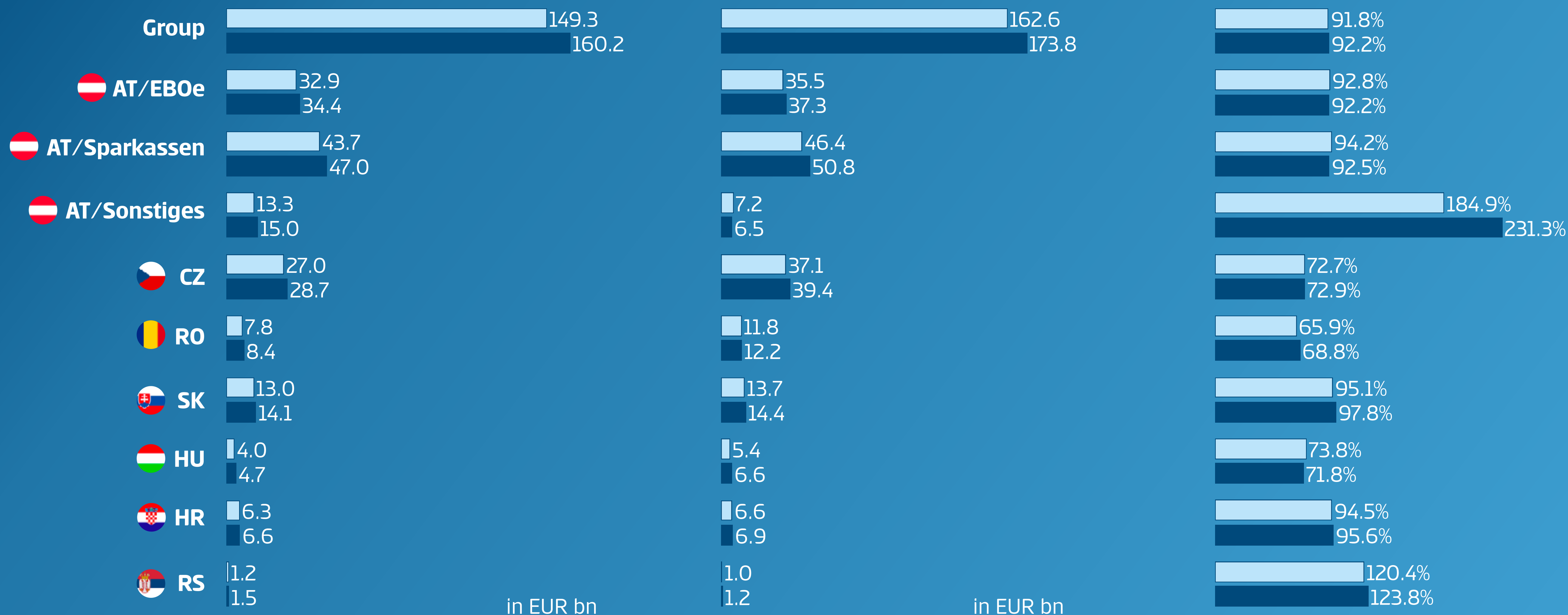
Business performance: customer loans and deposits

Continued loan growth, strong deposit base, balanced business

Customer loans (net)

Customer deposits

Loan/deposit ratio

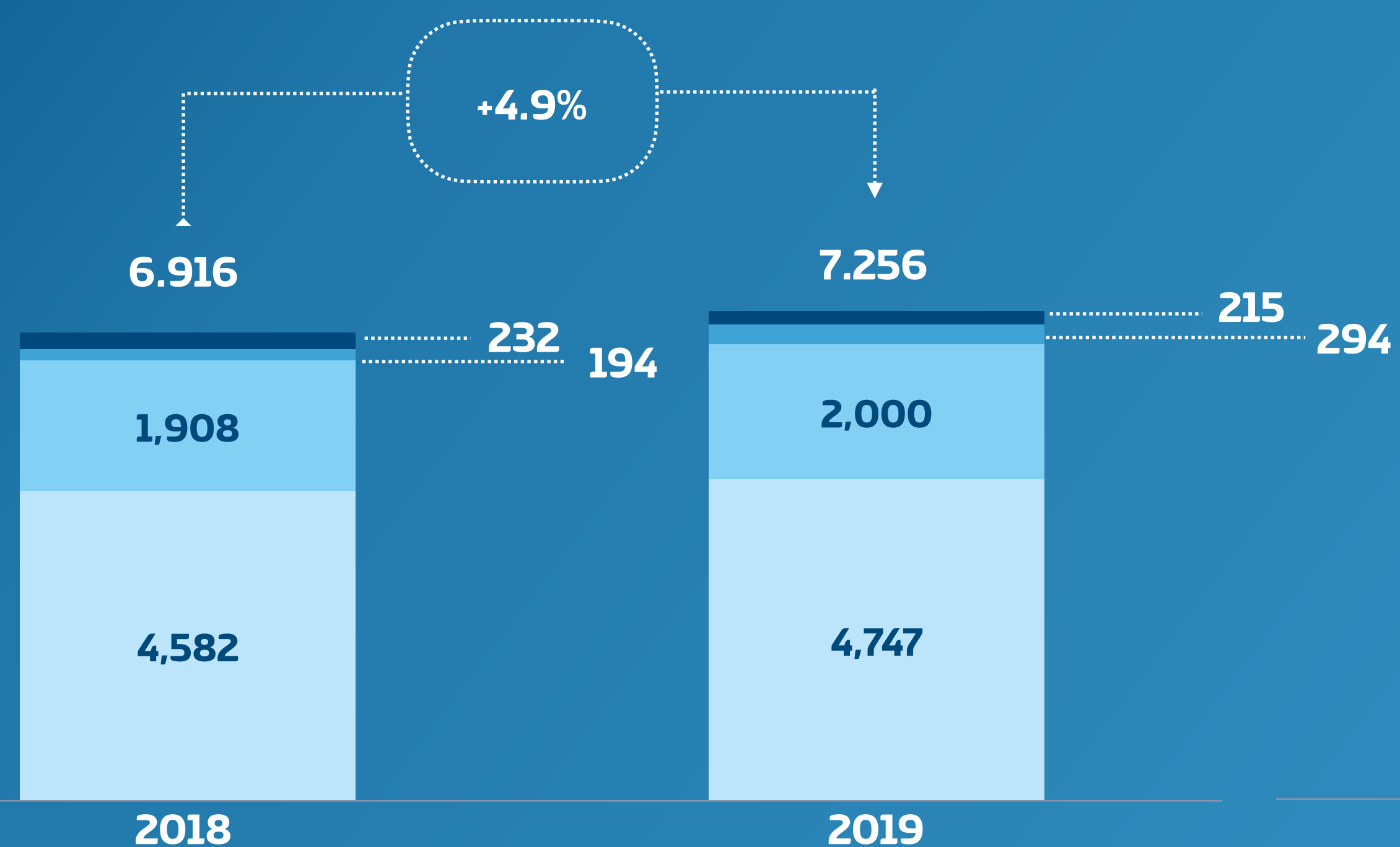


■ Dec 2018 ■ Dec 2019

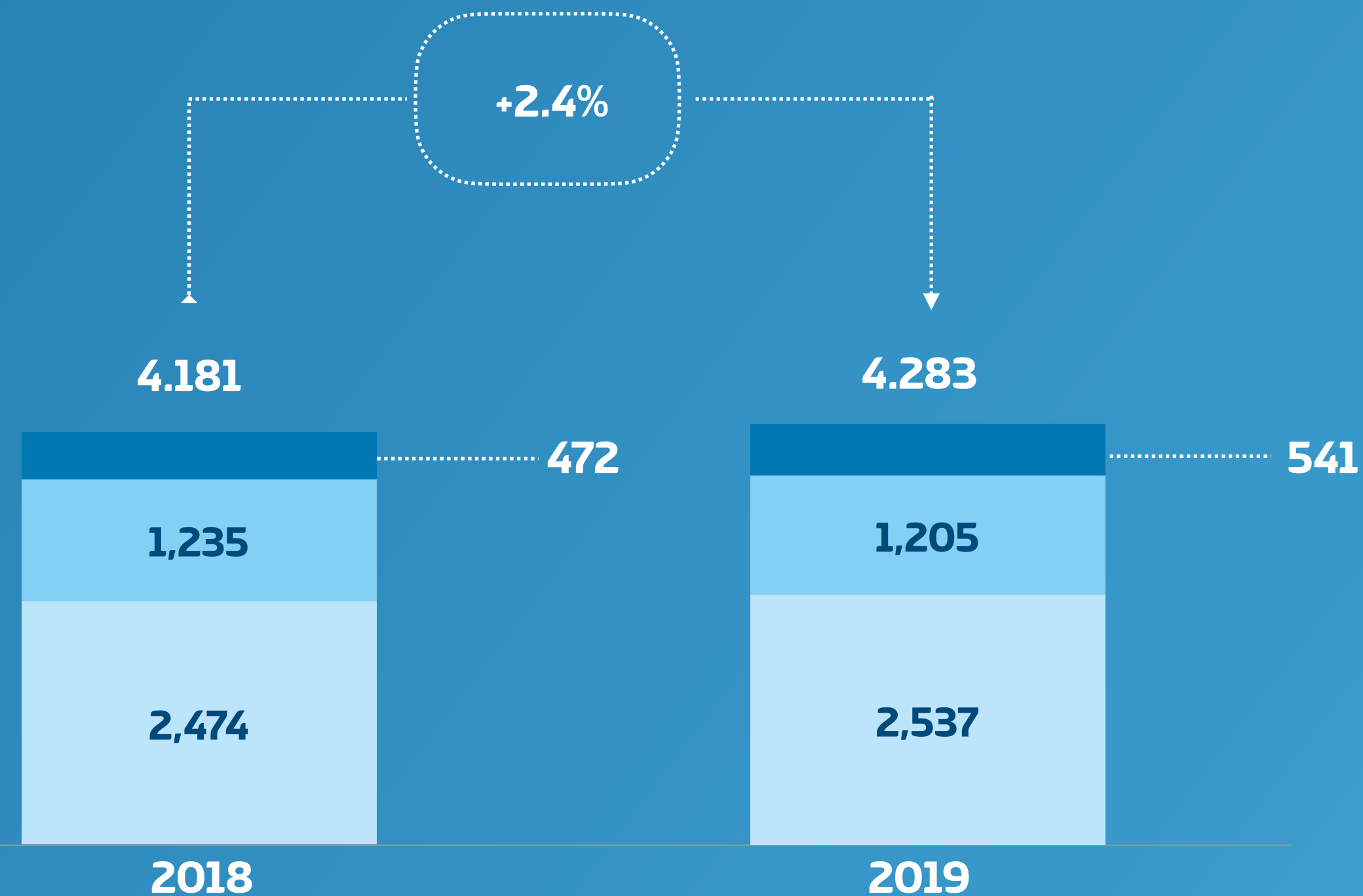
Business performance: operating revenues and expenses

Very strong operating result

Operating revenues (in EUR m)



Operating expenses (in EUR m)



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

■ Personnel expenses ■ Other administrative expenses
■ Depreciation and amortisation

Business performance: operating result and cost/income ratio

Operating performance improved across most markets

Geographic segments



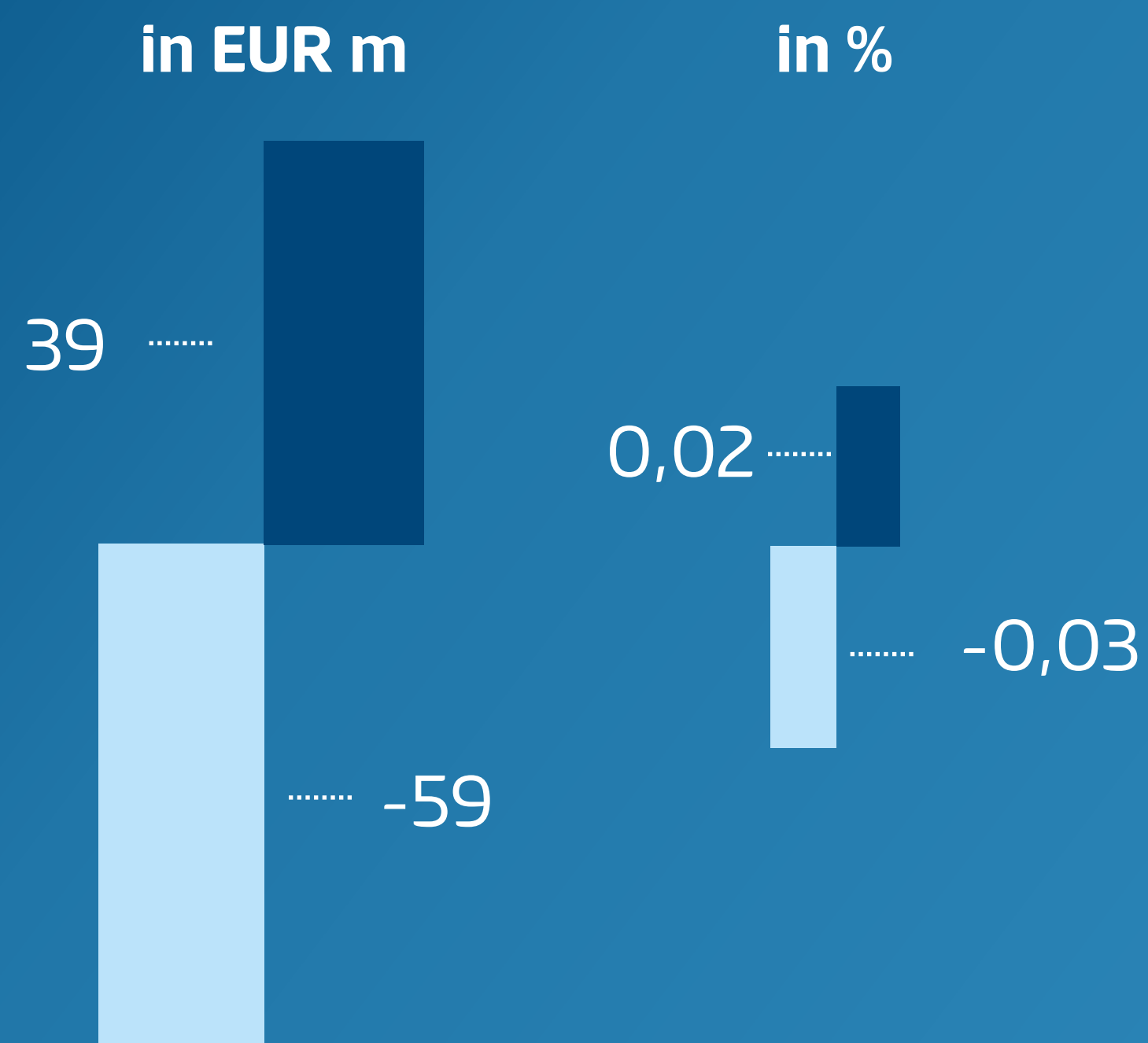
2018 2019 in EUR m

Performance summary:

- Operating result and cost/income ratio improved on group level
- Net fee and commission income exceeds for the first time ever EUR 2 bn
- Highest net interest income for 7 years
- Excellent net trading and fair value result

Business performance: risk costs

Risk costs remained at historic low



Performance summary:

- 2019 was characterised by an excellent credit risk environment across the board
- Historically low risk costs
- Net releases in the savings banks, Czech Republic, Romania and Hungary

■ 2018 ■ 2019

Relative risk costs in relation to average gross customer loans. (Following an amended calculation methodology for relative risk costs in 2020, the data are not directly comparable to previous periods.)

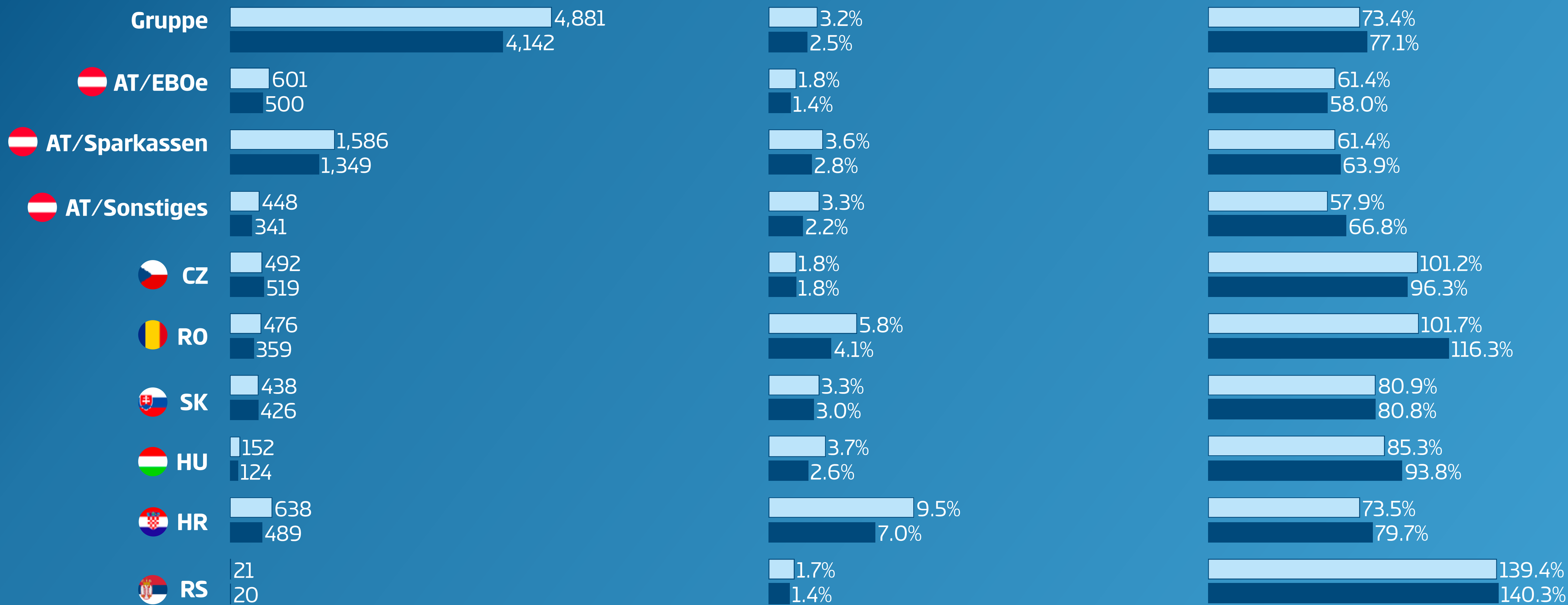
Business performance: asset quality in 2019

Strong asset quality improvement

NPL volume (in EUR m)

NPL ratio

NPL coverage (exc collateral)

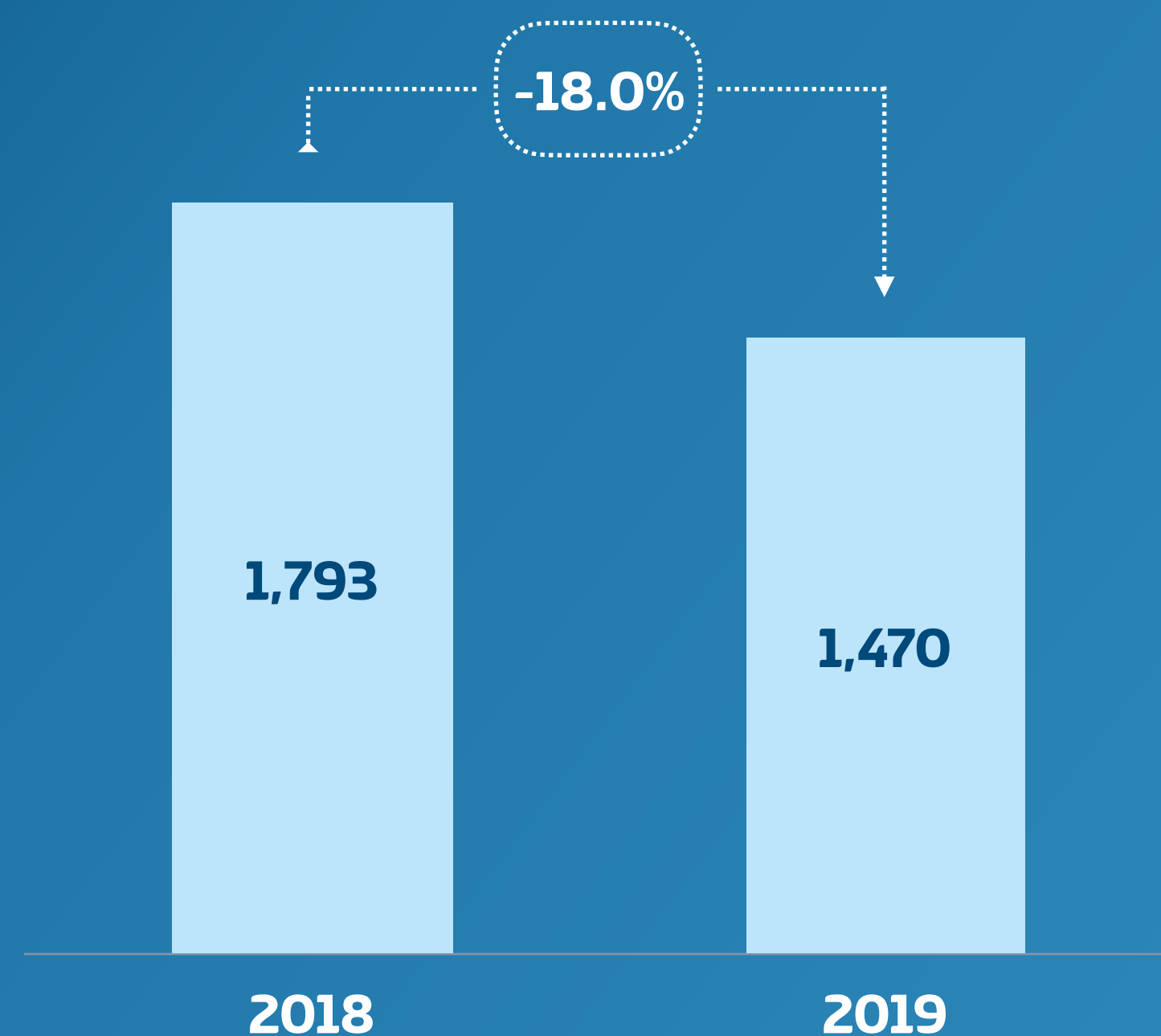


Dec 2018 Dec 2019

Business performance: net result and dividend

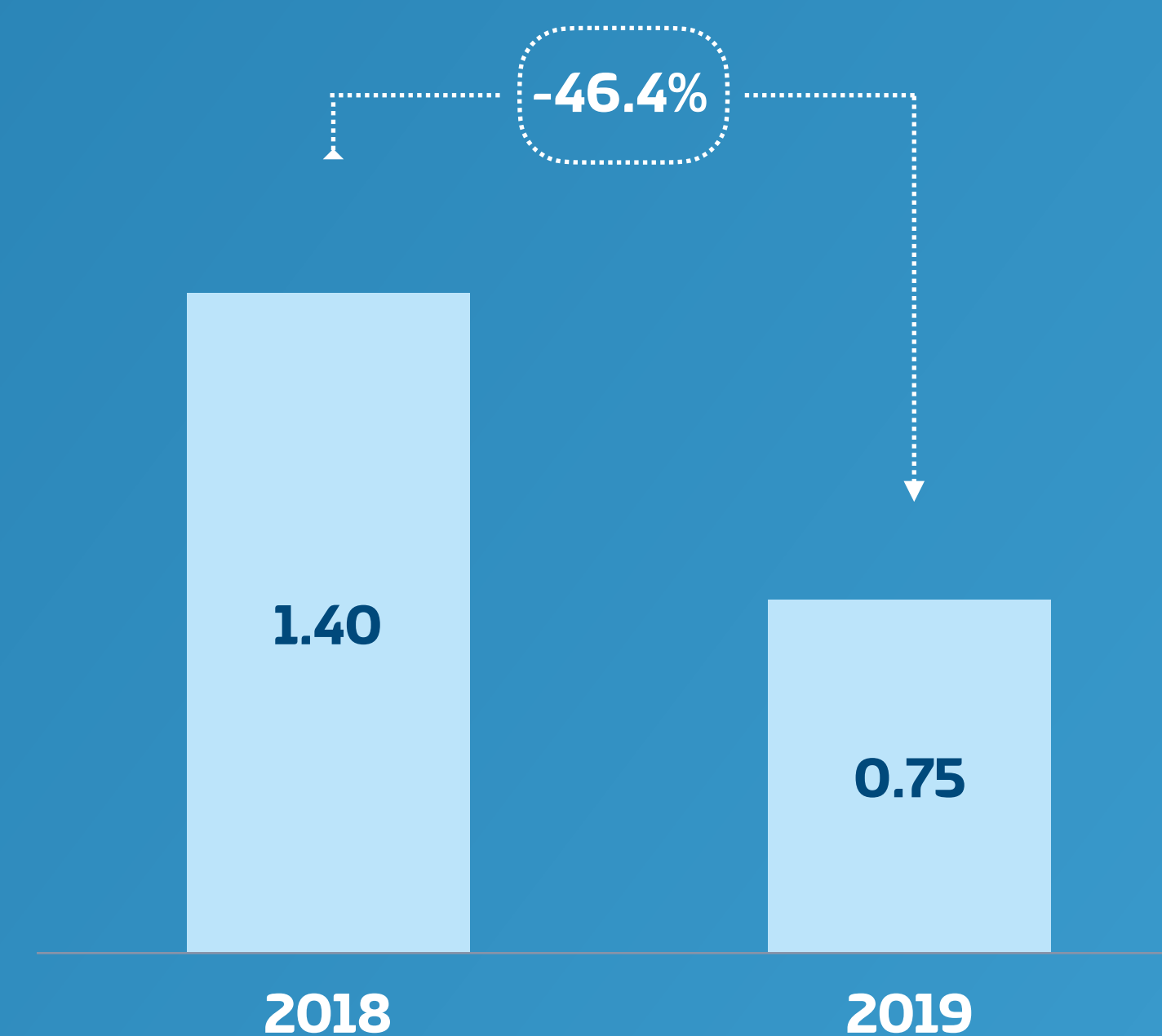
Net profit declines on negative one-offs

Net result (in EUR m)



- Lower net profit due to negative one-off effects in Romania and Slovakia

Conditional Dividend (in EUR)

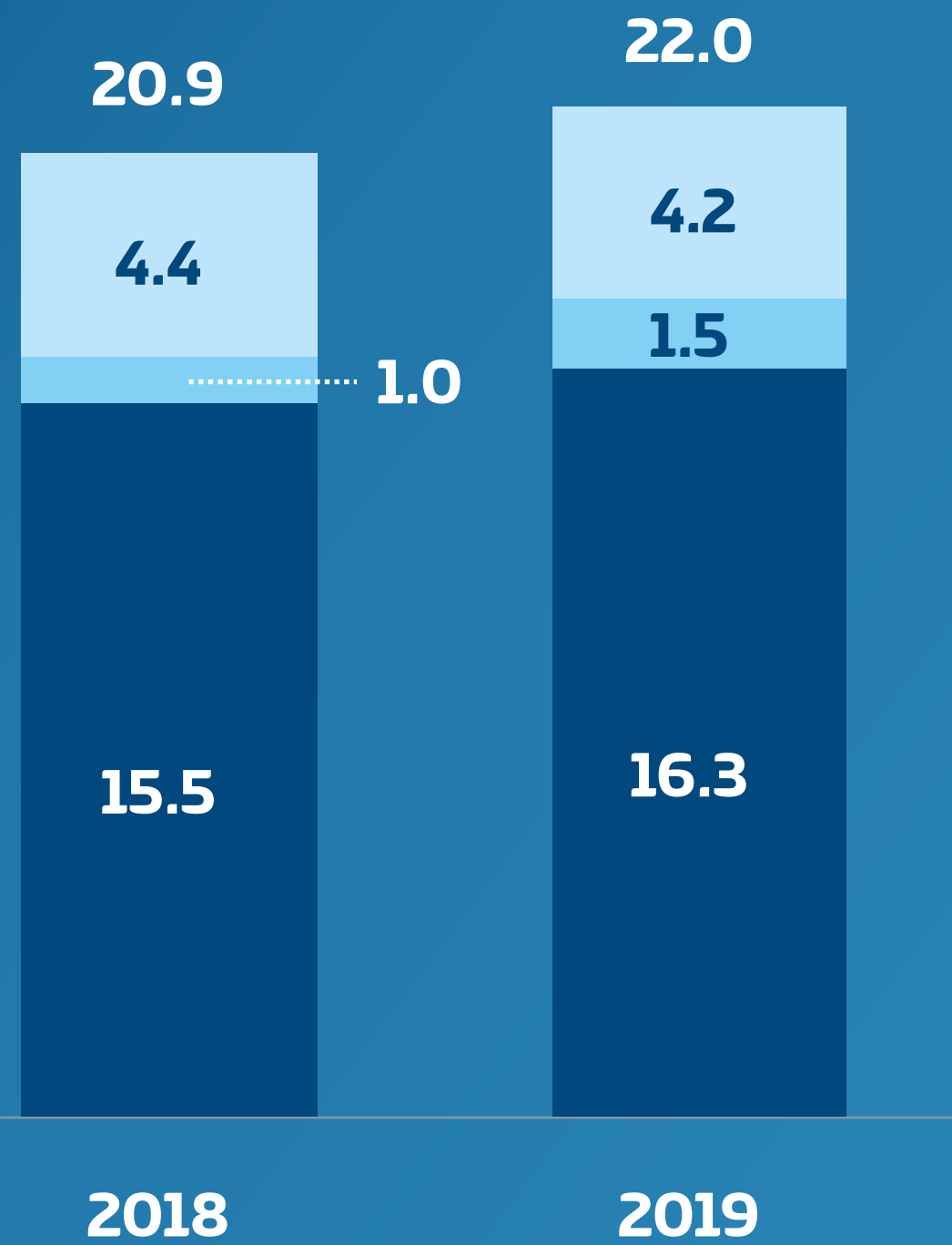


- Covid-19 affects dividend payment
- Conditions for payout have to be met on 8 February 2021
- Payout ratio equates 22%

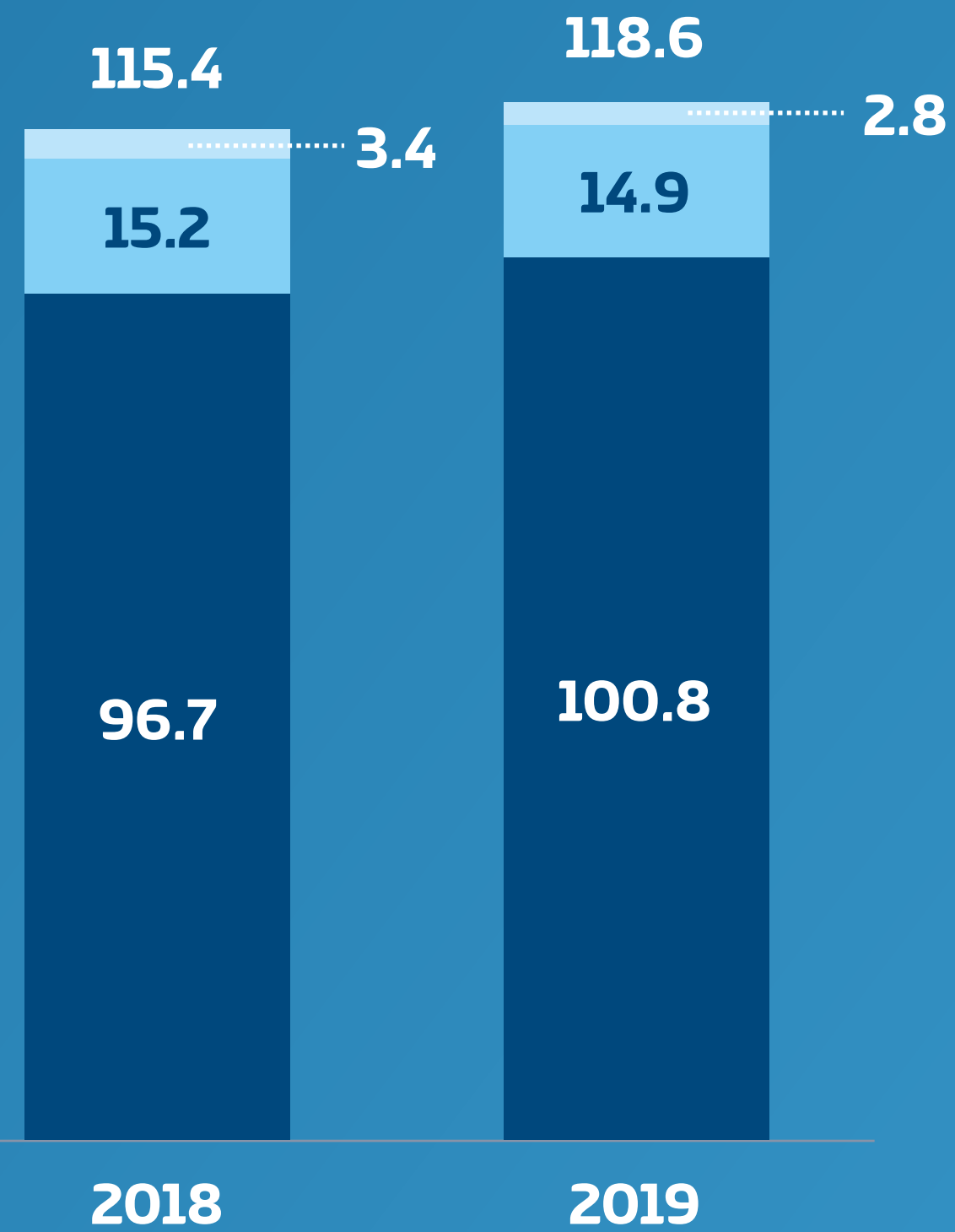
Business performance: regulatory capital position

Continued strong capital position in 2019, CET1 ratio (CRR final) at 13.7%

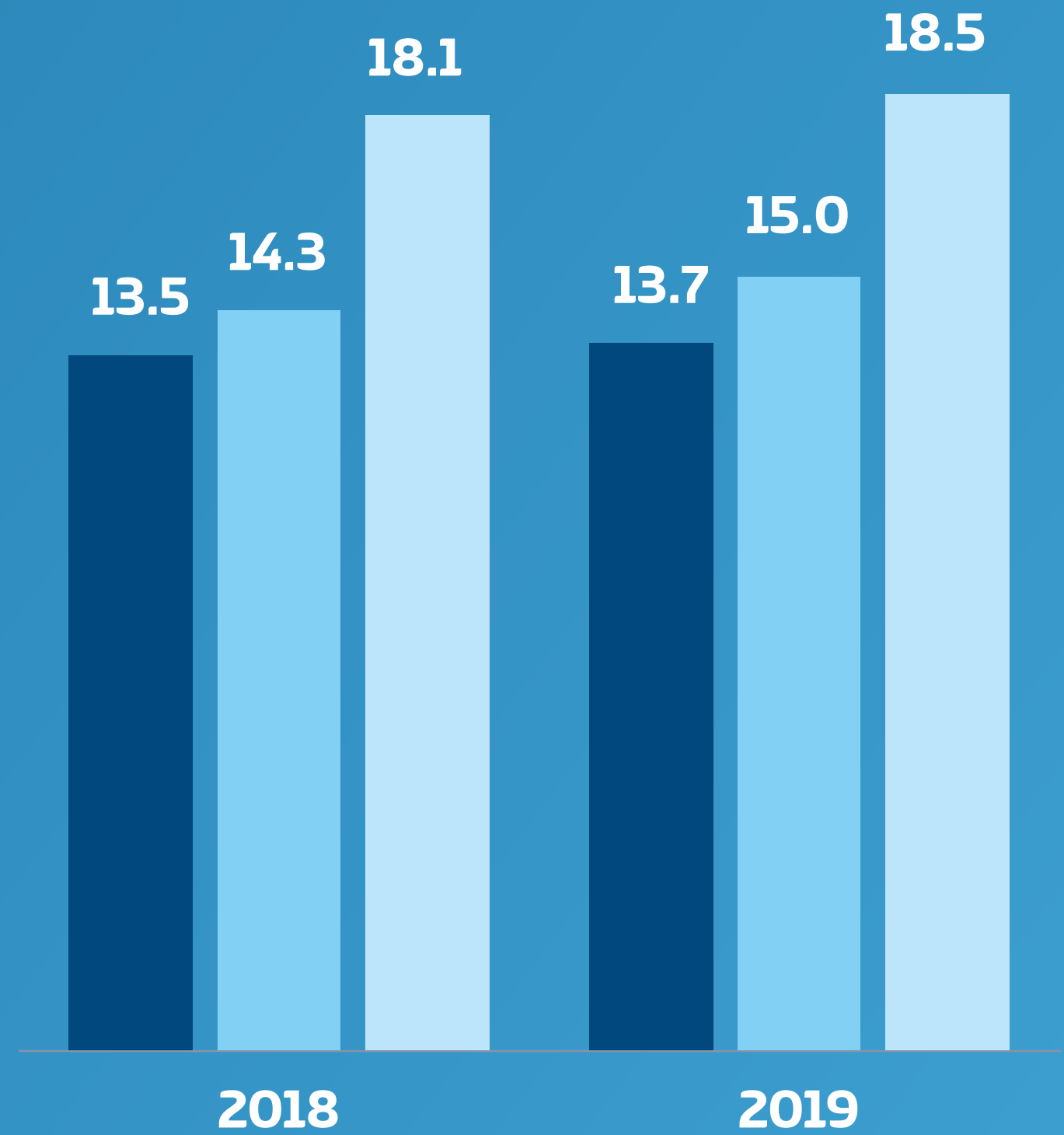
Regulatory capital (in EUR bn)



Risk-weighted assets (in EUR bn)



Capital ratios (in %)



■ CET1
■ AT1
■ Tier 2

■ Credit RWA
■ Op risk
■ Market risk

■ CET1
■ Tier 1
■ Total capital

The year 2020 January-September

DER SPIEGEL

Nr. 17
18.4.2020

Der Aufbruch

Jetzt oder nie: Der Corona-
die Chance auf eine he

The Economist

A pandemic of power grabs
What next for the car industry?
How to scale up testing
The solace of Tolstoy

After the disease,
the debt

'Woke' Christians Dump Trump

10.10.2020
New York
ek

HOW
TO CURE
A SICK
ECONOMY



Big
Spending.
Focus on Women.
Stop Playing
Politics.
New Tax Breaks.
Plus More.



TIME

More Americans are
unemployed than at any time
since the Depression

THE GREAT
RECKONING

BY ALANA SEMUELS

This is the moment to
change the world
BY RUTGER BREGMAN

The Economist

America's
Defending
Ant Group
Learning to



Winners and losers



How covid-19 is reordering the global economy



profil

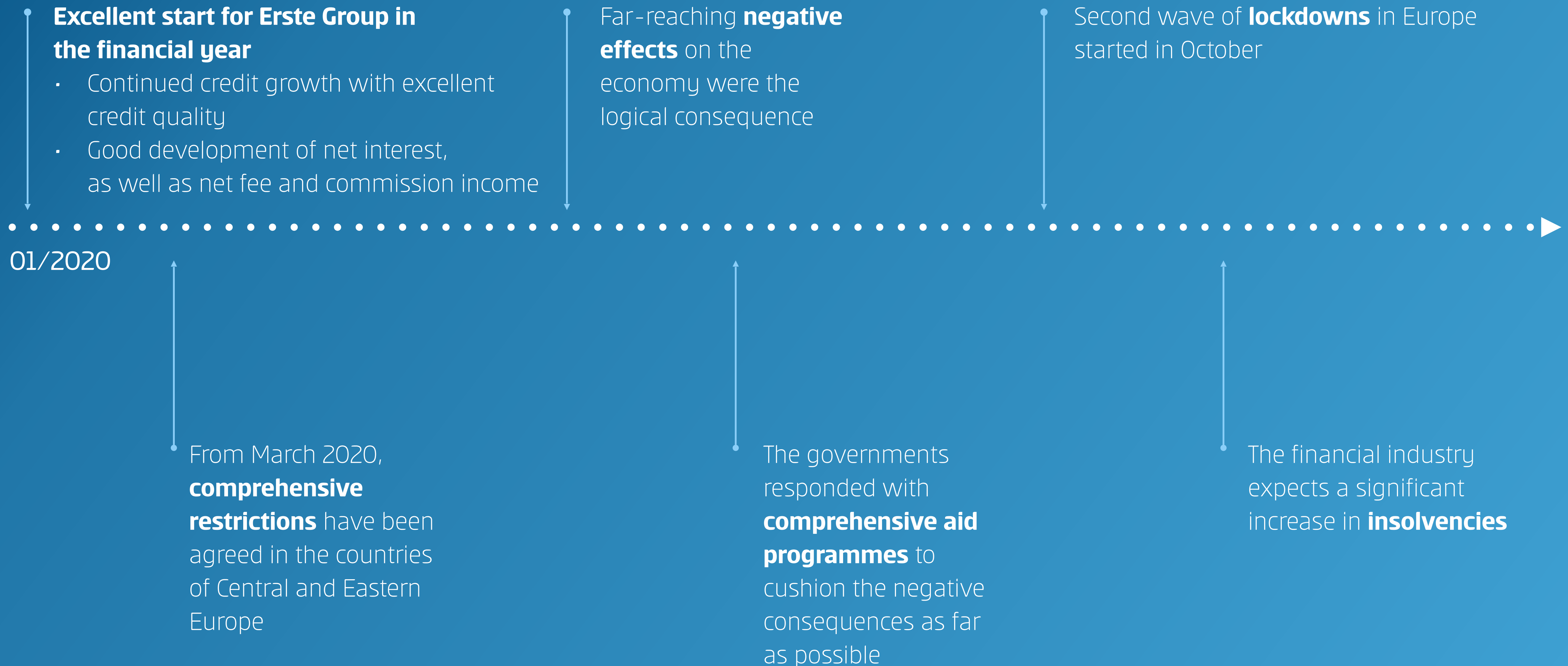


3 Wochen Corona-Shutdown
Müssen wir uns ändern?

Philipp Blom
„Eine Gesellschaft wie vor 100 Jahren“
Wolfgang Sobotta
„Teilverstaatlichungen sinnvoll“

Economic environment

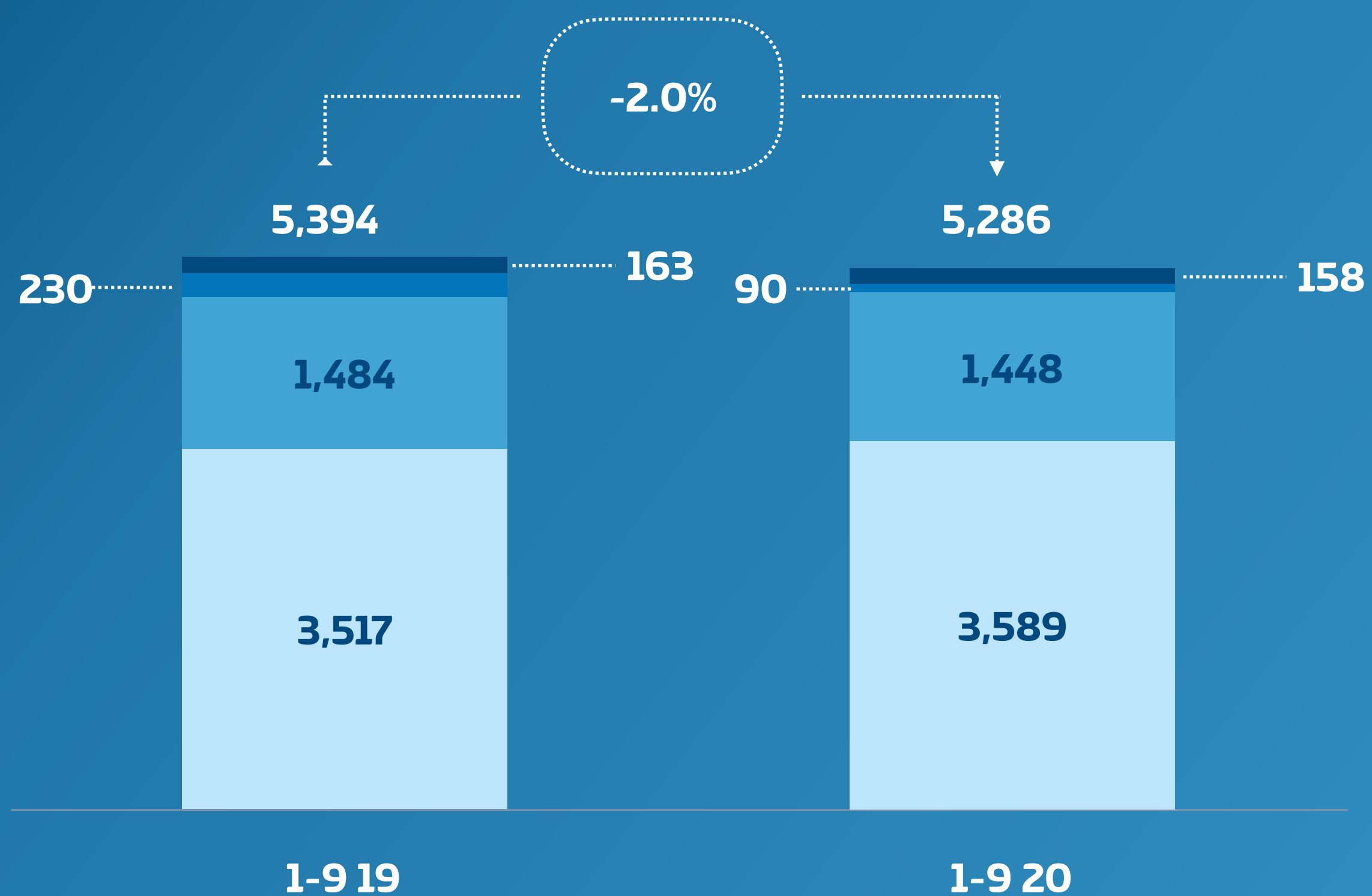
2020 brings Covid-19 and changed economic conditions



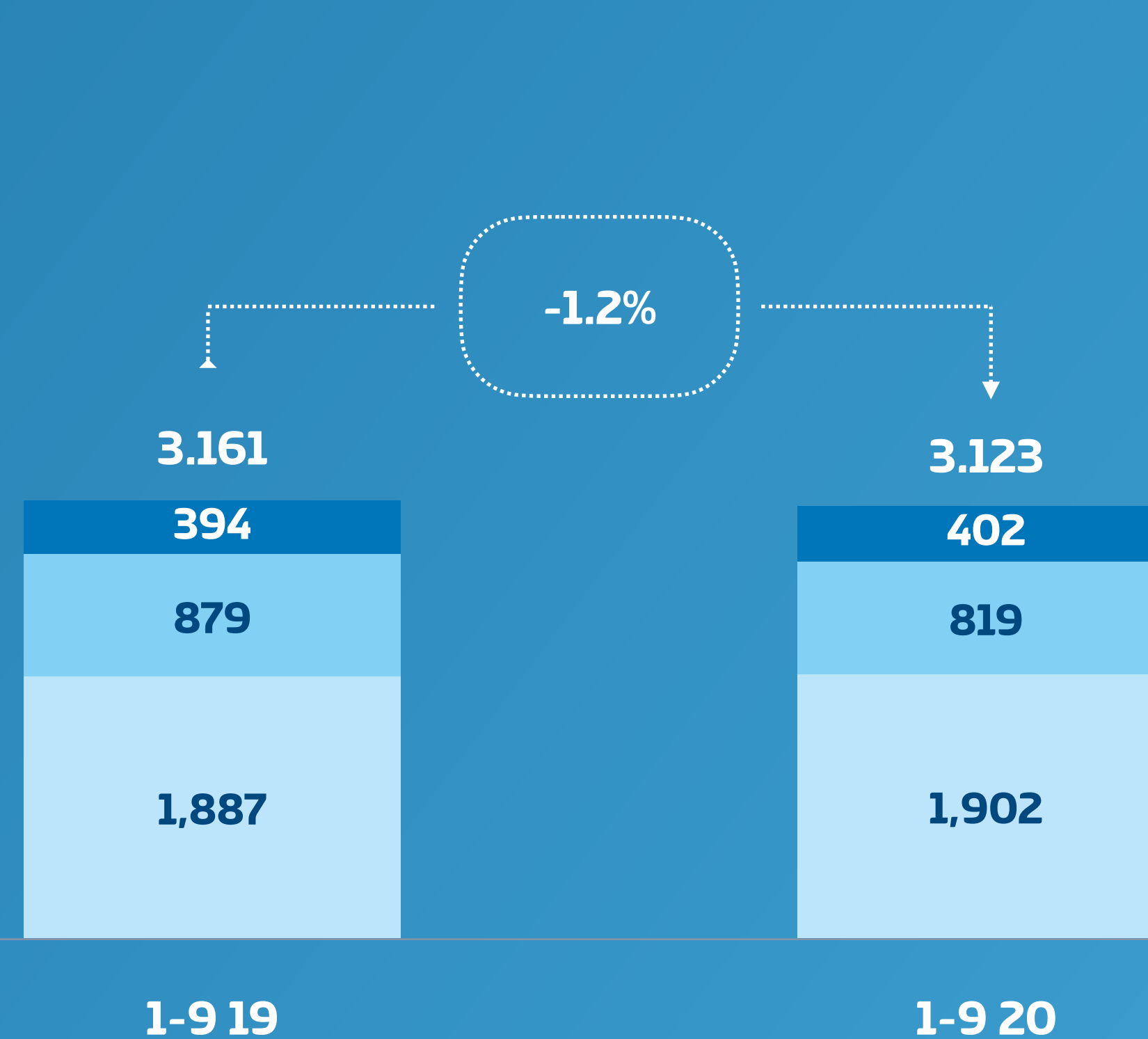
Business development: Operating income and expenses

Solid operating result

Operating income (in EUR m)



Operating expenses (in EUR m)



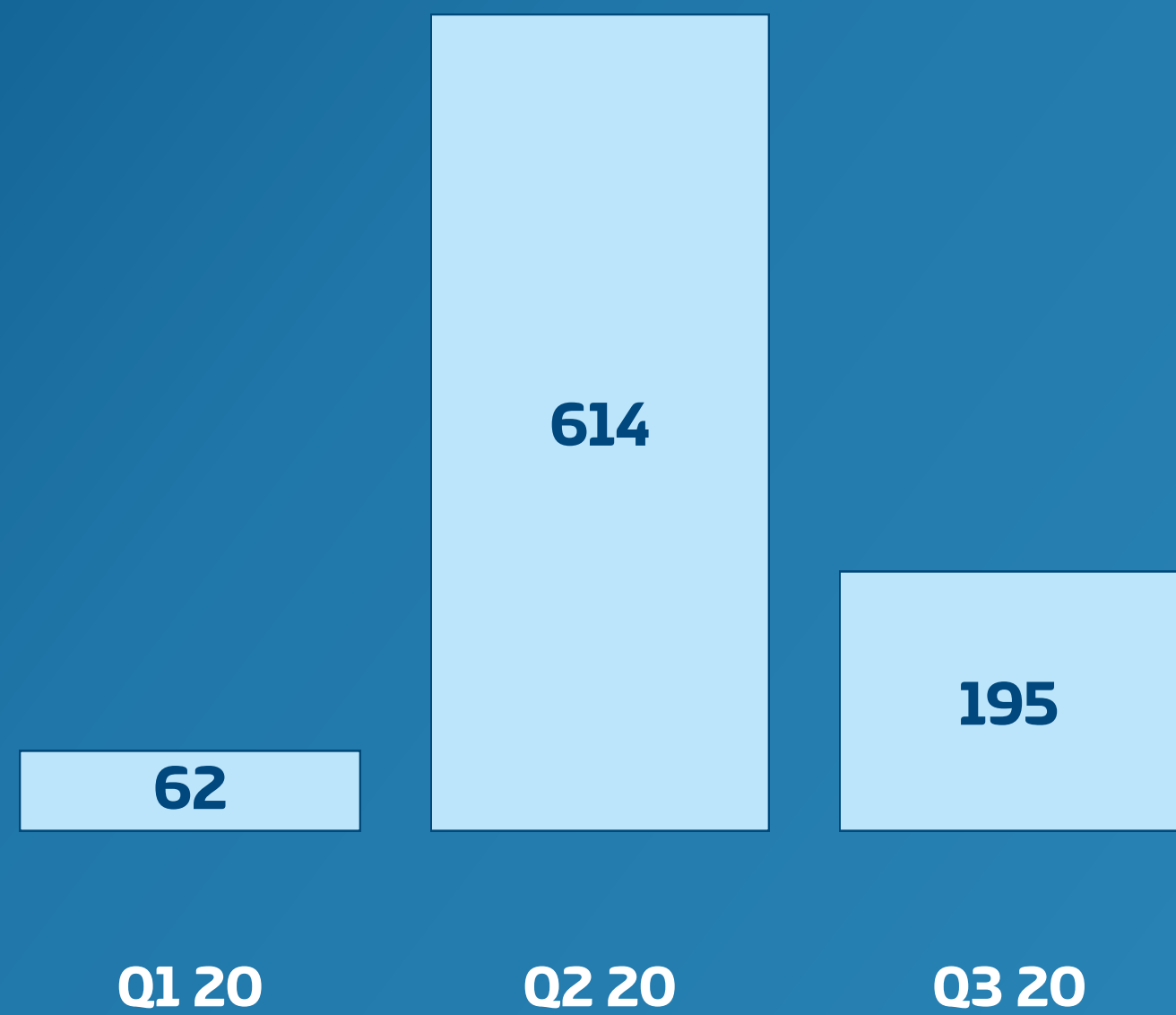
■ Net interest income ■ Net fee and commission income
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■ Depreciation and amortisation
■ Other administrative expenses
■ Personnel expenses

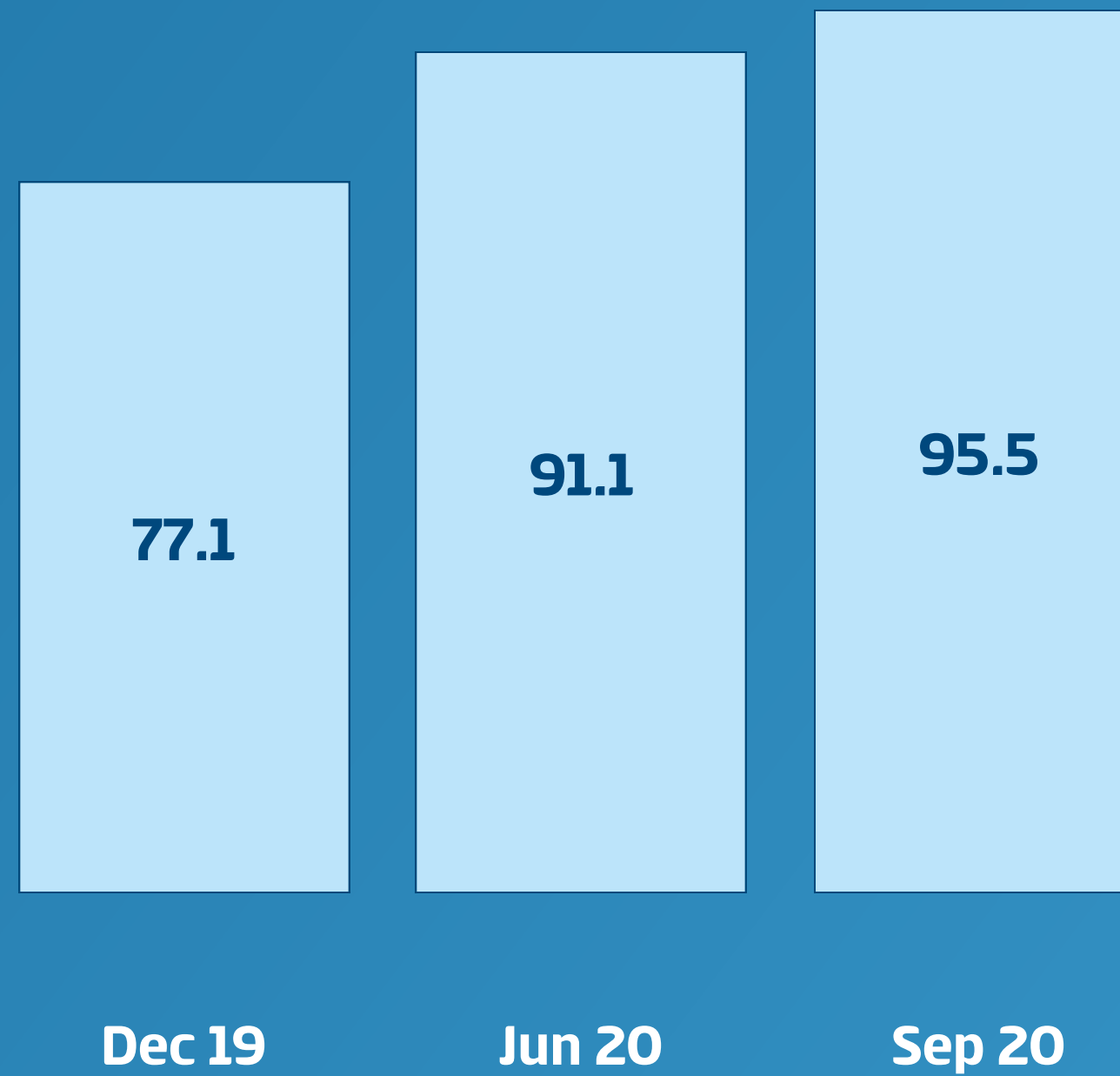
Business development: Asset Quality

Risk costs reflect the scale of the economic crisis

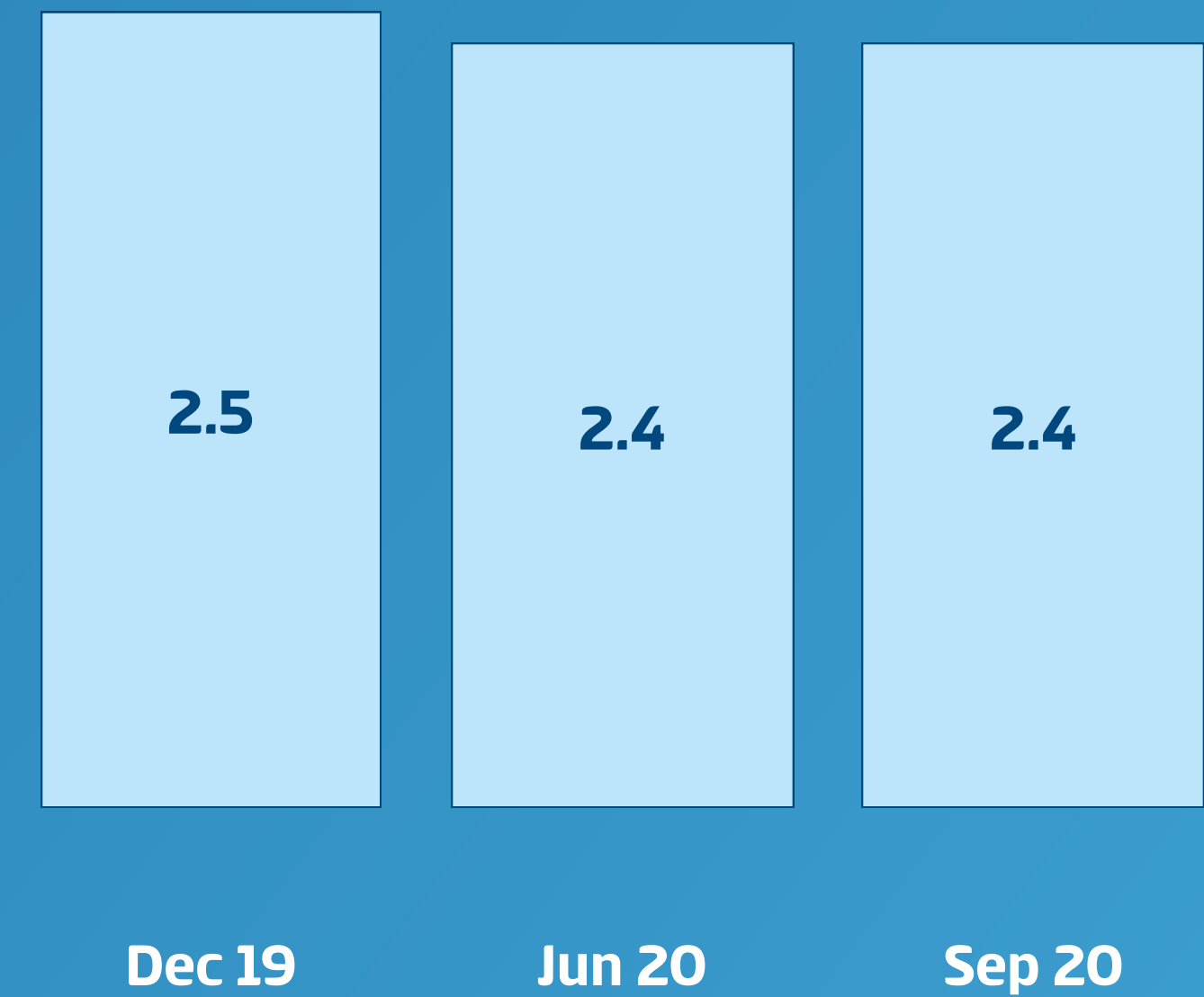
Risk costs (in EUR m)



NPL coverage (in %)



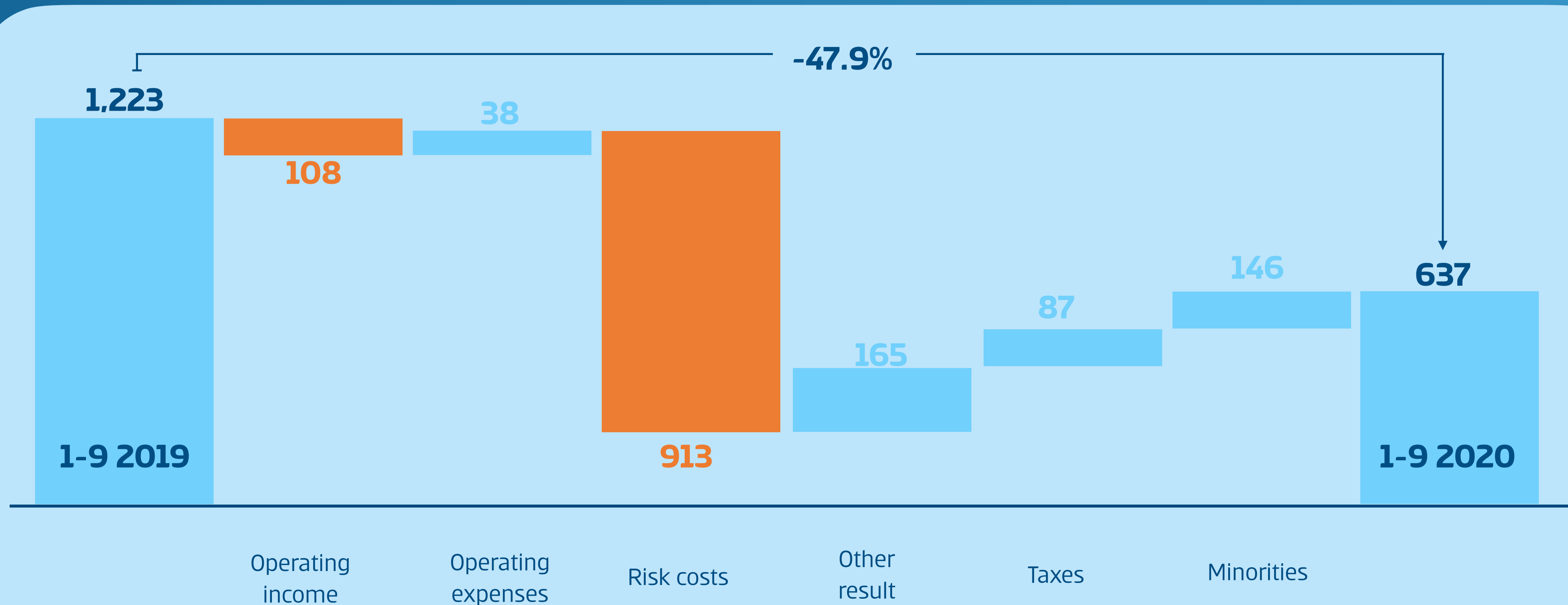
NPL ratio (in %)



Business performance

Increased risk costs weigh on net profit

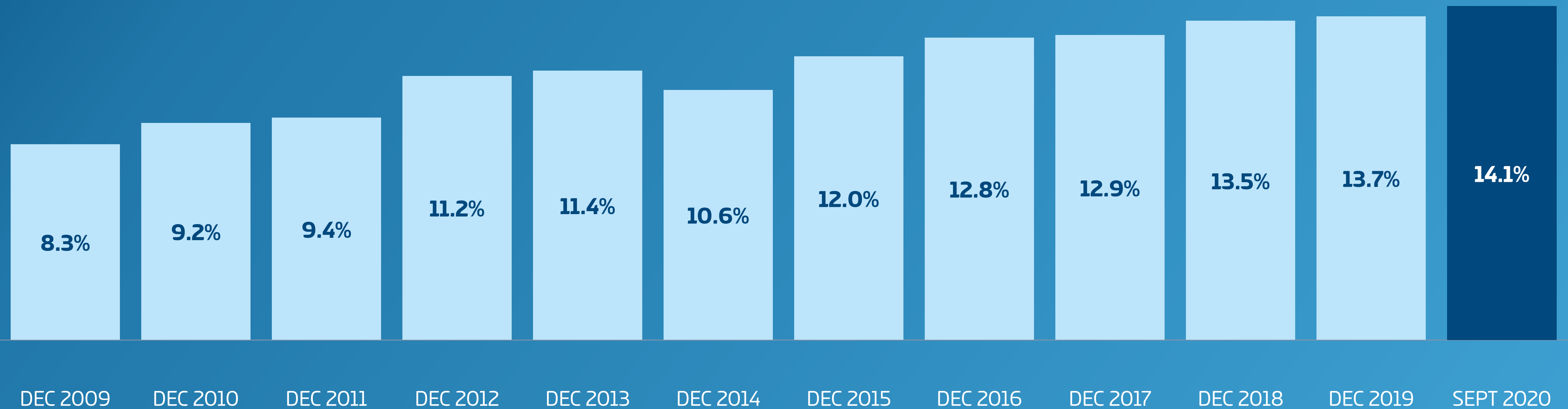
YoY net profit reconciliation (in EUR m)



Business performance: capital

Strong capital position to face the crisis

Common equity tier one (CET1) capital ratio (CRR final)





SUPPORTING OUR CUSTOMERS WHEN THEY NEED US MOST

2.6%

higher loans volume
(YTD)

6.3%

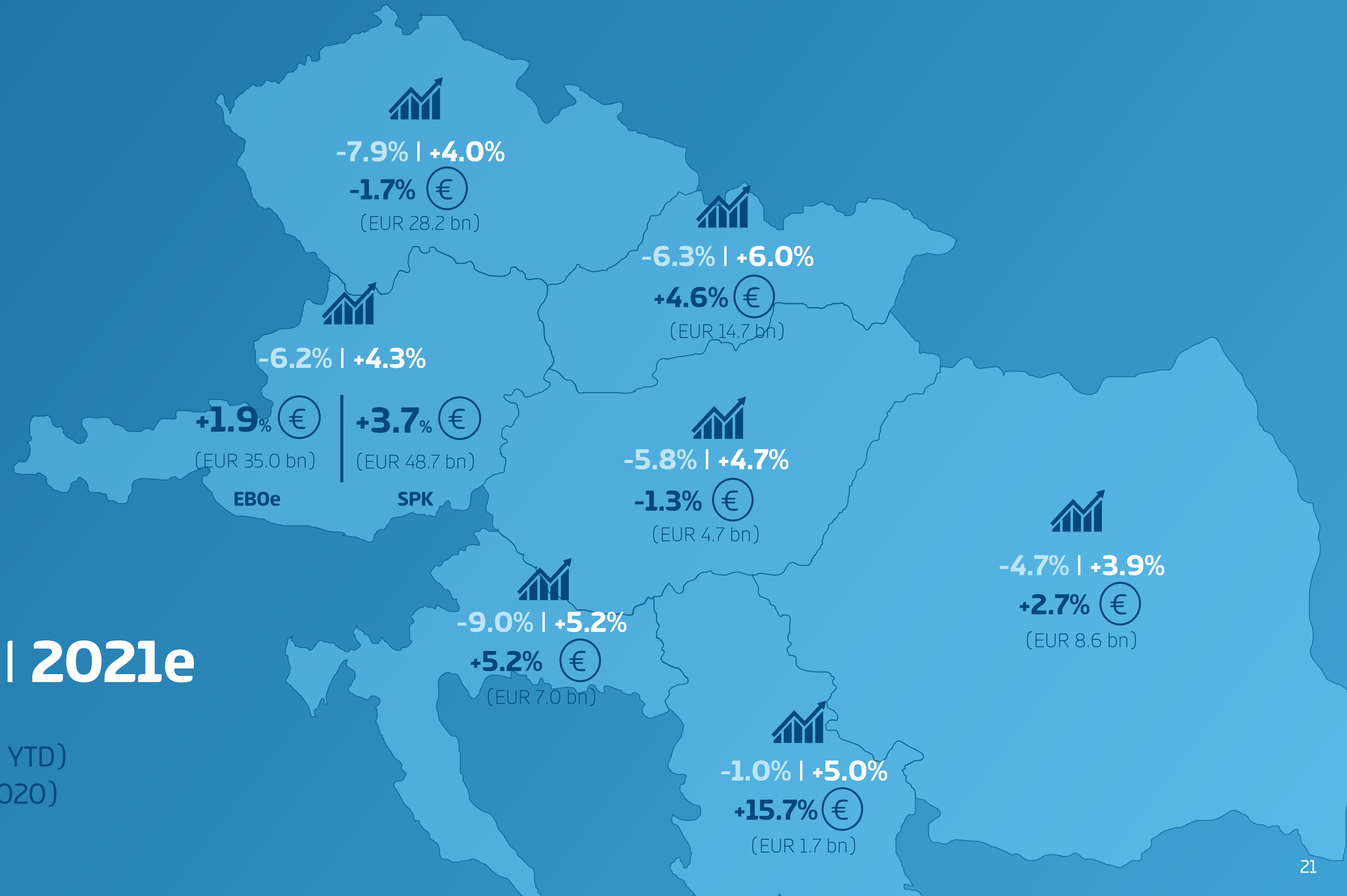
rise in deposits
(YTD)

Over 1 million customers
helped since
lockdowns


EUR 18.4 bn
in Covid-19 measures

Changed economic environment

We're well-positioned for the rebound in CEE



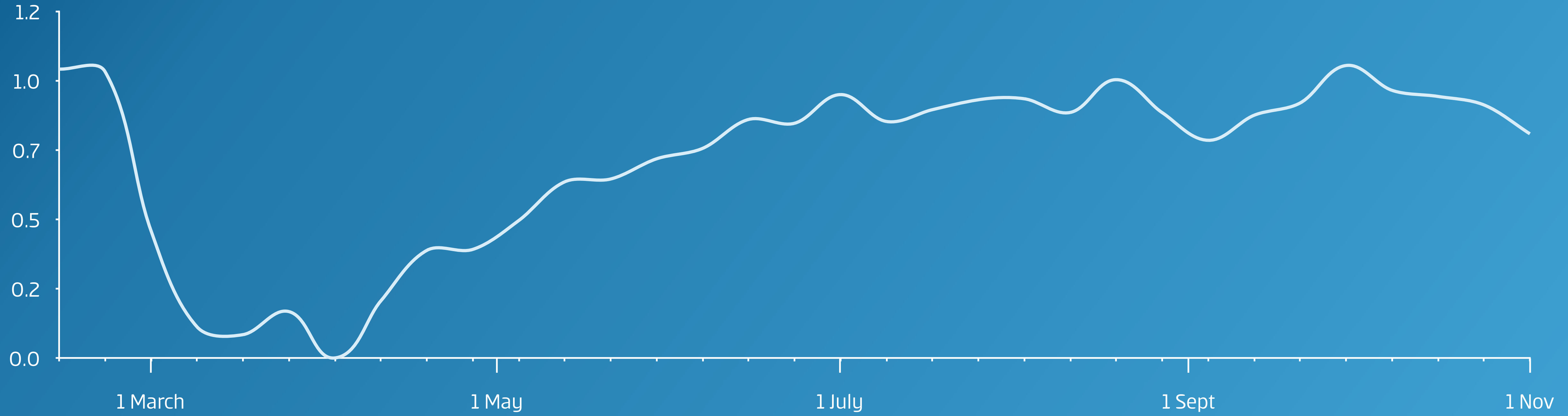
 **GDP 2020e | 2021e**

 **Customer loans** (change YTD)
(volume, net - per 09/2020)

Economic environment

2020 economic slump, recovery expected in 2021

Input factors: electricity consumption, air pollution, mobility in groceries, mobility in retail & recreation, mobility in workplace, capacity in automotive sector



CEE Recovery Index

(0 = point of lowest activity, based on weekly indicators)

Source: Erste Group Research

Outlook

Operating environment

- **Real GDP decline of between 4-9%**
expected in 2020, Q4 changes not yet incorporated
- **Non-linear economic recovery in 2021**
- **CEE-wide concerted fiscal mitigation measures**

Asset quality

- **2020 expected risk costs confirmed at approx. 65-80 bps** (of average gross customer loans)
- **2021e risk charge expected to be below 2020 level**

Profitability

- **2020e net result** expected to be meaningfully lower than in 2019
 - **Dividend: proposal put forward to AGM**
(subject to regulatory conditions)
-

