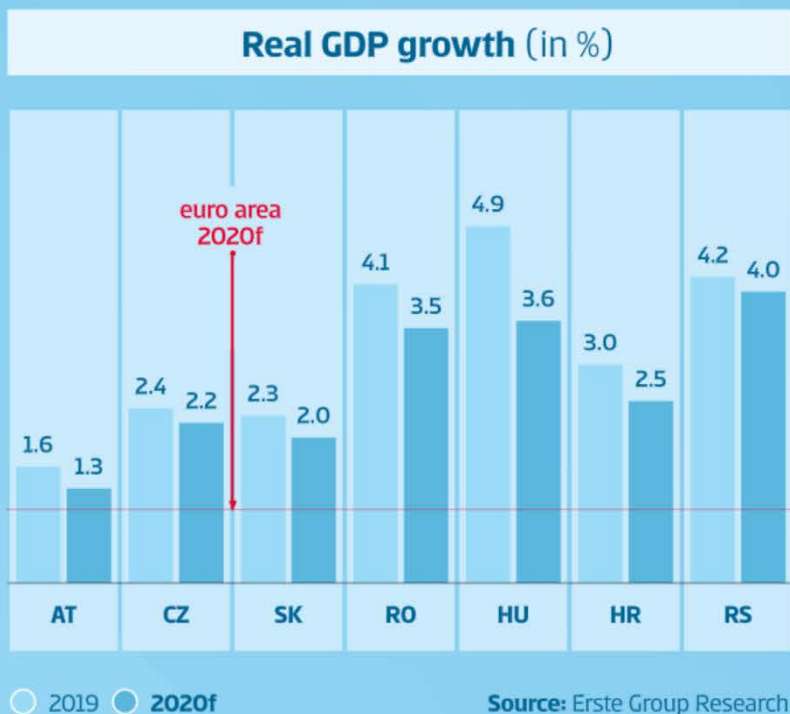




FY 2019 results presentation

# CEE region remains Europe's growth outperformer

## Real GDP growth seen up by 2-4% in 2020 vs. 1% in euro area



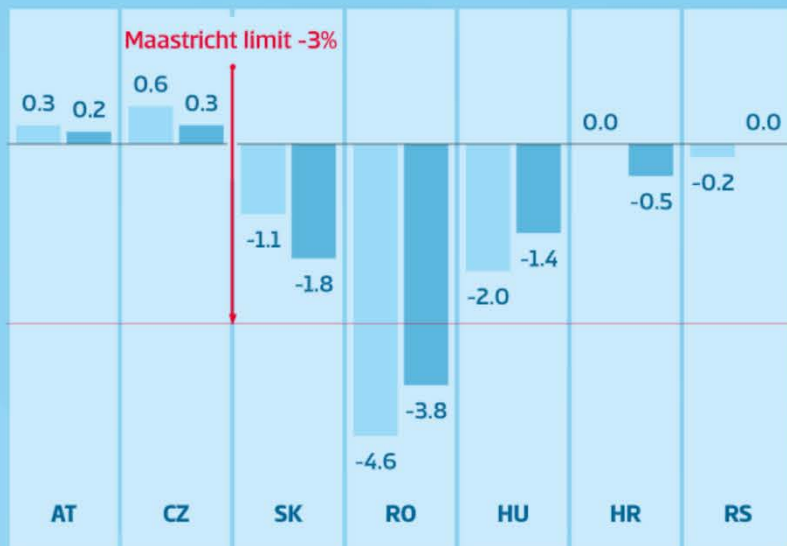
### Summary

- Region's growth path has become more stable and resilient
- Rebalanced economies, with growth driven by domestic demand; strong retail sales compensate for weaker industry
- Competitiveness is improving beyond low-price factors; increasing share of high-tech exports

# Solid public finances

## Healthy economic fundamentals, supported by competitive economies

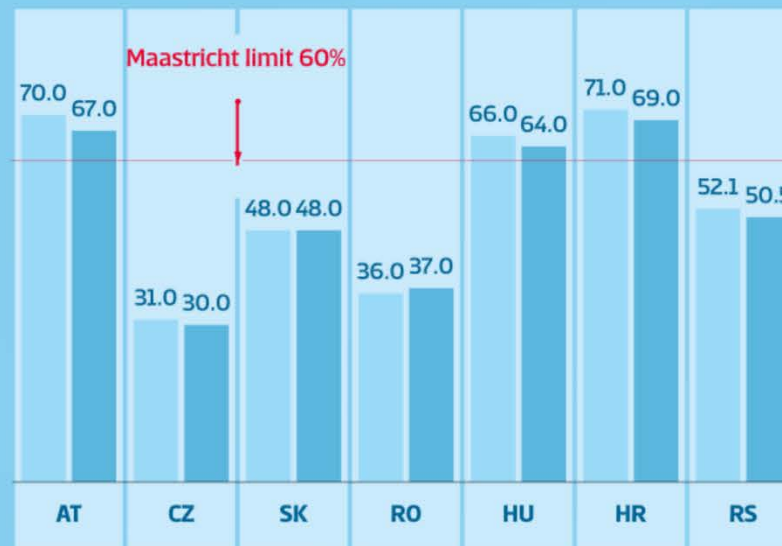
Budget deficit (in % of GDP)



○ 2019 ○ 2020f

Source: Erste Group Research

Public debt (in % of GDP)



○ 2019 ○ 2020f

Source: Erste Group Research

# Rising wages and low unemployment drive domestic demand

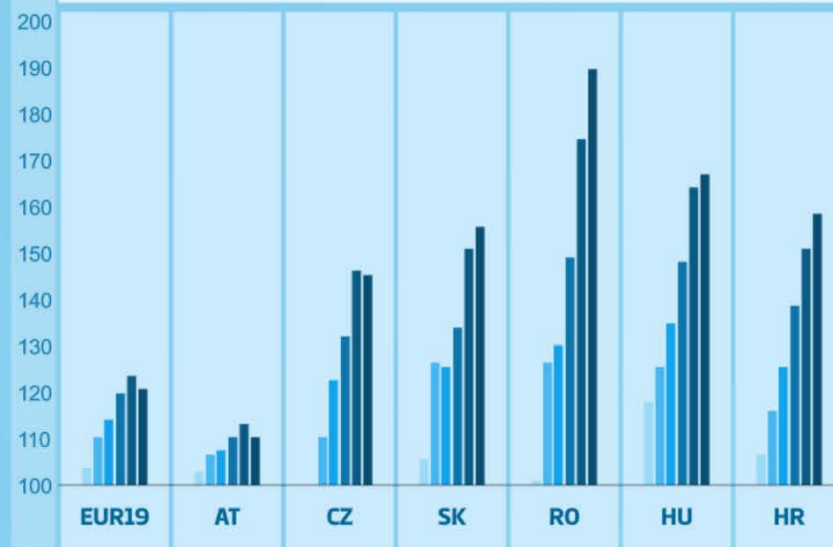
## Capital market investments also benefit from rising disposable income

Average Wage Growth 2014-19 (in %)



Source: Eurostat

Capital market-related assets of households



○ 2013 ○ 2014 ○ 2015 ● 2016 ● 2017 ● 2018 Source: Eurostat index 2012 = 100



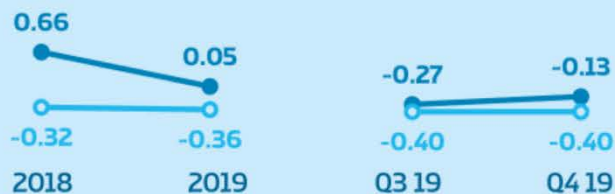
### Summary

- Consumer confidence proving to be more resilient than in Western Europe thanks to wage increases
- Capital market investments becoming more important for CEE households
- Drivers for asset growth vary: HU: government bonds, HR: 2nd pillar pensions, CZ: investment funds

# Interest rate environment

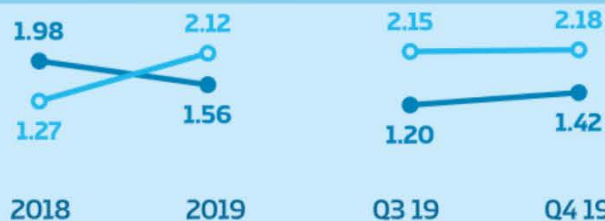
## Clear headwinds, but at least in CEE interest rates are positive

### Austria



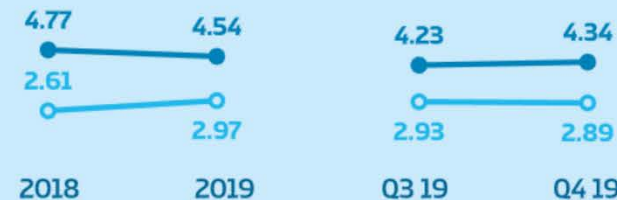
- ECB cut discount rate to zero in March 2016
- Maintains expansionary monetary policy stance, despite tapering announcement

### Czech Republic



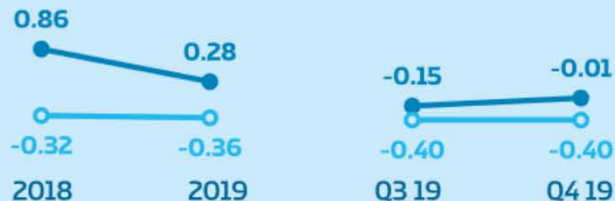
- National bank has increased its benchmark rate in nine steps from historic low of 0.05% to 2.25% since August 2017

### Romania



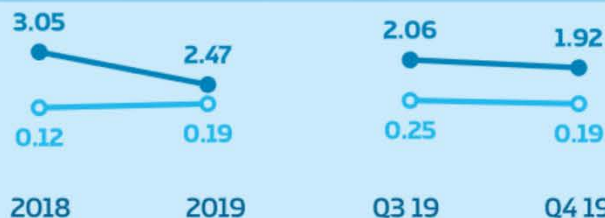
- Central bank increases policy rate from historic low of 1.75% to 2.50% in January, February and May 2018

### Slovakia



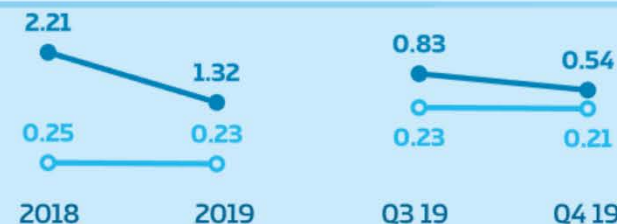
- As part of euro zone ECB rates are applicable in SK

### 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 (%)

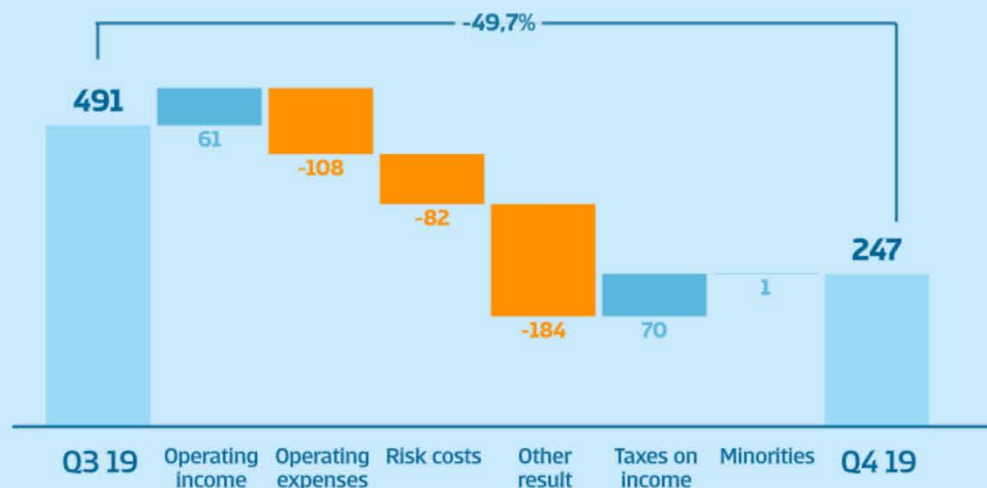
Numbers refer to annual and quarterly averages. Source: Bloomberg, Reuters



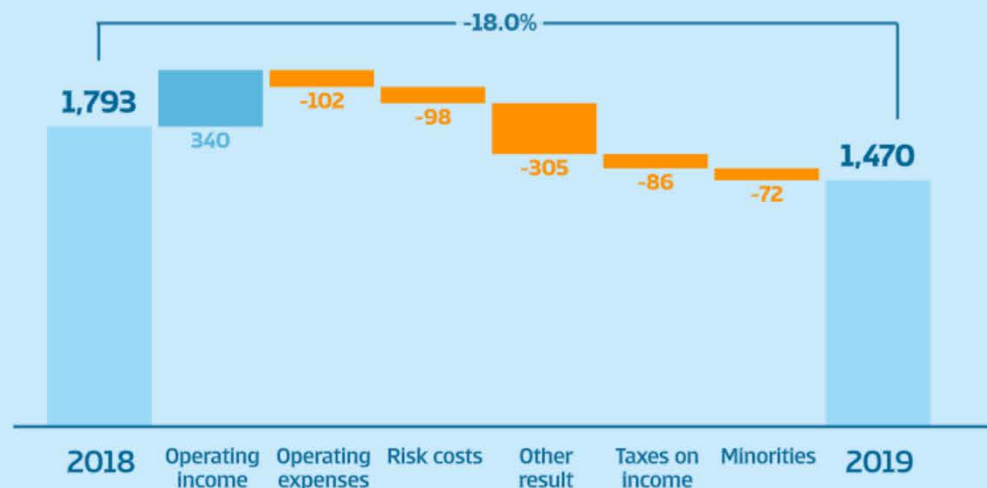
## Business performance

**Underlying operating performance significantly improved,  
one-offs weigh on net profit**

QoQ net profit reconciliation (EUR mn)




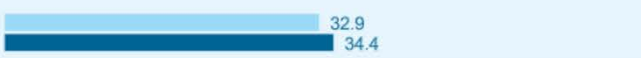




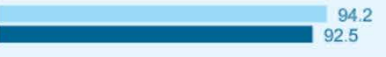
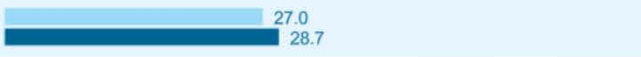

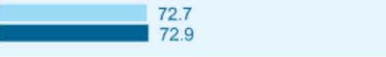





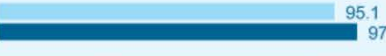



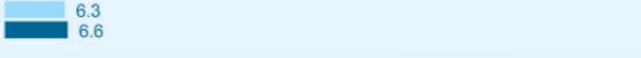
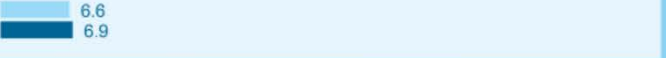


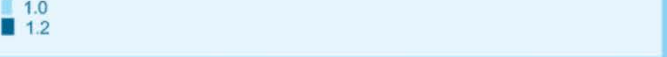



YoY net profit reconciliation (EUR mn)



# Business performance

## Continued growth in customer loans (+7.3% YoY) and deposits (+6.9% YoY)

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

# Business performance

## Growth in operating income outpaces expenses

### All revenue streams show increases

Operating income (EUR mn)



Operating expenses (EUR mn)



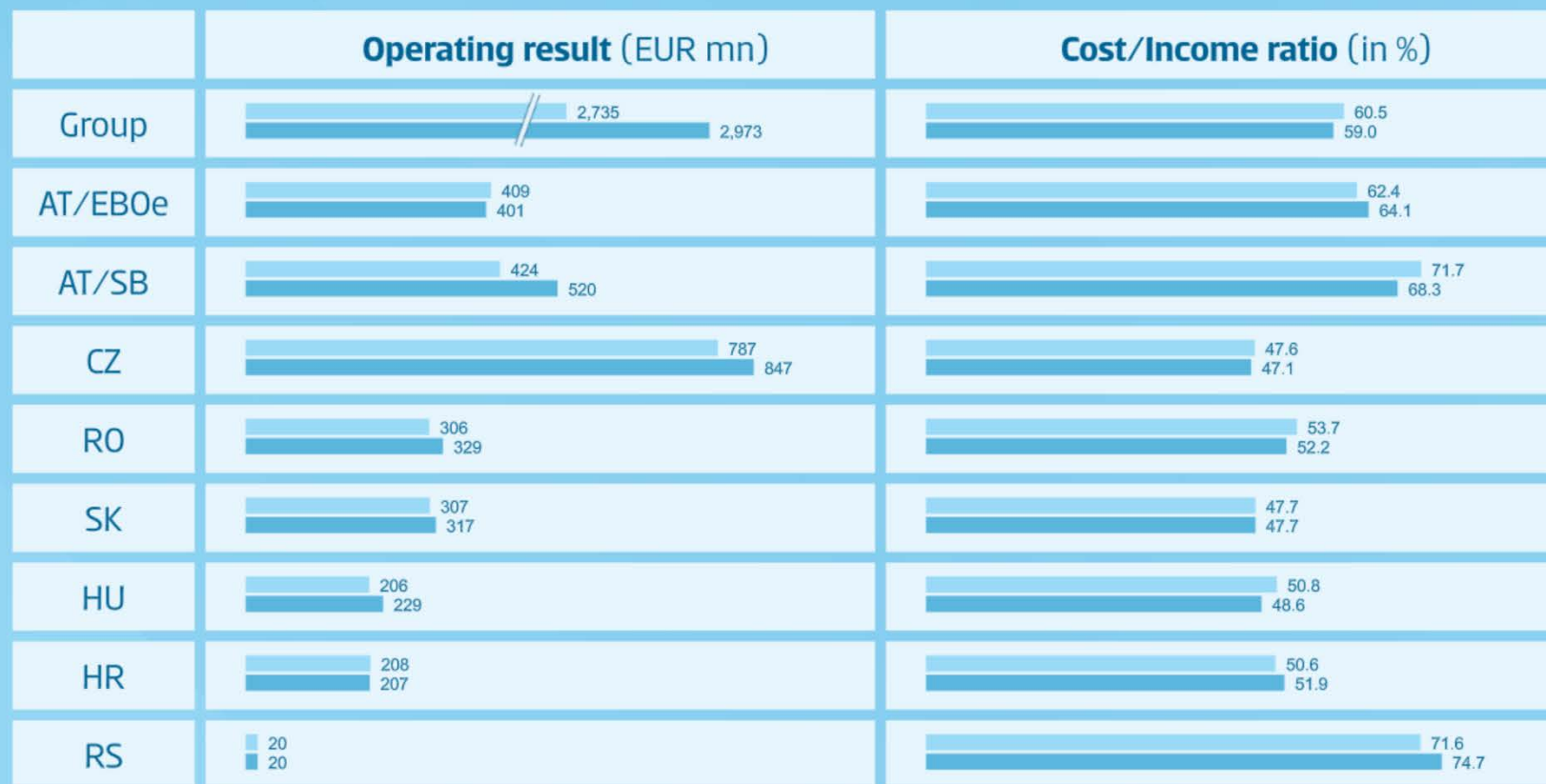
- Net interest income
- Net trading result
- Net fee and commission income
- Other income

- Personnel expenses
- Depreciation and amortisation
- Other administrative expenses



# Business performance

## Operating result rises by 8.7%; Cost/Income ratio improves to 59.0%



# Business performance

## Other operating result impacted by one-offs in Romania and Slovakia

Other operating result \* (EUR mn)



Levies on banking activities (EUR mn)



- Goodwill in Slovakia in the amount of EUR 165 mn written down completely
- Provision of EUR 152 mn set aside for losses expected in Romanian court decision re BPL

- Banking tax (EUR 11mn) payable in Romania for the first time
- Levies slightly higher in AT (24.3mn) and SK (32.5), also in HU (60.2mn – incl FTT)

\* Contains other operating result and gains/losses on financial assets not measured at fair value through profit or loss (net)

# Business performance

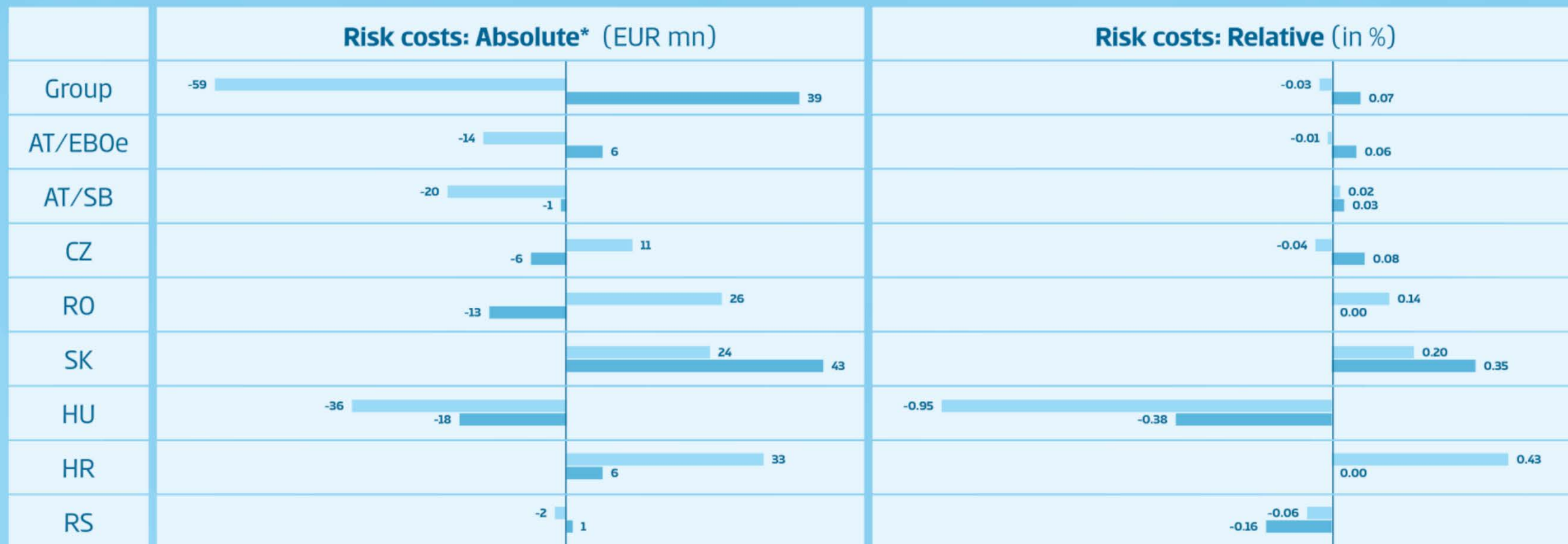
## Capital continues to improve organically

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



# Business performance

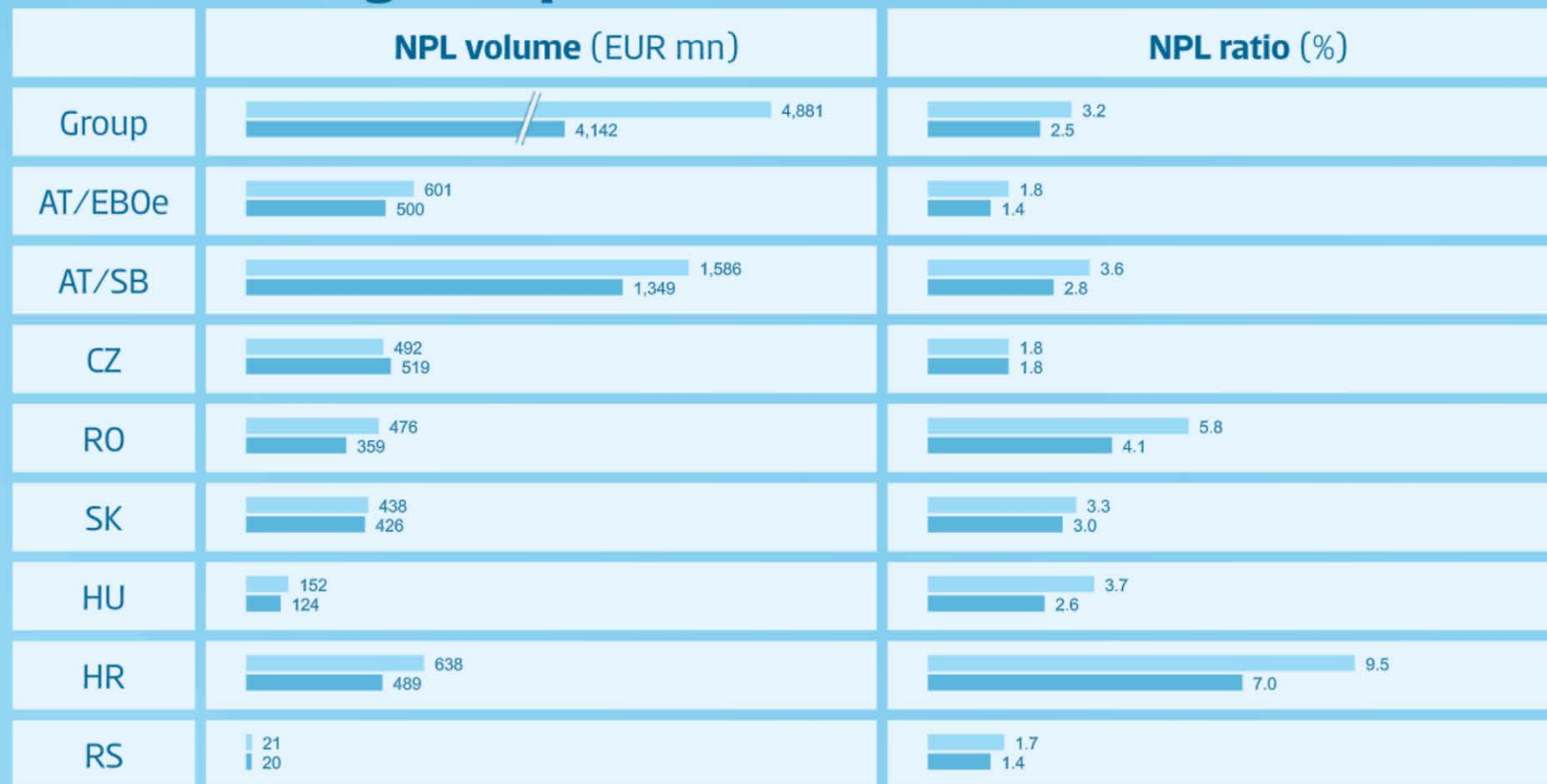
## Healthy asset quality continues, with risk costs still at very low levels



# Business performance

**NPL ratio of 2.5% is lowest since IPO in 1997**

**NPL coverage improves to 77.1%**





# Corporates and Markets

## Solid 2019 performance

Corporates	Group Markets	Asset Management
<p><b>Clients benefit from growth in customer loans to more than EUR 55 bn (+9% yoy)</b> <b>Operating Result exceeds EUR 1 bn for the first time</b></p> <ul style="list-style-type: none"><li>→ SME remains an important growth driver</li><li>→ Increase in all corporate sectors loan volumes, highest in TMT (+17% yoy)</li></ul>	<p><b>Operating result increases to EUR 297 mn (+2% yoy)</b></p> <ul style="list-style-type: none"><li>→ Clients awarded us with more capital market business</li><li>→ 194 issuance mandates (debt and equity) with a total volume of around EUR 70 bn</li></ul>	<p><b>Growth in Assets under Management to EUR 64 bn (+11% yoy)</b></p> <ul style="list-style-type: none"><li>→ Securities, Asset Management and Custody business support our overall fee growth</li><li>→ More investors in ESG-related products</li></ul>

# Business performance

## Retail lending volume rises by 3.9% to EUR 73.8 bn

### Retail Highlights for 2019

#### MORTGAGES

**+ 8.0%**

Volume rises to EUR 47.5 bn

Financing for almost 100,000 households in 2019



#### RETAIL DEPOSITS

**+ 6.1%**

on continued deposit inflow



#### BANCASSURANCE

**+ 5.2%**

Volume of total gross written premium at EUR 1.3 bn



# Customers love digital innovation

## More than 5.4 mn George users in CEE

- 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



# 2020 Outlook

Operating in the <b>growth engine</b> of the European Union	<ul style="list-style-type: none"><li>• Slight economic slowdown expected, with growth rates of 2% -- 4% in CEE, 1.3% in Austria</li><li>• Domestic economies will remain pillars of support</li></ul>
Strong operating performance – <b>positive jaws</b>	<ul style="list-style-type: none"><li>• <b>Ambition to continue on positive jaws path</b>, ie revenue growth &gt; cost growth, supported primarily by net interest income and fee growth</li><li>• 2024 CIR target of 55% confirmed</li></ul>
Sound <b>asset quality</b> , low risk costs	<ul style="list-style-type: none"><li>• <b>Net loan growth in mid-single digits</b></li><li>• Risk costs expected to remain low (max 20 bps of avg gross customer loans)</li></ul>
Strong <b>capital position</b>	<ul style="list-style-type: none"><li>• Continued capital generation should lift CET1 ratio (final) further</li><li>• Following final MREL targets, further NPS issuance activity</li></ul>
Above average <b>profitability</b>	<ul style="list-style-type: none"><li>• Targeting continued <b>double-digit ROTE (&gt;10%)</b></li><li>• Incremental increase in DPS</li></ul>
<b>Risk factors</b> to guidance	<ul style="list-style-type: none"><li>• Impact from other than expected interest rate development</li><li>• Political or regulatory measures against banks</li><li>• Geopolitical risks and global economic risks</li><li>• Corona virus</li></ul>

