

# Erste Group debt investor presentation

## Q1 2020 results

May 2020

**Coronavirus lockdowns intercept strong start to the year, make outlook uncertain**

## Disclaimer –

### Cautionary note regarding forward-looking statements

- THE INFORMATION CONTAINED IN THIS DOCUMENT HAS NOT BEEN INDEPENDENTLY VERIFIED AND NO REPRESENTATION OR WARRANTY EXPRESSED OR IMPLIED IS MADE AS TO, AND NO RELIANCE SHOULD BE PLACED ON, THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF THIS INFORMATION OR OPINIONS CONTAINED HEREIN.
- CERTAIN STATEMENTS CONTAINED IN THIS DOCUMENT MAY BE STATEMENTS OF FUTURE EXPECTATIONS AND OTHER FORWARD-LOOKING STATEMENTS THAT ARE BASED ON MANAGEMENT'S CURRENT VIEWS AND ASSUMPTIONS AND INVOLVE KNOWN AND UNKNOWN RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS, PERFORMANCE OR EVENTS TO DIFFER MATERIALLY FROM THOSE EXPRESSED OR IMPLIED IN SUCH STATEMENTS.
- NONE OF ERSTE GROUP OR ANY OF ITS AFFILIATES, ADVISORS OR REPRESENTATIVES SHALL HAVE ANY LIABILITY WHATSOEVER (IN NEGLIGENCE OR OTHERWISE) FOR ANY LOSS HOWSOEVER ARISING FROM ANY USE OF THIS DOCUMENT OR ITS CONTENT OR OTHERWISE ARISING IN CONNECTION WITH THIS DOCUMENT.
- THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER OR INVITATION TO PURCHASE OR SUBSCRIBE FOR ANY SHARES AND NEITHER IT NOR ANY PART OF IT SHALL FORM THE BASIS OF OR BE RELIED UPON IN CONNECTION WITH ANY CONTRACT OR COMMITMENT WHATSOEVER.

# Presentation topics –

1

Introduction to Erste Group

2

Update on coronavirus situation

3

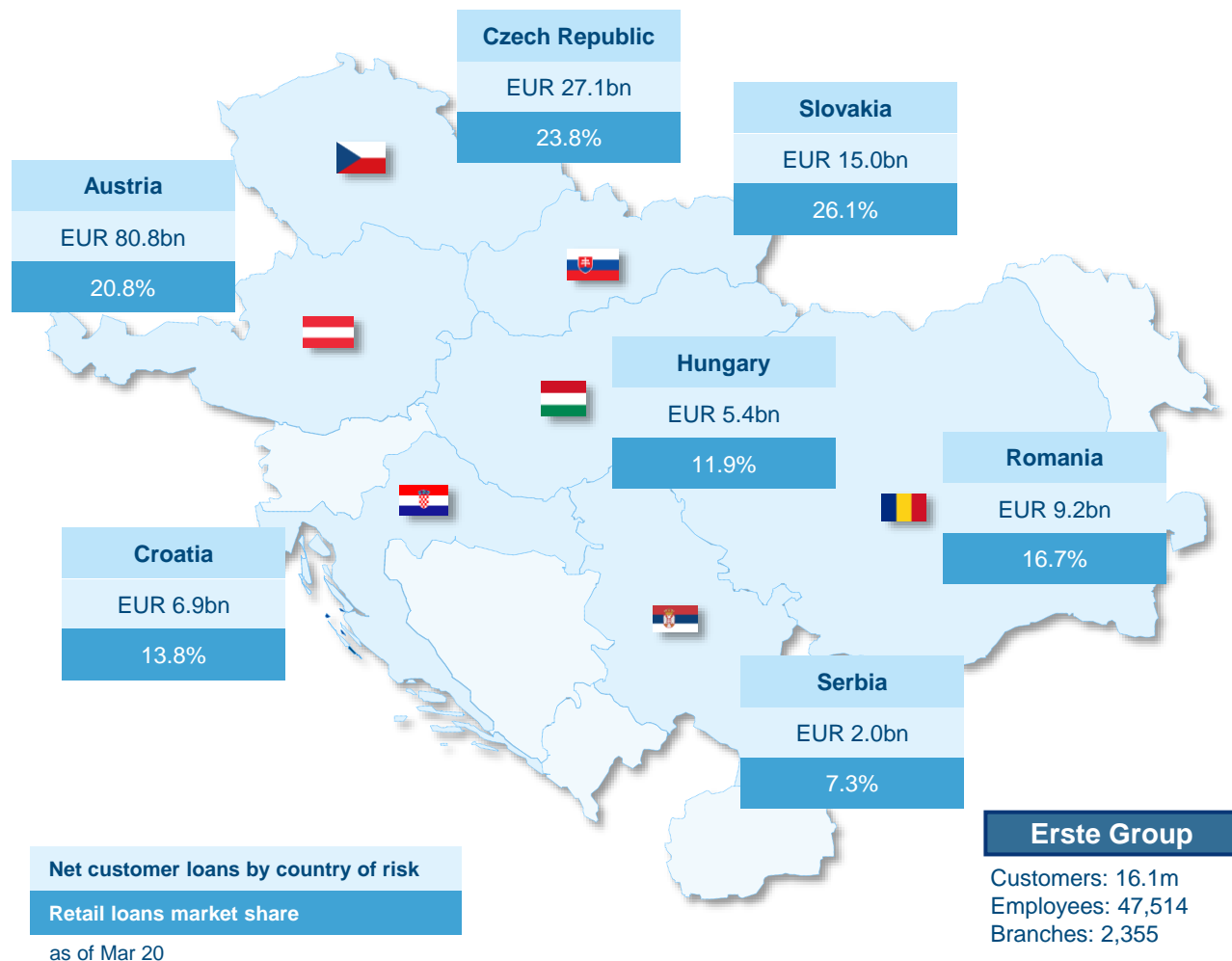
Funding strategy

4

Latest quarterly financials

# Erste Group's footprint –

The leading retail & corporate bank in the eastern part of the EU



- Successful purpose driven business strategy: founded to create and safeguard prosperity
- Strong local banks with solid market positions in 7 core markets in CEE
- Favourable mix of mature and emerging markets with low penetration rates and high organic growth potential
- Dedicated omni-channel business model supported by cross-border digital platform George

# Additional information: ESG ratings, indices and alignment with UN SDGs

## ESG Indices and Ratings



Erste Group has been included in the Vienna Stock Exchange's sustainability index since its launch in 2008



FTSE4Good

Included since 2016: The FTSE4Good Index Series measures the performance of companies with strong environmental, social and governance (ESG) practices



Since 2017 included in the Euronext Vigeo Index: Eurozone 120



Included since 2019 in the Bloomberg Gender-Equality Index. **Erste Group is the only Austrian company represented** in this index (as of 2020).



Erste Group was awarded **prime status** in **ISS ESG ratings** in October 2018.



In March 2020, imug Investment Research **confirmed** the **rating** for Erste Group at **positive (B)**, mortgage covered bonds are currently rated positive (BB) and raised the public sector covered bonds rating to very positive (A).



Erste Group was **upgraded to AA** in July 2019 and is considered a **leader among 212 companies in the banking industry**.

## UN Sustainable Development Goals

In principle, Erste Group supports all SDGs. Given its regional footprint and business model, Erste Group is in fact able to make notable contributions to the achievement of the below-mentioned SDGs:



- Since its foundation 200 years ago, Erste Group's purpose has been to promote and secure prosperity. Erste Group values responsibility, respect and sustainability.
- Financial literacy is key to economic prosperity. Therefore, Erste Group offers a variety of financial literacy trainings.
- Erste Group respects and promotes work-life balance among its employees and also contributes to their good health.
- Diversity and equal opportunity are key elements of Erste Group's human resource strategy.
- For Erste Group social and/or ecological criteria are as important as economic criteria in its investment decision process.
- Erste Group has launched social banking initiatives aiming at the financial inclusion of those parts of the population that are often excluded.
- Erste Group contributes to the cultural and social development of society.
- Erste Group aims at protecting the environment by minimising its ecological footprint, in particular with its consumption of energy and paper.
- Erste Group cooperates with national and international organisations and it promotes corporate volunteering

# Conclusion –

## Key takeaways and outlook for 2020

### Q1 20 key takeaways

### 2020 outlook

#### Operating environment

- Macro environment remained intact till mid-March
- From mid-March **COVID-19 lockdowns caused standstill** in social and economic life

#### Business performance

- **Strong NII** performance: +5.9% yoy
- **Excellent fee** delivery: +3.4% yoy
- Trading/FV result affected by **negative valuation effects**, primarily at savings banks in Austria

#### Credit risk

- **NPL ratio** improves again to **2.4%**
- **NPL coverage** ratio up again to **80.9%**
- Risk costs at 15bps of avg gross customer loans already include **EUR 61.0m for COVID-19**

#### Capital position

- **CET 1 ratio** at **13.1%**, as COVID-19 FX volatility negatively affected capital (-32bps)
- RWA updrift on higher corporate loan growth

#### Profitability

- **ROTE of 7.3%** impacted by trading/FV result
- 2019 dividend decision postponed to Q4 20 with firm management intention to pay dividend

#### Risk factors to guidance

- COVID-19 lockdowns redefine macro outlook
- CEE-wide concerted fiscal mitigation efforts
- **First tentative lockdown loosening steps**, back to pre-Corona normal still significant time off

- Challenged revenue outlook amid economic downturn, rate cuts
- Lower organic growth, protected growth (guarantees) and freezing of good portfolio through moratoria

- Significant increase in risk costs expected in 2020
- Aim to frontload as much in 2020 as justifiable
- **Currently most probable scenario is for 6m V-shape recovery, resulting in risk costs of 50-80bps**

- CET1 ratio is expected to decline due to RWA inflation, reduced profitability, negative FX effect
- Increased management buffer available as cushion
- **Medium-term CET1 target of 13.5% unchanged**

- Net result expected meaningfully lower than in 2019

- Longer than expected duration of COVID-19 crisis
- Political or regulatory measures against banks
- Geopolitical, global economic and global health risks
- Economic downturn may put goodwill at risk

# Presentation topics –

1

Introduction to Erste Group

2

**Update on coronavirus situation**

3

Funding strategy

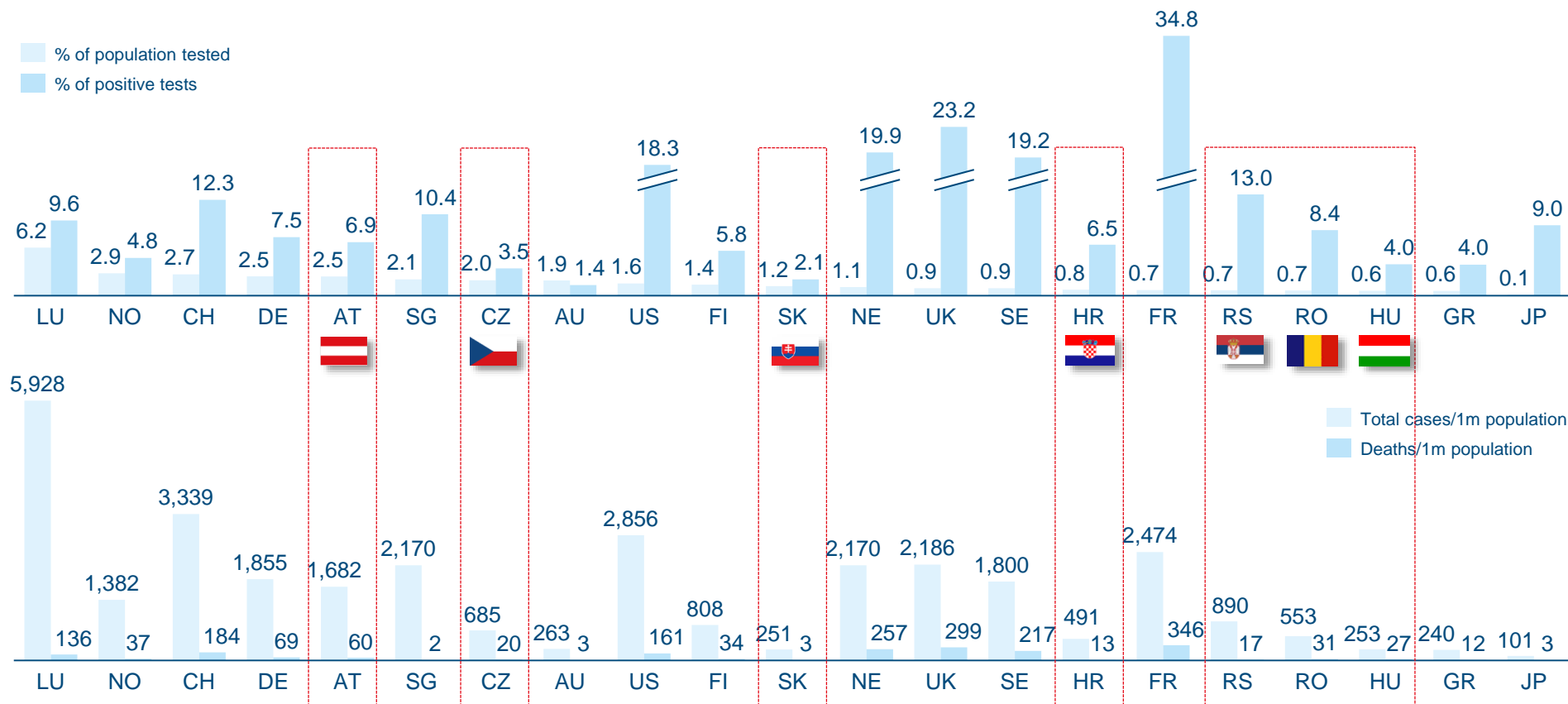
4

Latest quarterly financials

# The starting point (1) –

In terms of virus spread CEE fared comparatively well so far

- First tentative steps to slowly exit all-encompassing lockdowns in countries such as the Czech Republic and Austria



Source: <https://www.worldometers.info/coronavirus/> as downloaded on 25 April 2020.

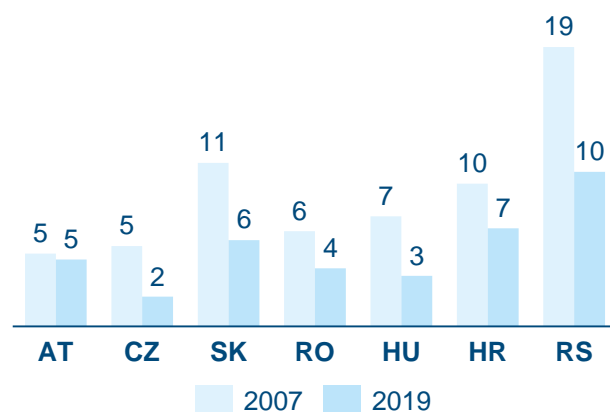


## The starting point (2) – CEE is in much better shape today than in 2007/08

### Economy

- Strong labour markets
  - Unemployment rates at historic lows in most countries
  - Real wage growth
- Reduced external vulnerabilities
  - Materially improved current account balances in all Erste CEE countries
- Sound government finances
- Manageable public debt
- Low interest rates

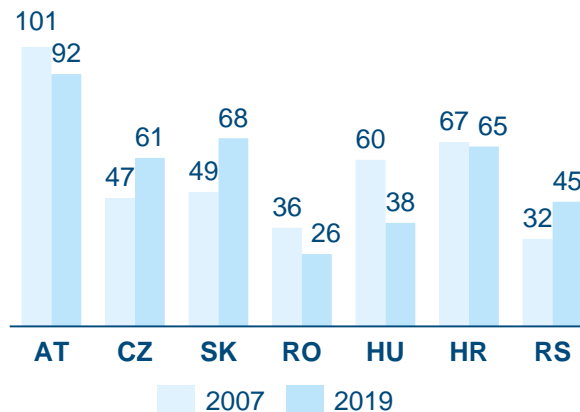
Unemployment rates (in %)



### Banking markets

- Deposit overhang & excess liquidity on system level in all key markets
- No excesses, rather sustainable asset growth over the past years
- Sustainable growth opportunities

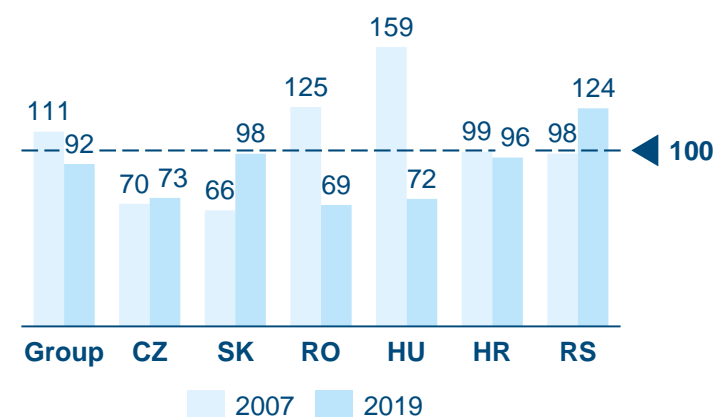
Customer loans/GDP (in %)



### Subsidiary banks

- Fully self-funded business model as opposed to parent company dependency
- Focus on local currency lending
- Historically low NPL ratios
- Strong market shares
- High capital ratios

Loan/deposit ratios (in %)



# The monetary policy reaction –

## A combination of rate cuts and quantitative easing

### Type of measures



- ECB cut its key rate to 0% in 2016; cut the deposit rate by 10 bps to -0.5% in 2019
- ECB has massively increased its asset purchase programme of EUR 20bn per month by another EUR 870bn by YE 2020 (7.3% of EZ GDP)
- As part of the euro zone ECB action are applicable in Austria and Slovakia



- CNB cut the key rate in three steps by 200 bps to 0.25% in March and May 2020
- QE included in law, but has not yet been launched; only temporary measures expected



- MNB kept its key policy rate at 0.9% & raised the O/N and 1w collateralised lending rate from 0.9% to 1.85% and introduced 1-w deposit tender at 0.9%
- MNB confirmed that QE will be extended from the EUR 1.2bn programme



- NBR cut its key rate by 50 bps to 2.00% in March 2020; narrowed facility corridor to  $\pm 50$ bps (from  $\pm 100$ bps); further interest cuts possible
- NBR has purchased RON denominated Romanian government bonds in secondary market



- HNB lowered 1Y and 5Y repo rates to 0.05% and 0.25% respectively
- HNB has introduced QE with a direct bond purchase of EUR 560m
- CNB secured swap line with ECB in the size of EUR 2bn



- NBS cut the key rate in two steps by 75 bps to 1.50% in March and April 2020; cut its deposit facility rate by 25 bps to 0.75% and the lending facility rate by 75 bps to 2.75%; further interest cuts possible
- NBS supported liquidity of the banking system through repo and FX swap auctions; typical QE has not been introduced

# The regulatory reaction –

## Pragmatism paired with dividend restrictions

### Type of measures



- FMA recommends banks to refrain from dividend payment and share buyback for six months
- Potential recalibration of SRB and OSII buffers



- Reduced countercyclical capital buffer from 1.75% to 1.00%
- Restriction on dividend payment
- Relaxed limits on DSTI and LTV; eliminated limit on DTI



- Loosened capital and liquidity requirements by ECB; scheduled countercyclical capital buffer increase to 2% cancelled
- Recommendation to refrain from dividend payment



- Minimum reserve requirement eliminated
- Restriction on dividend payments until end of September



- Derogations from DTI & LTV limits and maximum tenor allowed for consumer loans amended under public moratorium
- Flexibility regarding temporary usage of liquidity and capital buffers; recommendation against dividend payment
- Loans amended under moratorium will not be treated as forborne










- Reduced mandatory reserve requirement from 12% to 9%
- LCR requirement eased
- Restriction on dividend payments










- Restriction on dividend payments until YE 2020

## The political/fiscal reaction – Lockdowns followed by fiscal support measures across CEE

							
Loan moratoria/payment holidays	✓	✓	✓	✓	✓	✓	✓
Loan guarantees, bridge loans	✓	✓	✓	✓	✓	✓	✓
Labour market support (eg short-time work schemes)	✓	✓	✓	✓	✓	✓	✓
Tax incentives (Cuts, holidays, deferrals)	✓	✓	✓	✓	✓	✓	✓
Direct payments	✓	✓	—	—	—	—	✓
COVID-19 measures (% of GDP)	10%	21%	8%	18%	3%	11%	11%

# The political/fiscal reaction –








## Details on moratoria

	Main characteristics	Opt-in / out	Retail / Corp	Period	Participation*	Upfront loss in Q1
	<ul style="list-style-type: none"> <li>Statutory</li> <li>Interest charged during deferral period &amp; paid after the moratoria</li> </ul>	Opt-in	Retail Micro	Up to 3 months	Retail: 2% Micro: 12%	None
	<ul style="list-style-type: none"> <li>Statutory</li> <li>Interest charged during deferral period</li> <li>Rate cap at 2w repo + 8pp</li> </ul>	Opt-in	Retail Corp.	3 to 6 months	Retail: 3% Corp: 6%	None
	<ul style="list-style-type: none"> <li>Statutory</li> <li>Interest charged during deferral period &amp; paid after the moratoria</li> </ul>	Opt-in	Retail Micro SME	Up to 9 months	Retail: 6% Corp: 6%	None
	<ul style="list-style-type: none"> <li>Statutory</li> <li>Interest cannot be charged on unpaid interest (monthly instalment cannot increase after moratoria &amp; maturity will be extended)</li> </ul>	Opt-out	Retail Corp.	Up to 9 months	Retail: 59% Corp: 45%	EUR 17.6m
	<ul style="list-style-type: none"> <li>Statutory</li> <li>Interest capitalised &amp; paid over the life of the contract (except mortgage for which interest will be accumulated &amp; paid in 5 years)</li> </ul>	Opt-in	Retail Corp.	Up to 9 months	Retail: 2% Corp: 2%	None
	<ul style="list-style-type: none"> <li>Not statutory; banks encouraged to participate in moratoria</li> <li>Interest capitalised &amp; paid over the life of the contract</li> </ul>	Opt-in	Retail Corp.	Up to 3 months	Retail: 4% Corp: 12%	None
	<ul style="list-style-type: none"> <li>Statutory</li> <li>Interest cannot be charged on unpaid interest</li> </ul>	Opt-out	Retail Corp.	Up to 3 months	Retail: 94% Corp: 85%	None

\* Customer participation in moratoria at Erste Group subsidiaries as of April 29, 2020








# The political/fiscal reaction –

## Details on loan guarantees

	Main characteristics	Guarantee	Interest	Period
	<ul style="list-style-type: none"> <li>• EUR 9bn programme for loans and guarantees for enterprises, especially SMEs</li> <li>• Bridging loans in case of liquidity shortages</li> </ul>	Up to 100%	Subsidised (varies by products)	2-5 years
	<ul style="list-style-type: none"> <li>• EUR 33bn (COVID I, II, III) subsidised &amp; guaranteed loan programmes</li> <li>• COVID Praha for SMEs in Prague</li> </ul>	80-90% (25-30% cap at portfolio level)	Subsidised with absolute cap	Up to 3 years
	<ul style="list-style-type: none"> <li>• EUR 500m per month state guaranteed loan package expected; EUR 100m already allocated</li> </ul>	80%	Subsidy up to 4%	Up to 4 years
	<ul style="list-style-type: none"> <li>• EUR 5.6bn guaranteed loans to enterprises</li> </ul>	80%	0-2.6%	3-15 years
	<ul style="list-style-type: none"> <li>• EUR 3bn state guarantee scheme for micro &amp; SME loans</li> </ul>	SME 80% Micro 90%	Fully subsidised	3-6 years
	<ul style="list-style-type: none"> <li>• EUR 1.9bn guaranteed bridge loans for companies</li> </ul>	Up to 80%	Zero for 50% of the loan	Up to 3 years
	<ul style="list-style-type: none"> <li>• EUR 2.2bn programme for state guaranteed loans for micro companies and SMEs</li> </ul>	80% (30% cap at portfolio level)	<ul style="list-style-type: none"> <li>• 4% LCY</li> <li>• &lt;3% EUR</li> </ul>	Up to 3 years

# Our response to Coronavirus –

## Erste Group is there for its customers, communities and employees

	Employees	Retail customers	Corporate customers	Communities
	Majority of employees in home office	Branches remaining open & extending online services	Expanding client advisory & transmitting state support	Supporting health care workers, affected people, hospitals
	<ul style="list-style-type: none"> <li>95% of HQ home office</li> <li>Psychological support</li> <li>Health insurance benefit</li> </ul>	<ul style="list-style-type: none"> <li>Branches remain open</li> <li>George available for moratorium applications</li> </ul>	<ul style="list-style-type: none"> <li>Extended credit facilities</li> <li>Online process for moratorium applications</li> </ul>	<ul style="list-style-type: none"> <li>Donation to Austrian Red Cross</li> </ul>
	<ul style="list-style-type: none"> <li>85% of HQ home office</li> <li>Protective equipment</li> <li>24/7 online doctor</li> </ul>	<ul style="list-style-type: none"> <li>Branches remain open</li> <li>Banker on phone/online</li> </ul>	<ul style="list-style-type: none"> <li>Extended phone service</li> <li>Free payment terminals</li> </ul>	<ul style="list-style-type: none"> <li>Donation to affected families</li> <li>TV campaign on masks</li> </ul>
	<ul style="list-style-type: none"> <li>81% of HQ home office</li> <li>Special benefits for pregnant, elderly people</li> </ul>	<ul style="list-style-type: none"> <li>Branches remain open</li> <li>Mobile ATMs available</li> <li>Special COVID-19 website</li> </ul>	<ul style="list-style-type: none"> <li>Postponed repayments (beyond statutory)</li> <li>Extended credit lines</li> </ul>	<ul style="list-style-type: none"> <li>Donation to emergency committee</li> <li>Educational webinars</li> </ul>
	<ul style="list-style-type: none"> <li>90% of HQ home office</li> <li>Transport allowance</li> <li>Psychological support</li> </ul>	<ul style="list-style-type: none"> <li>Branches remain open</li> <li>More call centre staff</li> <li>Educational videos</li> </ul>	<ul style="list-style-type: none"> <li>Simplified processes</li> <li>Flexible lending and account administration</li> </ul>	<ul style="list-style-type: none"> <li>Loan programme and donations to health care workers</li> </ul>
	<ul style="list-style-type: none"> <li>70% of HQ home office</li> <li>Transport allowance</li> <li>Coaching service</li> </ul>	<ul style="list-style-type: none"> <li>Branches remain open</li> <li>Repayment holiday</li> <li>Extended call centre</li> </ul>	<ul style="list-style-type: none"> <li>Repayment holiday</li> <li>Extended revolving credit facilities</li> </ul>	<ul style="list-style-type: none"> <li>Donation to health care system &amp; education &amp; NGOs</li> </ul>
	<ul style="list-style-type: none"> <li>77% of HQ home office</li> <li>Psychological support</li> </ul>	<ul style="list-style-type: none"> <li>Branches remain open</li> <li>Public notary cost relief</li> </ul>	<ul style="list-style-type: none"> <li>Working capital loans</li> </ul>	<ul style="list-style-type: none"> <li>Donation to hospitals</li> <li>Special benefits to most vulnerable communities</li> </ul>
	<ul style="list-style-type: none"> <li>65% of HQ home office</li> <li>Paid leave for high risk employees</li> </ul>	<ul style="list-style-type: none"> <li>Branches remain open</li> <li>Special authorisation for pension payment</li> </ul>	<ul style="list-style-type: none"> <li>Various fee reliefs, eased conditions offered for businesses</li> </ul>	<ul style="list-style-type: none"> <li>Healthcare donations</li> <li>Supporting disabled and elderly people</li> </ul>

# Credit risk –

## Key drivers of risk costs, RWAs and asset quality amid lockdowns

### Risk costs

- **Q1 20 risk costs not yet impacted by macro deterioration, in line with ESMA and EBA guidance**
  - Q1 20 risk costs of 15bps benefitted from **NPL recoveries (EUR 65.1 m)**, primarily in Romania
  - **COVID-19 allocations of EUR 61.0m** to selected customers/portfolios based on expert opinion
- **Increase in risk costs is expected from Q2 20 onwards**
  - FLI: incorporation of weaker macro assumptions based on 20y GDP model (built on long term macro projections and including mitigating effects) in Q2 20, leading to S1/S2 migration; further review in Q4 20
  - Intra-moratoria stage migration: individual review of corporates as well as expert-opinion-based portfolio assessment for retail expected to lead to S1/S2 migration
  - Limited S3 migrations expected in 2020 due to moratoria
  - State guarantees, direct support payments will moderate risk cost updrift and support recovery
- **Based on 6-month V-shape recovery assumption, currently most probable scenario is for risk costs (as of average gross customer loans) of 50-80bps in 2020**

### Risk-weighted assets

- **Mid-single digit RWA growth expected in 2020, due to:**
  - Rating deterioration in retail, corporates and potentially sovereigns segments, partially offset by mitigating measures, eg moratoria, state guarantees (supporting lower risk weights)
  - Asset growth, driven by drawdown of committed lines and guarantee business, limited new lending
  - If all irrevocable committed lines are drawn RWAs would further increase by approx. EUR 4 bn

### Asset quality

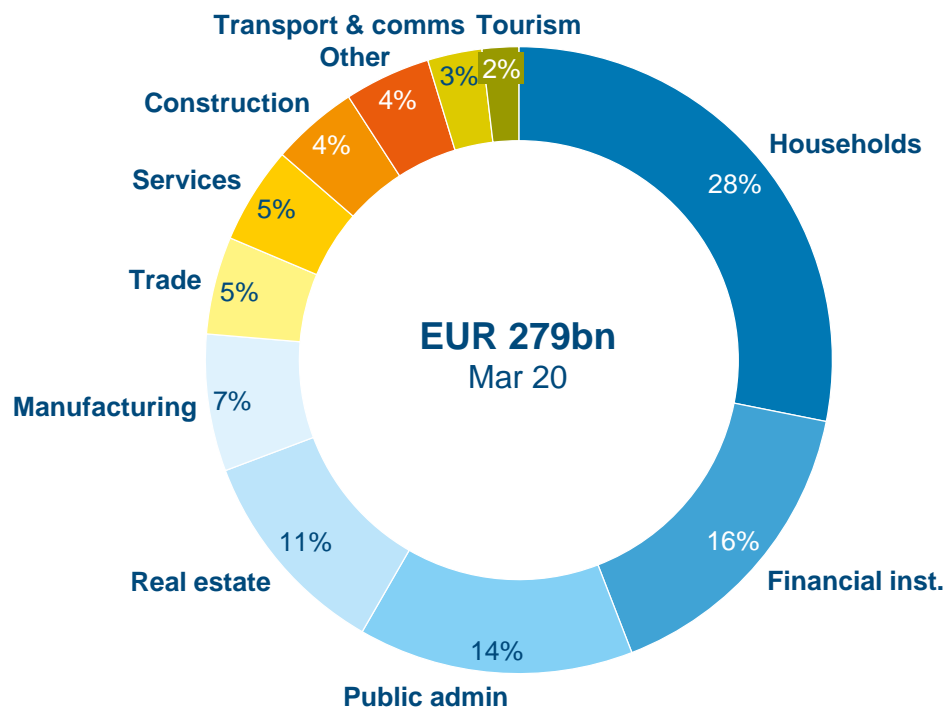
- **Deterioration in asset quality expected in 2020, from very benign starting levels**
- Moratoria will mitigate asset quality deterioration (freezing of DPD counter and suspension of automated forbearance flag), but asset quality deterioration likely even during moratoria as behavioural scorecards continue to run (retail) and rating process stays in place for corporate customers
- Further deterioration expected after moratoria expire
  - In jurisdictions with moratoria for 3-6 months, the increased defaults could be already observed in 2020
  - In countries with moratoria till year end, the default increase will be observed mainly during 2021



# Credit risk –

## Gross credit exposure overview

Gross credit exposure by NACE code



Key industry exposures (gross)

Industry / Category	as of Mar-20	of which Savings Banks	Comments
Metals	€ 3.8bn	€ 0.8bn	<ul style="list-style-type: none"> <li>Around 40% of the exposure is with 5 large international players</li> </ul>
Oil & gas	€ 2.7bn	€ 0.1bn	<ul style="list-style-type: none"> <li>More than half of exposure is with 6 major vertically integrated oil &amp; gas companies in the region</li> </ul>
Automotive	€ 6.4bn	€ 1.2bn	<ul style="list-style-type: none"> <li>Out of the total exposure about 37% is with OEMs and 27% with OESs, mainly tier 1.</li> <li>Manufacturing plants in our region are technically advanced and production restarted already</li> </ul>
Cyclical consumer products	€ 3.7bn	€ 1.2bn	<ul style="list-style-type: none"> <li>High level of diversification across segments and good level of collateralization in the portfolio</li> </ul>
Machinery	€ 4.3bn	€ 1.5bn	<ul style="list-style-type: none"> <li>Impact varies extremely between single clients and sub-sectors related to the high diversity of the industry</li> </ul>
Passenger transportation	€ 1.1bn	€ 0.1bn	<ul style="list-style-type: none"> <li>Airline exposure stable at around 300mn</li> </ul>
Hotels & leisure	€ 8.3bn	€ 3.2bn	<ul style="list-style-type: none"> <li>Strong government support expected</li> <li>Hotels constitute 43% of the total, the remaining exposure is leisure activities</li> </ul>

## Presentation topics –

1

Introduction to Erste Group

2

Update on coronavirus situation

3

**Funding strategy**

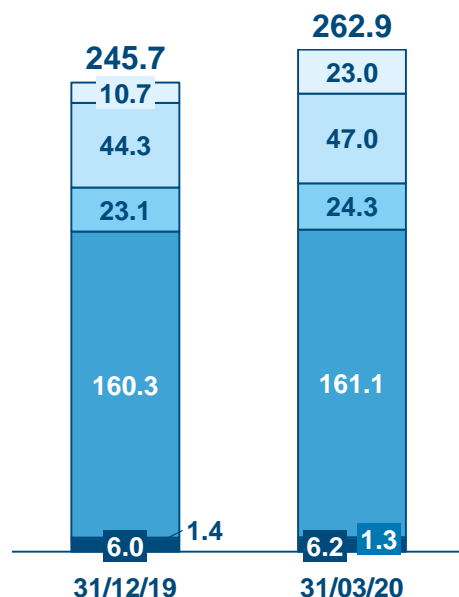
4

Latest quarterly financials

# Erste Group's balance sheet structure –

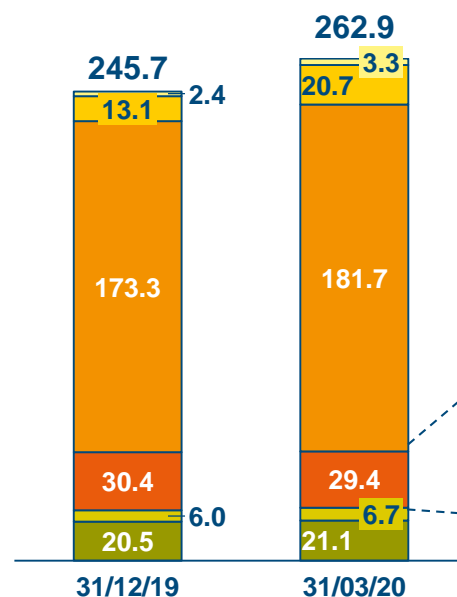
Favourable loan/deposit ratio of 88.4% at Mar 20 (Dec 19: 92.2%)

Assets (EUR bn)



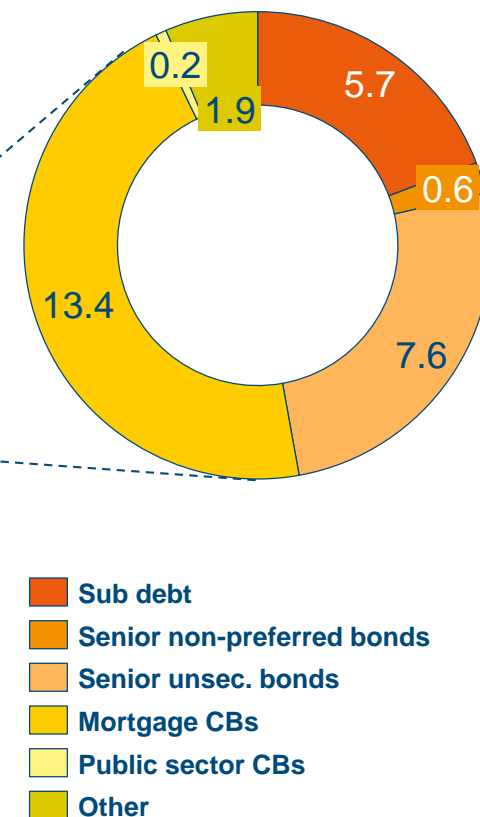
- Cash
- Trading, financial assets
- Loans to banks
- Net loans
- Intangibles
- Miscellaneous assets

Liabilities & equity (EUR bn)



- Trading liabilities
- Bank deposits
- Customer deposits (incl. Lease liabilities)
- Debt securities
- Miscellaneous liabilities
- Equity

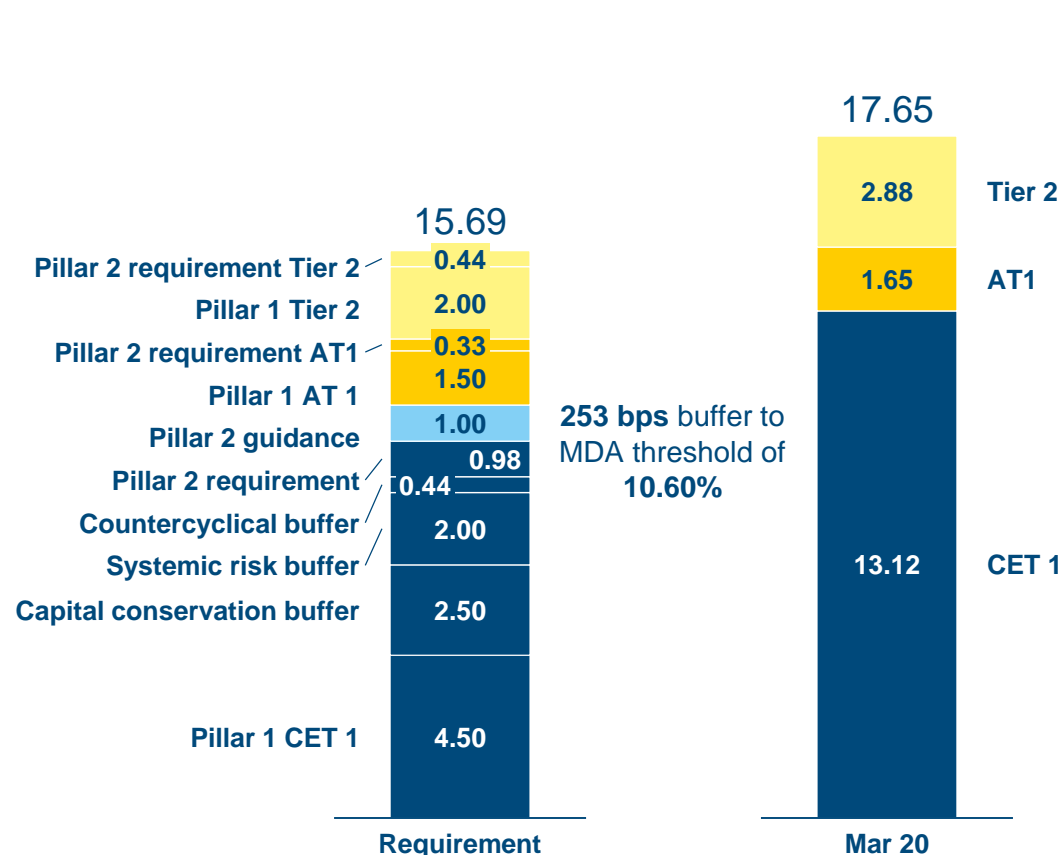
Debt securities (EUR bn)



- Sub debt
- Senior non-preferred bonds
- Senior unsec. bonds
- Mortgage CBs
- Public sector CBs
- Other

# Erste Group's capital position – Erste Group comfortably meets all capital targets

## Capital requirements vs actuals as of March 2020



## Comments on capital

- **Internal medium-term CET1 capital target remains at 13.5%**
- **CET1 ratio at 13.1% as of March 20**
  - FX effect (mainly CZK, HUF)
  - Non-inclusion of interim profit and deduction of risk costs
- **CRDV**: double counting of 200bps SRB/OSII buffer highlighted to regulators and financial market stability board; on-going discussions with aim to mitigate punitive impact

As of 12 March 2020 ECB brought forward measures for the use of the Pillar 2 Requirement (P2R) according to the capital stack which results in the following application: 56.25% for CET1 capital, 18.75% for AT1 capital and 25% for T2 capital. The overall P2R remained at 1,75% for Erste Group. The P2R split results in an AT1 shortage of 17bps and is reflected in the MDA threshold

# Erste Group's long-term issuance track record – Successful issuances across all seniorities



- The latest benchmark-sized transaction – a EUR 750mn 7y Senior Preferred Note at MS+115bps (i.e. no new issue concession compared to fair value determined before announcement) – executed at the beginning of May was the third syndicated deal in 2020 and the first one out of Austria after the coronavirus lockdown. The deal attracted 180 investors resulting in an orderbook above EUR 2.25bn at re-offer level
- Erste Group had started into 2020 with two successful issuances in January: a EUR 750m covered bond (at MS+3pbs) followed by a EUR 500m perpNC7.2 AT1 with a 3.375% p.a. coupon (the second lowest coupon ever printed for a EUR AT1)
- In Q4 19, the focus was on Tier 2. After simultaneously announcing a tender offer targeting outstanding EUR 10/22 Tier 2 notes and a new EUR 500m 10.5NC5.5 Tier 2 transaction with preferential allocation for investors participating in the tender, Erste Group managed to redeem nearly EUR 200m of the old notes. The transactions allowed Erste Group to optimise its capital structure while supporting the NII for upcoming reporting periods

# Assets and liabilities: LT funding – Targeting MPE approach

## Resolution strategy

- Direct presence in 7 geographically connected countries
- Erste Group's setup suggests a multiple point of entry (MPE) resolution strategy
- When determined, MREL needs are likely to be met with a mix of own funds, senior non-preferred and senior preferred instruments

## Austrian resolution group

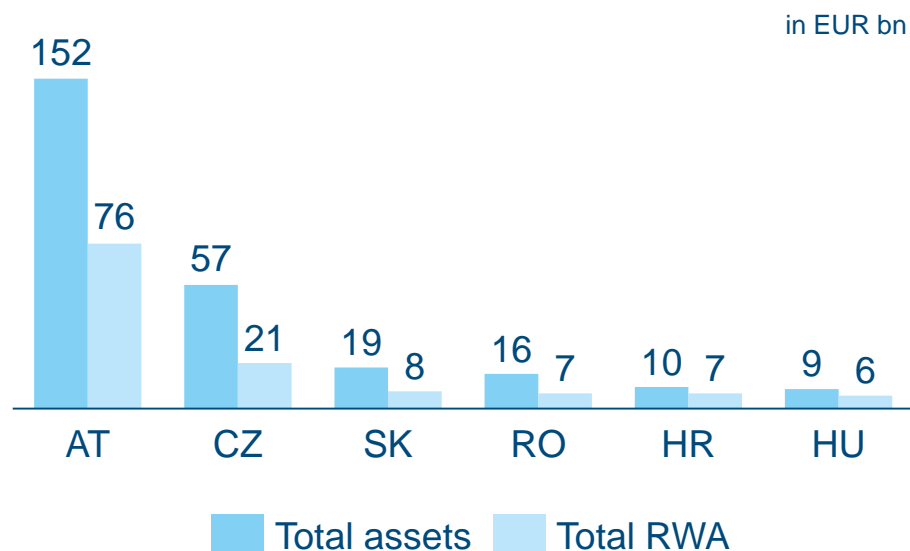
- Major entities within the Austrian resolution group\*:
  - Erste Group Bank AG
  - Erste Bank Oesterreich and its subsidiaries
  - All other savings banks of the Haftungsverbund
- Subordination requirement does not seem to be a limiting factor
- Binding MREL targets for the Austrian, Slovak and Romanian resolution groups have been received. Others, except Croatia (first binding target expected in 2021), to follow
- All CEE resolution groups with a binding decision received in 2020 will receive a transition period until year-end 2023 enabling them to reach their MREL targets gradually



\*) Subject to joint decision of resolution authority

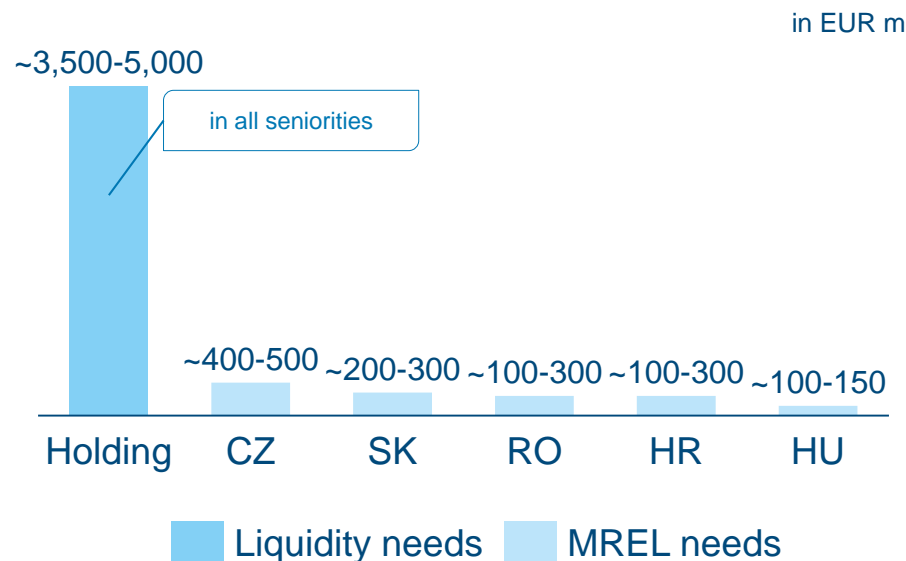
## Assets and liabilities: LT funding – Limited MREL-related issuance activity

MREL resolution groups (2019)



- Under MREL there are 6 resolution groups covered by the Single Resolution Board
- The Austrian resolution group (parent company, EBOe and savings banks) is not considered a legal entity or reporting unit, hence there is neither a statutory reporting nor a capital requirement for the Austrian resolution group

Preliminary 5-year issuance plan (avg pa)

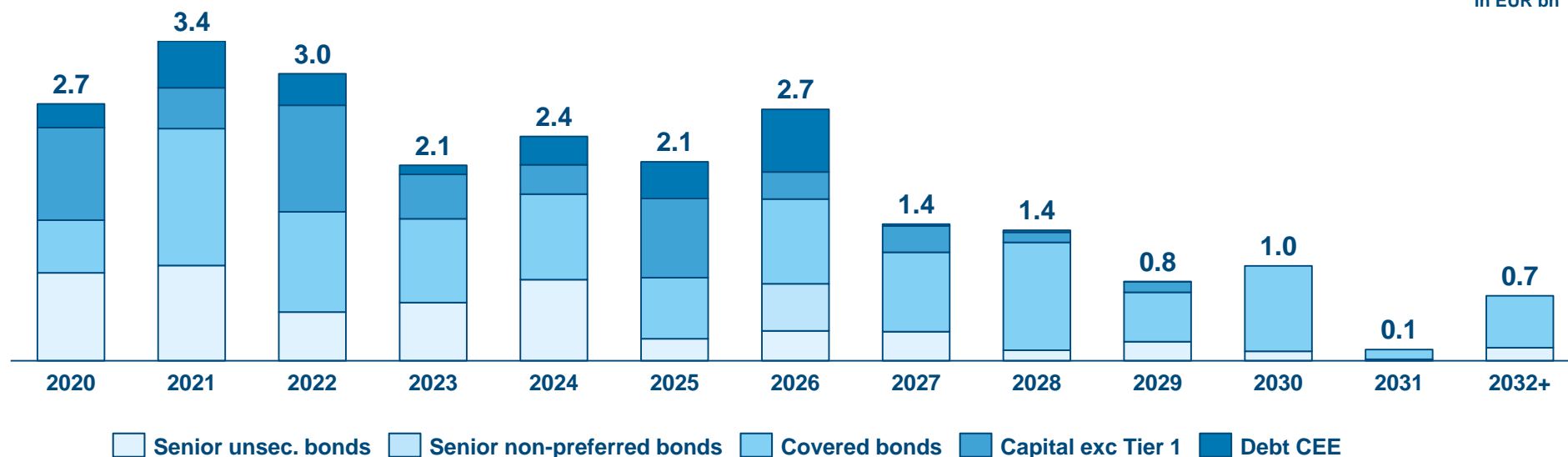


- CEE issuances will mainly be placed in domestic market
- First NPS issuances by Erste Group Bank AG (in EUR) and BCR (in RON) in 2019 and Slovenská sporiteľňa in Feb 2020

# Assets and liabilities: LT funding – Stable LT funding needs in 2020

Maturity profile of debt\*

in EUR bn



- Based on current balance sheet outlook, 2020 parent company funding needs amount to approx. EUR 4bn in various seniorities

\*As of 31 March 2020



## Presentation topics –

1

Introduction to Erste Group

2

Update on coronavirus situation

3

Funding strategy

4

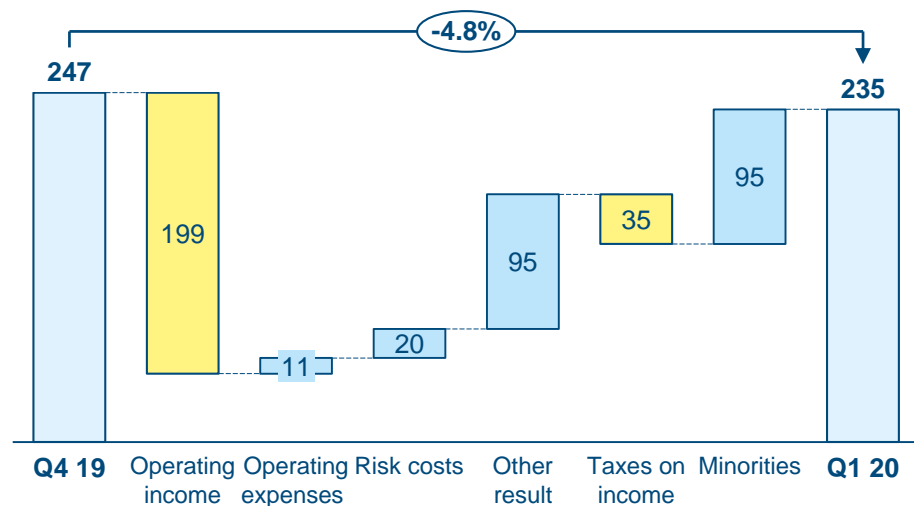
**Latest quarterly financials**

# Presentation topics

- Q1 20 presentation
  - Executive summary
  - Business environment
  - Business performance
  - Assets and liabilities
  - Key takeaways and outlook
  - Additional information

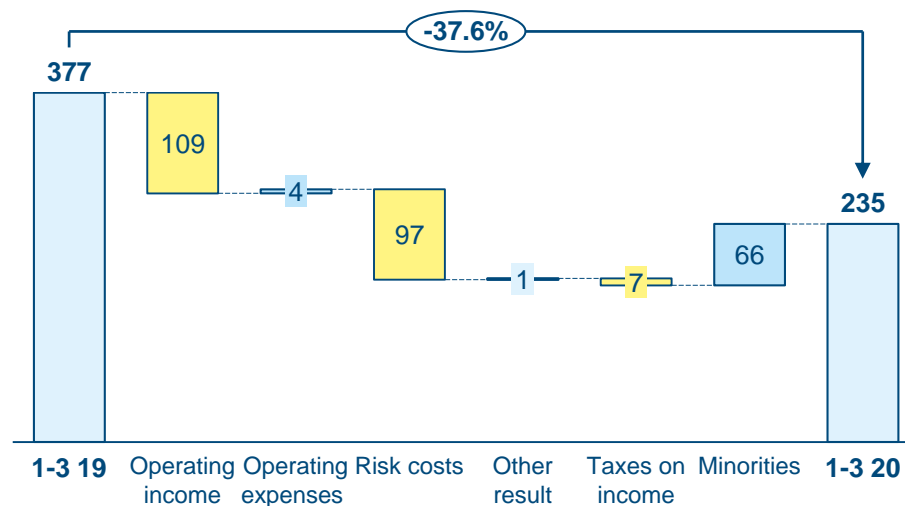
# Executive summary – Group income statement performance

## QoQ net profit reconciliation (EUR m)



- Q1 20 net result declined slightly to EUR 235.3m, as improvements in other result and minorities almost offset decline in operating income
- Deterioration in operating income driven by negative trading/FV result, primarily on the back of negative valuation effects
- Other result improves as non-recurrence of SK goodwill impairment in Q4 19 (EUR165.0m) more than offset contributions into resolution funds (EUR 84.0m)

## YoY net profit reconciliation (EUR m)

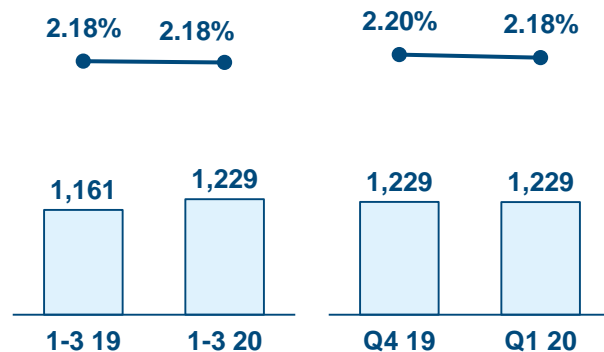


- Yoy net profit down on declining operating income and rising risk costs
- Operating income declined solely due to negative trading/FV result, overshadowing better NII (+5.9%) and net fee income (+3.4%); while OPEX improve slightly

# Executive summary – Key income statement data

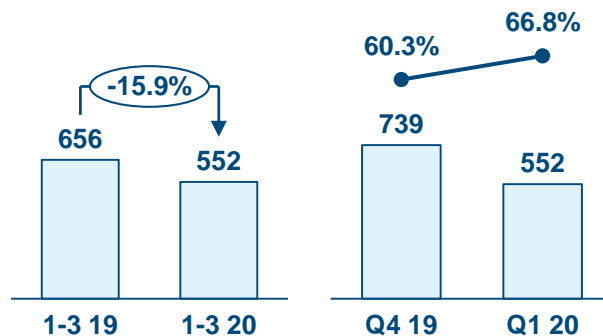
## Net interest income & margin

in EUR m



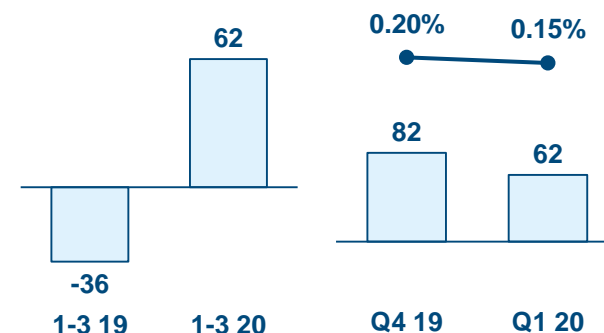
## Operating result & cost/income ratio

in EUR m



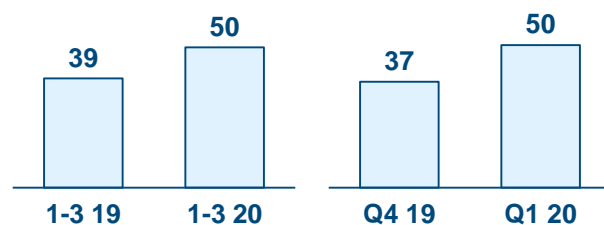
## Cost of risk

in EUR m



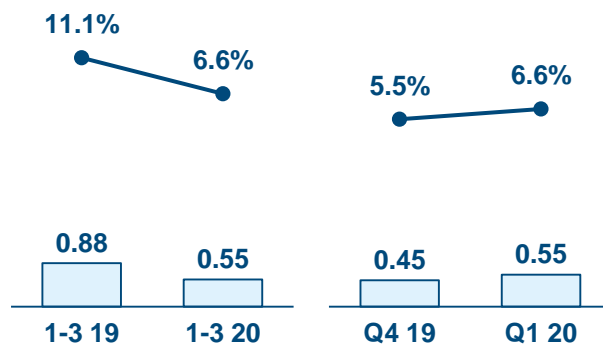
## Banking levies

in EUR m

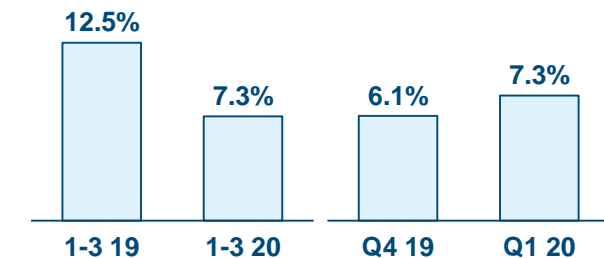


## Reported EPS & ROE

in EUR

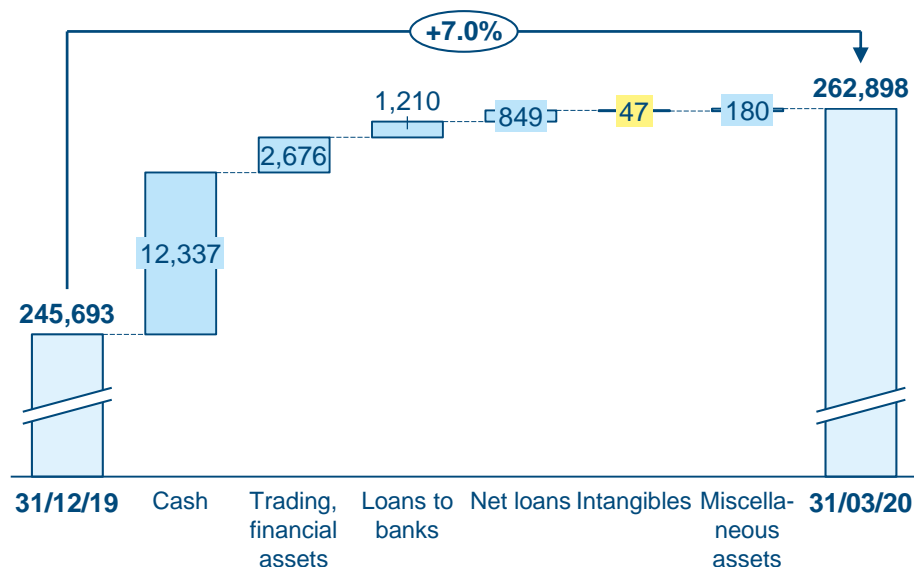


## Return on tangible equity



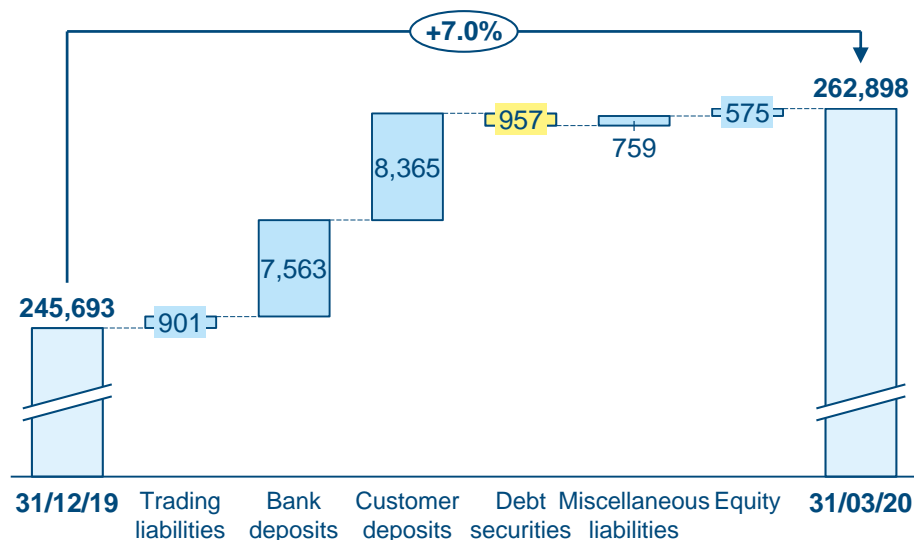
# Executive summary – Group balance sheet performance

## YTD total asset reconciliation (EUR m)



- Total assets up by 7.0%, mainly driven by a substantial increase in cash (+>100%), while net loans to customers increased by 0.5%
- Increase in cash attributable to Holding (liquidity placed at central banks) and to CZ (rise in cash position mirrors development in interbank and customer deposits)

## YTD equity & total liability reconciliation (EUR m)

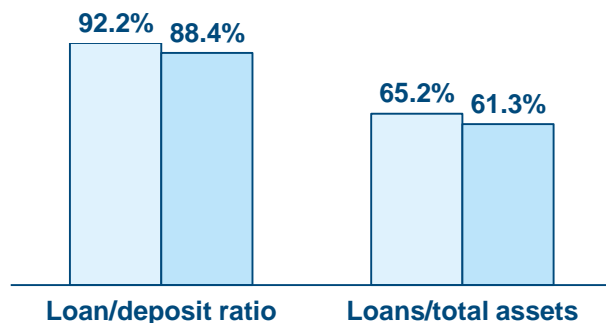


- Total liability growth mainly driven by a continuation of rising customer deposits (+4.8%) and bank deposits (+57.6%)
- Growing customer deposits result in a loan/deposit ratio of 88.4% (YE19: 92.2%)
- Increase in equity mainly attributable to the issuance of AT1 instruments in January 2020

# Executive summary – Key balance sheet data

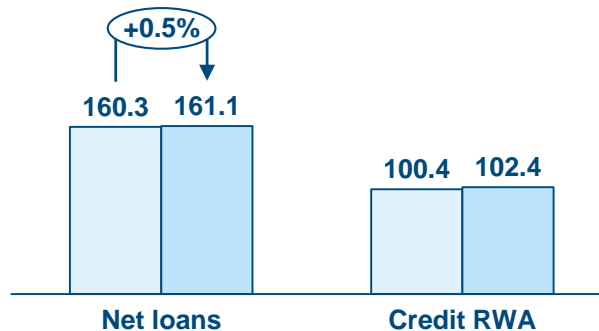
31/12/19  
31/03/20

## Loan/deposit & loan/TA ratio

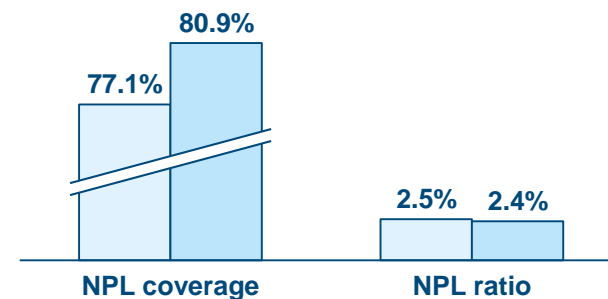


## Net loans & credit RWA

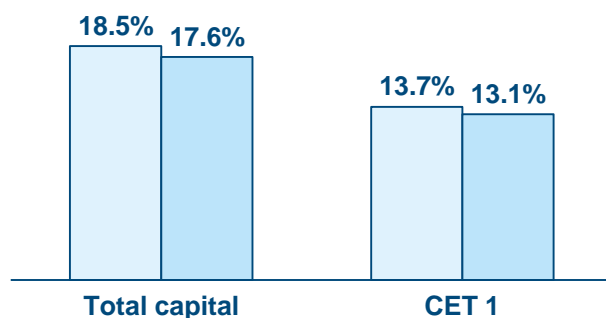
in EUR bn



## NPL coverage ratio & NPL ratio

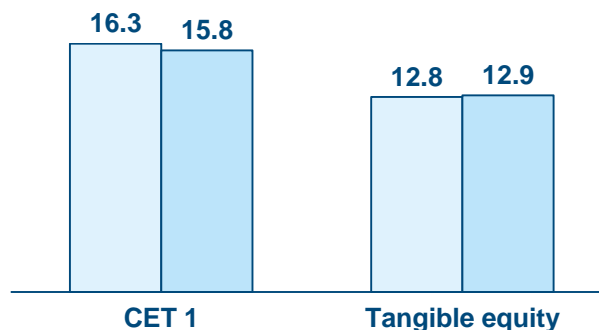


## B3FL capital ratios

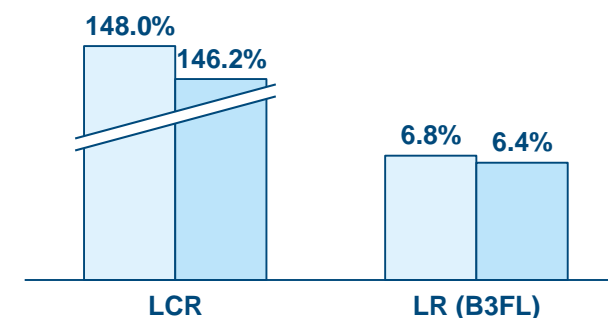


## B3FL capital & tangible equity<sup>1</sup>

in EUR bn



## Liquidity coverage & leverage ratio<sup>2</sup>



1) Based on shareholders' equity, not total equity

2) Pursuant to Delegated Act

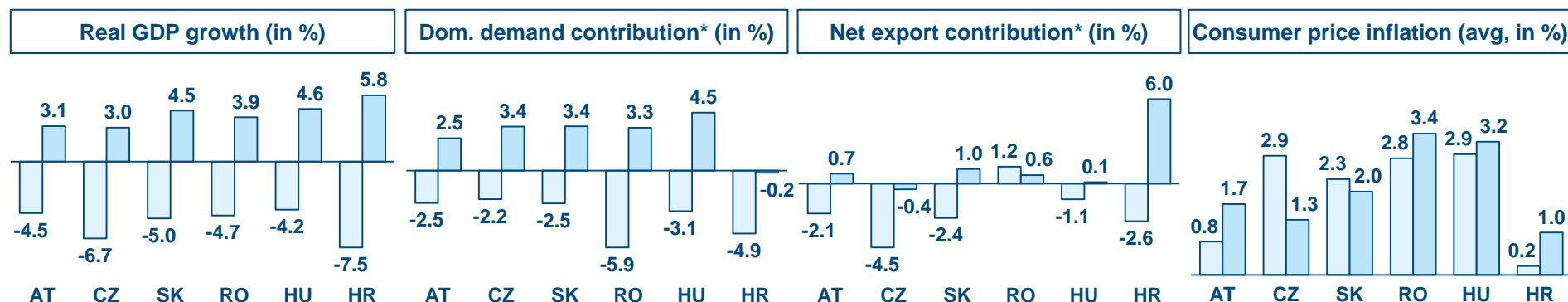
# Presentation topics

- Q1 20 presentation
  - Executive summary
  - **Business environment**
  - Business performance
  - Assets and liabilities
  - Key takeaways and outlook
  - Additional information

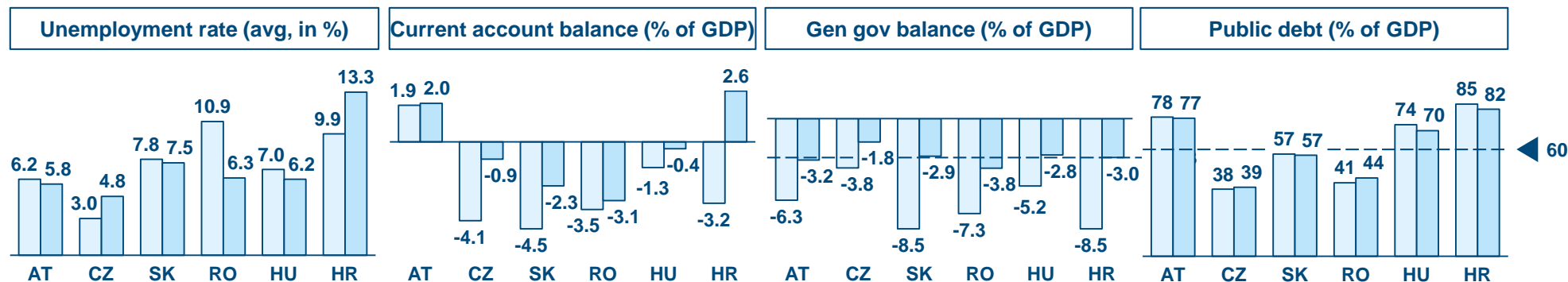
# Business environment –

## Recession in 2020 due to Coronavirus; rebound expected in 2021

2020  
2021



- Erste Group's markets expected to decline by 4-7% in 2020, final impact of COVID-19 will depend on length of quarantine period
  - Both exports and consumption will significantly suffer in 2020; hardest hit industries expected to be tourism, services, transport, and retail trade
  - Inflation to moderate due to economic shock in 2020



- Unemployment rates will increase across the region
- Lower tax revenues and higher social payments will lead to rising fiscal deficits

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



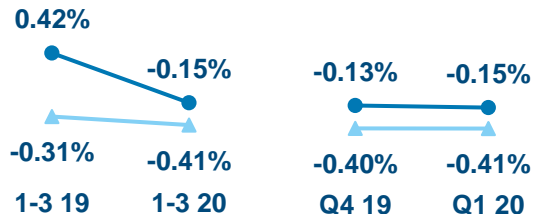
# Business environment –

Policy rate cuts in CZ, RO and RS; HU increased the O/N lending rate

▲ 3M Interbank

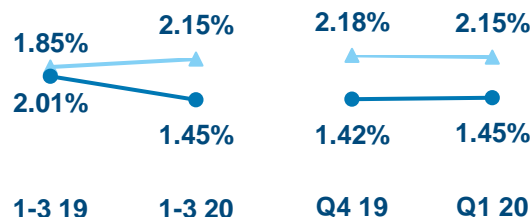
● 10YR GOV

## Austria



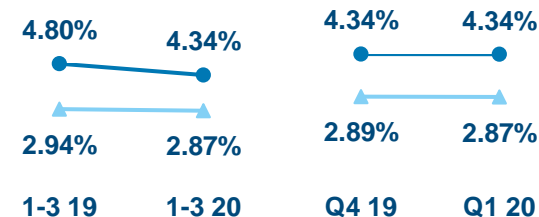
- ECB has kept its discount rate at zero & significantly increased quantitative easing as response to Coronavirus

## Czech Republic



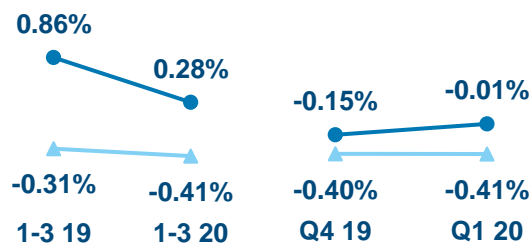
- National bank cut the base rate in two steps by 125bps in March and again by 75bps in May to 0.25%.

## Romania



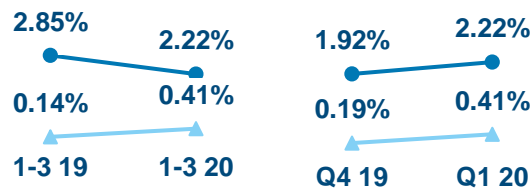
- Central bank cut the key policy rate by 50bps to 2.00% in March 2020

## Slovakia



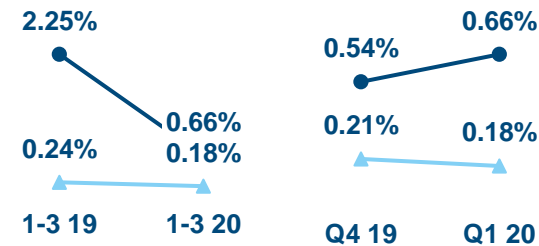
- As part of the euro zone ECB rates and actions are applicable in SK

## Hungary



- MNB left the key rate unchanged at 0.9% but increased the O/N collateralised lending rate & 1w repo by 95bps to 1.85%

## Croatia



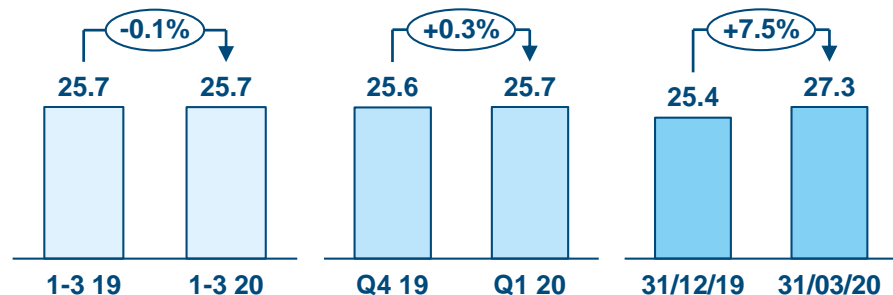
- Central bank has maintained discount rate at 3.0% since 2015 but cut its 1w repo from 0.3% to 0.05% in March 2020

Source: Bloomberg, Reuters for SK 10Y. Annual and quarterly averages.

## Business environment –

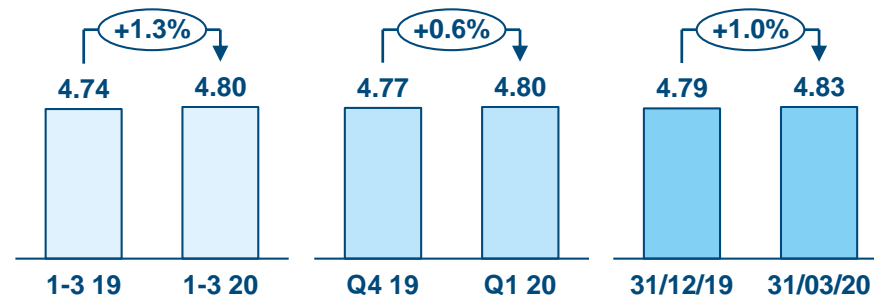
CEE currencies have weakened versus the euro since COVID-19 outbreak

EUR/CZK



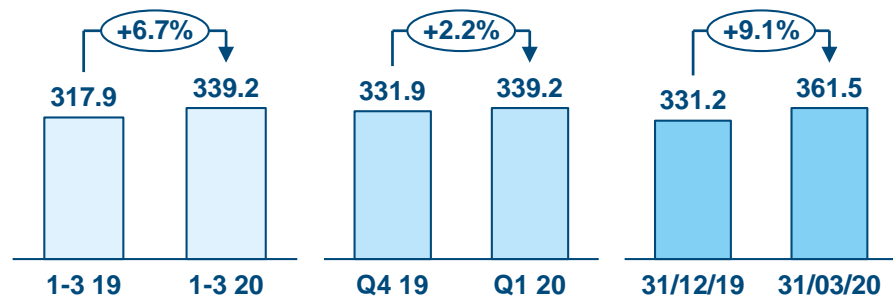
- CZK reached its weakest level since 2014; benchmark rate cut in two steps to 1.00% in March 2020

EUR/RON



- RON depreciated significantly and remained close to its all time low in April; policy rate cut by 50bps to 2.00% in March 2020

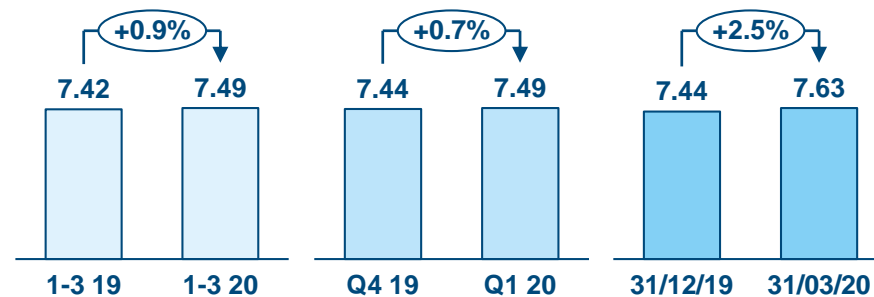
EUR/HUF



- HUF reached all time low versus the euro in early April but appreciated since the MNB raised the O/N collateralised lending rate and 1w repo to 1.85%

Source: Bloomberg

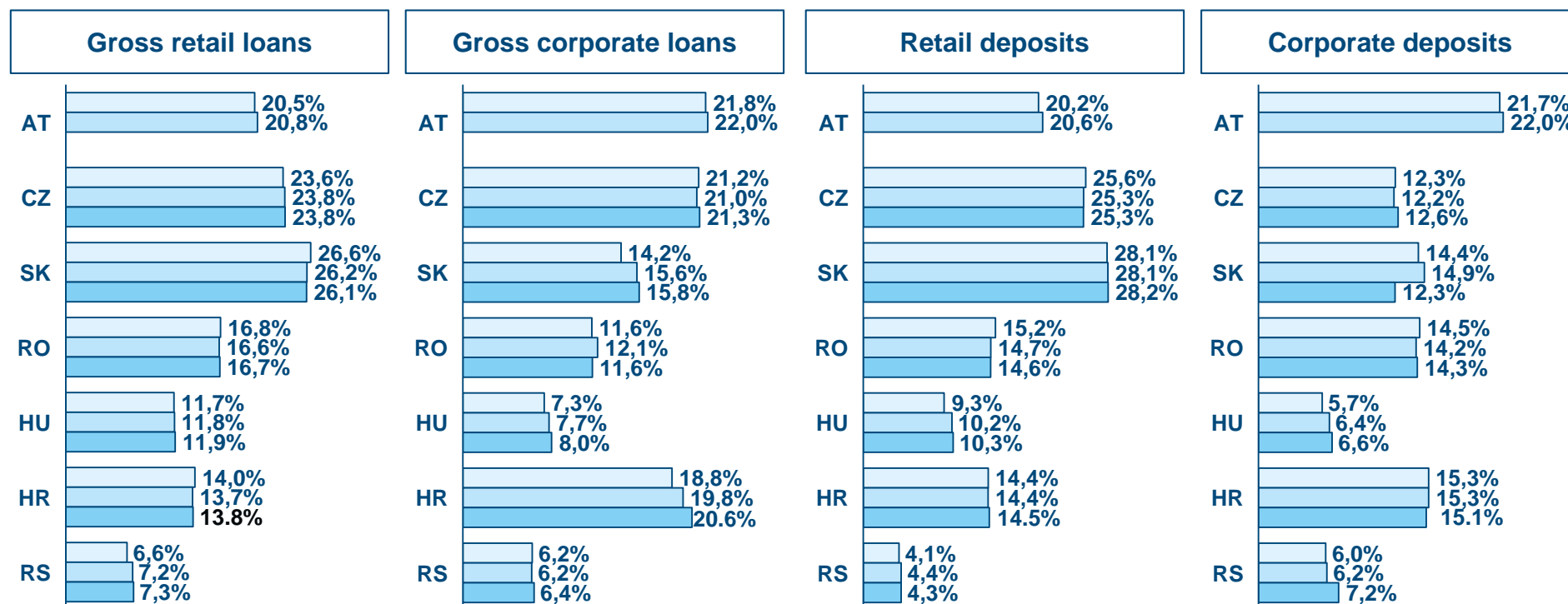
EUR/HRK



- HRK depreciated to its weakest level since 2016; 1w repo was cut to 0.05% in March 2020

# Business environment – Stable market shares across the region

31/03/19  
31/12/19  
31/03/20



- CZ: increasing yoy market share in a growing market
- RO: stable market shares despite restrictive lending standards
- SK: market share impacted by aggressive pricing by some of the smaller competitors

- SK & HU: increasing market shares in both Large Corporate and SME segments
- HR: increasing yoy market share driven by strong SME business

- Continued inflows in all markets despite low interest rate environment
- Stable qoq market shares across the region

- Changes mainly due to normal quarterly volatility in corporate business
- SK: market share decline mainly in the large corporate segment due to pricing

\* 31/03/2020 market share data for Austria not yet available

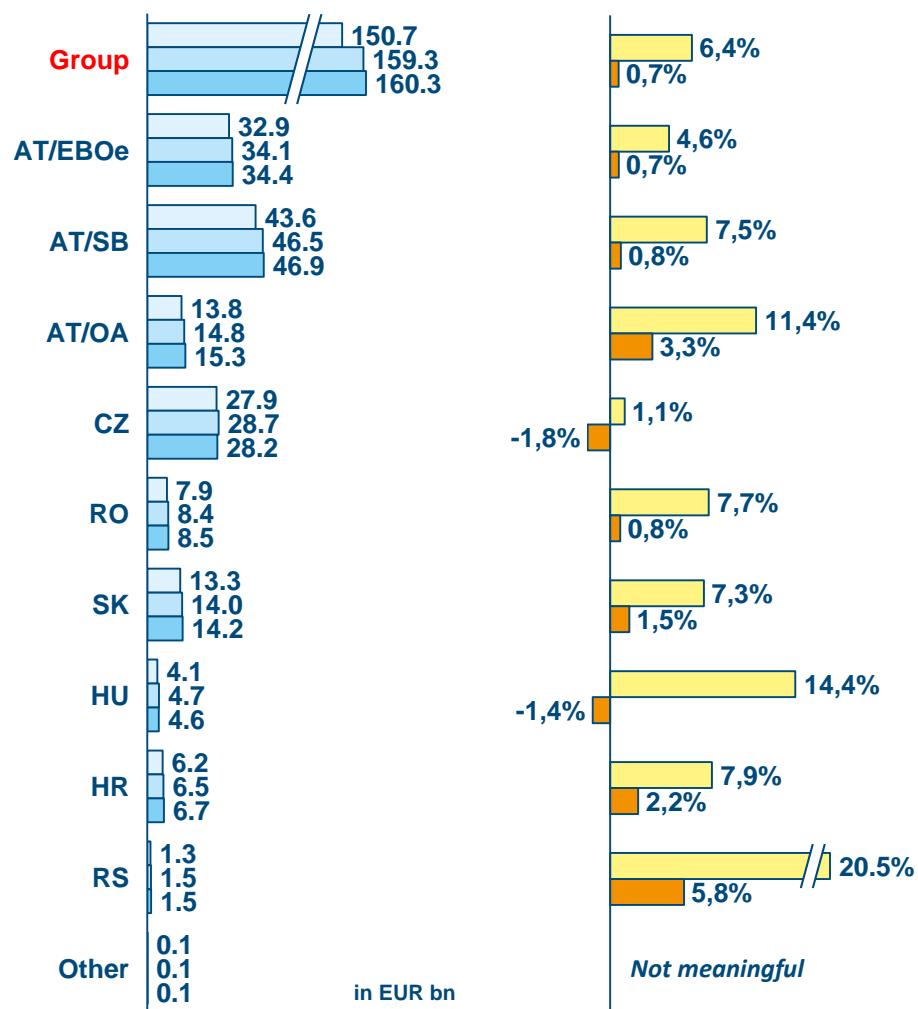
# Presentation topics

- Q1 20 presentation
  - Executive summary
  - Business environment
  - **Business performance**
  - Assets and liabilities
  - Key takeaways and outlook
  - Additional information

# Business performance: performing loan stock & growth –

## Performing loans continued to grow

■ YoY ■ 31/03/19  
■ QoQ ■ 31/12/19  
■ 31/03/20

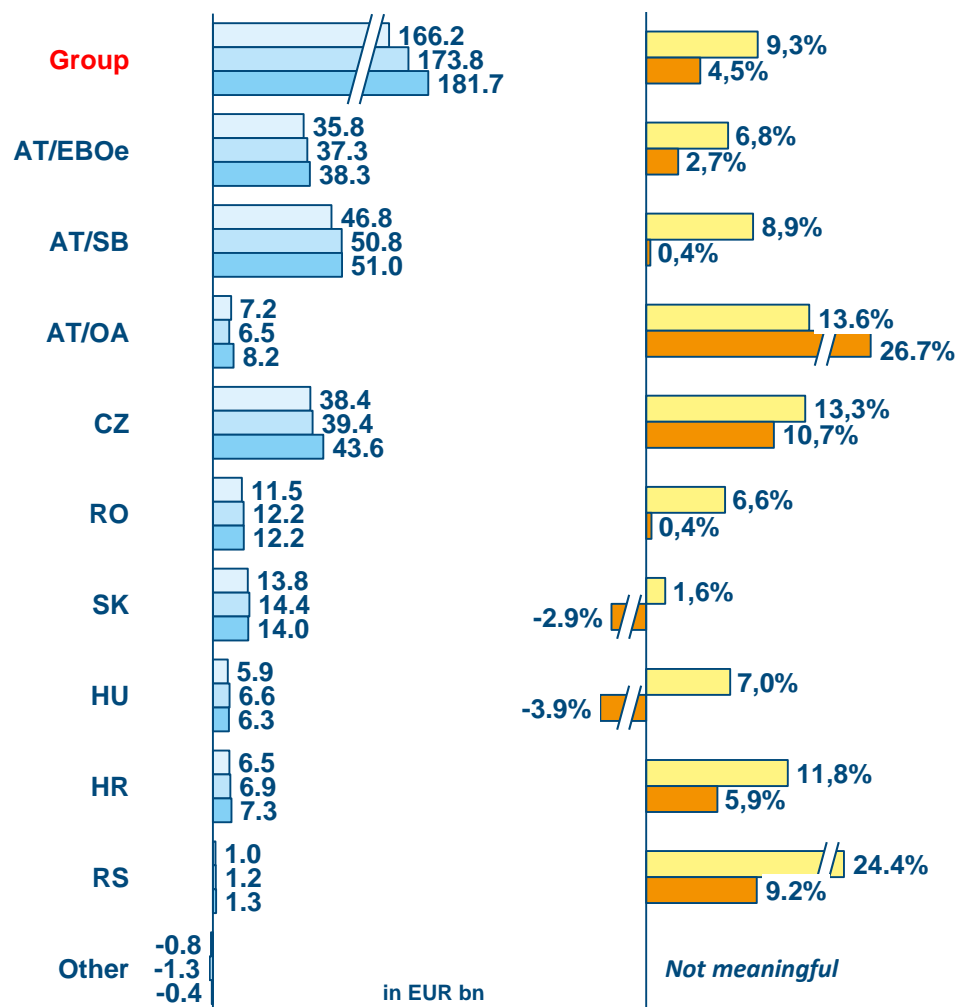


- Yoy development attributable to Corporates (+9.1%) and Retail (+3.8%); solid contribution from Savings Banks
- Qoq growth driven by Corporates (+2.7%), as Retail declines (-2.1%)
- Year-on-year segment trends:
  - Continued growth across all segments before COVID-19 induced crisis has started
  - HU: strong growth both in Corporates (+19.1%) and Retail (+11.9%)
  - AT/OA: solid contributions both from Large Corporates and Commercial Real Estate
  - RS: continuation of dynamic growth
- Quarter-on-quarter segment trends:
  - Growth momentum decelerated amid COVID-19 induced uncertainties
  - CZ, HU: decline due to currency depreciation

# Business performance: customer deposit stock\* & growth –

## Deposit build-up continues in Q1 20

■ YoY ■ 31/03/19  
■ QoQ ■ 31/12/19  
■ 31/03/20



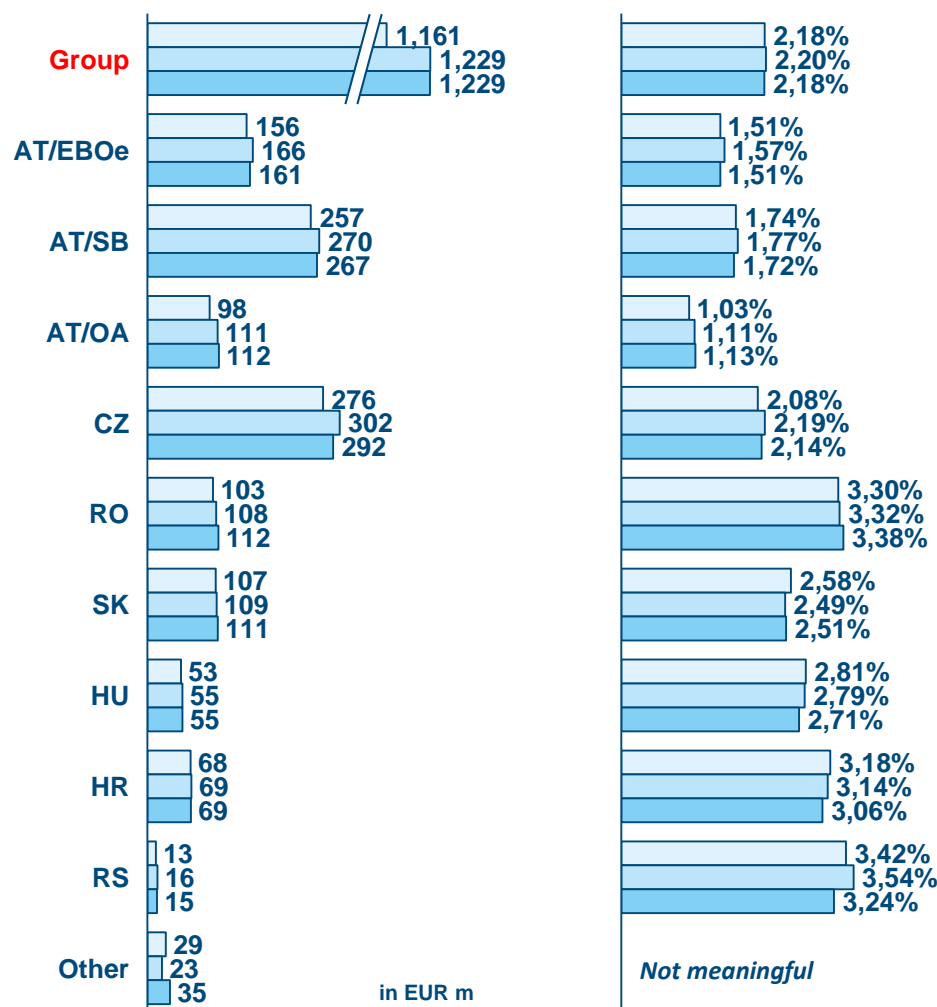
- Continuation of exceptional deposit growth across most geographies despite zero/low interest rate environment as retail and corporate clients park cash in overnight accounts
- Yoy growth in absolute terms mainly driven by Retail segment (+EUR 3.9bn) and Corporates (+EUR 3.8bn), while Savings Banks also contributed (+EUR 2.5bn)
- Qoq increase across most geographies
- Year-on-year segment trends:
  - AT/OA: rising deposits in foreign branches and in Corporate business
  - CZ: exceptional growth in Corporates (+20.0%), to a large extent attributable to repo business, while growth in Retail deposits decelerates (+1.1%)
  - AT/SB: growth across all savings banks
  - RS: exceptional growth both in Corporates (+52.7%) and in Retail (+20.1%)
- Quarter-on-quarter segment trends:
  - AT/OA: see above
  - CZ: exceptional growth in Corporates more than offset decline in Retail deposits (-4.8%)
  - HR: growth in Corporates more pronounced than in Retail

\* Excludes lease liabilities

# Business performance: NII and NIM –

## NII increases 5.9% yoy, flat qoq

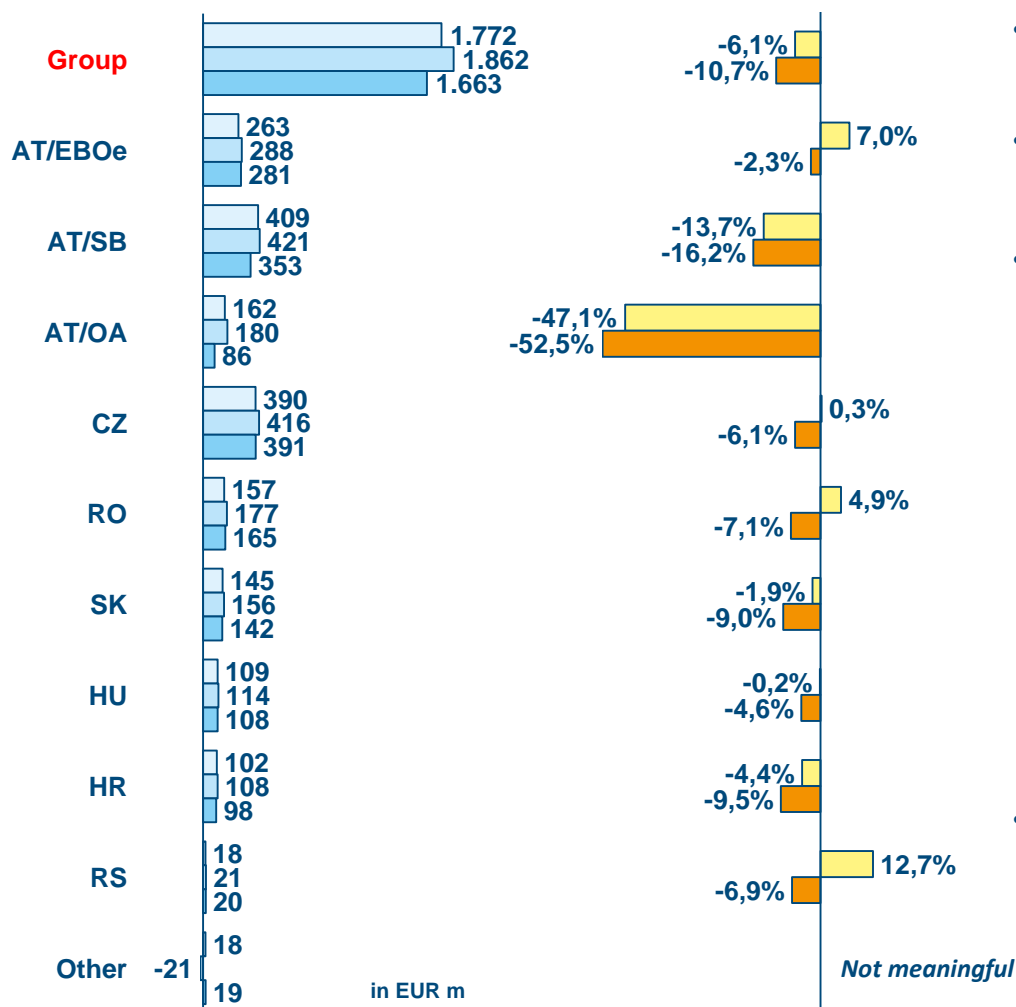
Q1 19  
Q4 19  
Q1 20



- Yoy NII growth (+5.9%) mainly due to strong CZ, AT/OA and Savings Banks performance
- Qoq NII flat as improvements in Holding ALM (segment Other), RO and SK offset decline in CZ, AT/EBOe and Savings Banks
- Year-on-year segment trends:
  - CZ: rising volumes and higher interest rate environment (until rate cuts in March 20) result in higher NII
  - AT/OA: increase in NII driven by higher lending volumes in the corporate portfolio and MM volumes in the Holding
  - AT/SB: NII rises on the back of higher volumes
- Quarter-on-quarter segment trends:
  - CZ: lower repo business in Q1 20 and recharging of resolution fund contributions (EUR +6.2m) in Q4 19
  - RO: NII improves mainly on the back of higher ALM contribution
  - Other: Holding ALM improves on derivatives results

# Business performance: operating income – Trading and FV result weigh on operating performance

YoY Q1 19  
QoQ Q4 19  
Q1 20



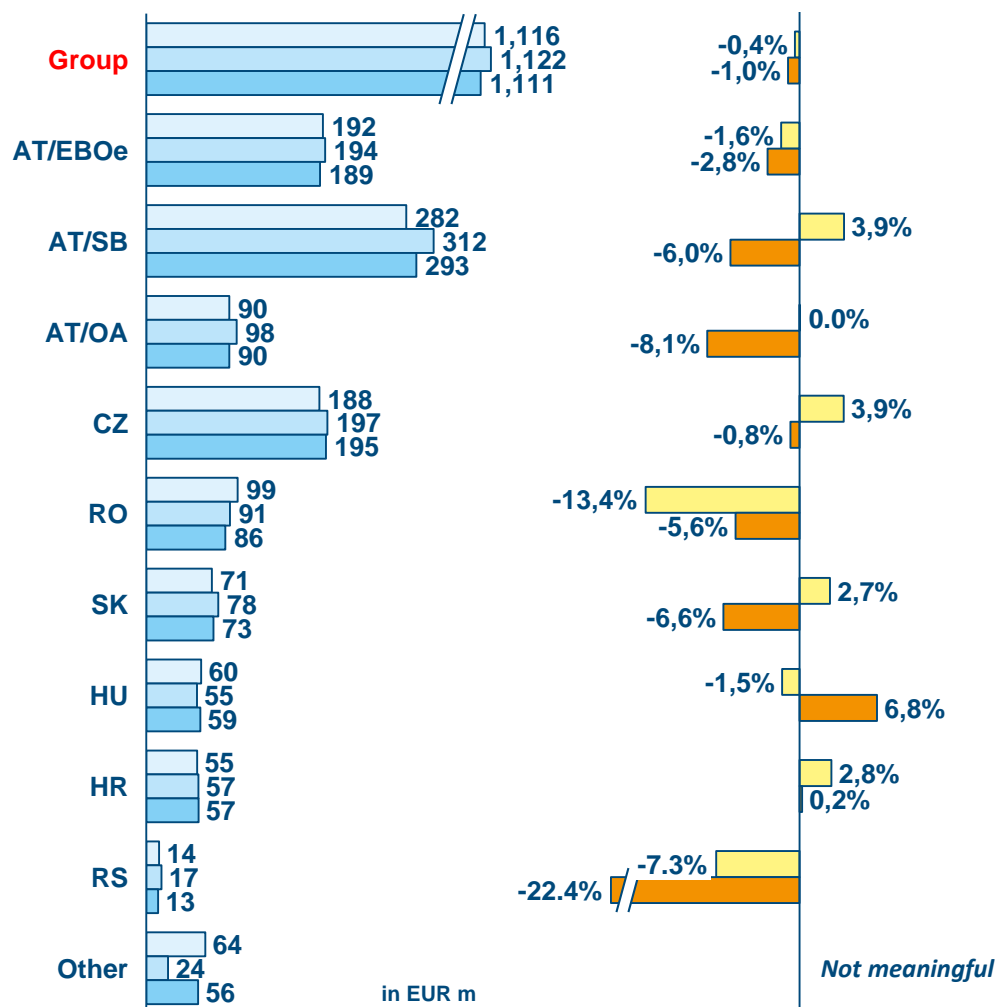
- Yoy development solely due to negative contribution from trading/FV result despite higher NII (+5.9%) and fee income (+3.4%)
- Qoq deterioration driven by trading/FV result, while NII remains flat and fee income declines after strong Q4 19
- Year-on-year segment trends:
  - AT/OA: improvements in all key revenue lines could not offset substantial deterioration in trading/FV result in Group markets business of the Holding due to the volatile market environment
  - AT/SB: while all key revenue lines improved, trading/FV result (mainly driven by valuation effects of debt securities) declined significantly
  - AT/EBOe: higher NII and fee income (mainly securities business) offset adverse valuation effects in trading/FV result
  - RO: NII improves mainly on the back of a higher loan volumes and lower funding costs, while fees decline (primarily lending and payments fees)
  - RS: operating income improves on NII on the back of increased loan volumes in the corporate business and on higher fees (mainly payments)
- Quarter-on-quarter segment trends:
  - CZ: declining NII from repo business and lower trading/FV result (CVAs in corporate business) partially offset by better fee income



# Business performance: operating expenses –

## Cost discipline results in lower OPEX yoy and qoq

■ YoY ■ Q1 19  
■ QoQ ■ Q4 19  
■ Q1 20

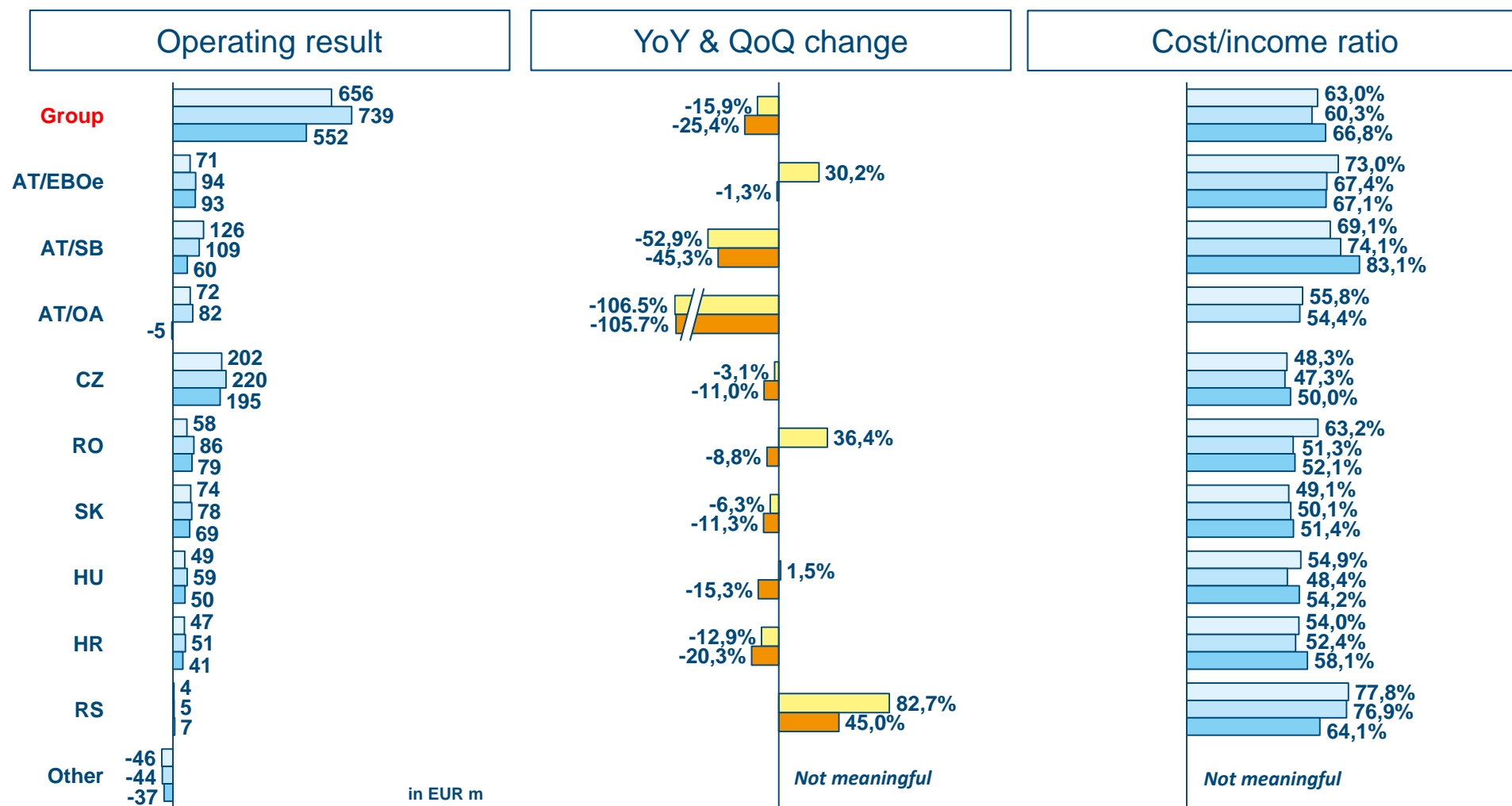


- Yoy costs slightly down despite wage inflation
- Qoq improvement mainly on seasonally higher marketing and personnel expenses in Q4 despite booking of deposit insurance contributions in Q1 20 (EUR 88.3m)
- Year-on-year segment trends:
  - RO: decline due to lower consultancy costs and lower deposit insurance contribution
  - AT/SB: higher deposit insurance contributions and higher OPEX related to a banking acquisition
  - CZ: OPEX increase on higher salaries
- Quarter-on-quarter segment trends:
  - AT/SB: lower IT, marketing and personnel expenses offset deposit insurance contribution
  - HU: declining PEREX could not offset deposit and insurance contribution

# Business performance: operating result and CIR –

## CIR at 66.8% in Q1 20

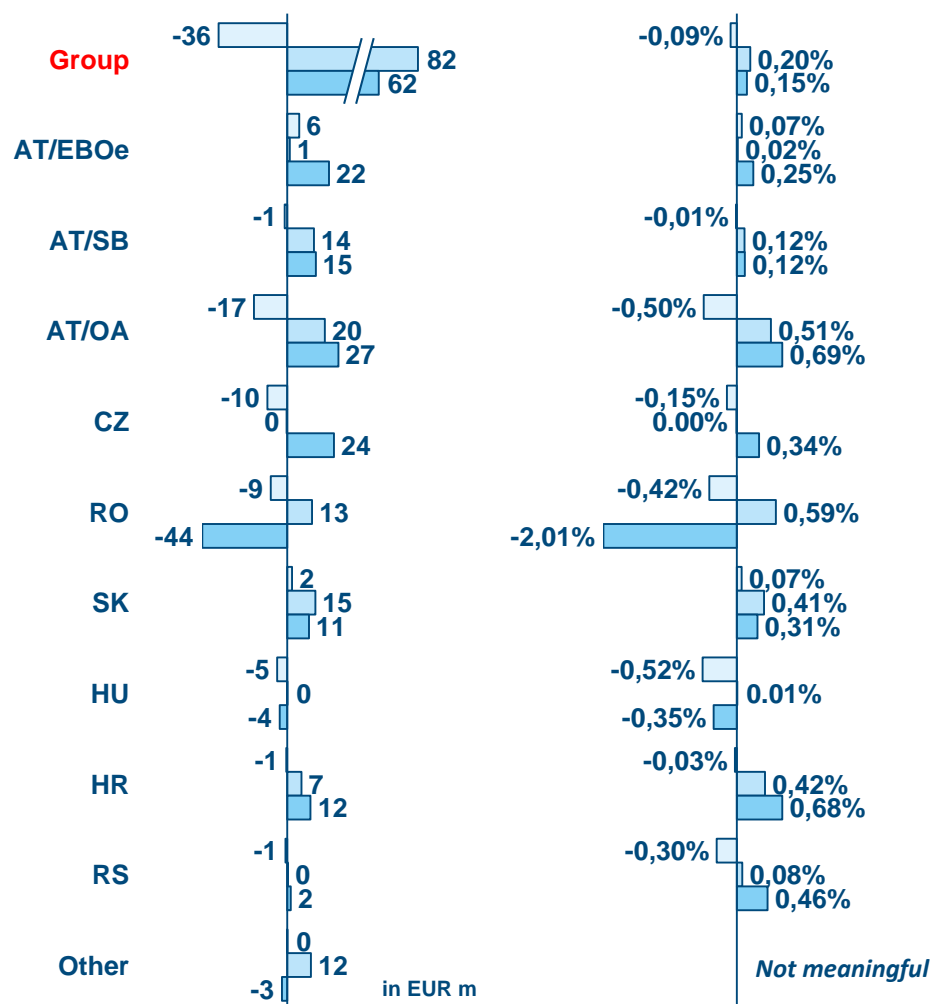
■ YoY ■ Q1 19  
■ QoQ ■ Q4 19  
■ Q1 20



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

## Risk costs do not yet reflect deteriorated macro environment

Q1 19  
Q4 19  
Q1 20



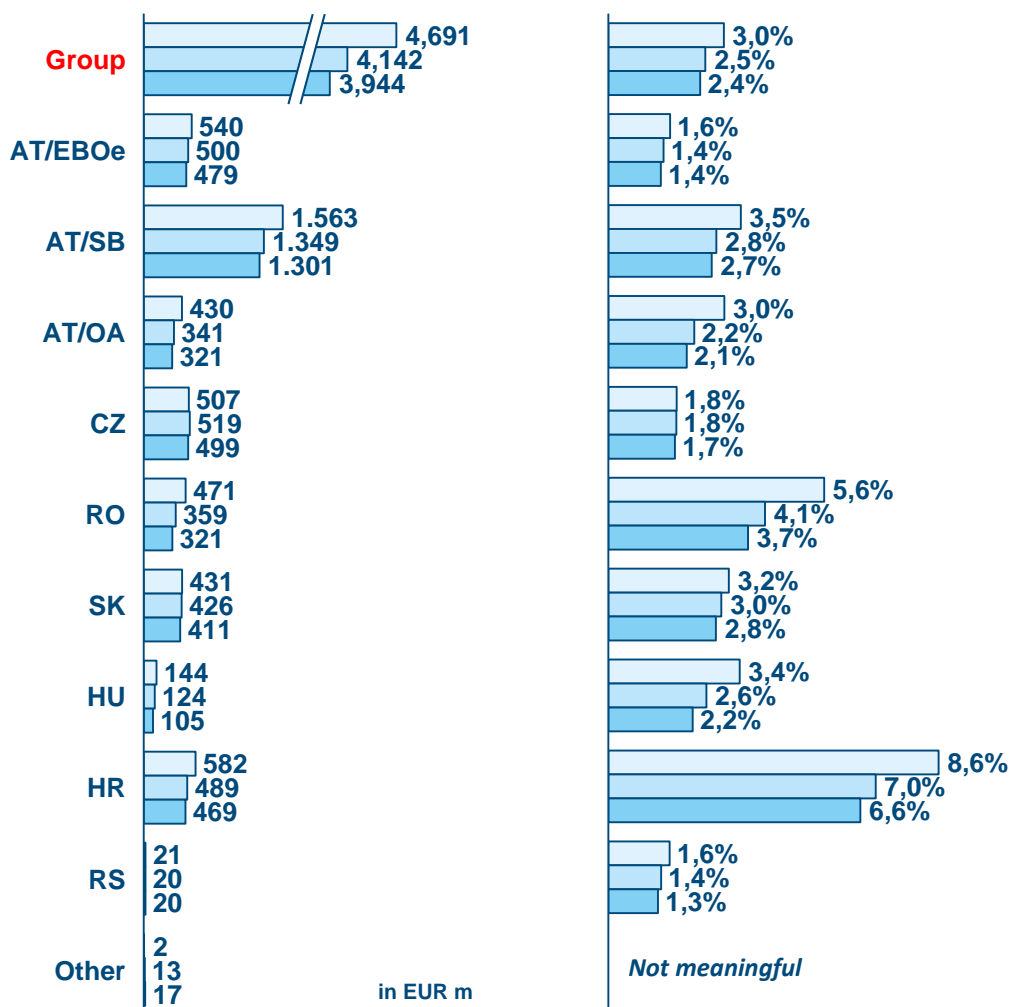
- Q1 20 risk costs not yet impacted by macro deterioration, in line with ESMA and EBA guidance
  - Q1 20 risk costs of 15bps benefitted from NPL recoveries (EUR 65.1 m), primarily in Romania
  - COVID-19 allocations of EUR 61.0m to selected customers/portfolios based on expert opinion
- Year-on-year segment trends:
  - AT/OA: increase in provisions reflects rating downgrades of performing customers
  - AT/EBOe: higher risk provisions partly reflect individual stage transfer (case-by-case risk management expert assessment) due to COVID-19 induced crisis
  - CZ: risk cost development primarily for SMEs reflecting COVID-19 induced crisis based on individual assessment
- Quarter-on-quarter segment trends:
  - RO: net release due to an extraordinary recovery from an exposure of one large corporate customer that was written off a few years ago

\*) A positive (absolute) figure denotes risk costs, a negative figure denotes net releases. Relative risk costs are calculated as annualised quarterly impairment result of financial instruments over average gross customer loans.

# Business performance: non-performing loans and NPL ratio –

## NPL ratio improves further to 2.4%

31/03/19  
31/12/19  
31/03/20

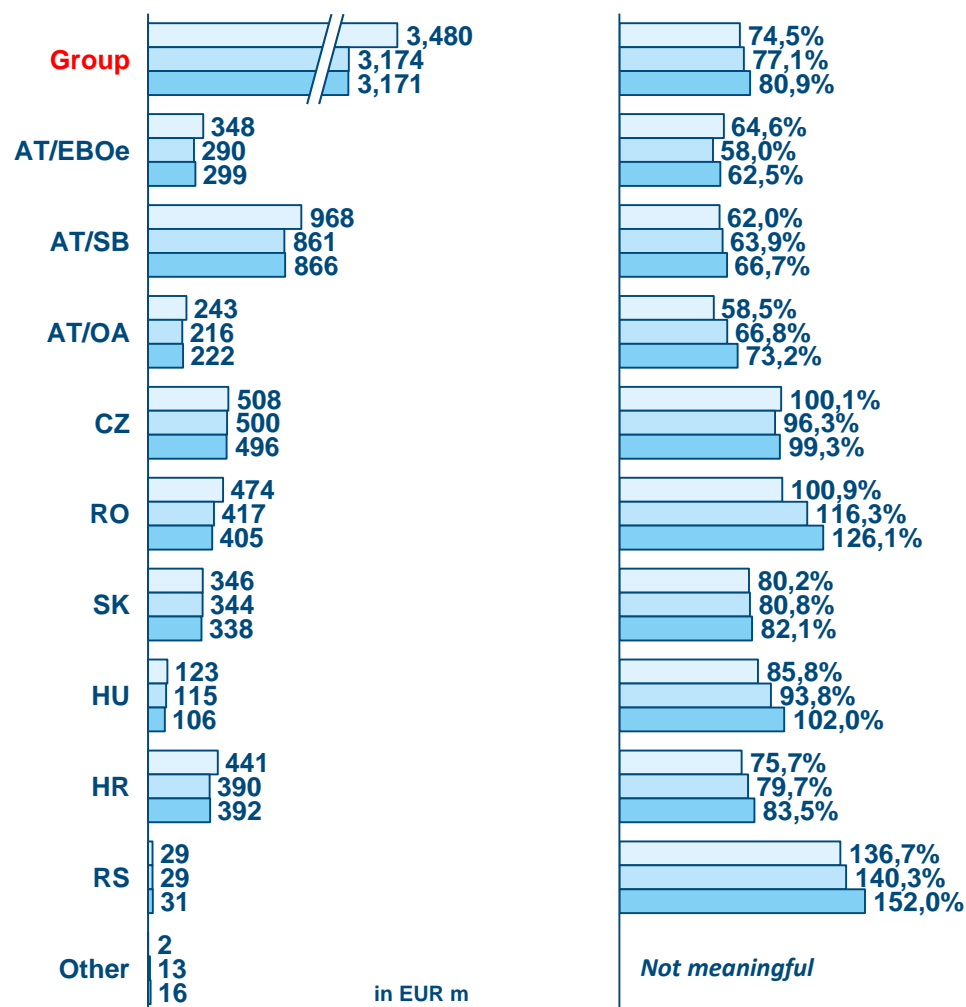


- NPL volume declines to EUR 3.9bn in Q1 20, resulting in lowest NPL ratio since going public in 1997, supported by:
  - Continued recoveries and upgrades, offsetting gross new inflows; new defaults lower than in Q4 19
- NPL sales of EUR 36.2m in Q1 20 (Q4 19: EUR 94.9m)
  - Retail: EUR 29.0m (Q4 19: EUR 62.1m)
  - Corporates: EUR 7.2m (Q4 19: EUR 32.8m)
  - Q1 20 NPL sales mainly in Slovakia, minor sales in Romania and the Czech Republic

# Business performance: allowances for loans and NPL coverage –

## NPL coverage rises to 80.9%

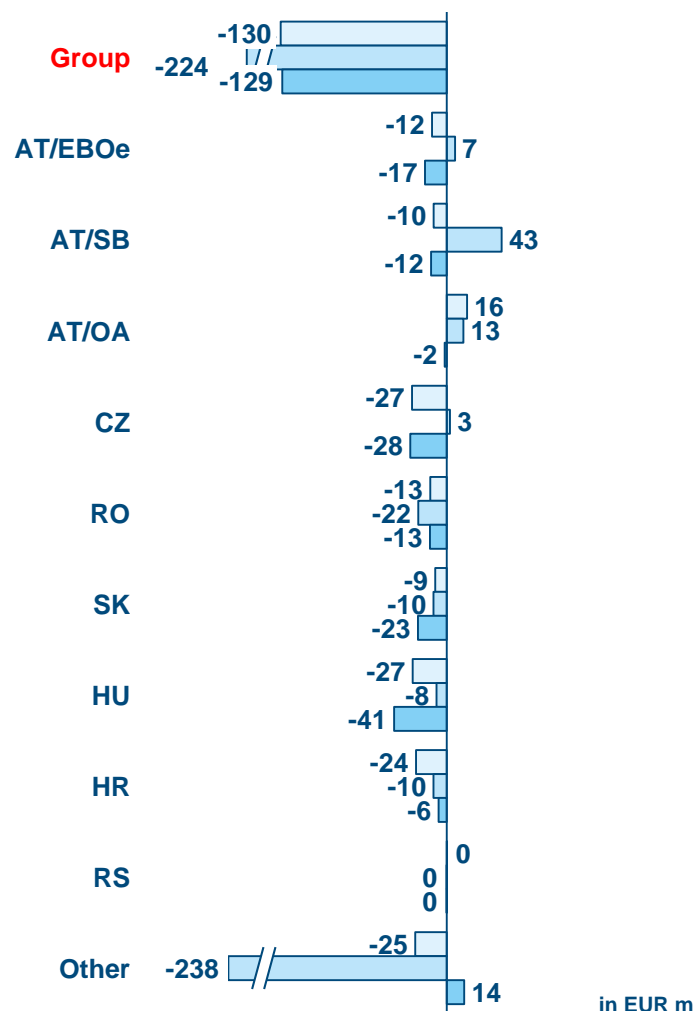
31/03/19  
31/12/19  
31/03/20



- NPL coverage rises yoy and qoq due to NPL stock decrease
- Year-on-year segment trends:
  - reduction in NPLs at a faster pace than allowances result in higher coverage
- Quarter-on-quarter segment trends:
  - AT/EBOe, AT/SB, AT/OA, HR: coverage improvement driven by decrease of NPL stock concurrent with increase in allowances primarily due to additional allowances for performing portfolios (triggered by transfer to stage 2 based on case-by-case assessments) and allocations for new defaults
  - CZ, RO, SK, HU: reduction of NPL stocks at a faster pace than provisions result in higher coverage; development of allowances mainly driven by additional bookings for performing portfolios

# Business performance: other result – Other result improves qoq

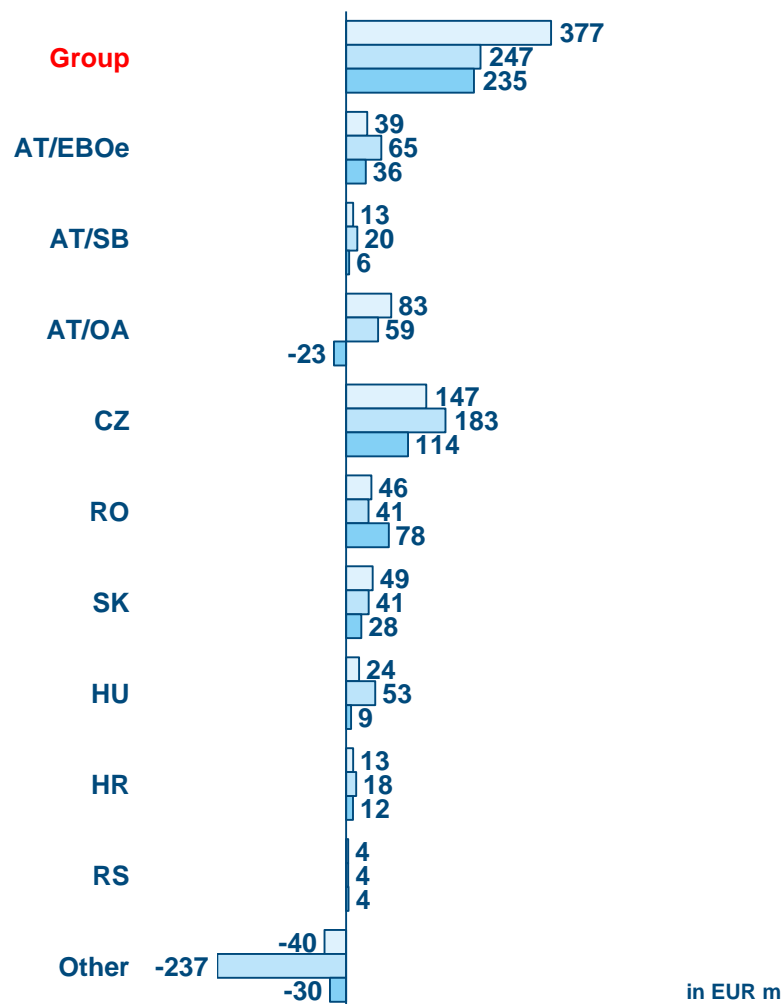
Q1 19  
Q4 19  
Q1 20



- Yoy other operating result remained stable despite doubling of SK banking tax and higher contributions into resolution funds
- Qoq improvement driven by non-recurrence of Slovak goodwill impairment (EUR 165m) in Q4 19 that more than offset booking of full-year resolution fund contributions and full-year Hungarian banking tax
- Year-on-year segment trends:
  - AT/OA: deterioration due to lower real estate selling gains
  - HU: Other result deteriorated due to the booking of the estimated NPV loss related to the general COVID-19 loan moratoria
  - HR: improvement on lower provisions for legal expenses
- Quarter-on-quarter segment trends:
  - AT/EBOe: development reflects real estate selling gains in Q4 19 and full-year payment of resolution fund in Q1 20
  - AT/SB: full-year payment into resolution funds, and Q4 19 benefited from real estate selling gains and booking of badwill related to a banking acquisition
  - CZ: other result mainly driven by full-year payment of resolution fund
  - Other: improvement mainly driven by non-recurrence of Slovak goodwill impairment

# Business performance: net result – Net profit declines on trading/FV result

Q1 19  
Q4 19  
Q1 20



- Yoy development driven by negative development in trading/FV result and higher risk costs
- Qoq profitability impacted by deterioration of trading/FV result and full-year booking of resolution fund contribution; offset by non-recurrence of Slovak goodwill impairment
- Year-on-year segment trends:
  - AT/OA: neg. development mainly driven by trading/FV result
  - RO: net result improves on operating performance and releases of risk provisions
  - SK: declining net result mainly on higher risk costs and doubling of banking levies
- Quarter-on-quarter segment trends:
  - CZ: higher risk costs and full-year booking of deposit insurance contribution and resolution fund
  - AT/EBOe: lower net result on higher risk costs and full-year booking of deposit insurance contributions as well as resolution fund
  - Other: improvement mainly driven by non-recurrence of Slovak goodwill impairment in Q4 19
- Return on equity at 6.6%, following 5.5% in Q4 19, and 11.1% in Q1 19
- Cash return on equity at 6.7%, following 5.6% in Q4 19, and 11.2% in Q1 19

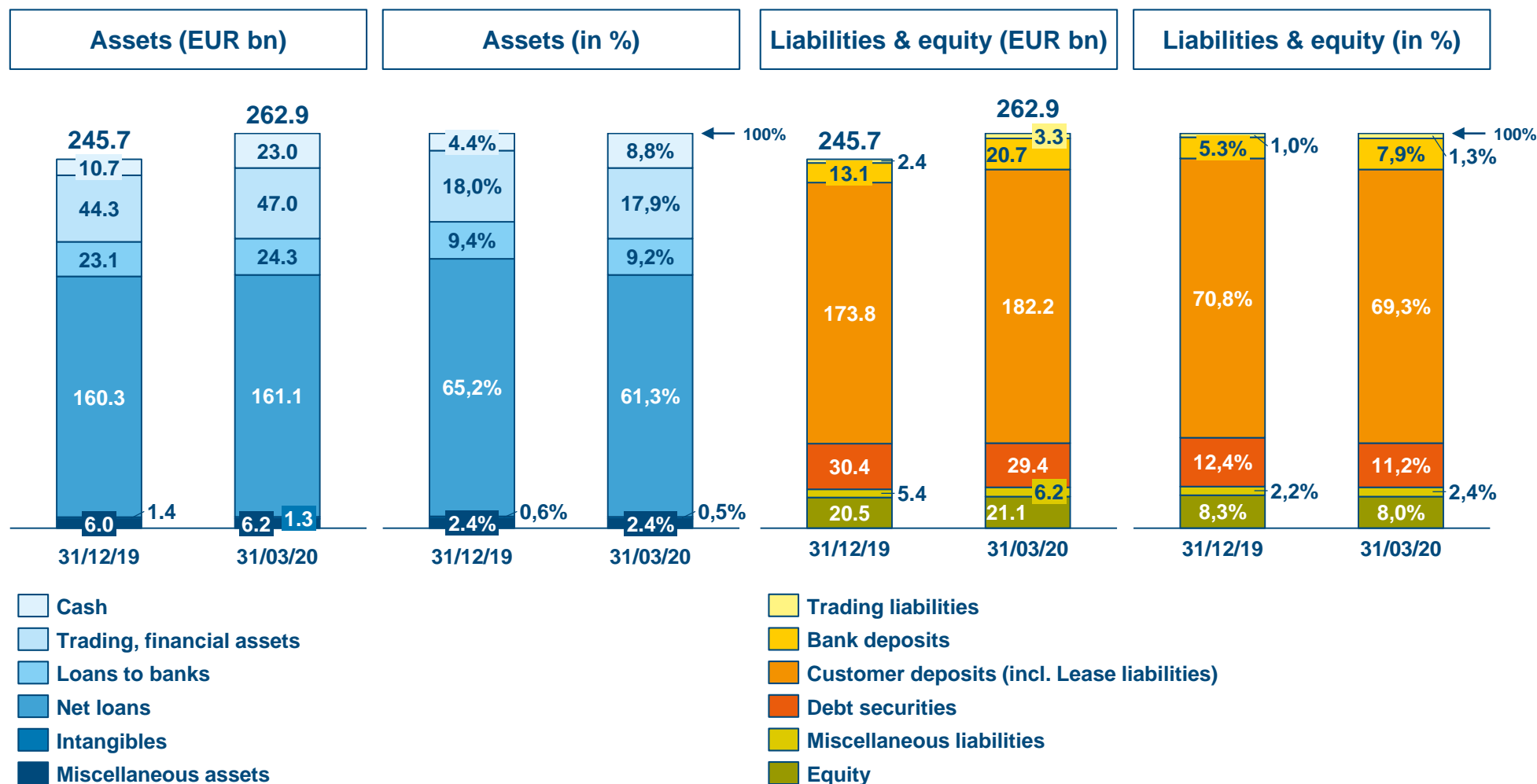
# Presentation topics

- Q1 20 presentation
  - Executive summary
  - Business environment
  - Business performance
  - **Assets and liabilities**
  - Key takeaways and outlook
  - Additional information



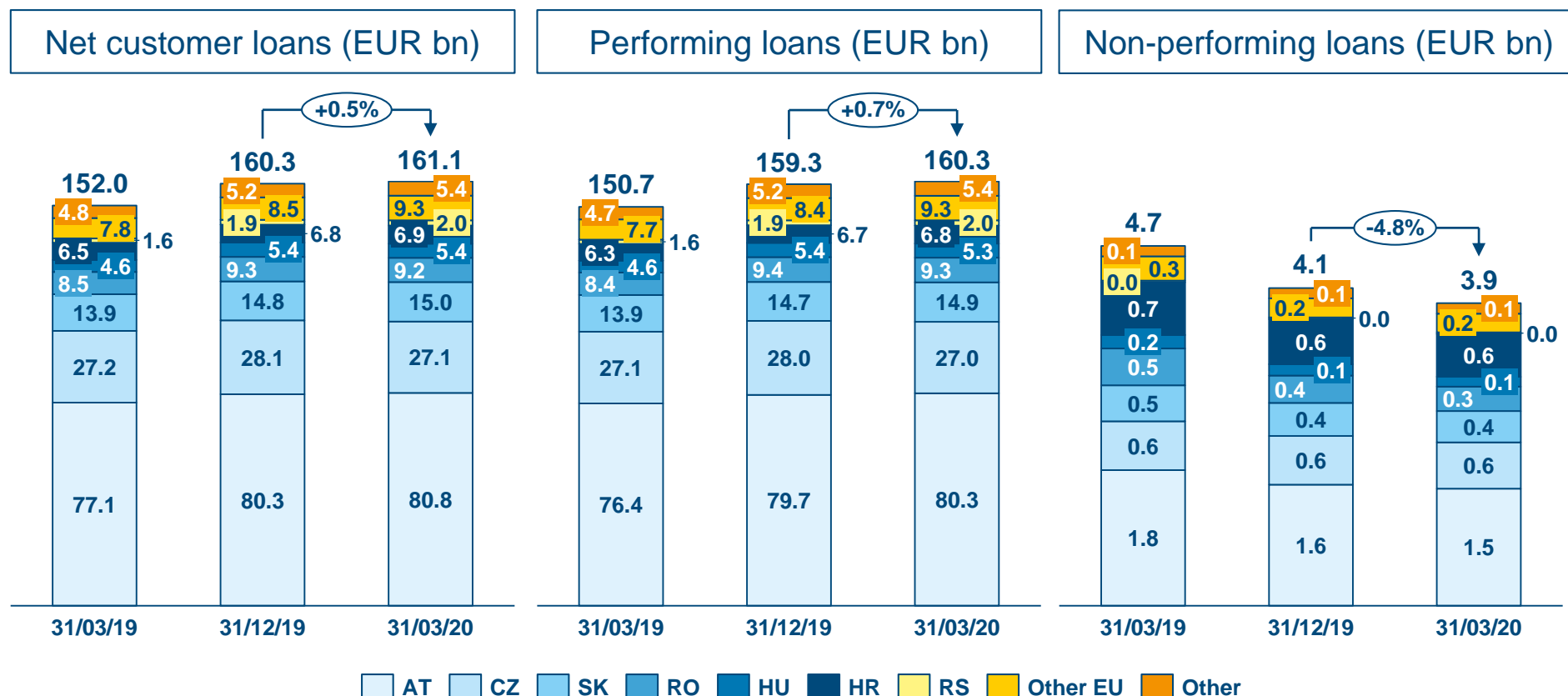
# Assets and liabilities: YTD overview –

## Loan/deposit ratio at 88.4% (Dec 19: 92.2%)



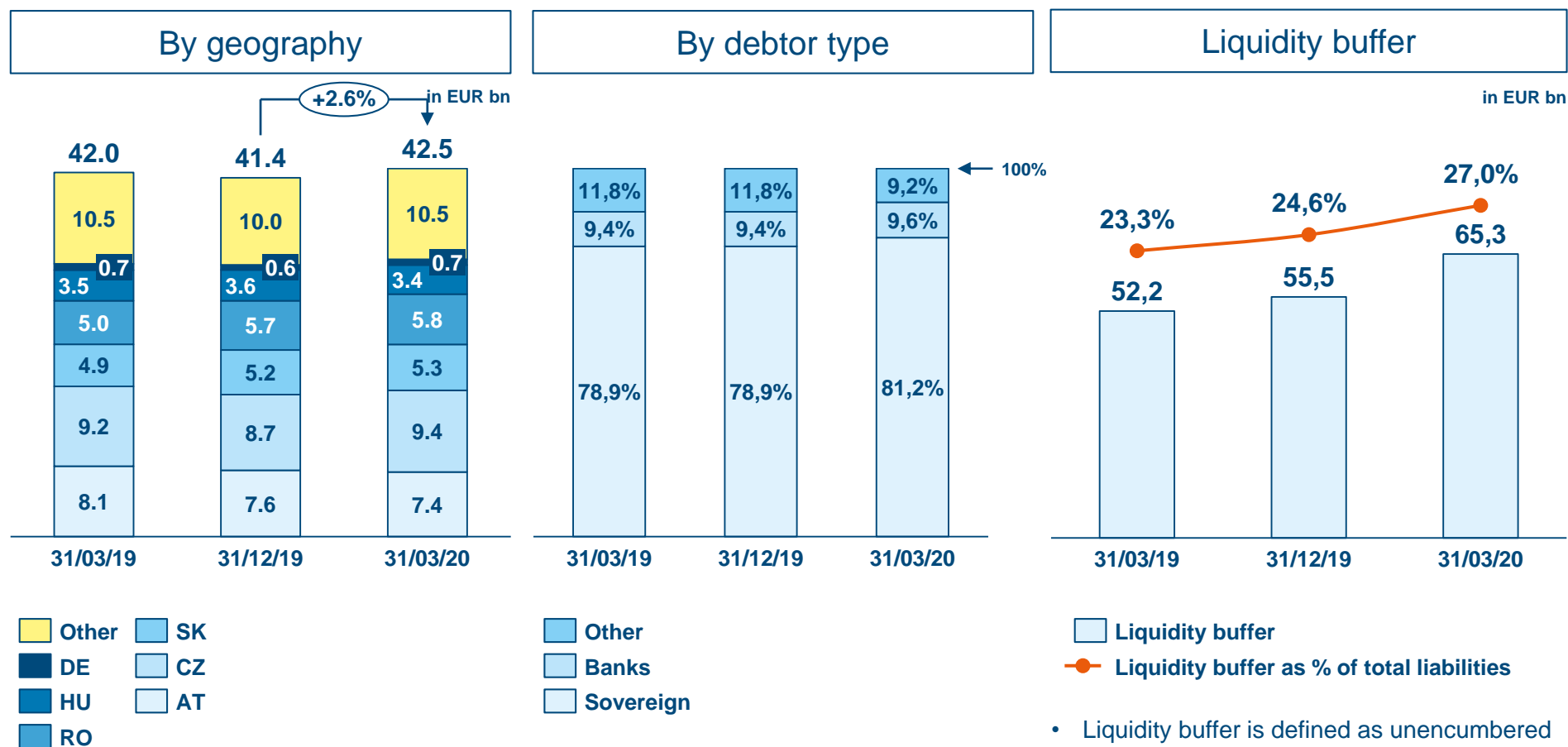
# Assets and liabilities: customer loans by country of risk –

## Net customer loans up 0.4%, NPLs down 4.8% in Q1 20



- Performing loans enjoy solid growth in most geographies, decline in the Czech Republic and in Hungary attributable to currency depreciation
- Corporates performed better than Retail
- Decline in NPL stock driven by reductions across all geographies

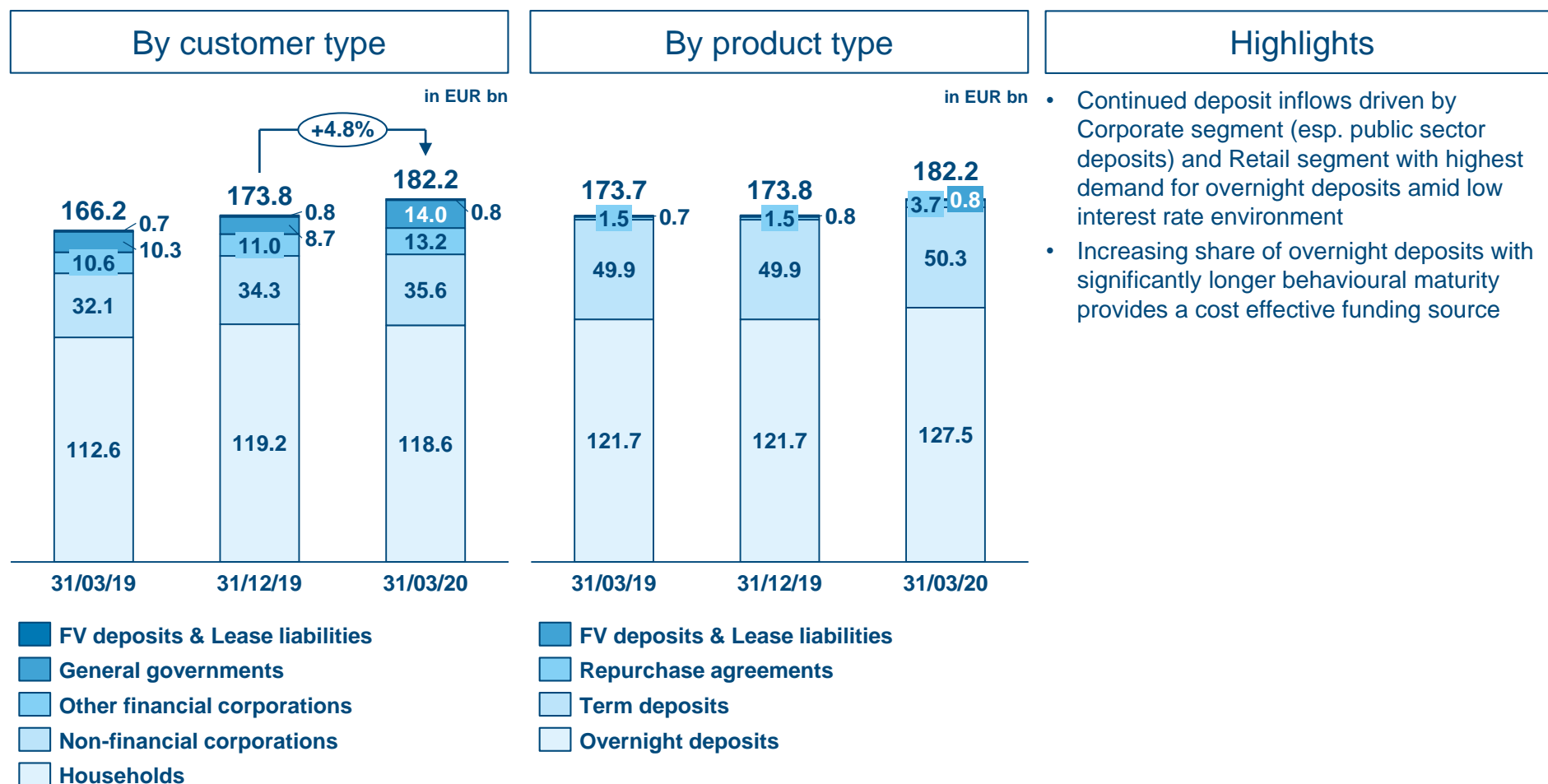
# Assets and liabilities: financial and trading assets\* – LCR at excellent 146.2%



\* Excludes derivatives held for trading

# Assets and liabilities: customer deposit funding –

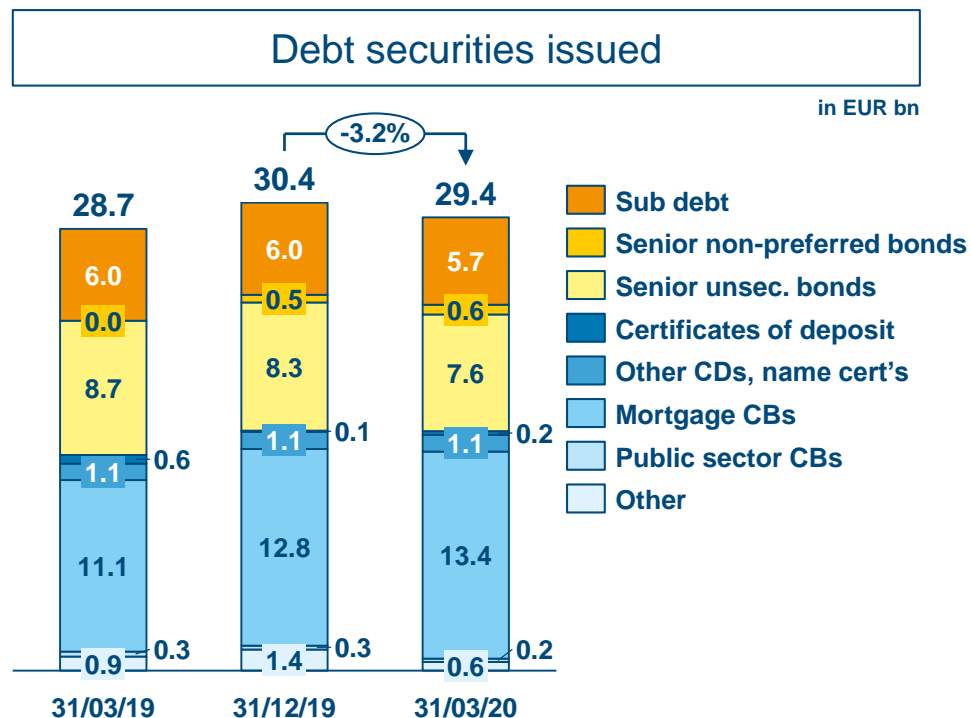
## Customer deposits\* up 4.8% in Mar 20, driven by corporates



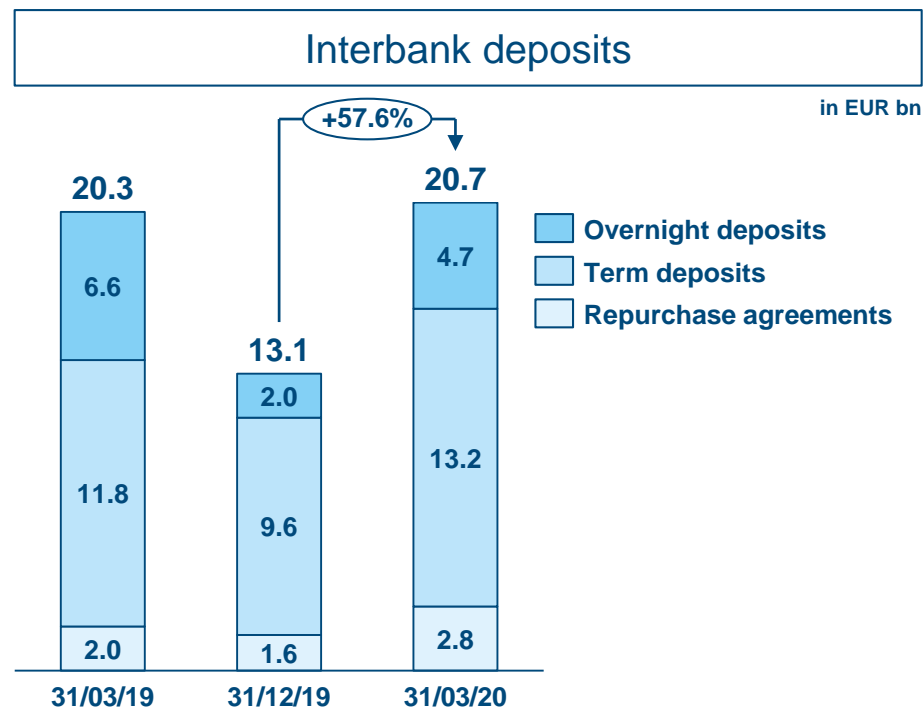
\* Includes lease liabilities

# Assets and liabilities: debt vs interbank funding –

## Reduced wholesale funding reliance, as customer deposits grow strongly



- Overall, relative stable development while volumes of mortgage covered bonds have risen

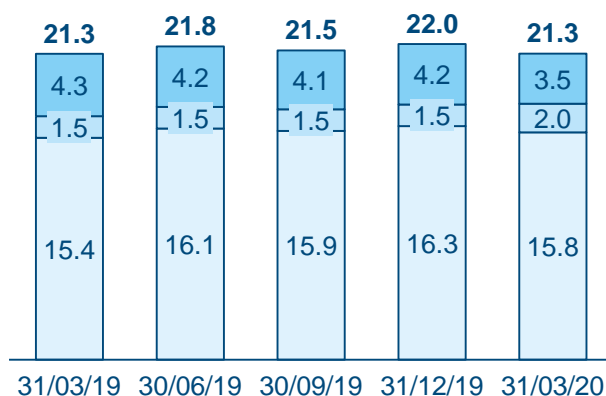


- Seasonal decline in interbank deposits mainly in overnight and term deposits in Q4

# Assets and liabilities: capital position – CET1 ratio at 13.1%

## Basel 3 capital

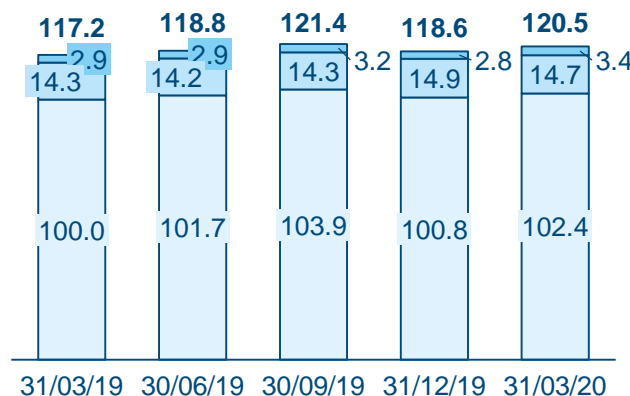
in EUR bn



■ Tier 2 ■ AT1 ■ CET1

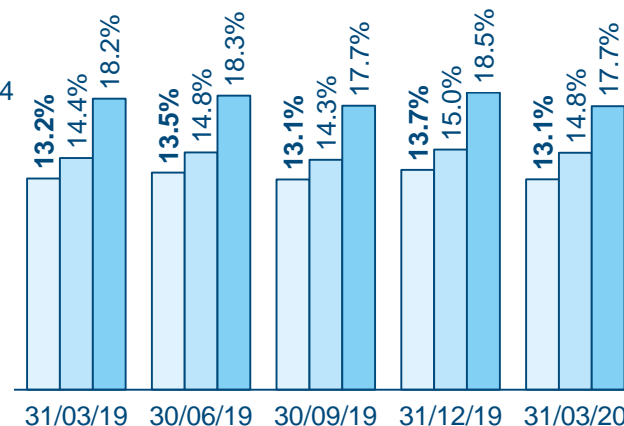
## Risk-weighted assets

in EUR bn



■ Market risk ■ Op risk ■ Credit RWA

## Basel 3 capital ratios



■ CET1 ■ Tier 1 ■ Total capital

- CET1 capital (including minorities): -EUR 525m ytd, mainly on:
  - Non-inclusion of Q1 20 interim profit
  - OCI impact of -EUR 266m
  - Prudential filter impact -EUR 429m
  - Minority interests +EUR 81m
- AT1 issuance in Q1 20: +EUR 497m

- YTD credit RWA inflation: EUR 1.6bn
  - Business growth contributed EUR 2.7bn
  - FX depreciation had positive impact of EUR 1.1bn
- Rise in market risk RWA driven by increased volatility

- CET1 ratio primarily impacted by FX depreciation (CZK, HUF): 32 bps
- Medium-term target remains unchanged at 13.5%, short term usage of increased management buffer

# Presentation topics

- Q1 20 presentation
  - Executive summary
  - Business environment
  - Business performance
  - Assets and liabilities
  - **Key takeaways and outlook**
  - Additional information

# Conclusion –

## Key takeaways and outlook for 2020

### Q1 20 key takeaways

### 2020 outlook

#### Operating environment

- Macro environment remained intact till mid-March
- From mid-March **COVID-19 lockdowns caused standstill** in social and economic life

#### Business performance

- **Strong NII** performance: +5.9% yoy
- **Excellent fee** delivery: +3.4% yoy
- Trading/FV result affected by **negative valuation effects**, primarily at savings banks in Austria

#### Credit risk

- **NPL ratio** improves again to **2.4%**
- **NPL coverage** ratio up again to **80.9%**
- Risk costs at 15bps of avg gross customer loans already include **EUR 61.0m for COVID-19**

#### Capital position

- **CET 1 ratio** at **13.1%**, as COVID-19 FX volatility negatively affected capital (-32bps)
- RWA updrift on higher corporate loan growth

#### Profitability

- **ROTE of 7.3%** impacted by trading/FV result
- 2019 dividend decision postponed to Q4 20 with firm management intention to pay dividend

#### Risk factors to guidance

- COVID-19 lockdowns redefine macro outlook
- CEE-wide concerted fiscal mitigation efforts
- **First tentative lockdown loosening steps**, back to pre-Corona normal still significant time off

- Challenged revenue outlook amid economic downturn, rate cuts
- Lower organic growth, protected growth (guarantees) and freezing of good portfolio through moratoria

- Significant increase in risk costs expected in 2020
- Aim to frontload as much in 2020 as justifiable
- **Currently most probable scenario is for 6m V-shape recovery, resulting in risk costs of 50-80bps**

- CET1 ratio is expected to decline due to RWA inflation, reduced profitability, negative FX effect
- Increased management buffer available as cushion
- **Medium-term CET1 target of 13.5% unchanged**

- Net result expected meaningfully lower than in 2019

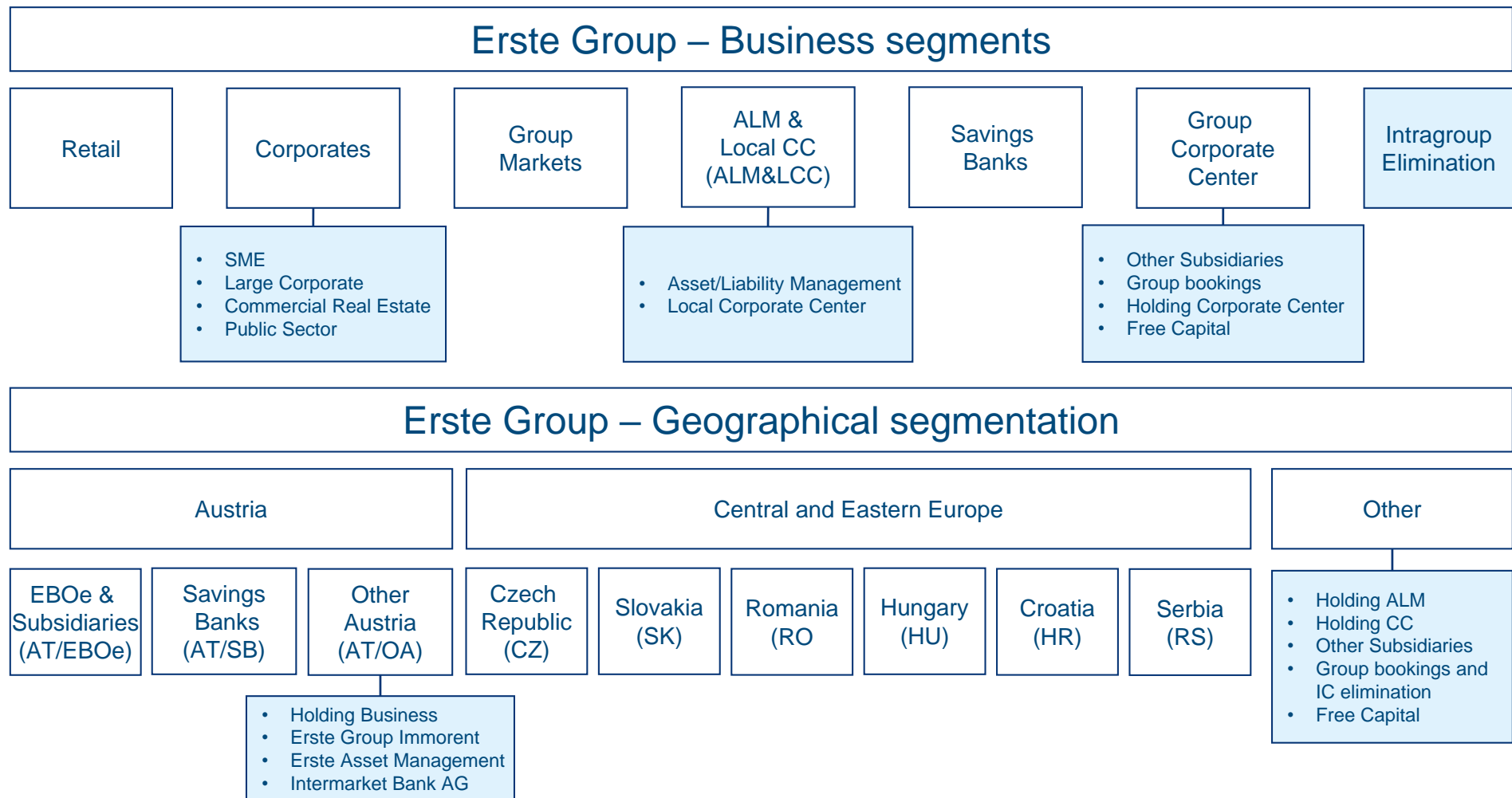
- Longer than expected duration of COVID-19 crisis
- Political or regulatory measures against banks
- Geopolitical, global economic and global health risks
- Economic downturn may put goodwill at risk



# Presentation topics

- Q1 20 presentation
  - Executive summary
  - Business environment
  - Business performance
  - Assets and liabilities
  - Key takeaways and outlook
  - Additional information

## Additional information: segment structure – Business line and geographic view



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

in EUR million	Year-to-date view			Quarterly view				
	1-3 19	1-3 20	YOY-Δ	Q1 19	Q4 19	Q1 20	YOY-Δ	QOQ-Δ
Net interest income	1,160.9	1,229.0	5.9%	1,160.9	1,229.5	1,229.0	5.9%	0.0%
Interest income	1,356.6	1,391.7	2.6%	1,356.6	1,404.6	1,391.7	2.6%	-0.9%
Other similar income	425.3	395.1	-7.1%	425.3	423.8	395.1	-7.1%	-6.8%
Interest expenses	-271.2	-231.0	-14.8%	-271.2	-237.1	-231.0	-14.8%	-2.6%
Other similar expenses	-349.8	-326.8	-6.6%	-349.8	-361.8	-326.8	-6.6%	-9.7%
Net fee and commission income	487.7	504.2	3.4%	487.7	515.9	504.2	3.4%	-2.3%
Fee and commission income	595.8	604.6	1.5%	595.8	567.7	604.6	1.5%	6.5%
Fee and commission expenses	-108.1	-100.4	-7.1%	-108.1	-51.8	-100.4	-7.1%	93.7%
Dividend income	0.5	1.5	>100.0%	0.5	3.8	1.5	>100.0%	-60.3%
Net trading result	153.3	-157.4	n/a	153.3	-101.0	-157.4	n/a	55.9%
Gains/losses from financial instruments measured at fair value through profit or loss	-77.1	37.5	n/a	-77.1	164.9	37.5	n/a	-77.3%
Net result from equity method investments	1.8	3.3	83.8%	1.8	7.0	3.3	83.8%	-53.1%
Rental income from investment properties & other operating leases	44.6	44.8	0.5%	44.6	41.7	44.8	0.5%	7.4%
Personnel expenses	-621.9	-630.0	1.3%	-621.9	-650.0	-630.0	1.3%	-3.1%
Other administrative expenses	-358.3	-344.8	-3.8%	-358.3	-325.8	-344.8	-3.8%	5.8%
Depreciation and amortisation	-135.4	-136.5	0.8%	-135.4	-146.6	-136.5	0.8%	-6.9%
Gains/losses from derecognition of financial assets measured at amortised cost	0.3	0.4	25.3%	0.3	1.3	0.4	25.3%	-67.2%
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	0.7	-1.7	n/a	0.7	5.5	-1.7	n/a	n/a
Impairment result from financial instruments	35.8	-61.7	n/a	35.8	-82.1	-61.7	n/a	-24.9%
Other operating result	-131.1	-127.6	-2.7%	-131.1	-230.9	-127.6	-2.7%	-44.8%
Levies on banking activities	-38.8	-49.9	28.5%	-38.8	-37.1	-49.9	28.5%	34.5%
<b>Pre-tax result from continuing operations</b>	<b>561.8</b>	<b>361.3</b>	<b>-35.7%</b>	<b>561.8</b>	<b>433.2</b>	<b>361.3</b>	<b>-35.7%</b>	<b>-16.6%</b>
Taxes on income	-95.5	-103.0	7.8%	-95.5	-67.8	-103.0	7.8%	51.9%
<b>Net result for the period</b>	<b>466.3</b>	<b>258.3</b>	<b>-44.6%</b>	<b>466.3</b>	<b>365.4</b>	<b>258.3</b>	<b>-44.6%</b>	<b>-29.3%</b>
Net result attributable to non-controlling interests	89.3	23.0	-74.2%	89.3	118.2	23.0	-74.2%	-80.5%
<b>Net result attributable to owners of the parent</b>	<b>377.0</b>	<b>235.3</b>	<b>-37.6%</b>	<b>377.0</b>	<b>247.2</b>	<b>235.3</b>	<b>-37.6%</b>	<b>-4.8%</b>
Operating income	1,771.7	1,663.0	-6.1%	1,771.7	1,861.8	1,663.0	-6.1%	-10.7%
Operating expenses	-1,115.6	-1,111.2	-0.4%	-1,115.6	-1,122.4	-1,111.2	-0.4%	-1.0%
<b>Operating result</b>	<b>656.0</b>	<b>551.7</b>	<b>-15.9%</b>	<b>656.0</b>	<b>739.4</b>	<b>551.7</b>	<b>-15.9%</b>	<b>-25.4%</b>

# Additional information: group balance sheet – Assets

in EUR million	Quarterly data					Change		
	Mar 19	Jun 19	Sep 19	Dec 19	Mar 20	YOY-Δ	YTD-Δ	QOQ-Δ
Cash and cash balances	16,382	16,843	15,638	10,693	23,031	40.6%	>100.0%	>100.0%
Financial assets held for trading	6,331	6,464	7,215	5,760	7,706	21.7%	33.8%	33.8%
Derivatives	3,208	3,101	3,551	2,805	4,034	25.8%	43.8%	43.8%
Other financial assets held for trading	3,123	3,363	3,664	2,954	3,672	17.6%	24.3%	24.3%
Non-trading financial assets at fair value through profit and loss	3,328	3,377	3,350	3,208	3,130	-5.9%	-2.4%	-2.4%
Equity instruments	367	401	393	390	361	-1.6%	-7.4%	-7.4%
Debt securities	2,692	2,459	2,539	2,335	2,250	-16.4%	-3.6%	-3.6%
Loans and advances to banks	0	0	0	0	0	n/a	n/a	n/a
<b>Loans and advances to customers</b>	<b>269</b>	<b>518</b>	<b>419</b>	<b>483</b>	<b>519</b>	<b>93.1%</b>	<b>7.4%</b>	<b>7.4%</b>
Financial assets at fair value through other comprehensive income	9,207	9,404	8,940	9,047	8,953	-2.8%	-1.0%	-1.0%
Equity instruments	271	285	312	210	139	-48.9%	-34.0%	-34.0%
Debt securities	8,936	9,119	8,629	8,836	8,815	-1.4%	-0.2%	-0.2%
Financial assets at amortised cost	195,852	199,411	204,079	204,162	207,133	5.8%	1.5%	1.5%
Debt securities	26,594	26,892	26,808	26,764	27,700	4.2%	3.5%	3.5%
Loans and advances to banks	22,741	23,035	25,241	23,055	24,264	6.7%	5.2%	5.2%
<b>Loans and advances to customers</b>	<b>146,518</b>	<b>149,484</b>	<b>152,030</b>	<b>154,344</b>	<b>155,168</b>	<b>5.9%</b>	<b>0.5%</b>	<b>0.5%</b>
Finance lease receivables	3,779	3,925	3,987	4,034	4,040	6.9%	0.1%	0.1%
Hedge accounting derivatives	139	168	182	130	226	62.9%	73.6%	73.6%
Property and equipment	2,663	2,580	2,509	2,629	2,558	-4.0%	-2.7%	-2.7%
Investment properties	1,243	1,228	1,226	1,266	1,254	0.9%	-0.9%	-0.9%
Intangible assets	1,489	1,490	1,491	1,368	1,322	-11.2%	-3.4%	-3.4%
Investments in associates and joint ventures	200	204	202	163	163	-18.3%	0.1%	0.1%
Current tax assets	98	92	80	81	80	-18.4%	-0.8%	-0.8%
Deferred tax assets	412	417	436	477	453	9.9%	-5.1%	-5.1%
Assets held for sale	141	214	242	269	265	88.1%	-1.3%	-1.3%
Trade and other receivables	1,391	1,404	1,405	1,408	1,391	0.0%	-1.2%	-1.2%
Other assets	1,050	1,039	1,119	1,001	1,191	13.5%	19.0%	19.0%
<b>Total assets</b>	<b>243,706</b>	<b>248,261</b>	<b>252,101</b>	<b>245,693</b>	<b>262,898</b>	<b>7.9%</b>	<b>7.0%</b>	<b>7.0%</b>

# Additional information: group balance sheet –

## Liabilities and equity

in EUR million	Quarterly data					Change		
	Mar 19	Jun 19	Sep 19	Dec 19	Mar 20	YOY-Δ	YTD-Δ	QOQ-Δ
Financial liabilities held for trading	2,277	2,518	2,751	2,421	3,322	45.9%	37.2%	37.2%
Derivatives	1,979	2,125	2,411	2,005	2,945	48.8%	46.9%	46.9%
Other financial liabilities held for trading	298	393	341	416	377	26.3%	-9.4%	-9.4%
Financial liabilities at fair value through profit or loss	14,449	14,605	14,550	13,494	12,591	-12.9%	-6.7%	-6.7%
<b>Deposits from customers</b>	<b>229</b>	<b>255</b>	<b>277</b>	<b>265</b>	<b>252</b>	<b>10.0%</b>	<b>-4.9%</b>	<b>-4.9%</b>
Debt securities issued	13,784	13,914	13,754	13,011	12,128	-12.0%	-6.8%	-6.8%
Other financial liabilities	436	436	520	219	211	-51.6%	-3.6%	-3.6%
Financial liabilities at amortised cost	201,357	205,560	208,728	204,143	219,988	9.3%	7.8%	7.8%
Deposits from banks	20,295	19,043	19,936	13,141	20,703	2.0%	57.6%	57.6%
<b>Deposits from customers</b>	<b>165,556</b>	<b>169,004</b>	<b>171,831</b>	<b>173,066</b>	<b>181,439</b>	<b>9.6%</b>	<b>4.8%</b>	<b>4.8%</b>
Debt securities issued	14,886	16,859	16,350	17,360	17,285	16.1%	-0.4%	-0.4%
Other financial liabilities	620	653	611	576	560	-9.7%	-2.9%	-2.9%
Lease liabilities	432	409	403	515	520	20.5%	1.0%	1.0%
Hedge accounting derivatives	285	276	291	269	207	-27.2%	-23.0%	-23.0%
Fair value changes of hedged items in portfolio hedge of interest rate risk	0	0	0	0	0	>100.0%	>100.0%	>100.0%
Provisions	1,877	2,004	2,001	1,919	2,046	9.0%	6.7%	6.7%
Current tax liabilities	88	75	89	61	94	7.5%	55.8%	55.8%
Deferred tax liabilities	30	31	24	18	24	-19.2%	36.7%	36.7%
Liabilities associated with assets held for sale	6	7	7	6	7	20.8%	11.6%	11.6%
Other liabilities	3,151	3,127	3,128	2,369	3,045	-3.4%	28.5%	28.5%
<b>Total equity</b>	<b>19,754</b>	<b>19,649</b>	<b>20,130</b>	<b>20,477</b>	<b>21,053</b>	<b>6.6%</b>	<b>2.8%</b>	<b>2.8%</b>
Equity attributable to non-controlling interests	4,570	4,639	4,735	4,857	4,875	6.7%	0.4%	0.4%
Additional equity instruments	1,490	1,490	1,490	1,490	1,987	33.4%	33.4%	33.4%
Equity attributable to owners of the parent	13,694	13,520	13,904	14,129	14,190	3.6%	0.4%	0.4%
Subscribed capital	860	860	860	860	860	0.0%	0.0%	0.0%
Additional paid-in capital	1,477	1,477	1,477	1,478	1,478	0.1%	0.0%	0.0%
Retained earnings and other reserves	11,358	11,183	11,568	11,792	11,853	4.4%	0.5%	0.5%
<b>Total liabilities and equity</b>	<b>243,706</b>	<b>248,261</b>	<b>252,101</b>	<b>245,693</b>	<b>262,898</b>	<b>7.9%</b>	<b>7.0%</b>	<b>7.0%</b>

# Additional information: regulatory capital position/requirement (SREP) – Capital requirements (SREP) for 2020; Erste Group target of 13.5% unchanged

- Combined impact of countercyclical buffers amounts to 30 bps in 2020

	Erste Group Consolidated				Erste Group Unconsolidated		
	Phased-in 2019	Fully loaded Q1 2020	ECB Capital Relief Measures 1) Q1 2020	Fully loaded YE 2020	Phased-in 2019	Fully loaded Q1 2020	Fully loaded YE 2020
<b>Pillar 1 CET1 requirement</b>	<b>4.50%</b>	<b>4.50%</b>	<b>4.50%</b>	<b>4.50%</b>	<b>4.50%</b>	<b>4.50%</b>	<b>4.50%</b>
<b>Combined buffer requirement</b>	<b>4.91%</b>	<b>4.94%</b>	<b>2.44%</b>	<b>4.80%</b>	<b>4.75%</b>	<b>4.83%</b>	<b>4.73%</b>
Capital conservation buffer	2.50%	2.50%	0.00%	2.50%	2.50%	2.50%	2.50%
Countercyclical capital buffer 2)	0.41%	0.44%	0.44%	0.30%	0.25%	0.33%	0.23%
OSII/Systemic risk buffer	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
<b>Pillar 2 CET1 requirement 3)</b>	<b>1.75%</b>	<b>0.98%</b>	<b>0.98%</b>	<b>0.98%</b>	<b>1.75%</b>	<b>1.75%</b>	<b>1.75%</b>
<b>Pillar 2 CET1 guidance</b>	<b>1.00%</b>	<b>1.00%</b>	<b>0.00%</b>	<b>1.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Regulatory minimum ratios excluding P2G</b>							
CET1 requirement	11.16%	10.42%	7.92%	10.28%	11.00%	11.08%	10.98%
1.50% AT1 Tier 1 requirement	12.66%	12.25%	9.75%	12.11%	12.50%	12.58%	12.48%
2.00% T2 Own funds requirement	14.66%	14.69%	12.19%	14.55%	14.50%	14.58%	14.48%
<b>Regulatory minimum ratios including P2G</b>							
CET1 requirement	<b>12.16%</b>	<b>11.42%</b>	<b>n.a.</b>	<b>11.28%</b>	<b>11.00%</b>	<b>11.08%</b>	<b>10.98%</b>
1.50% AT1 Tier 1 requirement	12.66%	13.25%	n.a.	13.11%	12.50%	12.58%	12.48%
2.00% T2 Own funds requirement	14.66%	15.69%	n.a.	15.55%	14.50%	14.58%	14.48%
<b>Reported CET1 ratio as of March 2020</b>		<b>13.12% 4)</b>			<b>22.89% 5)</b>		

- Buffer to MDA restriction as of 31 Mar 20: 253bps
- Available distributable items (ADI) as of 31 Mar 20: EUR 2.1bn (post 2019 dividend and AT1 coupon; based on CRR II, which allows additional own funds components to be included, ADIs are at EUR 4.7bn)

1) Following ECB's announcement re. measures in reaction to COVID-19 on 12 March 2020. (MDA restrictions still apply in case of a combined buffer requirement breach).

2) Planned values based on Q1 2020 exposure (Q1 20 countercyclical buffer of 0.44% for Erste Group consolidated)

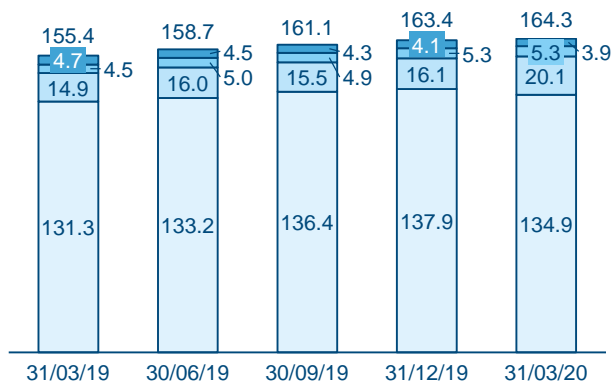
3) As of 12 March 2020 ECB brought forward measures for the use of the P2R re. capital stack (56.25% for CET1 capital and 75% for Tier 1 capital. The overall P2R remained at 1.75% for Erste Group)

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

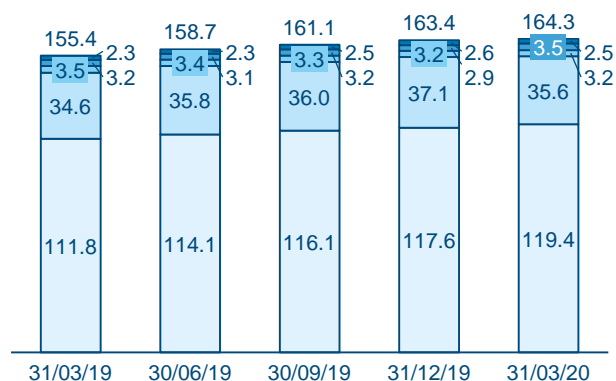
5) Unconsolidated CET1 ratio based on Q4 19 figures

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

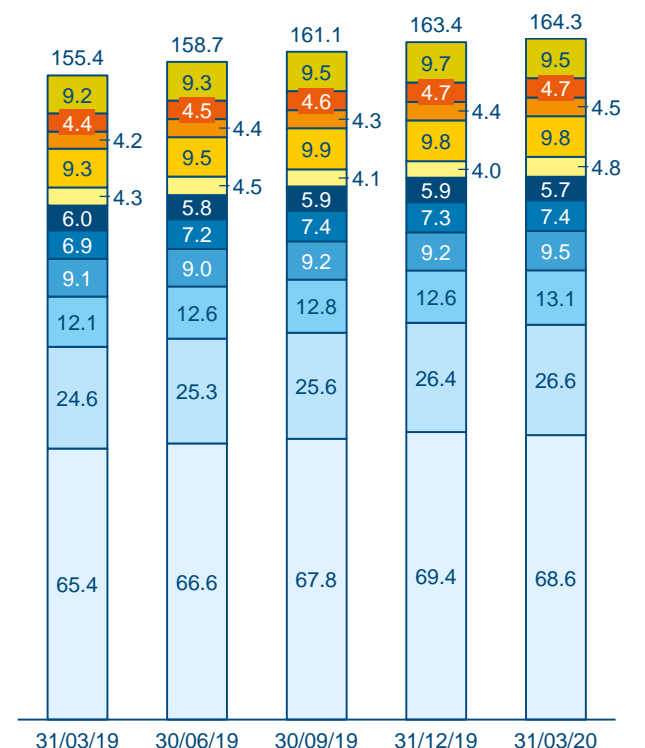
Gross cust. loans by risk category (EUR bn)



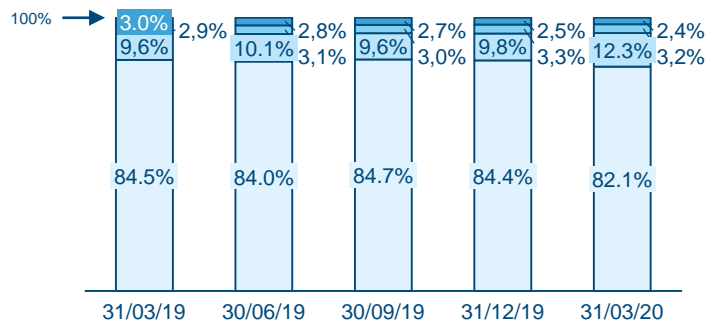
Gross customer loans by currency (EUR bn)



Gross customer loans by industry (EUR bn)

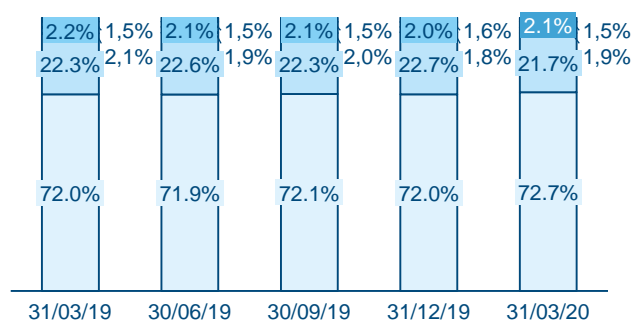


Gross customer loans by risk category (in %)



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

Gross customer loans by currency (in %)

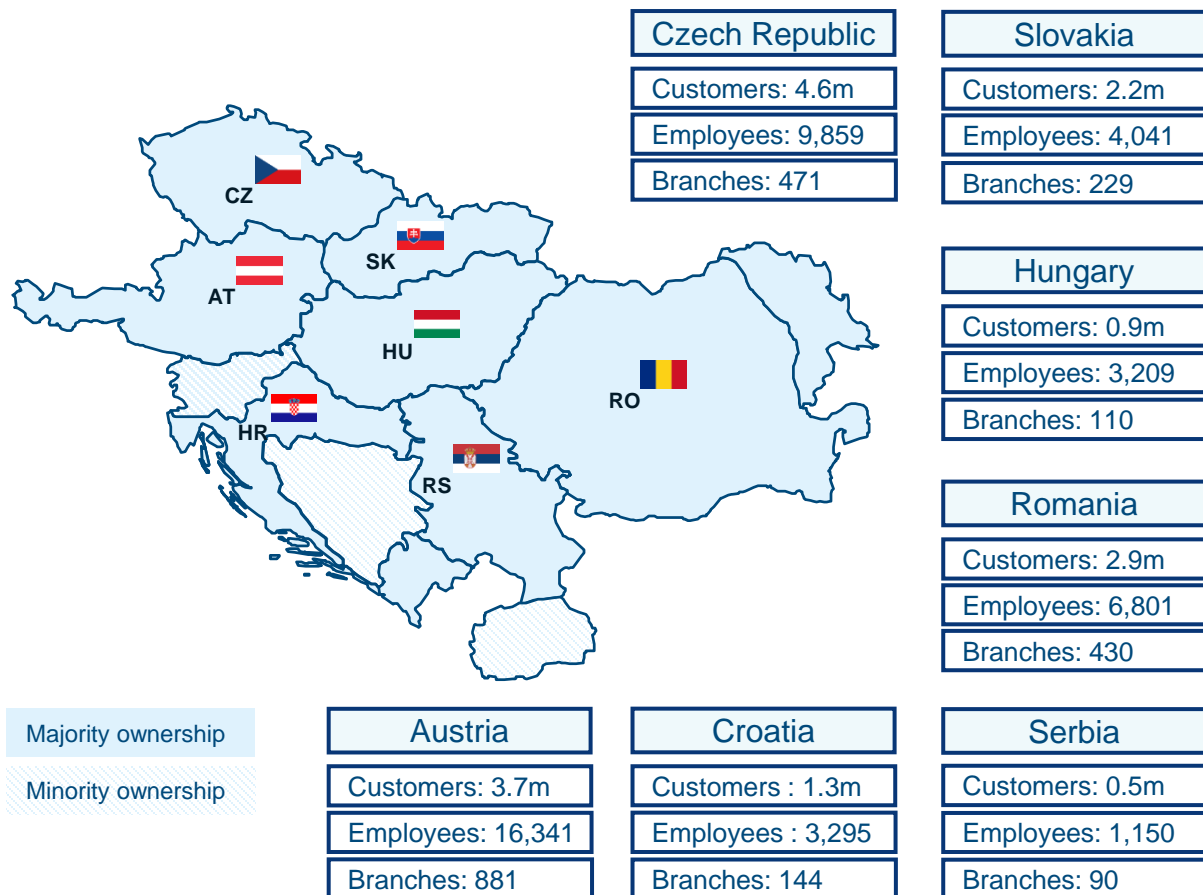


■ Other  
■ USD  
■ CHF  
■ CEE-LCY  
■ EUR

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

## 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

Employees: FTEs as of end of reporting period  
(The presented FTE data exclude FTEs outside Erste Group's core markets in Austria and CEE as well as FTEs of specific services entities not located in Austria)



## 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 (in EUR) only where funded by local FX deposits (Croatia and Serbia)

Savings products, asset management and pension products

Expansion of digital banking offering

##### Corporate banking

SME and local corporate banking

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

Real estate business that goes beyond financing

#### Focus on CEE, limited exposure to other Europe

##### Capital markets

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

In addition to core markets, presences in Poland, Germany, London, New York and Hongkong 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

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

## MOODY'S

<b>Macro Profile</b>	
<b>Strong</b>	
+	
<b>Financial Profile</b>	
Asset Risk	baa2
Capital	baa1
Profitability	baa3
Funding Structure	a3
Liquid Resources	baa1
+	
<b>Qualitative Factors</b>	
Business Diversification	0
Opacity, Complexity	0
Corporate Behaviour	0
=	
<b>BCA Baseline Credit Assessment</b>	<b>baa1</b>
+	
Affiliate Support	0
=	
<b>Adjusted BCA</b>	<b>baa1</b>
+	
<b>LGF Loss Given Failure</b>	<b>+ 2</b>
Government Support	0
=	
<b>Issuer Rating / Senior Unsecured Long-Term Outlook / Short-Term</b>	
<b>A2 Positive / P-1</b>	

## S&P Global Ratings

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

## FitchRatings

<b>VR - Viability Rating (Individual Rating )</b>
<b>a-</b>
<b>SRF - Support Rating Floor</b>
<b>NF (No Floor)</b>
<b>IDR - Issuer Default Rating Long-Term Outlook / Short-Term</b>
<b>A RWN* / F1</b>

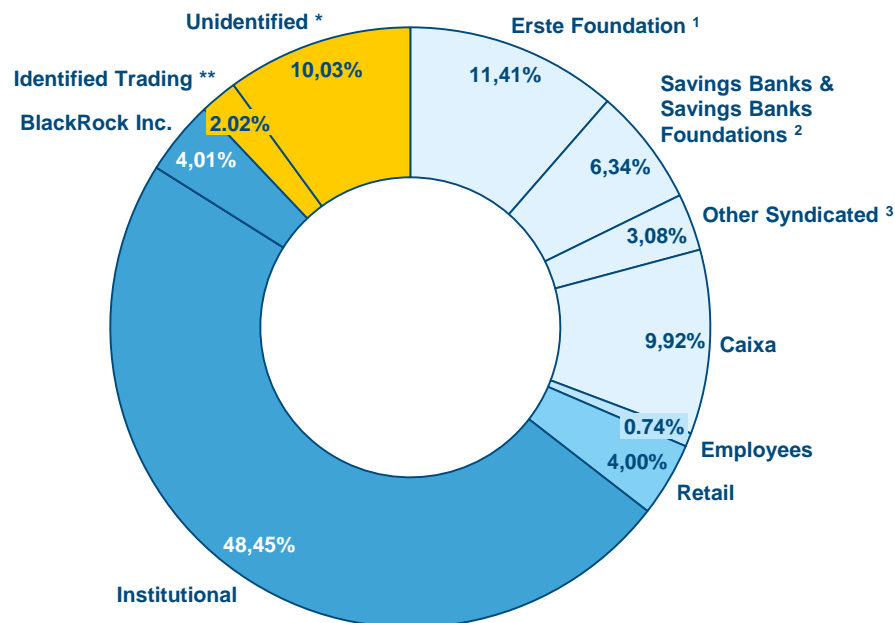
\* Rating Watch Negative

Status as of 29 April 2020

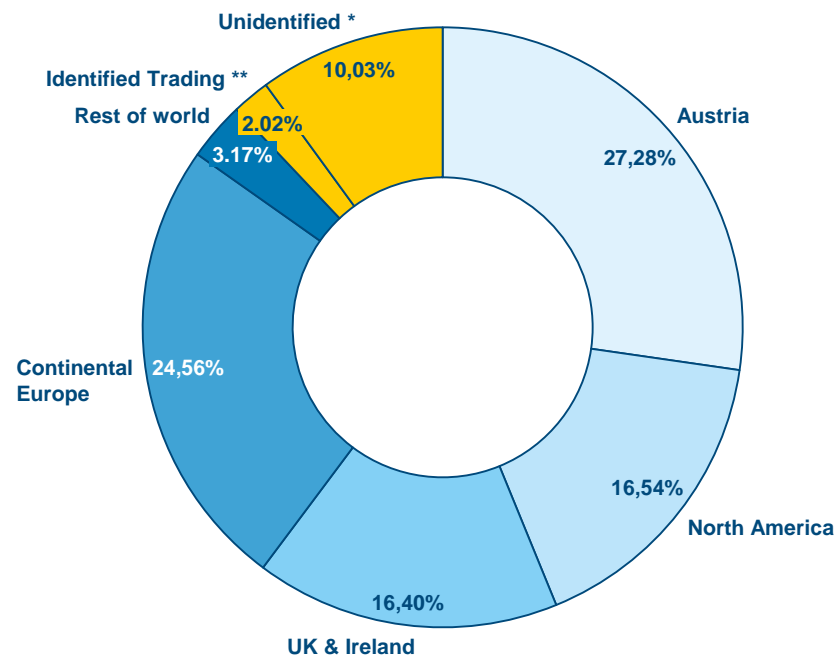
## Additional information: shareholder structure –

Total number of shares: 429,800,000

By investor



By region



<sup>1</sup> Economic interest Erste Foundation, including Erste Employees Private Foundation

<sup>2</sup> Economic interest Savings Banks & Savings Banks Foundations

<sup>3</sup> Other parties to the shareholder agreement of Erste Foundation, Savings Banks and CaixaBank

\* Unidentified institutional and retail investors

\*\* Including Market Makers, Prime Brokerage, Proprietary Trading, Collateral and Stock Lending positions which are visible through custodian banklists

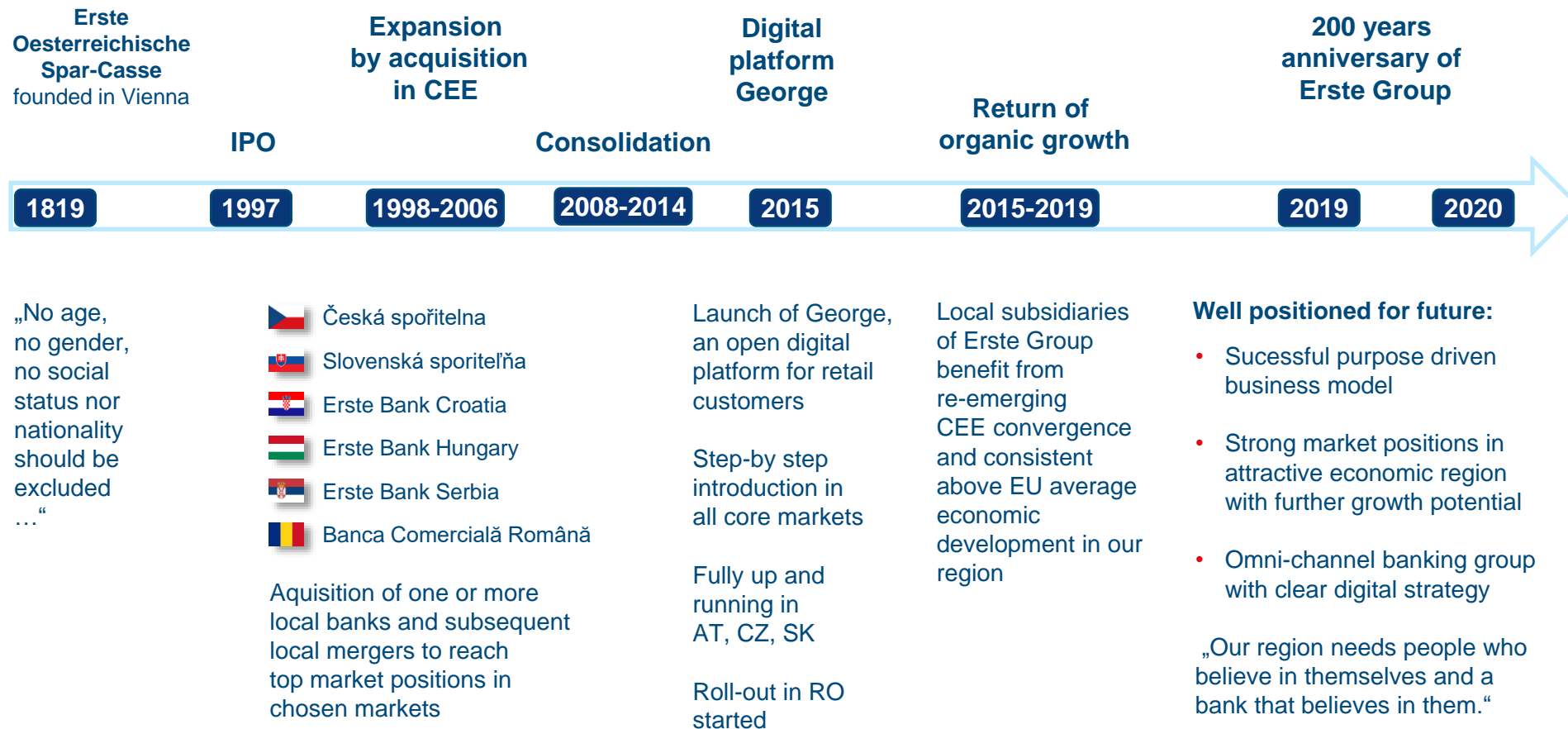
Status as of 28 April 2020

# Erste Group Bank AG –

## Summary of benchmark issues

Seniority	ISIN	Coupon	Reset	Maturity First Call	Term	Currency	Volume in EUR mn
Mortgage Cov. Bond	XS1288539874	0,375%		09.09.2020	5	EURO	500
Mortgage Cov. Bond	XS0580561545	4,000%		20.01.2021	10	EURO	1.000
Mortgage Cov. Bond	XS0743547183	3,500%		08.02.2022	10	EURO	1.000
Mortgage Cov. Bond	XS1346557637	0,625%		19.01.2023	7	EURO	750
Mortgage Cov. Bond	XS1845161790	0,250%		26.06.2024	6	EURO	750
Mortgage Cov. Bond	XS1181448561	0,750%		05.02.2025	10	EURO	500
Mortgage Cov. Bond	XS1807495608	0,625%		17.04.2026	8	EURO	750
Mortgage Cov. Bond	XS1550203183	0,625%		18.01.2027	10	EURO	750
Mortgage Cov. Bond	XS1750974658	0,750%		17.01.2028	10	EURO	1.000
Mortgage Cov. Bond	AT0000A2A6W3	0,010%		11.09.2029	10	EURO	500
Mortgage Cov. Bond	AT0000A2CDT6	0,100%		15.01.2030	10	EURO	750
Mortgage Cov. Bond	AT0000A286W1	0,875%		15.05.2034	15	EURO	500
Senior Preferred	XS1982725159	0,375%		16.04.2024	5	EURO	500
Senior Preferred	AT0000A2GH08	0,875%		13.05.2027	7	EURO	750
Senior Non-Pref.	XS2000538343	0,875%		22.05.2026	7	EURO	500
Tier 2	XS0840062979	7,125%		08.10.2022	10	EURO	302
Tier 2	XS2083210729	1,00%	5y ms+130.0bps	10.06.2025	10.5NC5.5	EURO	500
AT1	XS1425367494	8,875%	5y ms+902.0bps	15.10.2021	perpNC5	EURO	500
AT1	XS1597324950	6,500%	5y ms+620.4bps	15.04.2024	perpNC7	EURO	500
AT1	XS1961057780	5,125%	5y ms+485.1bps	15.10.2025	perpNC6.5	EURO	500
AT1	XS2108494837	3,375%	5y ms+343.3bps	15.04.2027	perpNC7.2	EURO	500

# Erste Group's journey through history – The savings bank that set out to bring prosperity to all since 1819



# Investor relations details

- **Erste Group Bank AG, Am Belvedere 1, 1100 Vienna**

E-mail: **[investor.relations@erstegroup.com](mailto:investor.relations@erstegroup.com)**

Internet: **<http://www.erstegroup.com/investorrelations>**  
**<http://twitter.com/ErsteGroupIR>** **[http://www.slideshare.net/Erste\\_Group](http://www.slideshare.net/Erste_Group)**

Erste Group IR App for iPad, iPhone and Android [http://www.erstegroup.com/de/Investoren/IR\\_App](http://www.erstegroup.com/de/Investoren/IR_App)

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

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

- **Contacts**

Thomas Sommerauer

Tel: +43 (0)5 0100 17326 e-mail: [thomas.sommerauer@erstegroup.com](mailto:thomas.sommerauer@erstegroup.com)

Peter Makray

Tel: +43 (0)5 0100 16878 e-mail: [peter.makray@erstegroup.com](mailto:peter.makray@erstegroup.com)

Simone Pilz

Tel: +43 (0)5 0100 13036 e-mail: [simone.pilz@erstegroup.com](mailto:simone.pilz@erstegroup.com)

Gerald Krames

Tel: +43 (0)5 0100 12751 e-mail: [gerald.krames@erstegroup.com](mailto:gerald.krames@erstegroup.com)