

A satisfactory fiscal year when considering the extraordinary framework conditions

**Steiermärkische Sparkasse Group
Annual Result as of 31 December 2020**



Solid operating result 205 million euros



Period result after taxes 80 million euros

Very good growth rates



- **Credit growth 4.4%**
- **Deposit growth 11.3%**
- **Growth of the balance sheet total 7.8%**



Excellent equity base – equity ratio 21.3%



Merger with Bankhaus Krentschker: Expansion of private banking

“Last year demanded a lot from all of us. We all had to show perseverance, a willingness to change, ingenuity, and courage. We mainly assisted in areas where people were hit especially hard by the crisis, and in many cases were able to offer our clients customised solutions: both regionally in our local branch offices and support centres, and through our digital platforms. Despite the challenging framework conditions, Steiermärkische Sparkasse achieved encouraging growth rates. To be able to record growth of deposits, credit, and the balance sheet total in times like these is a big win for Steiermärkische Sparkasse and all its employees. In securities transactions, the defined targets were even surpassed. The merger projects with Ohridska Banka in North Macedonia and Bankhaus Krentschker open up new opportunities for us that we want to use and will use. We are prepared to continue the path of growth in 2021 and beyond,” said Gerhard Fabisch, chief executive officer and chairman of the board at Steiermärkische Sparkasse.

The Steiermärkische Sparkasse Group is the largest provider of financial services in southern Austria. 3,044 employees serve 801,030 customers at 254 locations in Styria and Southeast Europe. The Steiermärkische Sparkasse Group makes up around 34% of the market share of Styrian retail banking and around 39% of the market share in Styrian corporate banking. The **Steiermärkische Sparkasse Group** has 8,887 employees who serve around 2.6 million customers at 503 locations. Sparkasse exemplifies an economically successful concept based on charitable founding ideals. (Status: 31 December 2020)

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At a glance

in million euros

| Group result | 2019 | 2020 |
|------------------------------|--------|--------|
| Balance sheet total | 17,197 | 18,537 |
| Period result after taxes | 197 | 80 |
| Return on equity after taxes | 11.3% | 4.3% |
| Cost-income ratio | 53.8% | 57.3% |
| Equity capital | 1,825 | 1,868 |

Period result after taxes 80 million euros

In 2020, the period result after taxes was **80 million euros**, which is 59% less than the previous year. The biggest factors contributing to this were all due to the pandemic: the much higher risk provisions, the assessment results of the minority shareholdings, and the decreased earnings contributions of the subsidiary banks. The **group's balance sheet total** has increased to **18.5 billion euros**. As the parent company, Steiermärkische Sparkasse makes up the majority share of the group's balance sheet total (as in previous years) with total assets of 16.5 billion euros. The **operating result** amounted to **205 million euros**. In 2020, the **core capital ratio** in the group increased to **19.5%** and the **equity ratio** increased to **21.3%**. This means Steiermärkische Sparkasse also operates on a high international level. The **group equity** amounted to **1.8 billion euros** at the end of 2020, an increase over 2019.

All three business areas – private customers, commercial banking, and international transactions – achieved positive, satisfactory results. Despite the challenging conditions caused by the pandemic, Steiermärkische Sparkasse served its customers as a reliable financial partner both digitally and within local regions.

Great customer growth during a challenging year

In 2020, the Steiermärkische Sparkasse Group served over **800,000 customers** for the first time, proving a reliable, stable partner in Styria, Vienna, Bosnia and Herzegovina, and North Macedonia. In 2020, we added over **26,000 new customers** in Styria alone.

The Steiermärkische Sparkasse Group (including Croatia, Serbia, Slovenia, and Montenegro) serves a total of **2.6 million customers**.

Risk situation in light of COVID-19

In 2020, the risk situation was significantly influenced by the COVID-19 crisis. At the year's end, it was evident that the COVID-19 situation was escalating in terms of the duration and number of lockdowns and the appearance of new mutations. Taking account of the uncertainty this caused, risk provisions amounting to 82.4 million euros were formed. The **NPE ratio** (percentage of the entire credit exposure made up by Non Performing Exposure) is **1.98%** – still a comparatively good level. This is supported by state relief efforts, among other things. The **NPL coverage ratio** (Non Performing Loan: risk provisions as a percentage of receivables from customers) is **77.62%**, a clear increase. This means that Steiermärkische Sparkasse is well equipped to face the challenges of the coming years. In 2020, as in past years, the group's risk-bearing capacity was more than adequate.

Within Austria: 7.5 billion euros commercial financing – 6% growth

Steiermärkische Sparkasse was well equipped to overcome the great challenges in the pandemic, including as a partner of the Styrian economy. Our willingness to provide our company's customers with much-needed liquidity even during the first lockdown helped us reach a **new volume of investment loans of over 1,350 million euros**. Beyond the entire fiscal year 2020, Styrian companies were granted **higher limits, deferrals, and refinancing related to COVID-19 of over 500 million euros**.

Investment financing unrelated to COVID-19 totalling **over 963 million euros** shows that our customers, and Steiermärkische Sparkasse as their financial partner, believe there will be an economic upturn beginning with the second quarter of 2021 and we should be prepared for it.

Viewed in total, bridge loans and investments in the economic upturn have led to above-average **growth in financing** to companies of **6%**. A total of 1,615 grants to small and mid-sized companies were applied for. And the financing volume of the subsidised loans is 160% greater than last year's.

Fortunately, we were able to gain almost **2,000 new corporate customers** in this difficult environment, and Steiermärkische Sparkasse now serves almost **30,000 companies**: over half the small and mid-sized firms in Styria.

Within Austria: Increase in retail banking

In the **private financing** area, Steiermärkische Sparkasse recorded a **refinancing volume of 654 million euros**, which is around 80 million euros more than last year.

In 2020, the **savings deposits** in the group also developed positively, and increased by **250 million euros to almost 7.4 billion euros**. Despite lower interest, they are still very popular and represent security and quick availability.

And more than **21,500 new building loan contracts** and over 5,000 new fund plans were entered into during the past year. With over **11,000 new insurance contracts** and a **production value** of around **285 million euros**, areas such as provisions, accidents, and risk could be well covered. As in recent years, customer needs were increasingly focussed on pension provision and accident insurance. With outstanding growth once more in

the area of property insurance, such as household, homeowner, and health insurance, Steiermärkische Sparkasse is a comprehensive partner for its customers in this area as well.

Despite a zero-interest policy of the central banks and turbulence in the global stock markets caused by the coronavirus, **2020 was a good year for securities**. The **results from securities commissions climbed** to around **33 million euros** and the **volume of customer securities accounts** managed by Steiermärkische Sparkasse totals around **3.9 billion euros**. This confirms the trust our customers place in the consultancy services of Steiermärkische Sparkasse.

Over **23,000 new accounts for payment transactions** emphasise the importance of a regional bank for local payment transactions.

With almost **7,000 credit card sales**, contactless and cashless payment transactions were expanded. With an almost **70% saturation of George users**, Steiermärkische Sparkasse is proving once more that our internet banking system “George” is a clear step toward leadership in innovation.

Southeast Europe: COVID-19 pandemic influences the results in SEE

The countries in Southeast Europe were also strongly affected by the COVID-19 pandemic and the courses of action associated with it. As a precaution for possible economic consequences, the value corrections for the lending business were strongly increased in our foreign investments.

Sparkasse Bank Makedonija generated a profit of 4.6 million euros, which was significantly above the planned results. The ROE totalled 9.8%, and the CIR was reduced to a welcome 56%. The higher value adjustments were offset by solving greater problems.

The additional costs incurred by preparing for the merger with Ohridska Banka and taking measures related to COVID-19 were offset by savings in material expenses. Growth in customer loans totalled 10.1% and growth in customer deposits totalled 3.2%.

Ohridska Bank in North Macedonia, which was taken over in November 2019, made a profit of 4.8 million euros, which is less than was planned. The ROE totalled 6.4%, and the CIR was reduced to a welcome 49.4%. Due to COVID-19, the revenues remained less than was planned and could not be offset by any savings in material expenses. Growth in customer loans totalled 6.4% and growth in customer deposits totalled 1.6%. The project to merge Sparkasse Bank Makedonija and Ohridska Banka AD Skopje is being continued even under the influence of COVID-19. The merger is expected to conclude in 2021.

Sparkasse Bank Bosnia and Herzegovina made a profit totalling 5.3 million euros – significantly less than last year’s result – due to the lower interest margin and higher value adjustments. The ROE amounted to 4.5% and the CIR 61.9%. The balance sheet total increased by 8.5% to **876 million euros**. During the past fiscal year, customer loans were successfully increased by 6.4% and customer deposits by 10.9% compared to the previous year.

Erste & Steiermärkische Bank in Croatia achieved a subgroup result of around 61 million euros, which is less than planned. The ways in which risk provisions and earnings were affected by the COVID-19 pandemic and its implications for the Croatian economy (especially for tourism) could be only partly offset by cost savings. Customer loans increased by 8.2% and customer deposits by 15.4% compared to the previous year. The balance sheet total is **10.9 billion euros** (+10%). The ROE amounted to 4.6% with a CIR of 53.7%.

Erste Bank in Serbia achieved a period result amounting to **11.8 million euros**, which was 4.6 million euros over budget. The ROE was 4.3%, and the CIR decreased to 67.2%. Due to the effects of COVID-19, Erste Bank had to provide for higher value adjustments than budgeted. The welcome surplus was achieved by strictly managing administrative expenses. Growth in customer loans totalled 16.8% and growth in customer deposits totalled 38.3%. The balance sheet total increased by a significant 23.7% and is **2.6 billion euros**.

Erste Bank in Montenegro achieved annual results of **5.1 million euros**, which is significantly less than planned. The ROE amounted to 5.5% with a CIR of 58.1%. The credit growth amounted to 9.9% compared to the previous year. Customer deposits have increased by 3%.

Banka Sparkasse in Slovenia generated a period result of **3 million euros** and is slightly under the budget. Because of COVID-19, credit growth was weaker than expected. However, customer loans increased by 3.1%, and customer deposits by 6.1%, compared to the previous year. The ROE amounted to 2.5% with a CIR of 69.4%.

The **movable leasing firms in Southeast Europe** finance movables and motor vehicles and currently manage a total exposure of **695 million euros**. Because of COVID-19, significantly higher value adjustments had to be allocated than had been budgeted for, and the profit after taxes was **5.7 million euros** – less than the planned results. The results of the strategic participations in the expanded domestic market confirm Steiermärkische Sparkasse's stable and long-term-oriented business strategy.

Employees and locations

At the end of 2020, **3,044*** employees worked in the Steiermärkische Sparkasse Group at **254 locations** in Styria, Vienna, Bosnia and Herzegovina, and North Macedonia.

In the Steiermärkische Sparkasse Group (including Croatia, Serbia, Slovenia, and Montenegro), the number of employees amounted to **8,887*** at **503 locations**.

**Employees in a headcount*

Austrian market environment 2020 and outlook for 2021

2020 was an enormously challenging year worldwide in light of the health and economic crisis. In a wavelike economic development, the real GDP sank throughout 2020 by up to 7.5%, and therefore collapsed more strongly than it did following the financial crisis (-3.8%) in 2009.

The restrictions put in place to curb the pandemic strongly affected the Austrian labour market. In 2020, there were 3.7 million wage-earning or salaried employees in Austria, which was 1.4% (53,000 people) less than the year before. Around 521,000 people were registered as unemployed or in training, which were 113,000 (27.7%) more people in Austria than at the end of 2019, which was still free of the coronavirus. The Austrian unemployment rate (as defined by Eurostat) amounted to 5.3% in the annual average for 2020 (as of December 2020) and remained under the European Union's reference value (7.1%).

Economists assume economic performance will recover significantly in 2021, but since the course of the infection is so unpredictable, uncertainty is still pervasive. In a scenario without additional border closures and travel warnings, which considerably restrict tourism and foreign trade, and in which corporate and economic activities return to normal with the vaccination coverage of the population, the economy could grow by 3.1% to 4.5% again in 2021. And forecasters also predict an economic recovery for 2022 (GDP of up to +3.8%). The risks for the present economic forecasts must still be classified as very high. They include a downside risk (the further course of the coronavirus infection combined with possible additional lockdowns) and a possible upside risk (the vaccination procedure now being implemented in the population).

International trouble spots still include the USA's uncertain trade policy after the presidential election and the effects on the European economy after BREXIT.

The Austrian Institute of Economic Research (WIFO) and the Institute for Advanced Studies (IHS) predict an inflation rate for 2021 of no more than 1.6%, still under the goal striven for by the ECB of just under 2%. According to the IHS, the inflation rate in 2022 might climb to 1.9%.

No end is in sight for the low-interest phase in the European area, since the ECB might continue to view a substantial amount of monetary policy support as necessary.