Key financial and operating data

Income statement (in EUR million)	2020	2021	2022	2023	2024
Net interest income	4,774.8	4,975.7	5,950.6	7,227.9	7,528.3
Net fee and commission income	1,976.8	2,303.7	2,452.4	2,639.6	2,937.6
Net trading result and gains/losses from financial instruments at FVPL	199.5	231.8	-47.3	448.6	437.1
Operating income	7,155.1	7,742.0	8,570.6	10,551.6	11,178.5
Operating expenses	-4,220.5	-4,306.5	-4,574.9	-5,019.6	-5,278.9
Operating result	2,934.6	3,435.5	3,995.8	5,532.0	5,899.6
Impairment result from financial instruments	-1,294.8	-158.8	-299.5	-127.8	-397.0
Other operating result	-278.3	-310.5	-398.5	-467.9	-414.3
Pre-tax result from continuing operations	1,368.0	2,933.4	3,222.4	4,794.8	4,997.3
Net result attributable to owners of the parent	**783.1**	**1,923.4**	**2,164.7**	**2,997.6**	**3,125.3**

Net interest margin (on average interest-bearing assets)	2.08%	2.05%	2.21%	2.50%	2.46%
Cost/income ratio	59.0%	55.6%	53.4%	47.6%	47.2%
Provisioning ratio (on average gross customer loans)	0.78%	0.09%	0.15%	0.06%	0.18%
Tax rate	25.0%	17.9%	17.3%	18.2%	21.1%
Return on tangible equity	5.1%	12.7%	13.8%	17.2%	16.3%
Earnings per share (in EUR)	1.57	4.17	4.83	6.80	7.20

Balance sheet (in EUR million)	Dec 20	Dec 21	Dec 22	Dec 23	Dec 24
Cash and cash balances	35,839	45,495	35,685	36,685	25,129
Trading, financial assets	46,849	53,211	59,833	63,690	75,781
Loans and advances to banks	21,466	21,001	18,435	21,432	26,972
Loans and advances to customers	166,050	180,268	202,109	207,828	218,067
Intangible assets	1,359	1,362	1,347	1,313	1,382
Miscellaneous assets	5,830	6,090	6,456	6,206	6,405
Total assets	**277,394**	**307,428**	**323,865**	**337,155**	**353,736**
Financial liabilities held for trading	2,625	2,474	3,264	2,304	1,821
Deposits from banks	24,771	31,886	28,821	22,911	21,261
Deposits from customers	191,070	210,523	223,973	232,815	241,651
Debt securities issued	30,676	32,130	35,904	43,759	51,889
Miscellaneous liabilities	5,840	6,902	6,599	6,864	6,346
Total equity	22,410	23,513	25,305	28,502	30,767
Total liabilities and equity	**277,394**	**307,428**	**323,865**	**337,155**	**353,736**

Loan/deposit ratio	86.9%	85.6%	90.2%	89.3%	90.2%
NPL ratio	2.7%	2.4%	2.0%	2.3%	2.6%
NPL coverage ratio (based on AC loans, ex collateral)	88.6%	90.9%	94.6%	85.1%	72.5%
Texas ratio	20.3%	18.3%	16.4%	16.6%	18.4%
Total own funds (CRR final, in EUR million)	23,643	24,758	26,184	29,094	30,943
CET1 capital ratio (CRR final)	14.2%	14.5%	14.2%	15.7%	15.1%
Total capital ratio (CRR final)	19.7%	19.1%	18.2%	19.9%	19.5%

About the share	2020	2021	2022	2023	2024
Shares outstanding at the end of the period	429,800,000	429,800,000	429,800,000	429,800,000	410,514,384
Weighted average number of outstanding shares	426,324,725	426,246,662	427,019,261	425,951,928	415,854,514
Market capitalisation (in EUR billion)	10.7	17.8	12.9	15.8	24.5
High (in EUR)	35.6	41.95	44.98	37.23	59.66
Low (in EUR)	15.34	24.80	21.66	28.19	36.46
Closing price (in EUR)	24.94	41.35	29.90	36.73	59.66
Price/earnings ratio	16.0	10.0	6.2	5.4	8.2
Dividend per share (in EUR)	1.50	1.60	1.90	2.70	3.00
Payout ratio	96.4%	38.7%	39.6%	40.0%	41.2%
Dividend yield	6.0%	3.9%	6.4%	7.4%	5.0%
Book value per share (in EUR)	34.0	36.7	39.8	44.8	49.8
Price/book ratio	0.7	1.1	0.8	0.8	1.2

Additional information	Dec 20	Dec 21	Dec 22	Dec 23	Dec 24
Employees (full-time equivalents)	45,690	44,596	45,485	45,723	45,717
Branches	2,193	2,091	2,029	1,948	1,871
Customers (in million)	16.1	16.1	16.1	16.2	16.6

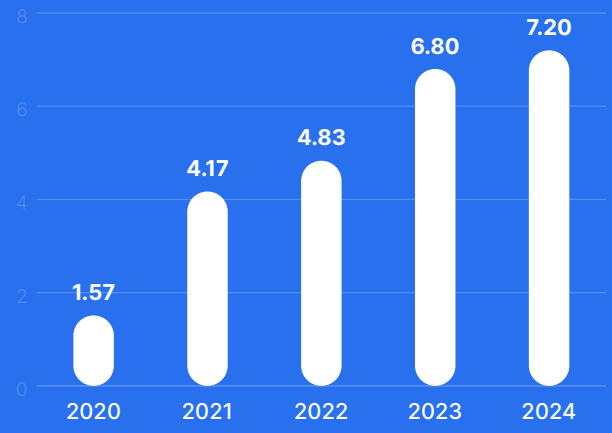
CRR: Capital Requirements Regulation

Shares outstanding include Erste Group shares held by savings banks that are members of the Haftungsverbund (cross-guarantee system).

Financial data

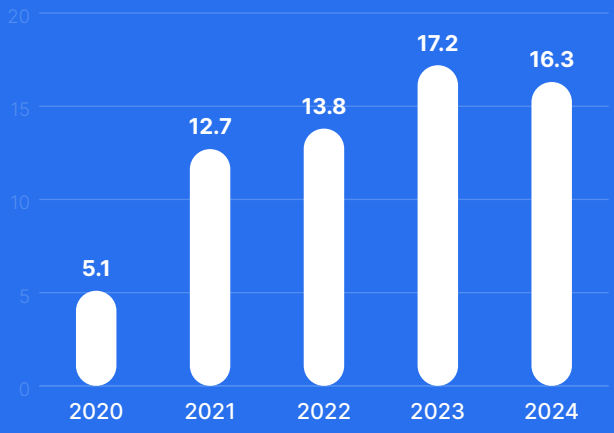
Earnings per share

in €



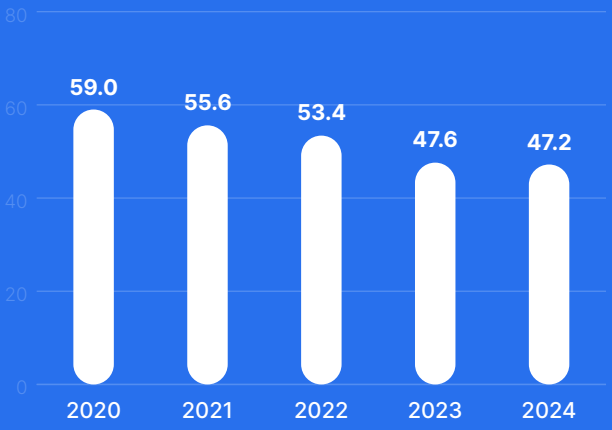
Return on tangible equity, ROTE

in %



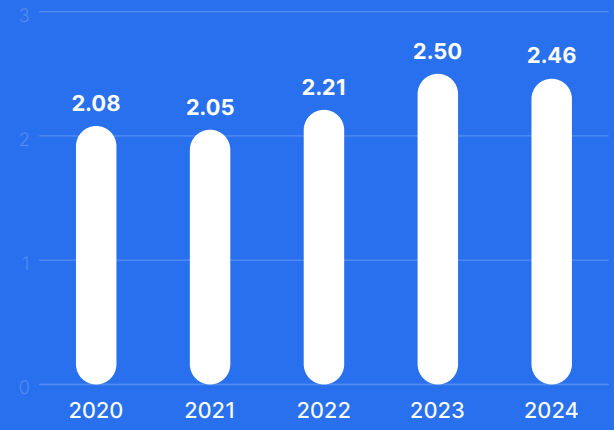
Cost/income ratio

in %



Net interest margin

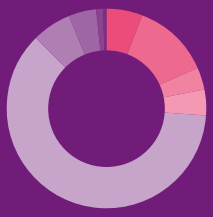
in %



Shareholder structure

as of 31 December 2024

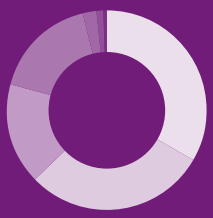
By investors



5.94%	ERSTE Foundation direct
12.54%	Sparkassen Beteiligungs GmbH & Co KG
3.47%	Foundations [1]
4.27%	Wiener Städtische Versicherungsverein

61.68%	Institutional investors
6.34%	Retail investors
4.60%	BlackRock, Inc.
0.93%	Unidentified [2]
0.23%	Identified trading [3]

By region



33.51%	Austria
29.48%	North America
16.59%	UK & Ireland
16.96%	Continental Europe

2.30%	Rest of world
0.93%	Unidentified [2]
0.23%	Identified trading [3]

Financial calendar

30 April	Results for the first quarter 2025
11 May	Record date Annual General Meeting
21 May	Annual General Meeting in Vienna
26 May	Ex-dividend day
27 May	Record date dividend
28 May	Dividend payment
1 August	Half-year financial report 2025
31 October	Results for the first three quarters 2025

The financial calendar is subject to change. The latest updated version is available on Erste Group's website (www.erstegroup.com/investorrelations).

Ratings

as of 31 December 2024

Fitch	
Long-term	A
Short-term	F1
Outlook	Stable

Moody´s	
Long-term	A1
Short-term	P-1
Outlook	Stable

Standard & Poor´s	
Long-term	A+
Short-term	A-1
Outlook	Positive

[1] Incl. Erste employees private foundation, syndicated savings banks foundations, own holdings of savings banks
[2] Unidentified institutional and retail investors
[3] Incl. market makers, prime brokerage, proprietary trading, collateral and stock lending positions which are visible through custodian banks.

Non-financial data

New corporate sustainable financing
in 2024

in € million

Construction and Real Estate	3,514
Renewable Energy	917
Transportation	320
Other Corporate	564
Total	**5,315**

ESG Ratings & Indices
as of 31 December 2024

MSCI	AA
Sustainalytics	Low Risk
ISS ESG	C „Prime“
Vönix	B+

Social Banking
2017 – 2024

€ 713 million Social Banking financing provided

90,000 Financial education participants

Highlights

Sustainable profitability
_ Net result of EUR 3,125.3 million
_ Local banks in all core markets are profitable
_ Dividend of EUR 3.0 per share proposed to AGM

Sound operating performance
_ Operating revenues increase by 5.9%
_ Inflation drives operating expenses up by 5.2%
_ Cost/income ratio improves to 47.2%

Customer business on growth path
_ Net customer loans grow by 4.9% to EUR 218.1 billion
_ Customer deposits increase by 3.8% to EUR 241.7 billion
_ Favourable loan-to-deposit ratio at 90.2%

Sound asset quality
_ NPL ratio at moderate 2.6%, excellent performance in CEE
_ NPL provision coverage at 72.5%
_ Risk costs of 18 basis points (on average gross customer loans)

Favourable capitalisation
_ CET1 ratio (CRR final) at 15.1%, including EUR 700 million planned share buyback
_ Capital significantly above regulatory requirements and internal target

Excellent funding and liquidity position
_ Strong retail deposit base in all core countries as key trust indicator and competitive advantage
_ All local banks successfully placed MREL-related issuances

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(CONSOLIDATED) CORPORATE GOVERNANCE REPORT

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Editorial deadline: 28 February 2025, unless stated otherwise

Management board

Stefan Dörfler, Peter Bosek, Alexandra Habeler-Drabek, Maurizio Poletto, Ingo Bleier (f.l.t.r.)

Letter from the CEO

Dear shareholders,

I am pleased to present to you, for the first time, the annual result of Erste Group along with the outlook for the current year. 2024 was a very successful year for us. With a net profit of EUR 3,125 million, we posted an excellent result. We have achieved all of the goals we had revised upwards in the course of the year. Erste Group's proven business model and the focus on our seven core markets enabled us to generate organic lending growth of nearly 5%. The inflow of customer deposits also remained steady, most importantly from retail customers and SMEs. Our capital base continues to be strong, thus offering us strategic scope for capital allocation. Going forward, the first priority remains growth in our region, i.e. lending to retail customers and businesses.

Before going into the details of our economic performance, let me briefly outline the economic environment.

A year marked by subdued growth

Our region saw a moderate recovery of the economy, yet economic performance was a mixed bag. Austria failed to meet expectations and registered a mild recession for the second year in a row. In our CEE core markets, 2024 GDP growth rates ranged between 0.5% in Hungary and 3.9% in Serbia, supported mainly by household consumption. Labour markets remained robust despite the weakness of the economy.

Inflation declined across all core markets and is now in the low to medium single digits, which has led to rate cuts in all markets. In 2024, the European Central Bank lowered its policy rate in four steps from 4.00% to 3.00%. Most of the CEE central banks likewise eased their monetary policies further. The central banks of Hungary and the Czech Republic had already started trimming their policy rates in the final quarter of 2023, while the central banks of Serbia and Romania followed suit only in the second and fourth quarters of 2024, respectively.

Excellent operating result

What was the effect of these fundamentals on our result? The two most important income components again posted growth: net interest income rose by 4.2% to EUR 7.5 billion and thus far beyond what had been forecast at the beginning of 2024. While all CEE markets registered growth – in Romania, Hungary, Czech Republic and Serbia, i.e. the markets outside the euro zone, even at double-digit rates – net interest income in Austria was down. It is worth noting that we were able to keep the net interest margin nearly stable in the face of falling market interest rates. At the same time, net fee and commission income hit a record high at EUR 2.9 billion. The 11.3% rise is all the more remarkable as the baseline had already been elevated due to strong growth seen in previous years. Growth was achieved in all core markets, with particularly strong performance in payment services and asset management. Overall, operating income came in at EUR 11.2 billion, almost 6% higher than in the previous year. Operating expenses increased by around 5% to EUR 5.3 billion, in line with expectations. Inflationary pressure had an impact on collective salary negotiations, most importantly in Austria. Personnel expenses were up at EUR 3.2 billion. The block of regulatory costs typical of a bank (payments to resolution funds and deposit insurance systems as well as banking and transaction taxes) amounted to some EUR 450 million in 2024. The strong operating result was reflected in a cost/income ratio of 47.2%, which is excellent for our business model.

Risk costs remain at a low level

Asset quality was, overall, very good again in 2024, particularly in the retail customer business, due last but not least to low unemployment rates. Remarkably, the CEE core markets outperformed Austria for the first time. The NPL ratio rose moderately to 2.6% at year-end. Overall, (net) allocations to provisions amounted to EUR 397 million in 2024, which equals a provisioning ratio of 18 basis points of average gross customer loans. In addition to solid asset quality, another positive contribution came from the release of provisions for credit risks driven by updated forward-looking economic indicators (FLIs) and stage overlays.

Healthy organic loan growth

After a slow start in the first months of the year, demand for loans rose markedly towards the end of the year. Overall, net customer loan volume increased by 4.9% to EUR 218.1 billion. Growth momentum was seen across the entire region, most notably in Austria, Czech Republic, Romania and Slovakia. Particularly noteworthy was the budding recovery of the mortgage business in the Czech Republic and at Erste Bank Oesterreich. Corporate lending was likewise more dynamic in the fourth quarter than in the first nine months of 2024.

Solid deposit base, low reliance on money and capital market funding

Deposit inflow continued, with customer deposits up by nearly 4%. The strongest deposit growth, at a rate of 5.2%, was seen in the retail and SME business and from customers of savings banks. Because of our business model and solid market positions in our core markets, Erste Group has a very large proportion (nearly 80%) of these highly granular customer deposits. The central banks' rate cuts, moreover, slowed down the shift from demand deposits to term deposits. At the end of December 2024, the loan-to-deposit ratio stood at 90.2%.

Similarly successful were funding activities in the capital markets. Not only the parent company but also a number of local subsidiaries in CEE countries issued benchmark bonds in various asset classes and placed these issues both locally and internationally.

Solid capitalisation and dividend proposal

Erste Group's strong capitalisation is another point that I wish to highlight once again. Erste Group's strong capital base and sustainable profitability are the preconditions for the bank's future growth and ability to pay dividends and expand our scope of action. At 15.1% as of the end of December 2024, the common equity tier 1 ratio (final) was again substantially above the regulatory minimum requirement and our target of 14%.

For the 2024 fiscal year, the management board will propose a dividend of EUR 3.0 per share at the annual general meeting in line with our policy of distributing between 40 to 50% of net profit after the deduction of AT1 dividends. In addition, after the successful completion of the second share buyback programme with a volume of EUR 500 million at year-end 2024, Erste Group is seeking to launch another such programme with a volume of EUR 700 million (subject to regulatory approval). Both the dividend and the share buyback programme were considered in calculating the common equity tier 1 ratio.

Sustainability and profitability are no contradiction

Sustainability aspects have always been integral components of the strategy of Erste Group, which is firmly embedded in the real economy. Where sustainability is concerned, the priorities defined are based on the conviction that the green transition and social inclusion may have a positive impact on the long-term prosperity of our region.

In 2024, Erste Group Bank AG integrated the sustainability statement into the management report. This report uses the European Sustainability Reporting Standards (ESRS) as a framework along with the requirements of Article 8 of EU Regulation 2020/852 (EU Taxonomy). For further information on goals, emission reduction pathways and sustainability initiatives of Erste Group, as well as a variety of ESG metrics, please refer to the management letter and our website.

Outlook for 2025

In the current fiscal year of 2025, we expect solid loan growth of about 5% on the back of a moderate acceleration of economic growth, supported by both the retail and the corporate business. This should help to keep net interest income stable.

Net fee and commission income is projected to continue its positive trend and increase by about 5%. Assuming a rise in operating expenses (including expenses for strategic initiatives) by about 5%, we expect that we will be able to achieve a cost/income ratio of less than 50%. Given the stable environment, most notably in the CEE markets, we expect risk costs of approximately 25 basis points in 2025. This should yield a continued solid return on tangible equity (ROTE) of around 15%.

Proven business model & strategic initiatives

Working with my management team, I have been leading Erste Group, one of the largest financial institutions in Central and Eastern Europe, since July 2024. The focus of our employees in all of the seven core markets – Austria, Czechia, Slovakia, Romania, Hungary, Croatia and Serbia – has always been on the purpose of the business, which has remained unchanged since its foundation in 1819: creating and spreading prosperity. To ensure that our business model will remain relevant and successful in the future, we are working on strategic initiatives. Our focus is on the continuing development of our brand identity, a wide range of topics relating to digitalisation and the commitment to consider M&A transactions in our region to complement organic growth.

Talking about digitalisation: across the group, nearly eleven million customers were using our digital platform George as of year-end 2024. The number of digital transactions has been rising steadily. By now, more than half of all retail business products are already distributed digitally. Supported by technology, we are planning to offer our customers broader access to financial advice than has ever been feasible in the past. Progress is likewise being made in increasing efficiency through digitalisation, i.e. by automating transactions and processes and using digital data analysis.

It is of special importance to me to thank the employees of Erste Group for their personal commitment. Our joint efforts and dedication to strategic initiatives provide an excellent basis for further strengthening and expanding Erste Group's position in the CEE region.

Peter Bosek mp

Supervisory board

Friedrich Rödler (Chairman) and the members of the supervisory board in alphabetical order: Christine Catasta, Henrietta Egerth-Stadlhuber, Alois Flatz, Martin Grießer, Markus Haag, Regina Haberhauer, Jakob Hofstädter, Marion Khüny, Elisabeth Krainer-Senger-Weiss, Caroline Kuhnert, Mariana Kühnel, Barbara Pichler, Friedrich Santner, Michael Schuster, Walter Schuster, Christiane Tusek, Karin Zeisel

Report of the supervisory board

Dear shareholders,

Erste Group posted a strong Group result for the 2024 fiscal year, which was underpinned by successful risk and cost management as well as robust performance in all core markets. This is all the more encouraging as an upturn in economic activity appears to be still some way off, most notably in Austria. In line with Erste Group's dividend policy, it is proposed that the annual general meeting approve a dividend of EUR 3.00 per share for the 2024 fiscal year.

Erste Group has been making further progress on its path towards digitalisation. The digital platform George has been developed further to provide additional (service) offerings and functions designed to optimise interaction with customers. We want our customers to be able to look after their financial health even more effectively, either independently or with support from Erste Group employees, particularly when it is about providing for the future. For some, it is just a buzz phrase, but for us, it is an obligation: focusing on customer needs.

Erste Group owes its strong position, last but not least, to a proven strategy. This does not mean coming to a standstill, though. In the years ahead, it will be crucial to venture into new territory to meet customer expectations and needs even more effectively while also further enhancing the strengths of Erste Group. A modern digital banking experience will doubtless be essential in the future for the bank to be perceived as relevant also by the younger generation. New strategic initiatives ensure that Erste Group is able to exploit the benefits of novel technologies and artificial intelligence. The difference will still be made by competent, dedicated and emphatic staff who strive to gain our customers' trust by dealing with them personally. You may also rest assured that in our activities we will also consider social and ecological aspects.

The solid capital base enabled Erste Group to launch another share buyback programme with a volume of EUR 500 million, which was successfully completed in November 2024. Overall, 10,398,524 shares were purchased and cancelled. In its third year, the employee share programme "WeShare by Erste Group" enjoyed a high level of acceptance in 2024, with 35,000 participants across the Group. In total, employees received approximately 1.2 million shares of Erste Group Bank AG. This increased the share of voting rights of Erste Mitarbeiterbeteiligung Privatstiftung in Erste Group Bank AG by 0.29% to currently around 1.59%.

2024 saw changes on the management board. As already announced in the previous year's report of the supervisory board, Willi Cernko resigned from his management board mandate early, as of 30 June 2024. As of 1 July 2024, Peter Bosek assumed the position of chairman of the management board. The other members of the management board were Ingo Bleier, Chief Corporates and Markets Officer, Stefan Dörfler, Chief Financial Officer, Alexandra Habeler-Drabek, Chief Risk Officer and Maurizio Poletto, Chief Platform Officer. As of 1 July 2024, Maurizio Poletto also took on the duties of David O'Mahony as Chief Operating Officer following the latter's departure from the management board as of 30 June 2024.

With this experienced management board team headed by Peter Bosek, Erste Group is excellently positioned to cope with the challenges that are posed by the ecological and digital transformation as well as the economic and geopolitical environment. The supervisory board is looking forward to continuing work with this team to benefit from opportunities as they arise in the years ahead, not least from the implementation of the new strategic initiatives.

At year-end 2024, Erste Group's supervisory board consisted of eighteen members (twelve shareholder representatives elected by the shareholders and six employee representatives delegated by the employees' council). The members of the supervisory board bring together extensive experience gained across a variety of industries and come with a wide range of professional knowledge, international experience and practical expertise. As in the previous year, more women than men are currently holding mandates (ten versus eight).

The supervisory board also saw changes in 2024: András Simor resigned from his mandate as of 15 January 2024. In this context, the delegation of Jozef Pinter to the supervisory board was revoked as new employee representatives were delegated to the supervisory board on 16 January 2024. Maximilian Hardegg and Michèle F. Sutter-Rüdisser resigned from their mandates as of the end of the 2024 annual general meeting. Two members – Caroline Kuhnert and Walter Schuster – were newly elected to the supervisory board at the 2024 annual general meeting, and Elisabeth Krainer-Senger-Weiss and Michael Schuster were re-elected.

I wish to thank all former supervisory board members most cordially for their dedication and constructive contributions to the work of the supervisory board. With their experience and expertise, they contributed to the development of Erste Group as a leading bank in the eastern part of the European Union.

For further information about the composition and independence of the supervisory board, the criteria for its independence, its working procedures, the number and type of committees and their decision-making powers, the meetings of the supervisory board and the main focus of its activities, please refer to the (consolidated) corporate governance report drawn up by the management board and reviewed by the supervisory board.

As regards the activities of the audit committee, please also refer to its separate report. In the course of a total of 50 supervisory board and committee meetings, the management board promptly and comprehensively informed the supervisory board. This allowed us to act in accordance with the mandate laid down in the law, the articles of association and the Austrian Code of Corporate Governance, as well as to ascertain the proper conduct of business.

The financial statements (consisting of the balance sheet, income statement and notes) and the management report, as well as the consolidated financial statements and the group management report for 2024, were audited by Sparkassen-Prüfungsverband, the legally mandated auditor, and by PwC Wirtschaftsprüfung GmbH, the elected supplementary auditor, and received an unqualified audit opinion. Representatives of both auditors attended the financial statements review meetings of the audit committee and the supervisory board and presented their comments on the audits they had conducted. Based upon its own review, the supervisory board endorsed the findings of these audits and agreed to the proposal for appropriation of the profit of the 2024 fiscal year. PwC Wirtschaftsprüfung GmbH was also mandated with the voluntary audit of the (consolidated) corporate governance report for 2024.

By resolution of the 2024 annual general meeting, Sparkassen-Prüfungsverband and PwC Wirtschaftsprüfung GmbH were moreover appointed as auditors of the sustainability statement in conformity with CSRD.

The supervisory board has approved the financial statements, and these have thereby been duly endorsed in accordance with section 96 para 4 of the Austrian Stock Corporation Act (Aktiengesetz). The management report, consolidated financial statements, group management report (including the sustainability statement) and the (consolidated) corporate governance report have also been reviewed by the supervisory board and accepted on the basis of the audit reports received by the supervisory board.

Finally, the supervisory board thanks the management board as well as all employees of Erste Group: without their untiring efforts and their ambition to keep developing Erste Group further, the excellent results of the 2024 fiscal year would not have been possible.

As I am leaving the supervisory board at the end of the 2025 annual general meeting, the report in hand is the last report of the supervisory board to Erste Group shareholders to which I have contributed. While serving as a member and as chairman of the supervisory board I have been able to take part in the development and growth of Erste Group. I am very proud of having served and shared the journey of a company like Erste Group over such a long period of time. The process for my succession is on track, my successor is to be elected by the 2025 annual general meeting.

After more than 20 years on the supervisory board, including 13 years as its chairman, I am about to end my service and am looking back on the successes achieved with joy and gratitude. At this point, looking back I wish to thank the shareholders who elected me to the supervisory board for their trust. My thanks are also due to the members of the supervisory board who entrusted me with the function of chairman. Without the supportive and constructive cooperation of CEOs Andreas Treichl, Bernd Spalt, Willi Cernko and Peter Bosek and the respective board members I would not have been able to successfully perform my duties as chairman of the supervisory board. It has been a great honour for me to have been able to contribute to Erste Group's journey for such a long time. Even if I am now ending my service on the supervisory board, I will remain connected to the organisation. For the years ahead, I wish the entire team continuing success, growth and all the best.

For the supervisory board,
Friedrich Rödler mp, Chairman of the supervisory board
Vienna, March 2025

Report of the audit committee

Dear shareholders,

The audit committee is one of seven committees established by the supervisory board. Its mandate is derived from the law, the rules of the Austrian Code of Corporate Governance and its rules of procedure. As of 31 December 2024, the audit committee comprised five shareholder representatives and three members delegated by the employees' council.

In 2024, the audit committee met seven times and, in addition, held one informal meeting to prepare the meeting on the audit of the (consolidated) financial statements. The meetings were attended by those management board members responsible for accounting, controlling and risk management as well as the representatives of Erste Group Bank AG's auditors and, as required, representatives of the auditors of material (foreign) subsidiaries. The appropriate division heads were invited to attend as permanent guests or to attend as guests in discussions on specific agenda items. The chair of the audit committee and the financial expert regularly conducted one-on-one meetings with, amongst others, the auditors (Sparkassen-Prüfungsverband as the legally mandated bank auditor and PwC as additional auditor elected by the annual general meeting), members of the management board, the head of internal audit, the chief compliance officer and, as required, with other division heads. The supervisory board was informed of the committee's activities and the subject matters of its meetings and discussions at the respective subsequent supervisory board meetings.

For Erste Group, 2024 was a highly successful year despite the challenging environment. It was marked by several geopolitical conflicts, a sharp reversal in the rate cycle and a visible clouding of the economic environment. All this had an impact on the work of the audit committee and was considered by the audit committee members with the required care and diligence in exercising their duties. Amongst others, the supervisory board tasked the audit committee with reviewing the sustainability statement.

In 2024, the audit committee specifically considered the following topics: after receipt of the auditors' report on the (Group) financial statements for 2023, the audit committee held the final discussion, reviewed the (Group) financial statements and the (Group) management report including the sustainability statement, as well as the (consolidated) corporate governance report and recommended to the supervisory board the approval of the annual financial statements and distribution of a dividend as proposed by the management board. The additional report of the auditors pursuant to Article 11 of Regulation (EU) No 537/2014 was taken note of.

In connection with the sustainability statement conducted for the first time in 2024 in conformity with the EU's Corporate Sustainability Reporting Directive (CSRD), the audit committee recommended the supervisory board appoint an external auditor. The audit committee recommended appointing Sparkassen-Prüfungsverband and PwC Wirtschaftsprüfung GmbH as joint auditors, which were elected by the 31st annual general meeting on 22 May 2024. The audit committee periodically received reports on preparatory work done within the bank and also exchanged views with the auditors on the audit of the sustainability statement several times.

The head of the internal audit department reported on the audit subjects and material audit findings for the year 2023 and, on an ongoing basis, about audit-relevant matters in the Group. The effectiveness of the AML compliance function was acknowledged by the audit committee, and a BCBS 239 (data quality management) report was issued. The audit committee continuously reviewed and monitored the independence of the auditors of the (consolidated) financial statements with a particular focus on non-audit services rendered for Erste Group. The audit committee gave pre-approval to permissible non-audit services and received reports on their current status.

Material audit matters relating to subsidiaries were likewise discussed in depth and commented on with regard to their impact on the Group financial statements. In its additional function as audit committee of Erste Digital GmbH pursuant to Section 30g para 4a(3) GmbHG (Austrian Act on Limited Liability Companies), it recommended the supervisory board of Erste Digital GmbH to advise the shareholders' meeting of Erste Digital GmbH to approve the annual financial statements, give its consent to the management board's proposal for the appropriation of profit and take note of the management report of the shareholders' meeting of Erste Digital GmbH.

After on-site inspections conducted by supervisory authorities, the audit committee took note of the respective audit reports and the plan to address the supervisory authorities' findings and, where necessary, requested to be briefed on the current status of implementation. The joint supervisory team of the regulatory authorities was informed about the audit committee's work in a meeting with the chair of the audit committee and the chair of the supervisory board.

Further information on the activities of the audit committee and its composition is contained in the (consolidated) corporate governance report prepared by the management board and reviewed by the supervisory board.

For the audit committee,
Christiane Tusek mp

Erste Group on the capital markets

After the strong gains recorded in the previous year, international equity markets continued their upward trends in 2024 amid the impacts of geopolitical events, interest rate policies, inflation development and economic activity. Equity markets' performance was supported by expectations of falling interest rates, which were met by the central banks in the course of the year. Continued strong demand for technology shares (buzzword: artificial intelligence) provided an extra boost. At the same time, market volatility was fuelled by mixed macroeconomic conditions in Europe and China, as well as concerns about an economic downturn, geopolitical crises and uncertainty regarding potential shifts in the political environment in Europe and the US. Finally, market performance was also driven significantly by rate cuts implemented by European and US central banks as well as the announcement of fiscal policy stimuli in China. Most of the indices covered again posted marked gains.

EQUITY MARKET REVIEW

Turnaround in monetary policies

The central banks' restrictive rate policies and the series of rate hikes designed to curb inflation rates that had reached record levels in 2022 proved effective. Inflation was moving towards the 2% target rate, and the major central banks maintained a wait-and-see approach at the beginning of the year regarding a possible end to the rate cycle and held on to their policy rate levels for the time being. Their focus was on inflation momentum, the economy and the labour market. After a number of national central banks had already started to ease their monetary policies, the European Central Bank (ECB) carried out its first policy rate cut since 2019 in June. The US Federal Reserve (Fed) followed suit in September. Both central banks continued relaxing their monetary policies until year-end 2024, cutting rates in several steps. In Europe, the policy rate stood at 3% at year-end, while in the US the effective policy interest rate was set at a range of 4.25% to 4.50%.

Global economic growth

The global economy has proved resilient over the past years. Despite diverse developments in individual countries and sectors, global economic growth has remained stable while inflation has receded further at the same time. This resilience is expected to continue. After 3.2% growth forecast for 2024, global GDP growth is expected to run at 3.3% in both 2025 and 2026, while inflation should keep falling towards the central banks' target levels. Growth prospects vary considerably by region. In the US, GDP growth is projected to come in at 2.8% in 2024 and 2.7% in 2025 before slowing down to 2.1% in 2026. In the euro area, the recovery of real household incomes, robust labour markets and policy rate cuts will keep driving growth. In the euro area, GDP is forecast to grow by 0.8% in 2024, 1.0% in 2025 and 1.4% in 2026. Risks to these outlooks include, most importantly, increasing trade tensions and protectionism, as well as fiscal policy challenges in a number of countries. The performance of Asian economies, most prominently China, will also continue to have a significant impact on global growth.

Equity markets at record highs

In the reporting period, growth was most pronounced in the US stock markets, whose performance benefited substantially from the strong growth momentum of US technology and AI-oriented companies. The boom was led first and foremost by the "Magnificent 7" (Microsoft, Apple, Nvidia, Alphabet, Amazon, Meta, Tesla), which account for more than 30% of the global market capitalisation of the S&P 500 Index. The performance of technology shares and the monetary policy turnaround started by the central banks was reflected in the performance of most equity markets and their new record highs, with the biggest gains posted by the US indices. As of the end of December, the NASDAQ Composite technology index was up 28.6% at 19,310.79 points. The broader Standard & Poor's 500 Index rose 23.3% to 5,881.63 points in the year ended, and the Dow Jones Industrial Average Index broke through 40,000 points for the first time in 2024 and ended the reporting period 12.9% higher at 42,544.22 points. In Europe, new highs were set by the German DAX index, which saw the steepest rise, by 18.8%, the British FTSE 100 and the Austrian ATX Total Return. The Stoxx Europe 600 Index, which comprises the largest European equities, likewise hit a new record high in the course of the year and, at year-end, had advanced by 6.0%, reaching 507.62 points. In Asia, the Japanese Nikkei 225 Index was up 19.2% while the Chinese CSI-300 Index gained 14.7%.

Bank shares recorded further gains

As in the previous year, banks were again among the favoured industries in 2024. The banking sector benefited from the fact that the initial rate cuts were implemented later than planned. Solid results, low risk costs, positive outlooks and planned dividend payments provided the basis for further rises in share prices in the reporting period. After advancing by more than 20% in the previous year, the Dow Jones Euro Stoxx Banks Index, which is composed of the leading European bank shares, posted another rise, by 23.4% to 146.04 points, in the year ended.

ATX Total Return Index at all-time high

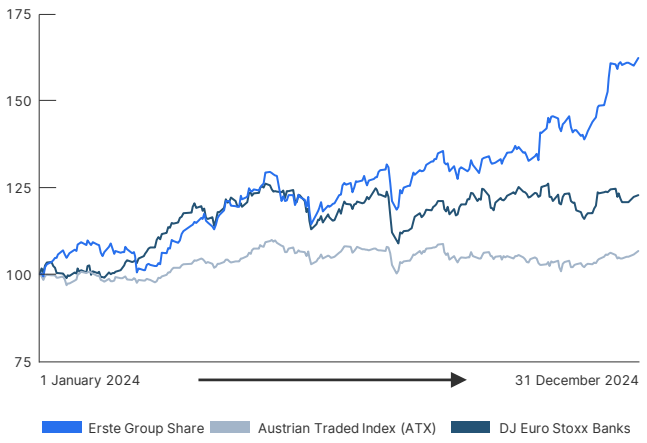
Austrian equity indices likewise continued the upward trajectories seen in the previous year. Moving in tandem with the broader Stoxx Europe 600 Index, the Austrian Traded Index (ATX) was up 6.6% at year-end 2024, at 3,663.01 points. The ATX Total Return Index (including dividends) set multiple new highs in the course of the year and ended the year at 8,536.92 points, up 12.1%. This performance was underpinned by the strong performance of the bank shares, which are heavily weighted in the index. The Erste Group share was among the top performers, having gained more than 60%.

ERSTE GROUP SHARE

Substantial gains

After advancing by almost 23% in the previous year, the Erste Group share continued its uptrend in 2024 and gained a record 62.4%, with the steepest rise (by 21.1%) recorded in the fourth quarter. The closing price of EUR 59.66 on the last trading day also marked the highest closing price of the year, only slightly below the all-time high registered in April 2007. The Erste Group share marked its 2024 low at EUR 36.46 on 3 January 2024.

Performance of the Erste Group share and major indices (indexed)



The key drivers of the remarkable growth in share value were primarily results that were better than expected by the market and the upward revision of the outlook during the year. Analysts' consensus estimates of 2024 to 2026 net profits moved higher. The Erste Group's second share buyback programme, which was completed at year-end 2024, provided additional momentum. Investors placed their focus moreover on the outlook for lending growth, the development of the operating result, risk costs, return on tangible equity (ROTE) and, last but not least, the priorities set by the new CEO Peter Bosek, including in particular the development of the digital banking business, growth (buzzword M&A) and capital distribution.

Employee share programme

In 2024, Erste Group employees again had the opportunity to buy Erste Group shares under the employee share programme. This programme was first offered in 2022, and many employees took the opportunity to acquire Erse Group shares. In 2024, approximately 35,000 employees took part in this programme. In 2022 it was 30,000, and in 2023 the number of participants was also some 35,000. The successful continuation of the employee share programme resulted in a further strengthening of Erste Mitarbeiterbeteiligung Privatstiftung (Erste Employee Foundation), in which the voting rights of the shares acquired under the employee share programme are combined.

Performance of the Erste Group share versus indices

	Erste Group share	ATX	DJ Euro Stoxx Banks Index
Since IPO (Dec 1997)	438.3%	187.0%	-
Since SPO (Sep 2000)	407.7%	213.5%	-58.5%
Since SPO (Jul 2002)	242.4%	200.3%	-41.9%
Since SPO (Jan 2006)	32.6%	-6.0%	-61.5%
Since SPO (Nov 2009)	105.7%	40.6%	-35.9%
2024	62.4%	6.6%	23.4%

IPO … initial public offering, SPO … secondary public offering.

Share buyback programme

Organic growth is Erste Group's first priority in terms of capital consumption, followed by the distribution of dividends, potential expansion through acquisitions and, as the case may be, share buybacks. After the completion of the first share buyback programme in the amount of EUR 300 million in February 2024, the annual general meeting of Erste Group decided on 22 May 2024 to carry out another share buyback programme in the amount of EUR 500 million based on the bank's strong capital base. This second programme was completed in November, the shares bought back were cancelled in December 2024. The number of shares of Erste Group decreased accordingly. The cancellation of own shares purchased and the resulting reduced number of shares outstanding increases the calculated profit per share.

Number of shares, market capitalisation and trading volume

After accounting for the shares bought back and cancelled in February and December 2024, respectively, the number of shares of Erste Group Bank AG amounts to 410,514,384. The market capitalisation of Erste Group reached EUR 24.5 billion at year-end 2024 and was thus 55% higher than at year-end 2023 (EUR 15.8 billion).

Erste Group is listed on the stock exchanges of Vienna, Prague and Bucharest. Its main stock exchange is Vienna, where in the year ended its trading volume averaged 479,616 shares per day.

Sustainability indices and ratings

The Erste Group share has been part of VÖNIX, the Vienna Stock Exchange's sustainability index, since its launch in 2008. Since 2011, the Erste Group share has been included in the STOXX Global ESG Leaders Index, which represents the best sustainable companies worldwide on the basis of the STOXX Global 1800. Since 2016, the Erste Group share has been included in the FTSE4Good Index Series, since 2017 in the Euronext Vigeo Index: Eurozone 120. In addition, Erste Group has held prime status in the ISS ESG corporate ratings since 2018. MSCI has rated Erste Group with AA. In 2024, Erste Group participated in the CDP (Carbon Disclosure Project) rating for the third time; its sustainability measures were affirmed at B.

Dividend

Erste Group's dividend policy is guided by the bank's profitability, growth outlook and capital requirements. We target a payout ratio in the range of 40-50% based on reported net profit, net of AT1 coupons. The 31st annual general meeting that took place on 22 May 2024 resolved to distribute a dividend of EUR 2.70 per share for the 2023 fiscal year, which was paid out on 29 May 2024. For the 2024 fiscal year, the management is proposing a dividend of EUR 3.00 per share.

RATINGS OF ERSTE GROUP BANK AG

In late November, Standard & Poor's upgraded Erste Group Bank AG's outlook from stable to positive, confirming the A+/A-1 rating. It highlighted the bank's improved capitalisation and solid results as well as the traditional strengths of the bank, namely funding and liquidity. Moody's (A1/P-1) and Fitch (A/F1) left their ratings unchanged, each with a stable outlook.

FUNDING ACTIVITIES

In 2024, Erste Group again started the year early by issuing a EUR 1 billion, 7-year mortgage-covered bond (MS+50 bps), thereby opening up the covered bonds segment for European issuers. As investors' appetite for longer tenors was gradually increasing, Erste Group decided to return to the capital markets as early as March 2024 by issuing another EUR 1 billion mortgage-covered bond (9.75-year tenor, MS+55 bps). Just before the market environment started clouding in the weeks that followed, Erste Group placed a EUR 750 million perpNC2031 AT1 instrument (7% coupon, MS+440.7 bps) linked, as in the previous year, with the repurchase of the outstanding AT1 instrument (5.125% perpNC2025).

The summer break for capital market transactions ended in August 2024, with Erste Group issuing a EUR 750 million 8NC7 format senior preferred bond at MS+90 bps. Even though this transaction almost fully covered the funding volume required, Erste Group opportunistically issued another benchmark transaction in the form of a EUR 750 million tier-2 bond (10.25NC5.25, MS+170 bps).

INVESTOR RELATIONS

Open and regular communication with investors and analysts

In the year ended, the management and the investor relations team met with investors in a total of 274 one-on-one and group meetings. Questions raised by investors and analysts were answered both at events with in-person attendance and during telephone or video conferences. The presentation of the 2023 annual result was followed by an analysts' dinner and a road show day with investor meetings in London. Road shows were likewise conducted in Europe and the US after the release of first and third-quarter results. Erste Group presented its performance and strategy against the backdrop of the current environment at international banking and investor conferences organised by the Vienna Stock Exchange, Kepler, Morgan Stanley, RBI, UBS, Bank of America, Deutsche Bank, Goldman Sachs, Barclays, mBank and Wood. 96 meetings were held to intensify the dialogue with bond investors. A large number of one-on-one and group meetings with analysts and portfolio managers were held at conferences, road shows and investors' days hosted by the European Covered Bond Council (ECBC), UBS, Citigroup, Danske Bank, Natixis und BNP Paribas. The Erste Group's website (https://www.erstegroup.com/en/investors) provides comprehensive information on the banking group and the Erste Group share.

The investor relations team also provides news through Erste Group's social media channels on platforms such as LinkedIn and Youtube. More details on the social media channels, the news/reports subscription and reminder service are available at https://www.erstegroup.com/en/investors/ir-service.

Analyst recommendations

In 2024, 22 analysts regularly released research reports about Erste Group. The Erste Group Bank AG share was covered by financial analysts at the following national and international firms: Autonomous, Bank of America, Barclays, Carraighill, Citigroup, Concorde, Deutsche Bank, Exane BNP, Goldman Sachs, HSBC, JP Morgan, JT Banka, KBW, Kepler Cheuvreux, mBank, Mediobanca, Pekao, PKO, RBI, Trigon, UBS and Wood. As of the end of the year, 16 analysts had issued buy recommendations, and six had rated the Erste Group share as neutral. The average year-end target price stood at EUR 60.8. The latest updates on analysts' estimates for the Erste Group share are posted at https://www.erstegroup.com/en/investors/share/analyst-estimates.

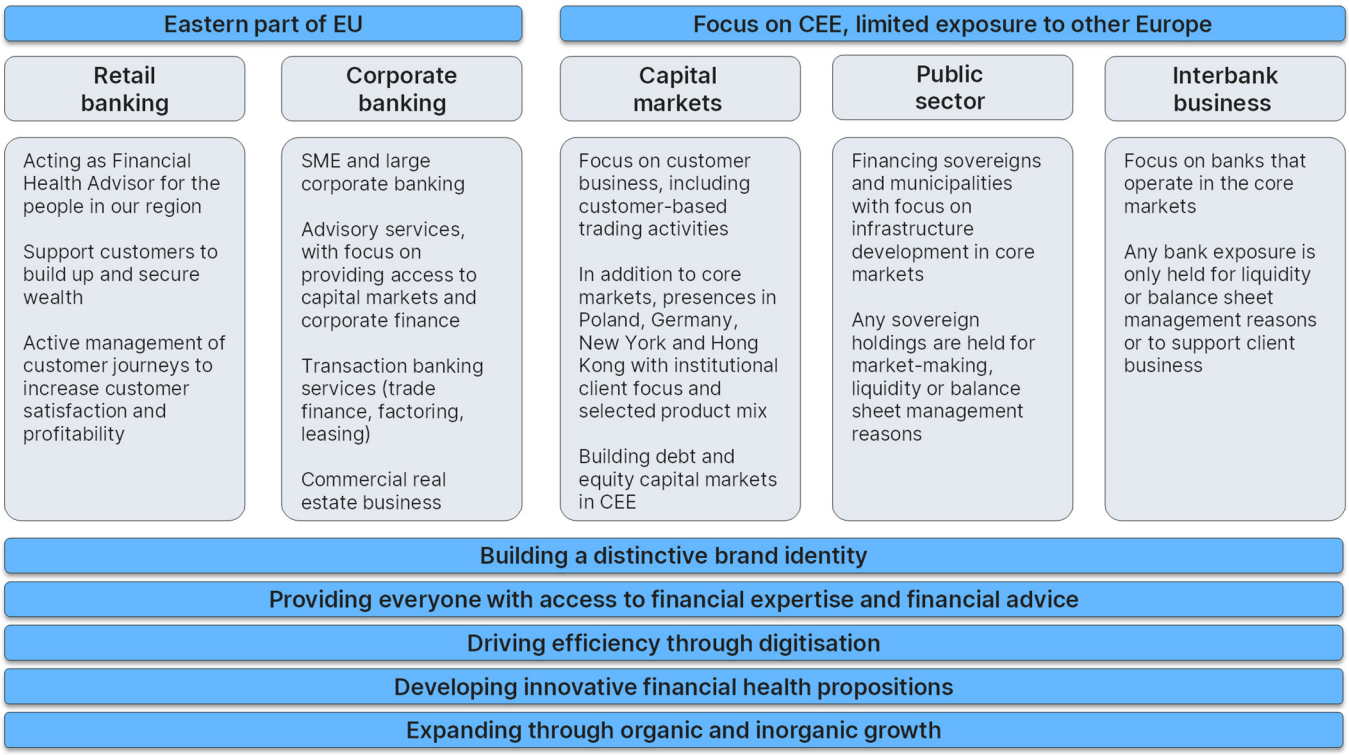
Strategy

We strive to be the leading retail and corporate bank in the eastern part of the European Union, including Austria. To achieve this goal, we aim to support our retail, corporate and public sector customers in realising their ambitions and ensuring financial health by offering excellent financial advice and solutions, lending responsibly and providing a safe harbour for deposits.

As a competent and reliable partner for our customers and with our business activities anchored in the real economy for more than 200 years, we will continue to contribute to economic growth and financial stability and, thus, to the prosperity of our region.

In all of our core markets in the eastern part of the European Union, we pursue a balanced business model focused on providing the best banking services to each of our customers. In this respect, digital innovations are playing an increasingly important and inclusive role.

The sustainability of the business model is reflected in our ability to fund customer loans by customer deposits, with most customer deposits being stable retail deposits. The sustainability of our strategy is reflected in long-term client trust, which underpins strong market shares in almost all of our core markets. However, market leadership is not an end in itself. Market leadership creates value only when it goes hand in hand with positive economies of scale and contributes to the long-term success of the company. The banking business, however, should not only be run profitably but should also reflect its corporate responsibility towards all material stakeholders, in particular customers, employees, society and the environment. Therefore, we pursue the banking business in a socially responsible manner and aim to earn an adequate premium on the cost of capital.



STRATEGY IN DETAIL

The basis of our banking operations is retail and corporate customer business in the eastern part of the European Union, including Austria. The capital markets and interbank activities, as well as public sector business, are defined more broadly to be able to meet our customers' needs as effectively as possible.

Long-standing tradition in customer banking

Erste Group has been active in retail business since 1819. This is where the largest part of our capital is tied up, where we generate most of our income and where we fund the overwhelming part of our core activities by drawing on our customers' deposits. Offering attractive, easy-to-understand products and services that meet the individual needs and objectives of bank customers is important in building and maintaining strong long-term customer relationships.

RETAIL BUSINESS

Our key business is retail business, and it represents our strength. It is our top priority when developing products such as modern digital banking that enable us to meet customers' expectations more effectively.

Our retail business covers the entire spectrum from lending, deposit and investment products to current accounts and credit cards. Our core competence in retail banking has historical roots. In 1819, wealthy Viennese citizens donated funds to establish Erste Group's predecessor, the first savings bank in Central Europe. It was their aim to make basic banking services such as safe savings accounts and mortgage loans available to wide sections of the population. Today, we serve a total of more than 16.5 million customers in our markets and operate nearly 1,900 branches. Wealthy private clients, trusts and foundations are served by our private banking staff and benefit from services that are tailored to the needs of this target group.

In addition, we use and promote digital distribution channels such as the Internet and mobile banking, not only to meet the increasing importance of digital banking, but to actively shape the digital future. George plays an important role in this.

Retail banking is attractive to us for a number of reasons: It offers a compelling business case that is built on market leadership, an attractive risk-reward profile and the principle of self-funding. In addition, it benefits from a comprehensive range of products that are simple and easy to understand and provide substantial cross-selling potential. We take advantage of these factors in all core markets and make the best use of our resulting position of strength by pursuing a hybrid business model. In addition to the expansion of digital sales channels, the branch network remains an important component of the business strategy. Only a retail bank that offers modern digital services and operates an extensive distribution network is able to offer tailor-made solutions and fund loans in local currency (e.g. housing financing) mainly from deposits made in the same currency. Therefore, our retail banking model supports sustainable and deposit-funded growth even in economically more challenging times. Another positive factor is the diversification of the retail business across countries that are at differing stages of economic development, such as Austria, the Czech Republic, Romania, Slovakia, Hungary, Croatia and Serbia.

CORPORATE BUSINESS

The second main business line, which also contributes significantly to our earnings, is business with small and medium-sized enterprises, regional and multinational groups and real estate companies. Our goal is to enhance relationships with our clients beyond pure lending business. Specifically, our goal is for SMEs and large corporate customers to choose Erste Group as their principal bank and also route their payment transfers through our banking entities and, in fact, regard Erste Group as their first point of contact for any kind of banking service.

Catering to their different requirements, we serve small and medium-sized enterprises locally in branches or separate commercial centres, while multinational groups are serviced by the Group Corporates units. This approach permits us to combine industry-specific and product expertise with an understanding of regional needs and the experience of our local customer relationship managers. In view of regulatory interventions, advising and supporting corporate customers in capital market transactions is becoming increasingly important.

CAPITAL MARKETS BUSINESS

Client-driven capital markets activities are also part of the comprehensive portfolio of products and services that we offer to our retail and corporate customers. The strategic significance of our centrally governed and locally rooted capital markets operations consists in supporting all other business areas in their dealings with the capital markets and, hence, in providing our customers with professional access to the financial markets. We, therefore, view our capital markets business as a link between financial markets and our customers. As a key capital markets player in the region, we also perform important functions such as market making, capital market research and product structuring.

Capital markets business serves the needs of our retail and corporate customers as well as those of government entities and financial institutions. Due to our strong network in the eastern part of the European Union, we have a thorough understanding of local markets and customer needs. In our capital markets business, too, we concentrate on core markets of retail, SME and large corporate business: Austria, the Czech Republic, Slovakia, Romania, Hungary, Croatia and Serbia. For institutional customers, specialised teams have been established in Germany and Poland as well as in Hong Kong and New York that offer these customers a tailor-made range of products.

In many countries where we operate, the local capital markets are not yet as highly developed as in Western Europe or the United States of America. That means our banking subsidiaries are pioneers in some of these markets. Therefore, building more efficient capital markets in the region is another strategic objective of our capital markets activities.

PUBLIC SECTOR BUSINESS

Solid deposit business is one of the key pillars of our business model. Customer deposits surpass lending volume in most of our geographic markets. Our banking entities make a significant part of this liquidity available as financing to the region's public sector entities. In this way, we facilitate essential public sector investment. Our public sector customers are primarily municipalities, regional entities and sovereigns that we additionally support and

advise in capital market issuance, infrastructure financing and project financing. Furthermore, we cooperate with supranational institutions. In terms of sovereign bond investments, we focus on Central and Eastern Europe equally.

Adequate transport and energy infrastructure and municipal services are absolutely key prerequisites for sustainable economic growth in the long term. Therefore, we view infrastructure finance and all associated financial services to be of extreme importance.

INTERBANK BUSINESS

Interbank business is an integral part of our business model that performs the strategic function of ensuring that the liquidity needs of our customer business are met. In particular, this involves short-term borrowing and lending of liquid funds in the interbank market.

CORE MARKETS IN THE EASTERN PART OF THE EUROPEAN UNION

When Erste Group went public as an Austrian savings bank with no meaningful foreign presence in 1997, it defined its target region as consisting of Austria and the part of Central and Eastern Europe that had realistic prospects of joining the European Union. The aim was to benefit from the attractive growth prospects in these countries. Against the backdrop of emerging European integration and limited potential for growth in Austria, Erste Group acquired savings banks and financial institutions in countries adjacent to Austria from the late 1990s onwards. This part of Europe offered, and still offers, the best structural, and therefore long-term, growth prospects.

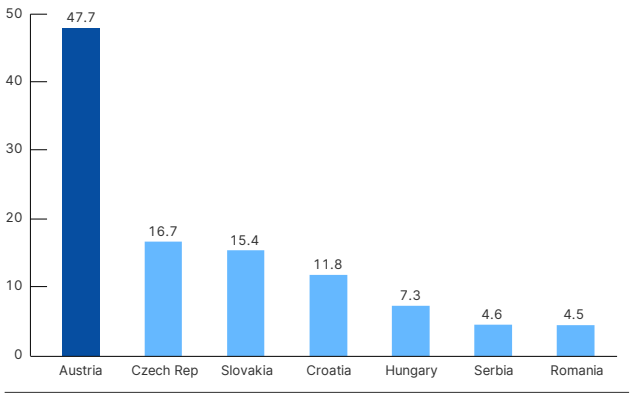
Today, we have an extensive presence in the following core markets: Austria, the Czech Republic, Slovakia, Romania, Hungary and Croatia – all of which are members of the European Union. Following significant investments in our subsidiaries, we hold considerable market positions in these countries. In Serbia, which has been granted European Union candidate status, we maintain a minor market presence, but one that may be expanded through acquisitions or organic growth as the country makes progress towards European Union integration. In addition to our core markets, we also hold direct and indirect majority and minority banking participations in Slovenia, Montenegro, Bosnia and Herzegovina and North Macedonia.

LONG-TERM GROWTH TRENDS IN CENTRAL AND EASTERN EUROPE

The economic catch-up process across the countries of Central and Eastern Europe and the underlying convergence trend continue. This is due, on the one hand, to the fact that the region has to make up for almost half a century of the shortfalls of the socialistic planned economy and, on the other hand, to the fact that banking activities were largely non-existent during that time. With the exception of deposit-taking, modern banking services were largely unknown in these countries after the fall of communism. On the lending side, this was due to high nominal and real interest rates and also to disposable incomes that did not support household credit growth. In addition, a healthy competitive environment was lacking due to extensive state ownership. All this has changed.

Most formerly state-owned banks have been sold to strategic investors that have fostered product innovation and competition. Economic growth, which temporarily declined substantially in some countries in CEE following the economic and financial crisis, recovered again. Despite such economic slowdowns and potential temporary negative impacts on the banking markets in Central and Eastern Europe, these factors will remain the driving force behind future development. Disposable income has risen strongly on the back of growing gross domestic product. In addition, most countries of Central and Eastern Europe have human resources that are at least equivalent to those of Western European countries but do not need to struggle with the unaffordable costs of the Western welfare states in the long term and have labour markets that are considerably more flexible. These advantages are complemented by – on average – highly competitive export industries that benefit from wage costs that are low relative to workforce productivity and from investor-friendly tax and welfare systems.

Customer loans/capita in CEE (2024) in EUR thousand



Source: Local central banks, Erste Group

A comparison of per capita private debt levels in Central and Eastern Europe with those of advanced economies reveals that even today, an enormous gap exists between these markets. Countries such as the Czech Republic and Slovakia, but also Croatia and Hungary, are many years away from reaching Austrian or Western European levels of loans per capita; also in relative terms, these countries differ substantially regarding debt levels common in the West. The contrast to Serbia or Romania is even more pronounced – private debt levels, particularly household debt, are substantially lower than in the advanced economies. We firmly believe that credit expansion accompanied by economic growth in this region will prove to be a lasting trend rather than a short-term process that has already peaked.

Over the coming 15 to 20 years, on average, the countries of the eastern part of the European Union are therefore expected to experience higher growth rates than the countries of Western Europe, even though periods of expansion may alternate with times of economic stagnation or even setbacks on this long-term path of sustainable growth.

BUILDING ON A STRONG BRAND

Just over 200 years ago, our founding fathers wrote: "No age, gender, social class, or nationality shall be excluded from the benefits that a savings bank offers every depositor." With this founding principle – which was revolutionary at the time – Erste oesterreichische Spar-Casse contributed substantially to the dissemination of prosperity for all segments of the population across our region.

Erste Group was founded to give everyone access to financial services and has developed into an institution that has an impact on the prosperity and, therefore, the future of a region. Today, we are one of the largest banking groups and employers in Central and Eastern Europe. The trust that we and our local banks have enjoyed stems from the fact that we have truly been putting the founding principle into practice.

A brand is a consistent promise. It is more than a logo – it is about the perception that people have when they think about or hear of an organisation, its products and its services. Brands have an important identification and differentiation function, which in turn determines whether a customer chooses one brand over another. Ultimately, companies with strong brands benefit from emotional relationships with their customers. Only a few businesses were founded with the aspiration of achieving more than just making profit. We are one of these and have been benefitting from a high degree of brand awareness and trustworthiness.

Over the last years, we have transformed our brand communication from being category- and product-driven to having a purpose-driven approach. To this end, we have established a Statement of Purpose as the main group-wide pillar of our brand communication: "Our region needs people who believe in themselves and a bank that believes in them."

More than 200 years ago, a success story started that continues until the present day. The savings banks were founded on this basis of personal trust and the belief in ideas, plans for the future and people's capabilities and potential. Whether it is in an individual's personal life, in a business start-up or a long-established enterprise, in business or in society at large – trust and confidence in the future, believing in oneself and others, the belief in ideas and entrepreneurship are the key prerequisites for personal growth and social well-being.

Therefore, it is not products and services that mark the beginning of the relationship between us and our customers but ideas, goals, needs, dreams and plans. It all starts with people who believe in their ability to attain prosperity and shape the future. The future is created by people who believe in themselves and their ideas – their visions of the future.

"Our region needs people who believe in themselves. And a bank that believes in them" is the key sentence that stands for the approach to which we have been firmly committed for more than 200 years. #believeinyourself is more than a lead narrative. It encourages people to pursue their aspirations, to create something, and embodies our promise to assist them along the way to financial health.

INNOVATION AND DIGITALISATION

Digitalisation and innovative technologies have fundamentally transformed the banking sector, with change unfolding at an ever faster pace. Digital technologies are reshaping not only IT infrastructure and internal processes but also consumers' expectations. At the same time, banks are confronted with new regulatory requirements. Topics such as cyber security and the protection of personal data are of extreme importance to Erste Group.

We are convinced that the digital banking experience will continue to gain in importance and will be essential for sustainable economic success in the long term. We are therefore committed to digital innovation with the goal of making financial literacy and suitable financial products accessible to all of our customers while offering ways to sustainably strengthen their personal financial health.

Our hybrid business model integrates various sales and communication channels. Customers decide on how, when and where they do their banking business. Contact centers serve as interfaces between digital banking and traditional branch business. By providing advice and making sales, their activities go far beyond that of a traditional help desk function.

At the centre of our digital strategy is the digital platform George, which has been rolled out gradually in Erste Group's core markets since 2015. It is designed to provide customers with user-friendly and easy access to personalised products of Erste Group, i.e. products that are tailored to meet their specific needs. Application programming interfaces (APIs) support a wide range of co-operation arrangements with fintechs, start-ups and even across industries and can, therefore, help to open up new markets and attract new customers. George is available to retail customers in Austria, the Czech Republic, Slovakia, Romania, Croatia and Hungary. It will be rolled out in Serbia in 2026. At present, George is being actively used by more than ten million customers. The portfolio of digitally available products and services is being constantly expanded. Customers can activate applications via plug-ins and use them to manage their finances.

George Business was developed to provide modern digital banking to our corporate customers as well. It was implemented in Austria in 2022 and in Romania in 2023. In the Czech Republic, the roll-out will be completed in 2025. Our aim is to offer all customer segments across the group an outstanding digital user experience on a single platform.

Intra-group, interdisciplinary teams are developing innovative solutions and new, AI-supported interaction options in George. These currently include an updated ecosystem for securities trading as well as George Junior, a digital offering for children and their parents designed as a financial solution that is attractive for the entire family. George Junior already forms part of our digital product portfolio in Romania, the Czech Republic and Slovakia. With George Open, we, for the first time, offer non-customers an opportunity to get to know our digital products, services and the George user experience, which allows them to become a customer whenever they wish.

It is our unequivocal ambition to be the key contact for our customers at any time. This means that we must also continue to focus on the prerequisites in order to meet this requirement. Digital innovation and artificial intelligence, as well as deep customer data analysis, are the keys to success. Our holistic approach combines two core elements:

- We strive to provide everyone with access to financial expertise and financial advice and, by deploying modern technologies such as artificial intelligence and data-based models, offer our customers recommendations that are tailored to their specific needs at any time (buzzword: digital advisory).
- Digitalisation of all relevant banking processes is a factor that is essential to our success. Interactions relating to customers are being transformed, from customer onboarding to the optimisation of internal administrative processes with a focus on agile and efficient end-to-end solutions. We want to provide our customers with even faster and more intuitive access to our services. At the same time, employees should gain time for providing our customers with high-quality advice.

FOCUS ON SUSTAINABILITY AND PROFITABILITY

Acting responsibly and earning a premium on the cost of capital is a key prerequisite for the long-term survival of any company and the creation of value for customers, investors and employees. Only a bank that operates in a sustainable manner – balancing the social, ecological and economic consequences of its business activities – and profitably can achieve the following: provide customers with products and services that support them in achieving their financial ambitions; deliver the foundation for share price appreciation as well as dividend and coupon payments to investors; create a stable and rewarding work environment for employees and be a reliable contributor of tax revenues to society at large.

The management board adopted a Statement of Purpose to reaffirm and state in more detail the purpose of Erste Group to promote and secure prosperity across the region. Building on this Statement of Purpose, a Code of Conduct defines binding rules of day-to-day business for employees and members of both the management and supervisory boards. At the same time, the Code of Conduct underlines that in pursuing our business activities, we value responsibility, respect and sustainability. The Code of Conduct is an important tool for preserving the reputation of Erste Group and strengthening stakeholder confidence. Sustainability in this context means operating our core business both in a socially and environmentally responsible manner and economically successfully.

Through a combination of stable revenues, low loan loss provisions and cost efficiency, profits can be achieved on a long-term basis. This is helped by a strong retail-based funding profile. When growth opportunities are elusive, as they will be from time to time, or the market environment is less favourable as a result of factors including high taxation, increased regulation or low interest rates, there will be a stronger focus on efficiency measures. When the operating environment improves, more time will be devoted to capturing growth in a responsible way. Irrespective of the environment, we should benefit materially from operating in the region of Europe that offers the best structural growth opportunities for some time to come.

Our ESG Strategy

Since Erste Group was founded, the idea of sustainability has been an integral part of our business activities. Today, the green transition and social inclusion are the pillars of our ESG strategy.

For us, the green transition means providing financial resources to limit climate change and global warming. Our goal is to bring the carbon footprint of our portfolio to a net-zero status by 2050. We specify our efforts and, thus, their

implementation with specific, science-based goals for each defined sector. The net-zero status of banking operations should be achieved by 2030.

For us, social inclusion means more than providing financial services; it also includes financial literacy, social banking, affordable housing and gender equality. We are convinced that a good socio-economic environment forms the basis for solid banking business and has a positive impact on our economic development.

The strategic pillars of the green transition and social inclusion are supported by best-in-class governance. Our ESG strategy is anchored in the governing bodies, the Management Board and the Supervisory Board. This ensures that our ESG strategy is established at all levels of the Group and comprehensively integrated into the business processes.

STRATEGIC OBJECTIVES

Our comprehensive and forward-looking strategy aims to secure our position as a leading financial institution in the eastern part of the EU while addressing the challenges of rapidly changing market dynamics. It addresses significant global developments, including economic shifts, demographic changes, technological advancements, geopolitical fragmentation, and climate change, to ensure sustainable growth and resilience even in the event of a different future.

As part of our strategy, we focus on five overarching objectives, designed to drive sustainable growth, improve customer experience and strengthen operational excellence. These objectives emphasise the need for transformation, innovation, and efficiency while integrating principles of sustainability to ensure the bank remains competitive and relevant in a rapidly changing financial landscape.

Strengthening a distinctive brand identity

At the heart of Erste Group's strategic goals is the creation of a unique and highly recognisable brand identity that resonates across its markets. We seek to differentiate ourselves from competitors in a financial sector that is increasingly becoming commoditised. This involves positioning Erste Group as more than just a bank, focusing instead on being a trusted partner that understands and meets the needs of its customers at every stage of their financial journey.

To achieve this, we are committed to developing innovative and tailored products and services that cater to the specific demands of regional markets and address the needs and interests of our customers at an individual level. This customer-first approach is not only designed to foster loyalty but also to build long-term relationships by providing value that extends beyond conventional banking. Our strong branding initiatives will also reinforce our reputation as a forward-thinking and customer-focused financial institution.

Providing access to financial expertise and financial advice to everyone

We proactively empower every customer to improve their financial health. Modern technologies, particularly artificial intelligence (AI), are at the core of our strategic objective to provide everyone with access to financial advice. The application of AI and data-driven solutions enables us to make high-quality financial expertise accessible to a much broader customer base. This is a significant shift from traditional banking models, where personalised financial advice was often limited to high-income clients.

Our use of technology enables customised insights and recommendations tailored to individual financial needs. Whether customers are seeking advice on investments, savings or retirement planning, this approach ensures they receive relevant information and product offers in an easy-to-understand format to improve their financial health. Importantly, these technological advancements will complement but not replace human interaction, ensuring that customers can still access personal support when needed.

Through these efforts, we aim to bridge the gap between technology and personal service, creating a seamless, hybrid advisory model. We are convinced that this will enhance customer experience. We are committed to integrate sustainability and ESG principles and to improve financial literacy across our markets as a means of fostering informed decision-making on the part of our clients.

Driving efficiency through digitisation

A critical element of our transformation is our commitment to comprehensive digitisation. We plan to digitise all key processes across our operations, from customer-facing interactions to internal workflows, creating a more efficient and agile organisation. This focus on end-to-end digital solutions will not only enhance the speed and convenience of banking for customers but also deliver significant cost savings and reduce operational risk through less manual processes and improved operational efficiency.

Digitisation efforts range from streamlining customer journeys, enabling seamless interactions through platforms such as our flagship digital banking platform, George, to digitising internal

functions. This ensures that customers can manage their banking needs independently while enjoying a premium, user-friendly digital experience. By making banking faster, more intuitive, and more accessible, we can free up resources. Our employees can dedicate more time to high-value activities and interaction with customers.

Innovative financial health propositions

We are committed to developing innovative financial products and services that address the evolving needs of our customers. This includes broadening our product offering in areas such as wealth management, insurance and retirement plans designed to improve customers' financial health and resilience. By aligning our product portfolio with the priorities of our customers, we ensure that we remain relevant in an increasingly competitive market.

We assist our corporate customers with ESG topics by facilitating their green transition. To align the retail business with the ESG strategy, we will offer products and services that promote decarbonisation, aiming to enhance both financial health and environmental sustainability. These products are aimed at not only providing financial security but also empowering customers to achieve their long-term goals.

By delivering value-driven and innovative solutions, we position ourselves as a partner that genuinely cares about the prosperity of our clients.

Expanding trough organic and inorganic growth

Recognising the growth potential within the CEE region, we are actively pursuing opportunities for both organic expansion and strategic acquisitions. By strengthening our presence in existing markets and entering new ones, we aim to consolidate our position as a leading player in the region. Strategic mergers and acquisitions will allow us to scale our operations, tap into new customer bases, and achieve greater synergies across our network.

Our growth ambitions are supported by our robust financial foundation, which provides the necessary resources to seize opportunities as they arise.

Business overview

PERFORMANCE ANALYSIS

P&L 2024 compared with 2023; balance sheet as of 31 December 2024 compared with 31 December 2023

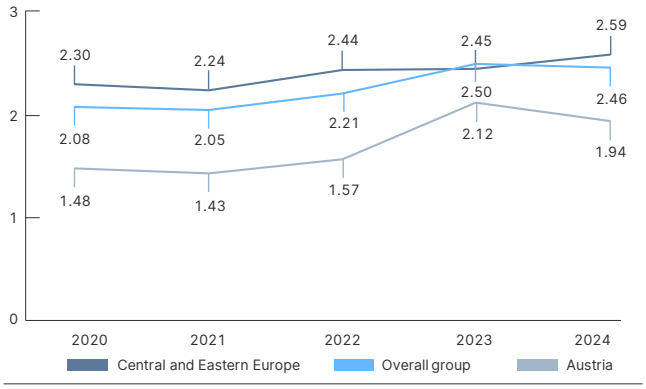
Profit and loss statement

in EUR million	2023	2024	Change
Net interest income	7,228	7,528	4.2%
Net fee and commission income	2,640	2,938	11.3%
Net trading result and gains/losses from financial instruments at FVPL	449	437	-2.5%
Operating income	10,552	11,178	5.9%
Operating expenses	-5,020	-5,279	5.2%
Operating result	**5,532**	**5,900**	**6.6%**
Impairment result from financial instruments	-128	-397	>100.0%
Other operating result	-468	-414	-11.5%
Levies on banking activities	-183	-245	33.3%
Pre-tax result from continuing operations	**4,795**	**4,997**	**4.2%**
Taxes on income	-874	-1,053	20.4%
Net result for the period	**3,921**	**3,945**	**0.6%**
Net result attributable to non-controlling interests	923	819	-11.2%
Net result attributable to owners of the parent	**2,998**	**3,125**	**4.3%**

Net interest income

Net interest income rose in the CEE core markets, most notably in the Czech Republic, Romania and Hungary. This was mainly due to higher loan volumes and higher interest income from debt securities. These effects were partly compensated by lower interest income from cash balances at central banks and higher interest expenses on debt securities in issue.

Net interest margin in %

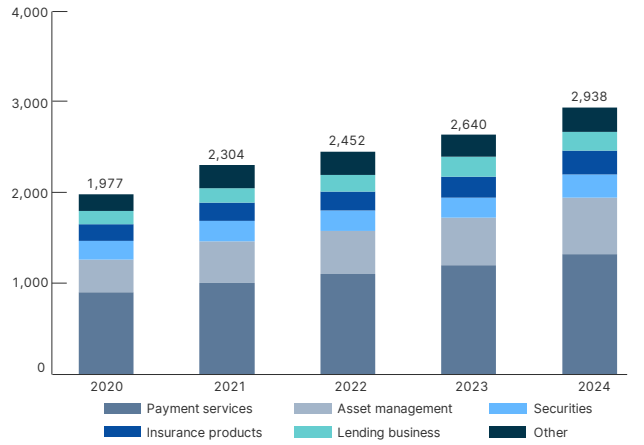


The net interest margin (calculated as the annualised sum of net interest income, dividend income and net result from equity method investments over average interest-bearing assets) remained nearly stable at 2.46% (2.50%).

Net fee and commission income

Growth was achieved across all core markets and nearly all income categories. Significant rises were recorded in payment services, driven by a larger number of transactions and repricing, as well as in asset management. The development of insurance brokerage was likewise positive.

Net fee and commission income, structure and trend in EUR million



Net trading result & gains/losses from financial instruments measured at fair value through profit or loss

Net trading result, as well as the line item gains/losses from financial instruments measured at fair value through profit or loss, are materially affected by the fair value measurement of debt securities issued. The related valuation is shown in the fair value result, the valuation of corresponding hedges in the net trading result.

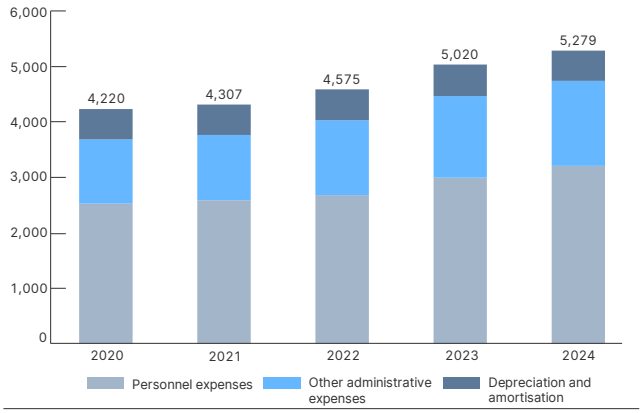
Net trading result deteriorated to EUR 519 million (EUR 754 million) due to valuation effects resulting from interest rate developments in the securities and derivatives business. Gains/losses from financial instruments measured at fair value through profit or loss trended in the opposite direction and improved to EUR -82 million (EUR -306 million), primarily due to a decline in losses from the valuation of debt securities in issue at fair value.

General administrative expenses

in EUR million	2023	2024	Change
Personnel expenses	2,991	3,202	7.1%
Other administrative expenses	1,468	1,529	4.1%
Depreciation and amortisation	560	547	-2.2%
General administrative expenses	**5,020**	**5,279**	**5.2%**

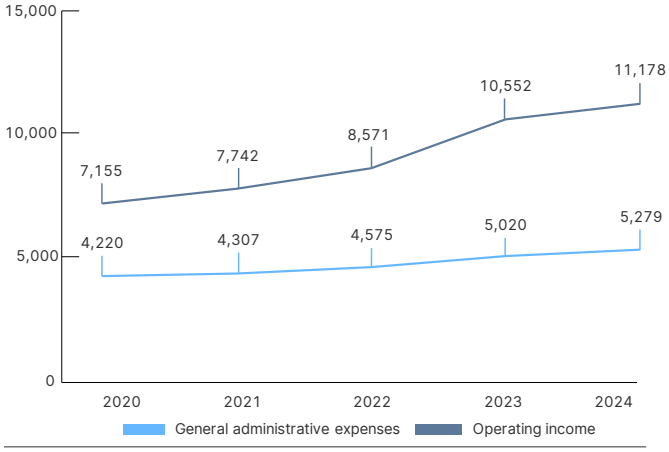
Personnel expenses were up in nearly all core markets – most significantly in Austria – driven mostly by collective salary agreements. The rise in other administrative expenses was primarily attributable to higher IT, marketing and consulting expenses. Contributions to deposit insurance schemes declined to EUR 72 million (EUR 114 million). In Austria, contributions fell to EUR 33 million (EUR 68 million), in the Czech Republic to EUR 16 million (EUR 20 million).

General administrative expenses, structure and trend, in EUR million



The cost/income ratio improved to 47.2% (47.6%).

Operating income and operating expenses in EUR million



Gains/losses from derecognition of financial instruments not measured at fair value through profit or loss

Losses from this position amounted to EUR 91 million (EUR 141 million). This includes most notably negative results from the sale of securities in the Czech Republic and in Austria.

Impairment result from financial instruments

The impairment result from financial instruments amounted to EUR -397 Mio (EUR -128 million). Net allocations to provisions for loans and advances increased – most notably in Austria – to EUR 394 million (EUR 264 million). Positive contributions came from income from the recovery of loans already written off, primarily in Austria, in the amount of EUR 72 million (EUR 80 million). Allocations to provisions for loan commitments and financial guarantees amounted to EUR 54 million (net releases of EUR 70 million).

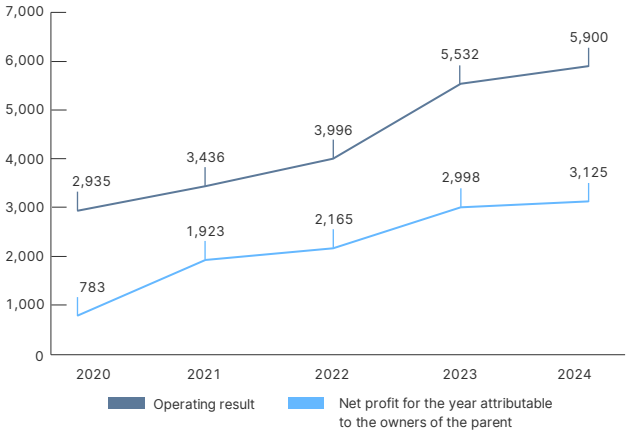
Other operating result

Other operating result is significantly affected by contributions to resolution funds and taxes and levies on banking activities. Contributions to resolution funds declined in all markets to EUR 28 million (EUR 113 million). The sharp decline is mainly due to the discontinuation of annual regular contributions from credit institutions in the euro zone in 2024. Taxes and levies on banking activities included in this line item rose to EUR 245 million (EUR 183 million). Thereof, EUR 40 million (EUR 46 million) were payable by Austrian entities. In Hungary, banking levies rose to a total of EUR 168 million (EUR 137 million): in addition to the regular Hungarian banking tax of EUR 22 million (EUR 17 million), a windfall tax based on the previous year's net revenues was posted in the amount of EUR 52 million (EUR 48 million). The financial transaction tax amounted to EUR 91 million (EUR 71 million). In Romania, the newly introduced banking tax amounted to EUR 37 million. The Austrian entities posted allocations of EUR 102 million to a provision relating to the interbank exemption pursuant to Art 6 sec 1 subsec 28 (2nd sentence) Austrian VAT Act. This exemption might be classified by the European Court of Justice or the EU Commission as incompatible with EU law and may have to be refunded. The balance of allocations/releases of other provisions amounted to EUR 23 million (EUR -23 million).

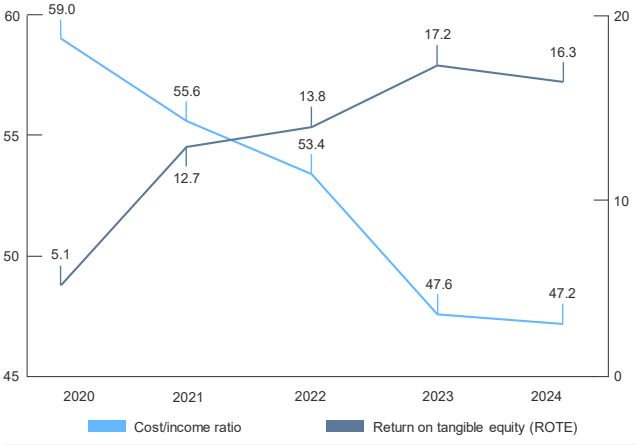
Net result

Taxes on income amounted to EUR 1,053 million (EUR 874 million). The decline in the minority charge to EUR 819 million (EUR 923 million) was attributable to lower profitability at the savings banks. The net result attributable to owners of the parent rose to EUR 3,125 million (EUR 2,998 million) on the back of the strong operating result.

Operating result and net profit/loss for the year attributable to owners of the parent in EUR million



Key profitability ratios in %



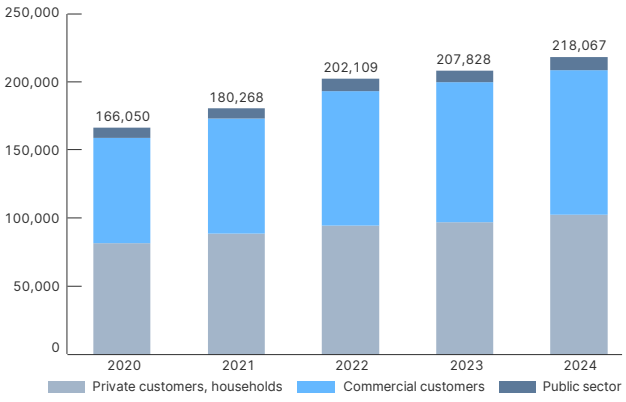
Balance sheet

in EUR million	Dec 23	Dec 24	Change
Assets			
Cash and cash balances	36,685	25,129	-31.5%
Trading, financial assets	63,690	75,781	19.0%
Loans and advances to banks	21,432	26,972	25.8%
Loans and advances to customers	207,828	218,067	4.9%
Intangible assets	1,313	1,382	5.2%
Miscellaneous assets	6,206	6,405	3.2%
Total assets	**337,155**	**353,736**	**4.9%**
Liabilities and equity			
Financial liabilities held for trading	2,304	1,821	-20.9%
Deposits from banks	22,911	21,261	-7.2%
Deposits from customers	232,815	241,651	3.8%
Debt securities issued	43,759	51,889	18.6%
Miscellaneous liabilities	6,864	6,346	-7.5%
Total equity	28,502	30,767	7.9%
Total liabilities and equity	**337,155**	**353,736**	**4.9%**

The decline in cash and cash balances to EUR 25.1 billion (EUR 36.7 billion) was primarily due to a decrease in cash balances at central banks. Trading and investment securities held in various categories of financial assets, primarily debt securities of governments, increased to EUR 75.8 billion (EUR 63.7 billion).

Loans and advances to credit institutions (net), including demand deposits other than overnight deposits, increased – primarily due to repo business volumes in the Czech Republic – to EUR 27.0 billion (EUR 21.4 billion). Loans and advances to customers (net) increased to EUR 218.1 billion (EUR 207.8 billion), most notably in Austria, the Czech Republic and Romania. Growth was recorded in both retail and corporate business.

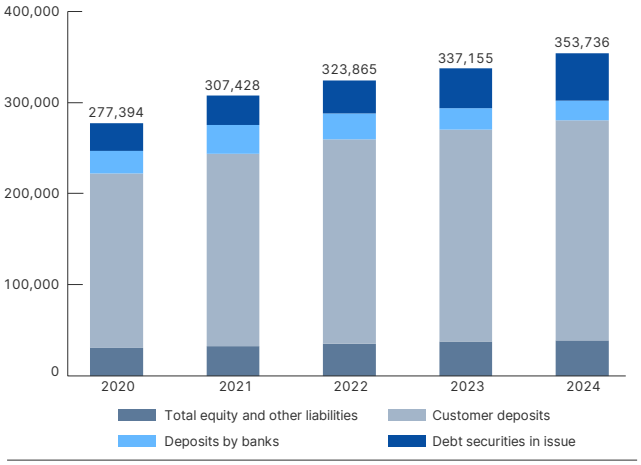
Loans and advances to customers, structure and trend, in EUR million



Loan loss allowances for loans to customers were unchanged at EUR 4.1 billion (EUR 4.1 billion). The NPL ratio – non-performing loans as a percentage of gross customer loans – deteriorated slightly to 2.6% (2.3%), and the NPL coverage ratio (based on gross customer loans) slipped to 72.5% (85.1%).

Financial liabilities – held for trading amounted to EUR 1.8 billion (EUR 2.3 billion). Deposits from banks declined to EUR 21.3 billion (EUR 22.9 billion); deposits from customers increased to EUR 241.7 billion (EUR 232.8 billion) due to growth in term and savings deposits of retail and corporate customers. The loan-to-deposit ratio stood at 90.2% (89.3%). Debt securities in issue rose to EUR 51.9 billion (EUR 43.8 billion) on increased issuance activity.

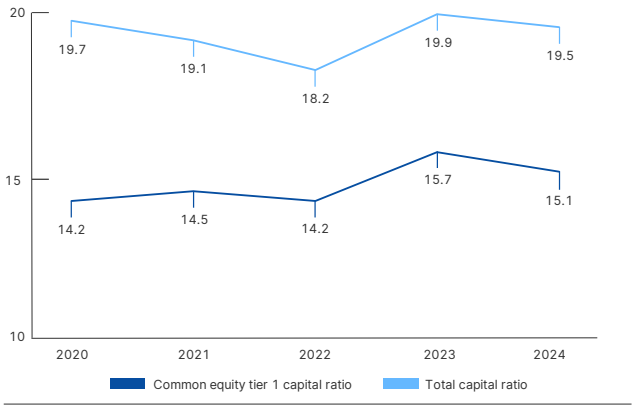
Balance sheet structure/liabilities and total equity in EUR million



Total assets rose to EUR 353.7 billion (EUR 337.2 billion). Total equity increased to EUR 30.8 billion (EUR 28.5 billion). This includes AT1 instruments in the amount of EUR 2.7 billion.

After regulatory deductions and filtering according to the Capital Requirements Regulation (CRR) common equity tier 1 capital (CET1, CRR final) rose to EUR 24.0 billion (EUR 22.9 billion) as were total own funds (CRR final) to EUR 30.9 billion (EUR 29.1 billion). Total risk – risk-weighted assets including credit, market and operational risk (CRR final) – increased to EUR 159.1 billion (EUR 146.5 billion).

Total capital ratio and common equity tier 1 capital ratio in %



The total capital ratio, total eligible qualifying capital in relation to total risk (CRR final), stood at 19.5% (19.9%), well above the legal minimum requirement. The tier 1 ratio was 16.8% (17.3%), the common equity tier 1 ratio 15.1% (15.7%) (both ratios CRR final).

OUTLOOK

Erste Group's goal for 2025 is to achieve a return on tangible equity (ROTE) of about 15%. This ambition is built on the following key assumptions: Firstly, the macroeconomic environment, primarily as measured by real GDP growth, in Erste Group's seven core markets (Austria, Czech Republic, Slovakia, Romania, Hungary, Croatia and Serbia) remains robust and on average, improves moderately versus 2024. Consequently, Erste Group expects robust loan growth of about 5% in 2025, supported by growth in the retail as well as the corporate business. Secondly, operating performance as defined by operating result to stay broadly stable versus 2024, as net interest income is projected to remain flat year-on-year, fee and commission income continues to grow by about 5%, net trading and fair result produces a similar revenue contribution as in 2024, and operating expenses grow on the order of 5%. Consequently, the cost/income ratio is expected to be below 50%. Thirdly, risk costs increase only slightly to about 25 basis points of average customer loans from levels seen in 2024, as the asset quality environment remains strong across Central and Eastern Europe while only deteriorating moderately in Austria. In addition, regulatory costs, comprising deposit insurance and resolution fund contributions, banking levies such as banking and financial transaction taxes, as well as sector-specific extra profit taxes, and the cost of supervision, in aggregate, are expected to increase due to an announced increased banking tax in Austria.

While a forecast for the other operating result, which is primarily impacted by regulatory costs excluding deposit insurance contributions as well as extra profit tax in Slovakia, and various categories of gains and losses from financial instruments not measured at fair value is challenging, this combined item is likely to stay flat versus 2024 in the absence of significant one-off effects. Assuming an effective group tax rate of about 21% and lower minority charges compared to 2024, all of the above should result in a return on tangible equity of about 15% in 2025.

In line with the projected strong profit performance, the CET1 ratio is expected to increase in 2025, providing enhanced capital return and/or M&A flexibility. The adjusted net profit of 2024 (net profit after deduction of AT1-dividends) allows Erste Group to target a regular dividend equalling 41.2% of adjusted net profit as well as the execution of a third share buyback in the amount of 23.7% of adjusted net profit, subject to regulatory approval.

Potential risks to the guidance include (geo)political and economic (including monetary and fiscal policy impacts) developments, regulatory measures as well as changes to the competitive environment. International (military) conflicts, such as the war in Ukraine and in the Middle East, do not impact Erste Group directly, as it has no operating presence in the regions involved. Indirect effects, such as financial markets volatility, sanctions-related knock-on effects, supply chain disruptions or the emergence of deposit insurance or resolution cases cannot be ruled out, though. Erste Group is moreover exposed to non-financial and legal risks that may materialise regardless of the economic environment. Worse-than-expected economic development may put goodwill at risk.

Development in the core markets

This chapter provides an overview of the developments in our seven core markets (by segments). In addition to economic reviews, we provide updates on the banking markets. Interviews with the CEOs of our local banks and board members of the Holding provide further insights into the respective business environment.

The descriptions of the core markets are supplemented by financial and credit reviews. For more details, please see Note 1 Segment Reporting. Additional information is available in Excel format at https://www.erstegroup.com/en/investors/reports/financial-reports.

Operating income consists of net interest income, net fee and commission income, net trading result, gains/losses from financial instruments measured at fair value through profit or loss, dividend income, net result from equity method investments and rental income from investment properties & other operating leases. The latter three listed items are not shown in the tables below. Net trading result and gains/losses from financial instruments measured at fair value through profit or loss are summarised under one position. Operating expenses correspond to the position general administrative expenses. Operating result is the net amount of operating income and operating expenses. Risk provisions for loans and receivables are included in the position impairment result from financial instruments. Other result summarises the positions other operating result and gains/losses from financial instruments not measured at fair value through profit or loss, net. The cost/income ratio is calculated as operating expenses in relation to operating income. The return on allocated capital is defined as the net result after tax/before minorities in relation to the average allocated capital.

Austria

Economic review

Austria's well-diversified, open and developed economy performed weaker than expected in 2024. After the recessionary environment in 2023 Austria's economy continued to decline moderately. With the exception of public consumption, all components of GDP shrank moderately in 2024. Despite increasing real wages, private consumption remained subdued. High interest rates and still elevated energy costs continued to weigh on investments, especially in the construction and industry sectors. Industry was additionally negatively impacted by weak export demand, especially from Germany. On the positive side, the service sector continued to prove its resilience to the recessionary environment. Tourism boomed with the summer season's overnight stays at a record level. The agricultural sector, although not a major contributor to GDP, also performed well. Austria's labour market remained strong with an unemployment rate of 5.2%. Overall, the Austrian economy shrank by 0.7% in 2024, while GDP per capita amounted to EUR 53,600.

Austria's general government deficit increased from 2.7% of GDP to 3.9%. The rising deficit was mainly due to higher expenses for public salaries, pensions and social benefits such as childcare and health. Increased family allowances and tax benefits also weighed on the deficit. Unemployment benefit payments, on the other hand, remained relatively moderate due to the strong labour market. Public debt as a percentage of GDP increased slightly to 79.7%.

In 2024, inflation decreased further. Average inflation amounted to 2.9%, still above the EU average of 2.4%. Service prices, especially in the hospitality industry, remained the main driver of inflation. Energy prices, on the other hand, declined sharply, although from very high levels of the previous year. Core inflation, excluding food and energy prices, moderated to 3.9%. Austria's monetary policy is set by the ECB, which cut the key policy rate of the monetary union from 4.00% to 3.00% in four steps during the year.

All three major rating agencies affirmed Austria's high credit ratings in 2024. Fitch maintained Austria's long-term credit rating of AA+ with a stable outlook. In January 2025, though, Fitch revised its outlook to negative citing more complicated decision-making and higher fiscal risk due to political uncertainty. Standard & Poor's kept its long-term credit rating of AA+ but improved its outlook from stable to positive. Moody's left its credit rating unchanged at Aa1 with a stable outlook.

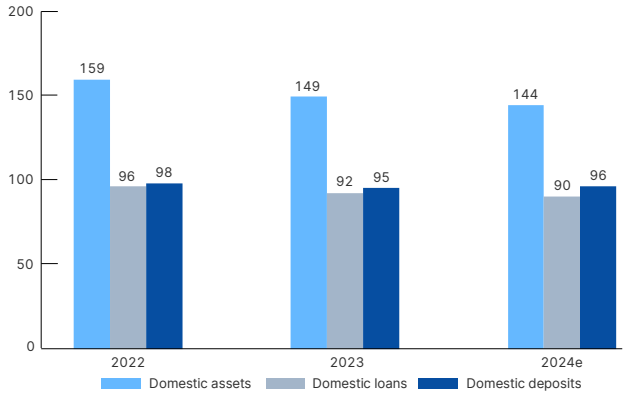
Key economic indicators – Austria	2021	2022	2023	2024e
Population (average, million)	9.0	9.1	9.1	9.2
GDP (nominal, EUR billion)	406.2	448.0	473.2	486.0
GDP/capita (in EUR thousand)	45.3	49.4	52.0	53.6
Real GDP growth	4.2	4.8	-1.0	-0.7
Private consumption growth	4.2	5.7	0.0	0.1
Exports (share of GDP)	43.4	47.0	47.7	46.1
Imports (share of GDP)	47.5	50.1	48.7	47.3
Unemployment (Eurostat definition)	6.2	4.8	5.1	5.2
Consumer price inflation (average)	2.8	8.6	7.7	2.9
Short term interest rate (3 months average)	-0.6	0.4	3.6	3.4
Current account balance (share of GDP)	1.6	-0.3	2.7	2.8
General government balance (share of GDP)	-5.8	-3.5	-2.7	-3.9

Source: Erste Group

Market review

The Austrian banking sector is highly competitive and developed. With total (domestic) assets of 143.8% of GDP, this metric is significantly higher than in Central and Eastern Europe. In 2024, the sector further strengthened its capitalisation levels and maintained a very solid funding base. Owing to the macroeconomic developments, Austria's banking market achieved only moderate lending and deposit volume growth. On the asset side, elevated interest rates, in particular in the first half of the year, and a relatively weak sentiment resulted in customer loan growth of only 0.7%. Despite the introduction of stamp duty exemption up to a property purchase amount of EUR 500,000, retail mortgage loan volume shrank by 0.9%. The share of lending at variable interest rates continued to decline. Corporate loans grew by 1.6% mainly driven by financing needs for inventories and working capital. Despite higher cost of living, customer deposits increased by 4.2%. Overall, the banking system's loan-to-deposit ratio decreased to 93.9% by year-end.

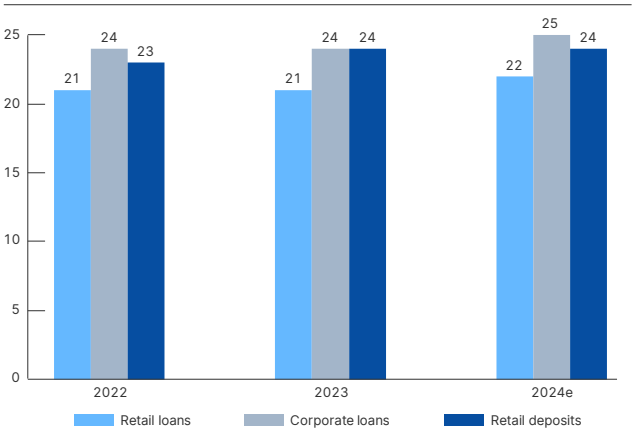
Financial intermediation – Austria (in % of GDP)



Source: National Bank of Austria, Erste Group

Stress test results, published annually by the Austrian National Bank, again confirmed the domestic banking sector's adequate risk-bearing capacity. Funding and liquidity profiles remained strong. The Austrian banking sector's liquidity ratios were high and comfortably above minimum requirements. Macro-prudential measures for residential real estate financing remained unchanged. These regulations, issued by the Austrian Financial Market Authority (FMA), include upper limits for loan-to-value ratios (90%), debt-service-to-income ratios (40%) and a maximum tenor of 35 years. These thresholds were applied to new mortgage lending to households exceeding EUR 50,000 and visibly impacted new business volumes. The Financial Stability Board (FMSG) decided in December 2024 not to extend these limits. They will remain in force until 1 July 2025. The FMA recommended to set a sectoral systemic risk buffer of 1% starting from mid-2025.

Market shares – Austria (in %)



Source: National Bank of Austria, Erste Group

Despite declining profitability, the Austrian banking sector posted one of its most profitable years in 2024. Operating income increased. Net interest income, which accounts for two-thirds of total income, benefitted from later than originally expected rate cuts by the ECB. Net fee and commission income was driven by payment and securities-related fees. Operating expenses rose on significant salary increases. Asset quality deteriorated slightly and the sector's NPL ratio rose further. Risk provisions increased. Austrian banks continued to pay banking tax. Overall, the Austrian banking sector's net profit declined compared to the previous year.

Despite the large number of banks, the Austrian sector remained highly concentrated, with the top three banking groups accounting for more than half of total assets. Erste Bank Oesterreich and the savings banks succeeded in further increasing their combined market shares to between 22% and 25% in both retail and corporate business, benefitting from their balanced business model. Erste Group's market share in the domestic asset management business stood at 25.8%. George, Erste Group's digital platform, continued to be very popular. The platform's product range was again widened, and the number of customers using George grew by almost 200,000. At year-end, George posted 2.7 million users, and the digital sales ratio stood at 43%.

ERSTE BANK OESTERREICH & SUBSIDIARIES

Business review

Interview with Gerda Holzinger-Burgstaller, CEO of Erste Bank Oesterreich

How did the competitive environment change?
In 2024, the market environment in Austria was again marked by challenging macroeconomic developments. The Austrian gross domestic product declined once again slightly while the number of business insolvencies was up substantially. The European Central Bank cut its policy rates in several steps to support the recovery of the economy and encourage investment by both private households and businesses. In Austria, this objective was not achieved fully: consumer spending remained subdued and lending to private households declined in the first half of 2024 while corporate lending was stagnating. The second half of the year saw some improvement as the financing volume of financing, in particular lending to businesses, rose slightly. Falling inflation coincided with a higher savings rate and, as a result, an increase in deposits. Price competition remained intense amid continued high banking density in Austria.

How did you manage to successfully differentiate your business activities from those of your competitors?
Our efforts were concentrated on ensuring easy access to advisory services, which we offer all our customers at a high level of quality and by making use of innovative technologies. In 2024, the nation-wide roll-out of the Financial Health Check, our personalised advisory tool, was again focused on the financial health of our customers. Working together with our customers, we develop solutions to shape their financial future. Having launched George FIT, we now offer our customers a digital service that shows them how to use their money more effectively.

We integrate insights from behavioural economics into our range of products and services with the aim of further enhancing customer satisfaction and reducing any obstacles to the use of our services that may still exist.

Looking back at the year, what major achievements or challenges were especially noteworthy?
We were particularly pleased to be named Best Bank and Best Digital Bank in Austria in Euromoney's 2024 Awards for Excellence. Distinctions like these recognise our focus on customers, our long-term strategy and, of course, the work done by our employees every day. With more than 120,000 newly acquired retail customers in the Erste Bank Oesterreich & Subsidiaries segment, we could again continue the growth-related success of previous years. For the first time, the number of retail customers in our portfolio reached an impressive level of 1.7 million. To be able to provide our customers with the best possible advice and support going forward, we are committed to the ongoing expansion and improvement of our products and services. In 2024, for example, we launched the Smart Savings functionality, enabling our retail customers to define and manage up to 10 savings goals at the same time, as well as the new Business Credit Card for corporate customers. A challenging event was clearly the catastrophic flooding in September 2024. To help those affected quickly and without red tape, Erste Bank provided an instant loan programme with a total volume of EUR 100 million.

How did the cooperation with the savings banks develop, and what were the major achievements in this area?
In 2024, the savings banks were – as was Erste Bank Oesterreich – able to steadily attract new customers. Their topic in the spotlight was securities. In the autumn of 2024, Erste Bank and the savings banks launched new securities accounts that are specially tailored to customer needs. They offer customised solutions for young people, heavy traders, online customers as well as for all those who occasionally need advice on investments in securities at a branch office. In placing the focus on securities, we have increased transparency and significantly simplified the cost structure. The measures implemented are designed to not only attract potential new customers but also to provide an attractive offer to existing customers. Initial feedback has been very positive. In another step, options for accessing data and trading securities in George were substantially expanded in the first quarter of 2025, which has taken the customer experience to an entirely new level.

Another key activity was the intense training of branch employees in using FIT+, the steadily evolving advisory tool. In 2024, almost one thousand employees received such training. With the support of this tool financial health advice was provided aiming at analysing and improving our customers' financial situation. Market research confirms that after the completion of a Financial Health Check session, a higher level of customer satisfaction was achieved, and customers were more willing to recommend the bank than after routine sessions, which is evidence of the positive impact of this approach.

Financial review

in EUR million	2023	2024	Change
Net interest income	1,200	1,102	-8.1%
Net fee and commission income	505	549	8.7%
Net trading result and gains/losses from financial instruments at FVPL	8	30	>100.0%
Operating income	1,778	1,762	-0.9%
Operating expenses	-747	-786	5.2%
Operating result	1,031	975	-5.4%
Cost/income ratio	42.0%	44.6%	
Impairment result from financial instruments	-53	-146	>100.0%
Other result	-68	-44	-35.6%
Net result attributable to owners of the parent	681	569	-16.5%
Return on allocated capital	32.6%	25.1%	

The Erste Bank Oesterreich & Subsidiaries (EBOe & Subsidiaries) segment comprises Erste Bank der oesterreichischen Sparkassen AG (Erste Bank Oesterreich) and its main subsidiaries (e.g. s Bausparkasse, Salzburger Sparkasse, Tiroler Sparkasse, Sparkasse Hainburg).

Net interest income decreased due to the repricing of customer deposits and higher volumes of term deposits and savings accounts. This was only partially offset by asset side repricing resulting from higher average interest rates and higher customer loan volumes. Net fee and commission income rose mainly on the back of higher payment and securities fees. Net trading result and gains/losses from financial instruments at FVPL increased on valuation effects. Operating expenses went up due to higher personnel and IT expenses which were partially compensated by the lower contribution to the deposit insurance fund of EUR 12 million (EUR 27 million). Overall, operating result decreased, and the cost/income ratio worsened. Impairment result from financial instruments worsened due to rating downgrades and new defaults. Other result improved on the discontinuation of payments into the resolution fund in 2024 (EUR 16 million in 2023) as the target level was reached, a decrease of banking tax to EUR 7 million (EUR 16 million) due to a one-off payment in 2023, and a release of provisions for legal expenses, which was partially offset by the provision for the interbank VAT exemption. Overall, the net result attributable to owners of the parent decreased.

Credit risk

Credit risk exposure in the Erste Bank Oesterreich & Subsidiaries segment rose to EUR 54.6 billion (+3.9%), and customer loans increased to EUR 42.5 billion (+3.7%). This segment accounted for 19.1% (19.3%) of Erste Group's total loan portfolio. The share of retail private individual customers in total loan volume increased to 37.0% (36.5%), while the share of corporates, including self-employed individuals and small businesses, decreased to 57.2% (58.6%). Loans to professionals, other self-employed individuals and small businesses remained stable and were overall less significant than they are for Austrian savings banks. Lending to the public sector rose significantly to EUR 2.5 billion (+22.1%), while its share of the total portfolio increased only slightly to 1.1% (1.0%). Non-performing loans continued to rise and amounted to EUR 260.6 million; the NPL ratio stood at 2.3% (1.8%). The increase was mainly driven by corporate business. The NPL coverage ratio based on loan loss provisions decreased to 47.5% (55.6%).

SAVINGS BANKS

Financial review

in EUR million	2023	2024	Change
Net interest income	1,892	1,838	-2.8%
Net fee and commission income	656	721	9.8%
Net trading result and gains/losses from financial instruments at FVPL	64	39	-39.8%
Operating income	2,660	2,648	-0.4%
Operating expenses	-1,259	-1,332	5.8%
Operating result	1,401	1,316	-6.1%
Cost/income ratio	47.3%	50.3%	
Impairment result from financial instruments	-182	-248	36.4%
Other result	-39	-42	7.9%
Net result attributable to owners of the parent	122	102	-16.6%
Return on allocated capital	20.6%	15.1%	

The Savings Banks segment includes those savings banks which are members of the Haftungsverbund (cross-guarantee system) of the Austrian savings banks sector and in which Erste Group does not hold a majority stake but which are fully controlled according to IFRS 10. The fully or majority-owned savings banks Erste Bank Oesterreich, Tiroler Sparkasse, Salzburger Sparkasse, and Sparkasse Hainburg are not part of the Savings Banks segment.

Net interest income decreased due to the repricing of customer deposits and higher volumes of term deposits and savings accounts, only partially compensated by higher income from customer loans. Net fee and commission income increased on the back of higher payment and securities fees. The worsening in net trading result and gains/losses from financial instruments at FVPL was driven by valuation effects. Operating expenses increased due to higher personnel and IT expenses, partially compensated by a lower contribution to the deposit insurance fund of EUR 21 million (EUR 41 million). Consequently, operating result decreased, and the cost/income ratio worsened. Impairment result from financial instruments deteriorated mainly due to downgrades and higher defaults. The worsening of other result was driven mainly by the provision for interbank VAT exemption partially offset by the discontinuation of payments into the resolution fund in 2024 (EUR 12 million in 2023) – the target level was reached – as well as the release of provisions for commitments and pending legal cases and tax litigations. Banking tax increased slightly to EUR 7 million (EUR 5 million). Overall, the net result attributable to the owners of the parent decreased.

Credit risk

Credit risk exposure in the Savings Banks segment increased to EUR 81.5 billion (+1.9%), while loans to customers rose to EUR 60.0 billion (+1.8%). Its share in Erste Group's total loans to customers decreased to 27.0% (27.8%). Lending to private households registered below average growth, and its share in the Savings Banks' total customer loan portfolio slightly decreased to 37.2% (37.7%). Loans to professionals, other self-employed persons and small businesses decreased to EUR 6.4 billion (-2.3%) while other sectors grew or remained stable. Despite a continuing decline of its share to 10.6% (11.0%) of total loans, the share of this customer segment was still significantly larger than in Erste Group's subsidiaries in Central and Eastern Europe. This reflects the Savings Banks' predominantly local and regional operations as well as the different structure of the Austrian economy, with a higher percentage of small and medium-sized enterprises than in Central and Eastern Europe. The share of non-performing loans in total loan volume to customers in the Savings Banks rose to 3.6% (2.9%). Coverage of non-performing loans with loan loss provisions declined to 56.2% (64.8%).

OTHER AUSTRIA

Business review

Interview with Ingo Bleier, Chief Corporates and Markets Officer

How did the competitive environment change?
CEE markets were shaped by the trend of falling interest rates throughout 2024. The lowering of euro rates in the second half followed earlier decreases in the Czech Republic and Hungary. This development was accompanied by a reduction in inflation rates during the year.

However, despite lower rates and inflation, there was no immediate corresponding growth in investments across our markets. Demand for lending, driven by new investment projects, remained subdued throughout the year, which resulted in increased competition and pricing pressure among banks.

Capital markets, on the other hand, were quite active in 2024, driven by strong issuance across various customer segments and products, to a good extent still attributable to MREL-related issuance and refinancing requirements.

Thanks to our strong credit ratings, we benefited from very good institutional funding flows throughout the year.

How did you manage to successfully differentiate your business activities from those of your competitors?
We continued our long-term digitalisation strategy centered around the George brand, with the corporate banking platform "George Business" now rolled out in Austria and Romania and with our first corporate customers on the platform in Czechia as well. The future direction of George Business will be shaped by a continuous development of the platform, incorporating new features based on customer feedback. Our strategy is to offer our business clients digital services for all daily banking needs in a very convenient, modern design. George Business also includes an online rating advisory tool informing our corporate clients about our rating view on them and offering improvement options.

A strategy review initiated by our new CEO reaffirmed the core strategic importance of our financial health proposition. We further enhanced our corresponding tool, named "Financial Health Zone", by integrating predictive features and expanding the offer to our customers across our region. The overall positive customer feedback confirms the success of the journey we have embarked on.

Erste Group Corporates & Markets has solidified its leading regional and, meanwhile also strong global position in the capital markets origination business built on product expertise, delivery, and execution capabilities, as well as profound research.

Looking back at the year, what major achievements or challenges were especially noteworthy?
Global Capital recognised us in five categories: Best Syndicate Bank, Best Bank for Distribution, along with three individual awards for Best Syndicate Banker and two Rising Star trophies. For the fourth consecutive year, Erste Group has confirmed its position as the number 1 bookrunner for CEE FIG unsecured issuances and number 4 globally for Euro Covered Bonds. Our Capital Markets activities have been further enriched by a strategic partnership with the Baader Platform for equity research and sales activities, creating larger investor access for our own activities in that area.

In the corporate banking business, I am quite glad about the strong finish of the year where we caught up in loan growth and winning mandates from international corporates and public sector clients.

Furthermore, the structural growth of our fee income through an expansion of our transaction banking and hedging activities for clients is highly noteworthy. The increase in primary client relationships is core to our strategy and continues to work out well.

In respect of the so-called green transition, we have contributed significantly to our clients' sustainable investment activities by providing more than EUR 5 billion in sustainable finance commitments and extensive advisory services in personal conversations by our front office bankers.

Finally, 2024 marked a new record in assets under management for our thriving asset management business as a result of organic and inorganic growth, with the total exceeding EUR 90 billion for the first time. We also closed our first private markets fund of fund and have prepared the ground to launch further products in mutual as well as private equity funds.

Financial review

in EUR million	2023	2024	Change
Net interest income	623	580	-6.9%
Net fee and commission income	321	356	10.6%
Net trading result and gains/losses from financial instruments at FVPL	16	21	32.5%
Operating income	1,021	1,017	-0.3%
Operating expenses	-394	-417	5.7%
Operating result	626	601	-4.1%
Cost/income ratio	38.6%	41.0%	
Impairment result from financial instruments	135	-3	n/a
Other result	17	-3	n/a
Net result attributable to owners of the parent	586	447	-23.7%
Return on allocated capital	23.0%	15.6%	

The Other Austria segment comprises the Corporates and Group Markets business of Erste Group Bank AG (Holding), Erste Group Immorent, Erste Asset Management and Intermarket Bank.

Net interest income decreased primarily due to a lower contribution of money market and interest rate derivatives business in Group Markets, and a non-recurring positive one-off income in the corporate portfolio of the Holding. Net fee and commission income improved mainly due to higher asset management fees, as well as higher securities fees in Group Markets and higher lending fees in the corporate business of the Holding. Net trading result and gains/losses from financial instruments at FVPL improved on valuation effects. Operating expenses increased on the back of higher personnel, IT and project-related costs. Consequently, operating result as well as the cost/income ratio deteriorated. The impairment result from financial instruments deteriorated mostly due to the non-recurrence of last year's significant release caused by rating upgrades and recoveries as well as muted NPL inflows. Other result deteriorated due to lower selling gains in Erste Group Immorent and the provision associated with the interbank VAT exemption, only partially compensated by the discontinuation of payments into the resolution fund in 2024 (EUR 8 million in 2023) and lower provisions for other commitments in the corporate portfolio of the Holding. Overall, the net result attributable to owners of the parent declined.

Credit risk

The credit risk exposure in the Other Austria segment, almost completely related to Holding and Erste Group Immorent business, rose substantially to EUR 65.9 billion (+14.3%). Its share in Erste Group's total credit risk exposure increased to 16.5% (15.8%). A large proportion of risk positions was related to securities and cash balances held with other banks. At EUR 23.7 billion, the share of loans to customers in Erste Group's total loan portfolio amounted to 10.7% (9.9%) and was significantly lower than its contribution to credit risk exposure. This increase in total loans to customers was driven primarily by large corporates business. The NPL ratio increased to 2.1% (1.7%). Coverage of non-performing loans with loan loss provisions significantly decreased to 32.3% (54.0%), primarily due to the release of overlay provisions for certain industries.

Czech Republic

Economic review

Economic performance in the Czech Republic remained subdued in 2024. Economic growth was mainly driven by household consumption due to declining inflation, higher real wages and improved household sentiment. Exports were negatively impacted by a deterioration in foreign demand, most pronounced in Germany, the country's key trading partner. The automotive sector remained the most important contributor to exports. The car industry employed 170,00 people and accounted for approximately 10% of the country's economy. Production of passenger vehicles increased by 3.9%. Inventories continued to decline after pronounced accumulation in the last couple of years. Investments benefited from inflows of European Union structural funds and Recovery and Resolution Facility funds and were an important contributor to growth. At 2.7%, the unemployment rate remained almost unchanged and was among the lowest in the European Union. Overall, real GDP increased by 1.0%, and GDP per capita amounted to EUR 29,200.

As a result of a major consolidation package as of January 2024, the country's budget deficit declined substantially to 2.9%. The consolidation package included a range of measures: On the expenditure side, cost-saving measures included significant reductions of non-investment state subsidies, the expiration of energy costs mitigation measures, and a reduction of government subsidies to renewable energy sources. On the revenue side, the government introduced various tax-related changes, such as reductions in tax exemptions. At 43.5%, public debt as a percentage of GDP remained one of the lowest in the European Union. Inflation in the Czech Republic declined significantly in 2024, mainly driven by lower energy and food prices. At 2.4%, it was one of the lowest in Central and Eastern Europe. Core inflation amounted to 2.5%. The Czech koruna remained relatively stable against the euro, trading between CZK 24.5 and CZK 25.5 throughout the year. The Czech National Bank (CNB) reduced its key policy rate in seven steps in 2024, from 6.75% to 4.00% by the end of the year.

In February 2024, Fitch decided to improve its outlook for the Czech Republic from negative to stable while affirming its rating at AA-. The rating agency noted that the Czech Republic navigated the successive pandemic and energy price shocks without lasting effects on the long-term macroeconomic outlook, despite weaker short-term growth. Moody's left the country's outlook at stable and kept its credit rating at Aa3. Standard & Poor's also confirmed its rating at AA- with a stable outlook.

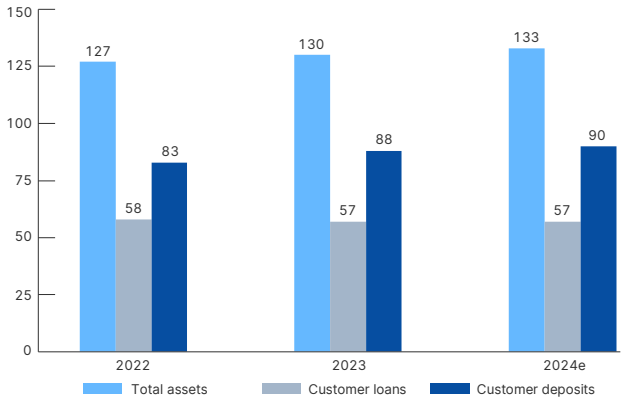
Key economic indicators – Czech Republic	2021	2022	2023	2024e
Population (average, million)	10.5	10.7	10.9	10.9
GDP (nominal, EUR billion)	245.9	287.0	317.8	318.5
GDP/capita (in EUR thousand)	23.4	26.8	29.2	29.2
Real GDP growth	4.0	2.9	0.1	1.0
Private consumption growth	4.1	0.4	-2.8	1.7
Exports (share of GDP)	61.4	62.0	58.5	58.1
Imports (share of GDP)	61.4	65.1	56.7	55.4
Unemployment (Eurostat definition)	2.8	2.2	2.6	2.7
Consumer price inflation (average)	3.8	15.1	10.7	2.4
Short term interest rate (3 months average)	1.1	6.3	7.1	5.0
EUR FX rate (average)	25.6	24.6	24.0	25.1
EUR FX rate (eop)	24.9	24.2	24.7	25.2
Current account balance (share of GDP)	-2.1	-4.7	0.3	1.3
General government balance (share of GDP)	-5.0	-3.1	-3.8	-2.9

Source: Erste Group

Market review

Despite the moderate macroeconomic performance, the Czech banking sector performed very well. Customer loans grew by 5.3%. Retail loans increased by 5.9% due to a revival of demand for housing loans. Corporate loans grew by 5.1%, with euro-denominated investment-related and working capital loans being key drivers. To support lending, the Czech National Bank (CNB) maintained its rules on mortgage business. There are no regulatory limits for debt-to-income ratio and debt-service-to-income ratio for mortgage applicants. The upper limit on the loan-to-value ratio remained at 80%, and 90% for applicants below 36 years. In July 2024, the CNB decided to cut the counter-cyclical buffer from 2.0% to 1.25%. The systemic risk buffer rate was set at 0.5% as of 1 January 2025. The central bank's annual stress test confirmed the resilience of the sector, highlighting high capitalisation and robust profitability. Customer deposit inflows remained strong with a growth rate of 7.8%. Growth was more pronounced in the corporate business. At year-end, the banking sector's loan-to-deposit ratio stood at 63.5%, while the total capital ratio exceeded 20%.

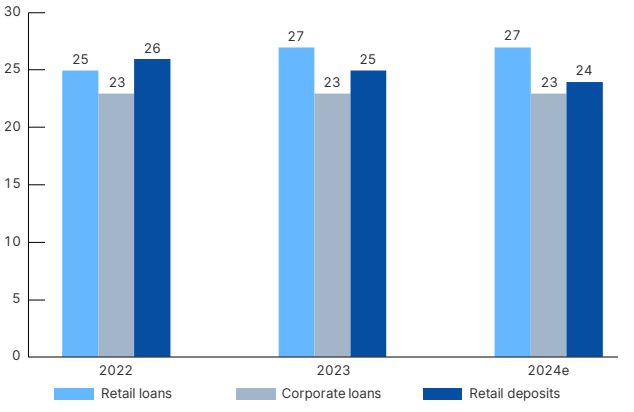
Financial intermediation – Czech Republic (in % of GDP)



Source: Czech National Bank, Erste Group

The Czech banking sector remained highly profitable. Net interest income grew moderately despite the policy rate being cut several times. The cancellation of remuneration of the minimum reserve as of October 2023 also weighed on net interest income. Net fee and commission income rose on the back of higher income from card transactions, asset management and insurance business. Since September 2024, a maximum fee of 1% of the remaining principal for early repayments of mortgages has been applied. Operating expenses remained under control, with banks further reducing the number of branches. Asset quality remained very good, and low risk provisions also contributed to the banking sector's profitability. The consolidation of the banking sector continued with the number of banks declining further to 43. Max banka and Banka CREDITAS merged in October 2024, creating a bank with a total balance sheet of EUR 8 billion and more than 250,000 clients.

Market shares – Czech Republic (in %)



Source: Czech National Bank, Erste Group

The three largest banks continued to have a combined market share of approximately 60% in customer loans and deposits. Česká spořitelna maintained leading market positions across all product categories. Retail lending market shares ranged from 25% to 27%, while market shares in corporate lending were almost unchanged at 23%. At 26.0%, the bank also retained the

top position in consumer lending, including the credit card business. Česká spořitelna maintained its market leadership position in asset management products with a market share of 21.6%. George was the most used banking app on the market, both in terms of number of users and transaction volume. At year-end 2024, more than 3.2 million of Česká spořitelna`s customers used George. The digital sales ratio increased from 43.4% in 2023 to 54.8% in 2024. Overall, Česká spořitelna's market share in terms of total assets increased to 19.1%.

Business review

Interview with Tomáš Salomon, CEO of Česká spořitelna

How did the competitive environment change?
The Czech National Bank had already started to change its monetary policy at the end of 2023, and in 2024, it reduced the 2-week repo rate in seven steps, ending the year at 4%. This decline in interest rates boosted lending activity and prompted a shift in savings from deposit accounts to investments. Consequently, the mortgage market rebounded in 2024, supported by relaxed conditions for obtaining mortgage loans. The Czech National Bank abolished the binding limit for the debt-to-income (DTI) ratio, leaving the loan-to-value (LTV) ratio as the only mandatory indicator for mortgage lenders. The LTV cap remains at 90% for applicants under 36 years of age and 80% for older clients.

Additionally, an amendment to the Consumer Credit Act made early mortgage repayment less advantageous. This change led to heightened interest in securing new mortgages before the amendments took effect.

How did you manage to successfully differentiate your business activities from those of your competitors?
Monitoring and improving clients' financial health has become a top priority for us. Česká spořitelna is making significant investments in digital technologies to provide our clients with a digital financial advisor directly on their mobile devices.

Through George mobile banking, Česká spořitelna has introduced an enhanced version of the Financial Coach, designed to help clients manage their family budgets more effectively. The bank has also launched personalised digital investment advice within George. As the first bank in the Czech Republic, it now offers clients a unique feature to determine the value of any property directly through George mobile banking. In 2025, we will introduce Hey George, an AI-powered digital advisor that delivers data-driven, highly personalised financial recommendations tailored to individual customers. Following a successful pilot with 10,000 customers in 2024, this service will be made available to all clients in the course of the year, coinciding with the celebration of Česká spořitelna's 200th anniversary.

Another groundbreaking initiative is our Future Mindset Board, aimed at connecting with the younger generation. In 2024, we invited ambitious young colleagues to shadow Board members and bring fresh perspectives to decision-making. This initiative has been highly praised within the business community and reflects our commitment to innovation and inclusion.

Looking back at the year, what major achievements or challenges were especially noteworthy?
In 2024, Česká spořitelna achieved several significant milestones. The volume of housing loans, including mortgages and loans from the Buřinka building society, exceeded CZK 500 billion, while the total value of client investments under management surpassed CZK 400 billion.

For the first time in its history, the open-end short-term bond mutual fund SPOROINVEST reached CZK 50 billion in client assets under management, becoming the largest mutual fund in the Czech Republic.

In the corporate business, Česká spořitelna achieved another historic milestone, with the total volume of loans to corporate clients surpassing CZK 400 billion. This firmly cemented the bank's position as the largest corporate bank in the country by financing volume.

2024 was also a year of awards and accolades. Česká spořitelna triumphed in major domestic competitions, winning Bank of the Year, Best Bank, and the Golden Crown awards. On the international stage, our bank was named the absolute winner in the prestigious Customer Centricity World Series Awards, competing against 150 companies from 38 countries. The bank's innovative focus on financial health – spanning strategy, digital solutions, and customer experience – was a key factor in its success. And, last but not least, in the global Qorus-Infosys Finacle Banking Innovation Awards, Česká spořitelna secured the top honour for its strategic approach to enhancing customers' financial health, supported by the FIT Zone in George mobile banking.

Financial review

in EUR million	2023	2024	Change
Net interest income	1,320	1,464	11.0%
Net fee and commission income	454	509	12.0%
Net trading result and gains/losses from financial instruments at FVPL	101	134	33.1%
Operating income	1,894	2,128	12.4%
Operating expenses	-964	-967	0.3%
Operating result	929	1,160	24.9%
Cost/income ratio	50.9%	45.5%	
Impairment result from financial instruments	-34	10	n/a
Other result	-83	-24	-71.0%
Net result attributable to owners of the parent	679	949	39.7%
Return on allocated capital	15.4%	21.1%	

The segment analysis is done on a constant currency basis. The CZK depreciated by 4.7% against the EUR compared to the same period of the last year. Net interest income in the Czech Republic segment (comprising Česká spořitelna Group) increased on the positive contribution of lending business supported by the newly acquired portfolios of Hellobank. The increase in net fee and commission income was mainly driven by higher securities fees. Net trading result and gains/losses from financial instruments at FVPL improved on positive valuation effects. Operating expenses increased in FX-adjusted terms mainly due to higher personnel and IT costs. Contributions to the deposit insurance fund decreased to EUR 16 million (EUR 20 million). Overall, the operating result increased, and the cost/income ratio improved. Impairment result from financial instruments improved due to a parameter update (mainly affected by a review of the forward-looking information methodology considered in PDs) and the non-recurrence of higher provisions related to the integration of the Sberbank portfolio last year. Other result improved on a lower contribution to the resolution fund of EUR 20 million (EUR 32 million) and lower impairments of non-financial assets. These positive developments were partially offset by higher selling losses from bonds. Altogether, these developments led to a significant increase in the net result attributable to the owners of the parent.

Credit risk

Credit risk exposure in the Czech Republic segment rose substantially to EUR 89.8 billion (+10.7%), loans to customers increased to EUR 44.1 billion (+5.7%). Public sector business volume registered significant growth mainly due to government exposure (20.4%). Large corporate business also expanded significantly. Customer loan volume as a percentage of Erste Group's total loans to customers increased slightly to 19.9% (19.7%). In terms of business volume, the Czech Republic is by far the second most important market for Erste Group after Austria. The quality of customer loans was stable. Non-performing loans as a percentage of total loans to customers remained at 1.8%. Loan loss provisions decreased slightly leading to a minor decline in the coverage of non-performing loans to a still comfortable level of 101.9% (111.1%).

Slovakia

Economic environment

In 2024, the Slovak economy – with its strong automotive and services sectors – posted real GDP growth of 2.0%. In contrast to the previous year, household consumption increased impressively and proved to be the main growth driver. Despite relatively weak external demand, exports also contributed to economic growth. Investment activity, on the other hand, was negatively impacted by subdued private sector investments. Slovakia has been the world's largest producer of cars per capita since 2007, with a total of almost one million vehicles in 2024. Slovakia's labour market remained solid. The unemployment rate declined further to a historic low of 5.3%, driven by favourable retirement conditions and a persisting structural shortage of qualified labour. GDP per capita amounted to EUR 23,600.

Slovakia's general government deficit increased further in 2024, driven largely by measures to mitigate the impact of high energy prices. The combined budgetary cost of energy-related measures accounted for 1.0% of GDP in 2024. To mitigate the impact of substantial government spending, numerous measures, such as extra taxation of banks, an extended solidarity tax on excess oil profits, higher alcohol and tobacco taxes, and reduced contribution to the second pension pillar, were introduced. In addition, the parliament approved a consolidation package to reduce the deficit by 1 percentage point annually to 3% by 2027. The package, amounting to EUR 2.7 billion, consists of a 3 percentage points increase in value-added taxes, a financial transaction tax, and higher corporate taxes. Overall, the general government deficit increased to 6.0% of GDP. Slovakia`s public debt as a percentage of GDP increased slightly to 58.9%.

Inflation decreased substantially. After experiencing double-digit inflation in the previous year, Slovakia achieved one of the lowest price increases among CEE countries in 2024. The government decided to maintain its energy price regulation which kept energy prices for households at the level of the previous two years. In addition, food prices also decreased. Inflation of services, on the other hand, remained relatively high. Overall, average consumer price inflation amounted to 2.8%. Core inflationary pressures persisted in the economy, largely driven by the strong labour market. Slovakia adopted the euro in 2009. The ECB decreased its key policy rate of the monetary union from 4.00% to 3.00% in four steps in 2024.

In December 2024, Moody's downgraded Slovakia's credit rating by one notch, from A2 to A3 and revised the outlook from negative to stable. Moody's cited significant institutional challenges amid heightened political tension and higher public debt. Fitch's credit rating for Slovakia was maintained at A- with the outlook being kept at stable. Standard & Poor's also affirmed its credit rating for Slovakia at A+ with a stable outlook.

Key economic indicators – Slovakia	2021	2022	2023	2024e
Population (average, million)	5.4	5.4	5.5	5.5
GDP (nominal, EUR billion)	102.0	110.1	122.9	130.3
GDP/capita (in EUR thousand)	18.8	20.3	22.3	23.6
Real GDP growth	5.7	0.4	1.4	2.0
Private consumption growth	2.9	5.2	-3.1	3.0
Exports (share of GDP)	90.9	99.0	91.2	86.0
Imports (share of GDP)	90.7	104.1	89.5	84.1
Unemployment (Eurostat definition)	6.8	6.1	5.8	5.3
Consumer price inflation (average)	3.2	12.8	10.5	2.8
Current account balance (share of GDP)	-3.9	-7.3	-1.6	-0.7
General government balance (share of GDP)	-5.1	-1.7	-5.2	-6.0

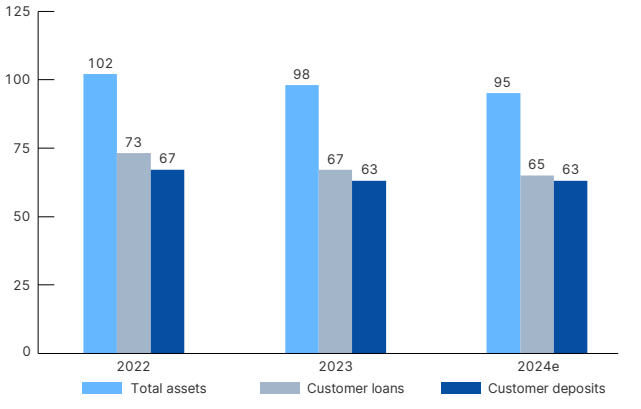
Source: Erste Group

Market review

In 2024, the Slovak banking sector was characterised by relatively low demand for lending products, while deposit growth was more pronounced. Customer loans grew by just 2.9%. Retail loans were up by 4.1%, mainly driven by consumer loans. In 2024, the Slovak government subsidised housing loan repayments up to a maximum of EUR 150 per month. Despite this measure, demand for housing loans was muted. The National Bank of Slovakia maintained macroprudential measures unchanged, including limits for debt-service-to-income (DSTI), debt-to-income (DTI) and loan-to-value (LTV) ratios. The countercyclical buffer was kept at 1.50%, unchanged since August 2023. Customer deposits grew by 6.5%, mainly driven by retail business. The growth of retail deposits was positively impacted by lower inflation and wage growth, which resulted in a higher savings rate. Asset management business performed very well and grew by 16%. Corporate deposits grew by 4.6%. The banking system's loan-to-deposit ratio decreased to 103.3%.

Although net profit of the Slovak banking market declined compared to the previous year, it still posted its second most profitable year ever in 2024. The decline in profitability was entirely due to the introduction of the banking levy. Operating income grew visibly driven by both net interest income and net fee and commission income. Net interest income benefitted from the interest rate environment. Fee and commission income was driven mainly by payment-related fees. Despite rising personnel expenses, operating expenses remained under control, and the sector's cost/income ratio decreased to 45%. Banks continued to reduce the number of branches, although at a slower pace compared to previous years. Risk costs were low as asset quality remained very solid. The banking sector remained well-capitalised. Overall, the sector's return on equity stood at 9.2%.

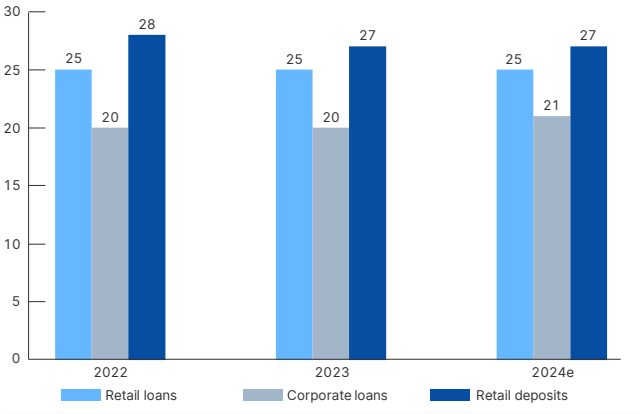
Financial intermediation – Slovakia (in % of GDP)



Source: National Bank of Slovakia, Erste Group

Effective as of 1 January 2024, windfall taxes were introduced, and Slovak banks face one of the highest tax burdens in the European Union. Banks had to pay a special tax of 30% of their pre-tax profits in 2024. The tax rate is expected to decline by 5 percentage points annually until 2027 after which it will drop to 4.4% by 2028, in line with other regulated sectors. In addition, the Slovak government decided to introduce a financial transaction tax as of April 2025. The tax will be paid by companies and self-employed individuals. Altogether, the effective tax rate for banks almost doubled in 2024, reaching approximately 40%.

Market shares – Slovakia (in %)



Source: National Bank of Slovakia, Erste Group

The three largest banks in Slovakia continued to control approximately 65% of the country's banking market. In terms of total assets, Slovenská sporiteľňa remained the country's largest bank as it controlled more than one fifth of the country's banking market. Slovenská sporiteľňa's market shares in both customer loans and deposits amounted to approximately 23%. Market shares were higher in the retail than in the corporate business. In retail business, the bank's market shares stood between 25% and 28%. In addition, Slovenská sporiteľňa was the second largest asset manager in the country, with a market share of 21.5%. It also maintained its leadership position in digital banking with almost 1.3 million registered George users.

Business review

Interview with Peter Krutil, CEO of Slovenská sporiteľňa

How did the competitive environment change?
In 2024, the Slovak banking environment was shaped mainly by macroeconomic factors such as meagre economic growth, tightened monetary policy of the ECB and significant local bank levies. Nevertheless, demand for housing loans, which had previously been constrained by higher interest rates, began to pick up gradually with the first signs of cheaper mortgage rates. Demand for consumer loans remained relatively high throughout the year. The combination of an improved financial situation of households, thanks to lower inflation and renewed real wage growth, and attractive offered rates on term deposits led to a significant increase in deposit growth compared with the previous year. Government measures, however, namely higher taxation of the banking sector, played a negative role in the sector's profitability. The special levy on banks pushed the effective tax rate from 21% in 2023 to around 40% in 2024. Therefore, despite an increase in the operating result, net profit of Slovak banks fell by 11%.

Otherwise, competition has eased slightly, especially in housing loans. Clients are less willing to switch between banks just for a small improvement in interest rates. However, the situation could change quickly if challenger banks squeeze their margins once again, possibly triggering another wave of refinancing in the market.

How did you manage to successfully differentiate your business activities from those of your competitors?
First of all, we remain committed to our vision of building and improving the financial health of our customers. The first implication is that we want to be as easily accessible as possible. Therefore, we continue our omni-channel approach. The client choses to access our services either through traditional channels such as a branch or through digital solutions full of innovation. While our market-leading branch network is an established channel, we continue to digitise our products and services to strengthen our position as a digital leader in the market. For example, in the area of mortgages, we have added a personalised overview of housing costs, a mortgage calculator and property value estimates. A significant confirmation that we are on the right track is that we are already ahead of our mid-term target for the share of digital sales.

Slovenská sporiteľňa has developed from an almost purely retail bank into a well-balanced universal bank with a market share of roughly a quarter in both retail and corporate loans. In the corporate segment, we have attracted businesses thanks to the excellent work of our relationship managers, fast and transparent processes, and digital innovation. For example, Slovenská sporiteľňa offers its corporate clients a free, unique and highly appreciated financial health analysis, which has already been used by more than 5,000 companies.

Looking back at the year, what major achievements or challenges were especially noteworthy?
It may sound surprising, but I am really proud of our clients. Over the past few years, they have faced the pandemic, high inflation, geopolitical uncertainty due to the Russian invasion of neighbouring Ukraine, and substantially higher interest rates. Despite these challenging conditions, they have managed to repay their debts on time keeping the quality of our assets at high levels. I am also proud of our employees. Our customer-focused approach has enabled us to deliver solutions that have improved the financial health of our clients.

Delivery excellence has always been in our DNA, and in 2024, it brought several awards to Slovenská sporiteľňa, which confirmed our leading position in the Slovak banking market. Slovenská sporiteľňa was awarded the title of Bank of the Year 2024 in Slovakia by the renowned magazine The Banker. At the Euromoney Awards for Excellence 2024, we were named Best ESG Bank in the country. Our mobile banking app George won the Smart Bank award from the local magazine mojandroid.sk in the overall and investment categories and secured third place in the

security category. We also won the Best Employer award in the Banking, Finance and Insurance sector, underlining our commitment to a high-quality working environment. We also received the Via Bona Slovakia award in the Good Community Partner category for our long-term support of affordable housing. The Pontis Foundation recognised the bank's projects such as Accessible Home, Project DOM.ov, and Help for the Homeless. Erste Private Banking, our private banking division, was named Best Private Bank by PWM/The Banker, and Global Finance.

Financial review

in EUR million	2023	2024	Change
Net interest income	514	552	7.2%
Net fee and commission income	208	232	12.0%
Net trading result and gains/losses from financial instruments at FVPL	24	25	5.8%
Operating income	751	814	8.4%
Operating expenses	-332	-354	6.5%
Operating result	419	460	9.9%
Cost/income ratio	44.2%	43.4%	
Impairment result from financial instruments	-15	-13	-14.2%
Other result	-9	-10	12.7%
Net result attributable to owners of the parent	307	275	-10.5%
Return on allocated capital	20.1%	18.0%	

Net interest income in the Slovakia segment (comprising Slovenská sporitel'ňa Group) increased due to higher customer loan volumes and higher average interest rates, which was partially offset by the repricing of liabilities, higher volumes of term deposits and savings accounts as well as higher expenses for issued bonds. Net fee and commission income increased on the back of higher securities, payment and insurance brokerage fees. Net trading result and gains/losses from financial instruments at FVPL remained largely stable. Operating expenses increased mainly due to higher personnel and IT expenses. The contributions to the deposit insurance fund amounted to EUR 3 million (EUR 2 million). Operating result increased, and the cost/income ratio improved. Impairment result from financial instruments improved slightly, driven by a methodological change in retail risk parameter estimation, which was partially offset by higher defaults and rating downgrades in Corporate business. Other result remained largely stable as the selling losses for government bonds were compensated by the discontinuation of the payments into the resolution fund in 2024 (EUR 4 million in 2023) as the target level was reached and a release of legal provisions. Overall, the net result attributable to the owners of the parent declined, which was primarily driven by the newly introduced banking tax in the amount of EUR 103 million booked in the taxes on the income line.

Credit risk

Credit risk exposure in the Slovakia segment rose to EUR 29.6 billion (+5.2%), while loans to customers increased at a slower pace to EUR 19.8 billion (+3.0%). Its share of Erste Group's total loan portfolio went down slightly to 8.9% (9.1%). Loan volume growth was driven mostly by private households, while business growth of corporate customers was moderate. The share of loans to private households was again significantly larger in the Slovakia segment than in Erste Group's other core markets and accounted for 67.8% (67.3%) of total loans to customers. This customer mix with a substantial proportion of retail mortgage loans also explains the large share of secured business. At year-end, it decreased slightly to 52.7% (53.1%), still exceeding that of other Central and Eastern European core markets. The NPL ratio was unchanged at 1.9%. NPL coverage ratio decreased to 92.3% (101.7%).

Romania

Economic review

In 2024, the Romanian economy grew moderately. The main contributor to economic growth was household consumption, which was boosted by the strong labour market and significant real wage growth. Net exports, on the other hand, contributed negatively due to weak external demand. Investment activity remained strong supported by infrastructure projects funded by the European Union. Inflows of EU funds from the regular Multiannual Financial Framework and NextGenerationEU amounted to EUR 7.2 billion in 2024. Agriculture had a relatively weak year due to a severe draught. The unemployment rate decreased further to 5.3%, the lowest rate since 2019. Overall, real GDP increased by 0.8%, GDP per capita amounted to EUR 18,800.

At 8.3%, Romania's budget deficit remained elevated. The higher-than-expected deficit reflected rapidly growing

government spending, mostly due to increases in public sector wages, expenditure on goods and services and social transfers, including pensions. It also reflected slightly slower revenue growth due to weaker than expected economic activity. On the other hand, the government announced a set of fiscal consolidation measures including the postponement of public pensions indexation and the phasing-out of a preferential wage tax for the construction, agriculture and IT sectors. Public debt to GDP increased to 52.4%.

Inflation decelerated significantly but remained relatively high. In fact, Romania had one of the highest inflation rates among European Union countries. The weak agricultural performance kept food prices relatively high, while strong wage growth impacted service prices. Overall, average consumer price inflation amounted to 5.6%. The Romanian leu was stable against the euro and traded in a narrow range around 4.95 throughout the year. The National Bank of Romania cut the monetary policy rate by a total of 50 basis points in two steps in July and August 2024 and kept it unchanged at 6.50% for the remainder of the year due to fiscal uncertainties and the above-target inflation rate.

As a result of large budget deficits, lack of credible fiscal consolidation prospects and political uncertainty, Fitch revised Romania's outlook from stable to negative but kept the country's credit rating at BBB. Standard & Poor's took a similar action in January 2025, revising the sovereign outlook from stable to negative and maintaining the rating unchanged at BBB-. Moody's rating was unchanged at Baa3 with a stable outlook.

Key economic indicators – Romania	2021	2022	2023	2024e
Population (average, million)	19.2	19.0	19.0	18.9
GDP (nominal, EUR billion)	242.3	281.7	324.4	355.4
GDP/capita (in EUR thousand)	12.6	14.8	17.0	18.8
Real GDP growth	5.5	4.0	2.4	0.8
Private consumption growth	7.3	5.2	2.8	5.5
Exports (share of GDP)	30.8	32.6	28.7	26.1
Imports (share of GDP)	40.6	44.7	37.6	35.5
Unemployment (Eurostat definition)	5.6	5.6	5.6	5.3
Consumer price inflation (average)	5.1	13.7	10.5	5.6
Short term interest rate (3 months average)	1.8	6.2	6.6	5.9
EUR FX rate (average)	4.9	4.9	4.9	5.0
EUR FX rate (eop)	4.9	4.9	5.0	5.0
Current account balance (share of GDP)	-7.2	-9.5	-6.6	-8.3
General government balance (share of GDP)	-7.2	-6.3	-6.6	-8.3

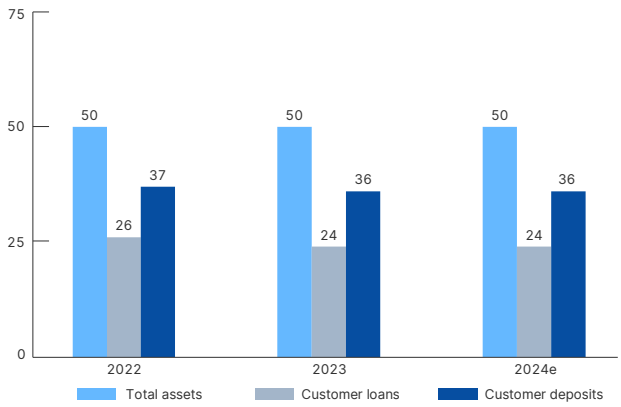
Source: Erste Group

Market review

The Romanian banking market closed 2024 as one of its most successful years ever despite the macroeconomic challenges. Customer loans increased by 8.8%, customer deposits were up by 10.2%. On the lending side, growth was almost equally distributed between retail and corporate business. Retail loans rose by 9.2%, corporate loans were up by 8.5%. Housing loans were impacted by high interest rates and increased only by 4.2%, while consumer loans rose by 16.9%. Liabilities also grew dynamically: retail deposits rose by 12.4%, while corporate deposits were up by 7.0%. Overall, the banking system's loan-to-deposit ratio decreased marginally to 66.6%. The Romanian National Bank maintained the countercyclical capital buffer at 1.0% throughout the year. The Romanian banking sector remained strongly capitalised, with a capital adequacy ratio of 23.7%.

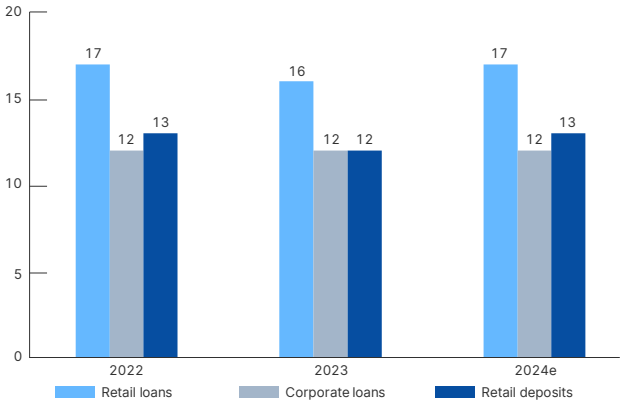
In 2024, the profitability of the Romanian banking system was very strong. Net interest income was supported by the interest rate environment and volume growth. Fee and commission income also rose, driven mainly by securities business and insurance-related fees. Expenses were impacted by elevated inflation. Banks continued to adjust their branch networks and workforce. The government introduced a new sectoral tax for financial institutions. The tax rate has been set at 2% of gross revenues for 2024 and 2025 and 1% from 2026 onwards. Asset quality improved further, and risk provisions were low. Overall, the Romanian banking sector achieved a return on equity of 18.4%.

Financial intermediation – Romania (in % of GDP)



Source: National Bank of Romania, Erste Group

Market shares – Romania (in %)



Source: National Bank of Romania, Erste Group

Consolidation of the Romanian banking market continued. Following the purchase agreement signed in 2023, Banca Transilvania finalised the integration of OTP Bank's Romanian subsidiary representing the fourth bank takeover by Banca Transilvania in less than a decade, after Volksbank Romania, Bancpost and Idea Bank. Furthermore, following the strategic partnership announced earlier, UniCredit acquired a 90.1% stake in Alpha Bank Romania in November 2024. The acquisition is projected to be completed in the second half of 2025, creating the third-largest banking group in the country by total assets. Finally, Alior Bank exited the Romanian market after selling part of its loan portfolio to Patria Bank.

Banca Comercială Română (BCR) remained the second largest bank in the country both in terms of customer loans and deposits. The bank's customer loan market share stood at 14.0%. Its retail loan market share amounted to 16.9%, while in the corporate business it was 11.6%. In terms of total assets Banca Comercială Română kept its second place in the country, with a market share of 13.7% as of December 2024. George, Erste Group`s digital banking platform, continued to be very popular. The number of customers using George grew to 2.2 million.

Business review

Interview with Sergiu Manea, CEO of Banca Comercială Română

How did the competitive environment change?
Economic growth continued, given the important contribution of households' consumption against the backdrop of a strong rise in real wages, ongoing job creation in the private sector and flattish unemployment. The National Bank cut the policy rate twice by a total of 50 basis points to 6.50%. Since then, given the still high inflation and fiscal risks, the key rate remained unchanged. Non-government loans grew faster than in 2023, driven by similar growth rates of the retail and corporate business. In the retail market, consumer loans rose considerably quicker than mortgages due to strong demand and tough competition among banks. The NPL ratio remained low due to prudent lending and tight macroprudential policies. M&A deals continued in the Romanian banking sector, eventually leading to further consolidation.

How did you manage to successfully differentiate your business activities from those of your competitors?
We scaled up our flagship free financial literacy programmes, reaching 1.8 million Romanians through Money School, the largest corporate volunteering programme in the country, and Financial Coach. Money School has trained over 800,000 people for the past eight years, involving more than 1,500 BCR colleagues. We revolutionised financial advisory services through Financial Coach, launched in 2022 as an innovative data analytics platform available to any individual, BCR client or not. To date, we have delivered over one million customised coaching sessions. Our omnichannel strategy ensures that financial education is accessible 24/7, with innovative features like FinCoach, Spotlights, and RoundUp. We made personalised financial advice the new standard, while George Tips delivers over three million tailored financial insights each month.

In addition, we launched ZBOR, a two-million-euro investment in the largest ecosystem in Romania dedicated to youngsters aged 14-25. ZBOR is a transformative space providing access to financial education and life skills, combining seven physical hubs with dynamic informal education curricula. It also features a mentoring programme, dedicated competitions and a soon-to-be-launched online platform.

George, our digital banking ecosystem, embeds today over 330 functionalities. BCR marked a European premiere by launching the Visa+ functionality, offering simplified, faster and more secure money transfers between individuals by only using mobile phone numbers. Visa+ can be activated directly in George and has international coverage, making our customers the first in Europe to receive fast multi-currency transfers, irrespective of the card issuer. Furthermore, we introduced George SmartEU, a functionality for microenterprises with simplified access to information on EU and national funding programmes.

We launched our first BCR Xpert Casa excellence centre dedicated to promoting, granting and processing housing loans, a project looking to redefine the mortgage lending experience in Romania.

Additionally, we contributed to the introduction of BCR Romania Purchasing Managers' Index by S&P Global. The aim is to position Romania alongside its CEE peers through timely, data-driven insights using a forecasting tool essential for any dynamic economy.

Looking back at the year, what major achievements or challenges were especially noteworthy?
Our retail campaign for client acquisition and activation was a major success, attracting 167,000 new customers. The cash loan, credit card and savings account sales increased two-fold during the campaign and our market share for new cash loans doubled to 29%. In 2024, almost 90% of all retail products were sold digitally.

We expanded our green loan portfolio with 700 million euros of green financing to both retail and corporate customers. Casa Mea Natura, a loan for energy-efficient dwellings, accounted for 70% of all new mortgage loans in 2024. We are also recognised as the main partner for renewable energy projects in Romania. Last year, we disbursed 550 million euros for energy projects, with over 320 million euros for green initiatives. Over 6,500 companies supporting more than 280,000 jobs received financing from BCR.

Consequently, we reached double-digit loan growth, our operating result improved by almost 20%, and we achieved a record bottom line despite prudent risk provisioning, delivering a 21% return on equity. BCR is one of the most efficient banks in Romania, with a cost/income ratio of 37%. Our people strategy stood out through Valued@BCR, a new programme allowing our colleagues to customise their benefits plan.

In 2024, BCR's "Financial Intelligence" campaign won a Bronze EURO Effie in the "Best of Europe: Corporate Reputation" category. Locally, BCR was awarded a Gold Effie for Financial Services and a Silver Effie for Corporate Communication. Finally, we were Coldplay's partner of choice for their concert in Romania due to shared values like social responsibility and sustainability.

Financial review

in EUR million	2023	2024	Change
Net interest income	637	775	21.6%
Net fee and commission income	205	227	10.8%
Net trading result and gains/losses from financial instruments at FVPL	112	104	-6.8%
Operating income	964	1,115	15.7%
Operating expenses	-418	-456	9.2%
Operating result	546	659	20.6%
Cost/income ratio	43.3%	40.9%	
Impairment result from financial instruments	-9	-21	>100.0%
Other result	-34	-87	>100.0%
Net result attributable to owners of the parent	383	463	21.0%
Return on allocated capital	20.7%	21.9%	

The segment analysis is done on a constant currency basis. The RON depreciated by 0.6% against the EUR compared to the same period of the last year. Net interest income in the Romania segment (comprising Banca Comercială Română Group) was positively impacted by higher business volumes and central bank placements. Net fee and commission income went up mainly on higher payment and insurance brokerage fees. The decrease of the net trading result and gains/losses from financial instruments at FVPL was attributable to the P&L neutral shift from net trading result to net interest income related to securities. Operating expenses increased mainly due to higher personnel, marketing and IT expenses. The contributions to the deposit insurance fund decreased to EUR 4 million (EUR 5 million). Overall, operating result and the cost/income ratio improved. Impairment result from financial instruments deteriorated due to higher defaults, mitigated by parameter update (review of the forward-looking information considered in PDs). The deterioration of other result was driven by the new banking tax of EUR 37 million and higher impairments of non-financial assets, partially offset by lower payments into the resolution fund of EUR 6 million (EUR 10 million). Overall, the net result attributable to the owners of the parent increased.

Credit risk

Credit risk exposure in the Romania segment rose significantly to EUR 27.7 billion (+18.0%). Loans to customers also showed a substantial increase to EUR 14.0 billion (+13.2%). Its share in Erste Group's total customer loan portfolio increased to 6.3% (5.8%). An expansion of lending volume was seen both in the retail and in the corporate segment. Non-performing loans increased to EUR 366 million (+3.5%), mainly attributable to the retail segment. Non-performing loans as a percentage of total loans to customers improved to 2.6% (2.9%). Coverage of non-performing loans remained almost stable and stood at 168.7% (168.5%).

Hungary

Economic review

In 2024, Hungary's economy grew slightly, driven almost entirely by household consumption. Investments remained a drag on economic growth due to the postponement of public investment projects, subdued inflow of European Union funds and a low level of business confidence. Exports did not contribute to economic growth either due to lower external demand. Agriculture performed weaker than in the previous year. Foreign direct investments were positively impacted by China as Hungary became its top investment destination in CEE. China was also the second-largest importer to Hungary after Germany. One fourth of the country's manufacturing output was produced by various international car producers. In addition, Chinese electric vehicle manufacturer BYD is building a factory in Szeged, with production set to start in 2025. Hungary's labour market remained tight. The unemployment rate increased slightly to 4.4%, low compared to many other European countries. Overall, real GDP increased by 0.5%, and GDP per capita amounted to EUR 21,500.

Hungary's general government deficit improved to 4.8% of GDP. Throughout the year, numerous fiscal consolidation measures were implemented, such as the postponement of state investments, adjustments of the banking levy and the prolongation of windfall tax for financial, energy and retail companies. Public expenditure was impacted by the continuation of various state subsidies for retail and corporate loan programmes, a 6% pension increase, and a wage increase of 32% for schoolteachers. Public debt to GDP increased slightly to 73.9%.

Inflation in Hungary declined significantly, driven mainly by lower food and energy price increases. The latter continued to remain partially subsidised for households throughout 2024. Average consumer price inflation stood at 3.7%, in line with the average CEE peer countries. The core inflation, excluding food and energy prices, increased by 4.6%. The Hungarian forint depreciated 7% against the euro. The Hungarian National Bank began cutting its key policy rate already in the last quarter of 2023. In 2024, the national bank reduced the policy rate in eight steps from 10.75% to 6.50%.

Fitch maintained the country's long-term credit rating unchanged at BBB but improved its outlook from negative to stable. Standard & Poor's kept Hungary's sovereign rating at BBB- with a stable outlook. Moody's confirmed the country's long-term credit rating at Baa2 but changed its outlook from stable to negative.

Key economic indicators – Hungary	2021	2022	2023	2024e
Population (average, million)	9.7	9.7	9.6	9.6
GDP (nominal, EUR billion)	155.0	169.1	196.6	205.8
GDP/capita (in EUR thousand)	15.9	17.5	20.5	21.5
Real GDP growth	7.1	4.3	-0.9	0.5
Private consumption growth	4.1	6.4	-0.7	3.5
Exports (share of GDP)	64.7	71.9	64.3	58.8
Imports (share of GDP)	67.6	81.0	64.2	57.8
Unemployment (Eurostat definition)	4.1	3.6	4.1	4.4
Consumer price inflation (average)	5.1	14.5	17.6	3.7
Short term interest rate (3 months average)	1.4	10.0	14.4	7.3
EUR FX rate (average)	358.5	391.3	382.0	395.2
EUR FX rate (eop)	369.0	400.3	382.8	410.1
Current account balance (share of GDP)	-4.1	-8.5	0.7	2.7
General government balance (share of GDP)	-7.2	-6.2	-6.7	-4.8

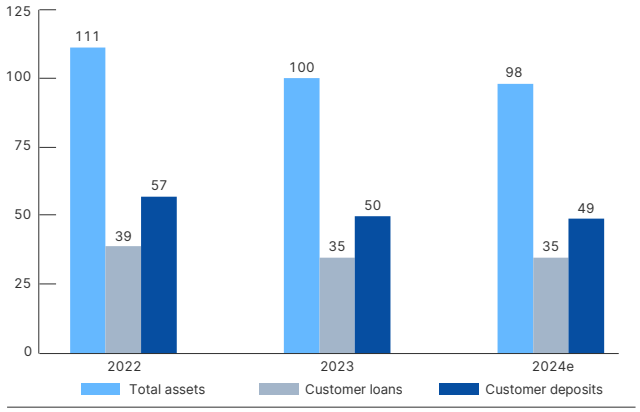
Source: Erste Group

Market review

In 2024, the Hungarian banking sector grew markedly despite moderate macroeconomic development. In the local currency, customer loans grew by 6.8% mainly driven by the retail business which increased by 9.4%. Retail lending was mainly driven by housing loans, which expanded by 13.0%. Consumer loans grew by 6.0%. Corporate loan growth amounted to 4.6% as demand for investment loans was muted. Various state subsidies and support programmes continued to play a significant role in the Hungarian lending market. In 2024, new programmes were introduced, such as a home renovation subsidy. In addition, a zero-interest loan for young Hungarian blue-collar workers between the ages of 17 and 25 was launched at the beginning of 2025. Terms for the baby loan programme tightened, while rural housing subsidies were kept unchanged.

Customer deposits increased by 8.4% in local currency, driven mainly by retail deposits, which grew by 11.2%. In addition, Premium Hungarian State Securities (PMAP) played an important role. Despite a 13% social contribution tax on income from private savings in addition to the 15% personal income tax, asset management products grew substantially. Overall, the banking system's loan-to-deposit ratio stood at 72.2%.

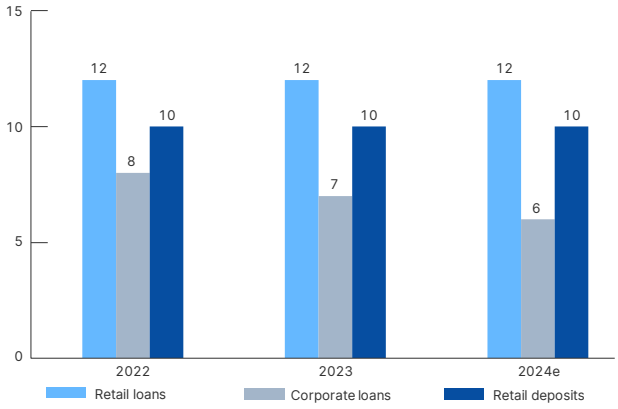
Financial intermediation – Hungary (in % of GDP)



Source: Hungarian National Bank, Erste Group

Profitability of the Hungarian banking sector was strong in 2024. Net interest income declined by 4.4% driven mainly by the lower interest rate environment. The government further extended the interest rate cap for variable and fixed-rate residential mortgages until 30 June 2025. According to this regulation the reference interest rate used for calculating interest may not exceed the rate that was in effect on 27 October 2021. In addition, the voluntary interest rate cap for newly disbursed loans designed to support lending was also extended until 30 June 2025. Initially set at 8.5% in October 2023, the cap was lowered to 7.3% in January 2024. This measure aims to provide stability and predictability for mortgage borrowers. The Hungarian National Bank maintained the mandatory reserve requirement at 10%. Net fee and commission income, which grew by 17.4%, benefited significantly from asset management business. Administrative expenses remained under control, despite a substantial increase in personnel expenses. The number of branches decreased further. Asset quality developed favourably, and risk costs were low.

Market shares – Hungary (in %)



Source: Hungarian National Bank, Erste Group

Banks continued to pay banking and transaction taxes. The latter was increased as of July 2024 and additionally, a new supplementary financial transaction tax was introduced for foreign exchange transactions. The windfall tax, which was originally implemented for 2022 and 2023, was extended to 2024 and 2025. Applicable tax rates and possibilities for reductions were modified. The Hungarian National Bank maintained the countercyclical capital buffer at 0.5% throughout the year but decided to increase it to 1.0% as of 1 July 2025. Overall, the banking sector's return on equity stood at 18.3%. The Hungarian banking sector continued to be well-capitalised, with a capital adequacy ratio of around 20%.

Consolidation of the Hungarian banking market continued, and the number of banks decreased further to 39. In 2024, Hungarian Banking Holding (MBH) completed the acquisition of Fundamenta-Lakaskassza Zrt. Granit Bank went public in December 2024, representing the largest IPO in Hungary in 25 years. As of 1 September 2024, the Hungarian National Bank launched Qvik, an electronic payment system that allows for quick, secure, and free payments via QR code scanning, NFC-based touch, or clicking a link within a mobile application.

The Hungarian banking market continued to be dominated by OTP Bank, followed by MBH. Erste Bank Hungary remained one of the major market players in the country. Its market share in customer loans stood at 8.6%, with retail business remaining more dominant than corporate business. At 8.6%, the customer deposit market share remained almost unchanged. Erste Bank Hungary's market share in asset management stood at 17.6%. The number of George users increased further and reached almost 800,000 by the end of the year. At 6.3%, Erste Bank Hungary was the fourth-largest bank in the country in terms of total assets.

Business review

Interview with Radován Jelasity, CEO of Erste Bank Hungary

How did the competitive environment change?
2024 was a challenging but successful year for Erste Bank Hungary. The competitive environment underwent significant changes, although profitability remained relatively high. Customers' demand for seamless services increased further, highlighting the rising need for services provided via mobile banking. Retail loan activity picked up substantially despite only a modest decrease in interest rates. In response to a persistent inflationary environment, customers continued shifting their deposits towards investments, prompting banks to focus even more on asset management products.

The adoption of innovative technologies intensified competition within the industry. Artificial intelligence is anticipated to be a game-changer in the long run. Banks have modernised their

advisory services to enhance financial literacy among customers. Due to increasing expense pressure and lower net interest income, banks have been facing a greater emphasis on efficiency.

How did you manage to successfully differentiate your business activities from those of your competitors?
In 2024, Erste Bank Hungary distinguished itself through several innovative initiatives that enhanced our customer satisfaction and solidified our leading position in the competitive banking landscape.

Our mobile-first approach emphasises the central role of George in our service delivery. Over 70% of our customers are now digitally active, with a continuously growing number exclusively using the George app. In digital finance, we put the focus on digital investment and savings products, introduced fintech solutions for currency transfers, instant digital cards ready within an hour of application, event-triggered digital insurances, instant cash loans and expanded digital services for micro business clients.

To support financial health, besides investment tips and pension advisory, we launched George Tips, offering personalised advice to maintain financial well-being and George FitZone for education and better financial management. Our commitment to data analytics and personal advice is evolving, with ongoing developments in real-time, transaction and trigger-based initiatives. We equipped all of our over 3,000 employees with AI-based personal assistants to further enhance productivity. Additionally, we published a financial education storybook for children, underscoring our dedication to financial literacy starting already at a young age.

Looking back at the year, what major achievements or challenges were especially noteworthy?
Our strategic focus on customer satisfaction, employee engagement and sustainable return on equity has paid off. We achieved outstanding results in these areas and were ranked among the top 10 employers in Hungary, the only bank in the top 20.

In retail, alongside significant customer acquisition, we excelled in Erste Group's digital activation, which helps service the growing customer base against the background of our streamlined physical presence. Over the year, we gradually extended tablet-embedded George sales flows, covering most branch-sold products for savings, investments and insurance. In wealth management, we consistently exceed 5,000 billion HUF with significant year-on-year growth of 20%. Erste Future Programme participants increased by over 30%. Corporate new customer acquisition rose by 50% year-on-year. Despite muted loan demand we achieved strong results in New Green Investment and used the market stagnation to implement significant process improvements.

Erste Hungary won a bronze award for its "Be Erste" bank switching campaign at the Effie Awards and received the gold prize at the HRKOMM Awards, recognising our internal communication campaign, communication strategy, cultural efforts, and core values. Our analysts received the 'LSEG StarMine Award' from Reuters for the most accurate economic forecasts again after 2023 and 2021. Erste Asset Management Hungary was awarded "Asset Management Company of the Year", with its two real estate funds being the largest and key players in Hungary's real estate market. We were also honoured with the "Bank of the Year" Award from Mastercard for our impactful activities in the field of corporate social responsibility, particularly for underprivileged juveniles and young adults. With sustainability in mind, instead of buying a new headquarters, we are going to create one of the most modern offices in the country using our existing building. Lastly, I received the 'Best Manager of the Year' award from the National Association of Managers. This award recognises the entire Erste Hungary team for their dedication and drive.

Financial review

in EUR million	2023	2024	Change
Net interest income	357	425	19.2%
Net fee and commission income	255	305	19.8%
Net trading result and gains/losses from financial instruments at FVPL	142	96	-32.5%
Operating income	763	837	9.6%
Operating expenses	-270	-301	11.6%
Operating result	494	536	8.6%
Cost/income ratio	35.3%	35.9%	
Impairment result from financial instruments	1	20	>100.0%
Other result	-192	-220	14.8%
Net result attributable to owners of the parent	265	281	6.0%
Return on allocated capital	17.3%	21.4%	

The segment analysis is done on a constant currency basis. The HUF depreciated by 3.5% against the EUR compared to the same period of the last year. Net interest income in the Hungary segment (comprising Erste Bank Hungary Group) was positively impacted by lower interest expenses on customer deposits due to a change in the deposit structure. Net fee and commission income rose on higher securities and payment fees. Net trading result and gains/losses from financial instruments at FVPL declined due to valuation effects. Operating expenses increased due to higher personnel and IT expenses. The contributions to the deposit insurance fund amounted to EUR 8 million (EUR 5 million). Despite the increase in the operating result the cost/income ratio worsened marginally. Impairment result from financial instruments improved due to recoveries and upgrades from the non-performing portfolio. The deterioration of the other result was primarily driven by breakage costs related to intragroup transactions. Regulatory charges went up: the banking tax increased to EUR 76 million (EUR 66 million); it included the regular banking tax and a windfall profit tax of EUR 52 million (EUR 48 million). The financial transaction tax went up to EUR 92 million (EUR 71 million). The contribution to the resolution fund was stable at EUR 2 million. Lower impairments of non-financial assets contributed positively. Overall, the net result attributable to the owners of the parent increased.

Credit risk

Credit risk exposure in the Hungary segment decreased to EUR 12.3 billion (-2.5%). This decline was mainly attributable to a decline in corporate business. Loans to customers decreased to EUR 5.8 billion (-4.1%). The share of the Hungary segment in Erste Group's total loans to customers slightly decreased to 2.6%. While loans in the retail segment increased to EUR 3.3 billion (+1.9%), loans to corporates decreased significantly to EUR 2.6 billion (-10.8%). Non-performing loans as a percentage of total loans to customers improved significantly to 1.9% (2.6%). The loan loss provision coverage of non-performing loans increased further to 123.2% (110.6%).

Croatia

Economic review

The Croatian economy continued to perform well, and the country achieved one of the strongest growth rates among euro countries in 2024. The economy still benefitted from the euro adoption in the previous year. Economic growth was mainly driven by domestic demand due to solid private and public consumption. Investment activity was supported by inflows of European Union funds. Investments in the construction sector were particularly strong. Exports performed moderately due to weak external demand. Tourism, accounting for approximately one fifth of Croatia's GDP, performed well again. Overnight stays increased further compared to 2023. Croatia's labour market remained solid, and the unemployment rate declined to a new record low of 5.2%. Overall, real GDP increased by 3.5%. GDP per capita amounted to EUR 22,000.

Croatia's public finances remained sound in 2024 despite the increasing general government deficit. Expenses increased due to the introduction of a new public wage act, higher pensions, and measures to mitigate the impact of declining but still elevated energy prices. Overall, Croatia maintained its fiscal discipline with a general government deficit of 2.2% of GDP. Public debt as a percentage of GDP decreased further to 58.1%. Inflation declined significantly to 3.0%, one of the lowest levels in CEE, driven mainly by lower energy and food prices, while inflation in the service industry, especially in tourism, remained high. As Croatia adopted the euro on 1 January 2023, its monetary policy was set by the European Central Bank which decreased its key interest rate from 4.00% to 3.00% in four steps during the year.

Acknowledging the positive macroeconomic developments all three major rating agencies upgraded their sovereign ratings in 2024. Fitch upgraded its long-term credit rating from BBB+ to A- and left is outlook at stable. Moody's upgraded its rating from Baa2 to A3 with a positive outlook. Finally, Standard & Poor's improved its credit rating from BBB+ to A- and kept its positive outlook.

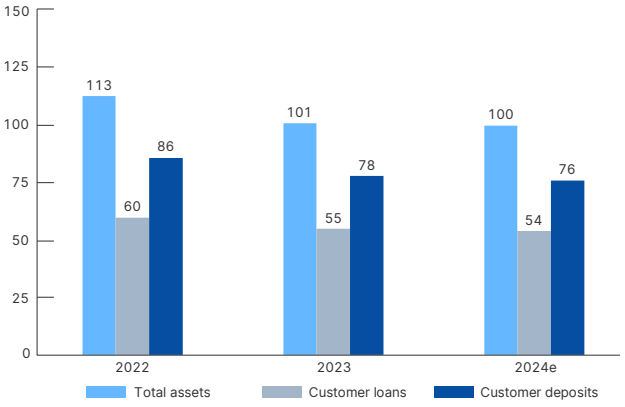
Key economic indicators – Croatia	2021	2022	2023	2024e
Population (average, million)	4.0	3.9	3.9	3.9
GDP (nominal, EUR billion)	58.3	67.6	78.0	84.9
GDP/capita (in EUR thousand)	14.5	17.5	20.3	22.0
Real GDP growth	12.6	7.3	3.3	3.5
Private consumption growth	10.9	6.9	3.2	5.5
Exports (share of GDP)	25.4	30.4	24.6	24.0
Imports (share of GDP)	44.9	57.6	47.1	45.0
Unemployment (Eurostat definition)	7.6	7.0	6.1	5.2
Consumer price inflation (average)	2.6	10.8	8.1	3.0
EUR FX rate (average)	7.5	7.5	-	-
EUR FX rate (eop)	7.5	7.5	-	-
Current account balance (share of GDP)	0.5	-3.5	0.4	-0.7
General government balance (share of GDP)	-2.6	0.1	-0.9	-2.2

Source: Erste Group

Market review

Reflecting favourable macroeconomic developments, the Croatian banking market performed well in 2024. All financial institutions concluded the euro adoption-related adjustments to their IT systems and ATM networks during the reporting year. Customer loans increased by 5.9%, driven by retail loans, which rose by 11.5%. Demand for housing loans was relatively strong compared to other CEE countries. Despite the tailwind from the declining interest rate environment, corporate lending growth was muted at only 0.2%. Customer deposit growth amounted to 5.8%. Retail deposits increased by 4.6%, and corporate deposits rose by 7.7%. The Croatian National Bank increased the countercyclical capital buffer by 50 basis points to 1.5% as of 30 June 2024. In 2024, there was no noteworthy consolidation in the Croatian banking sector. At year-end, the banking system's loan-to-deposit ratio stood at 71.2%.

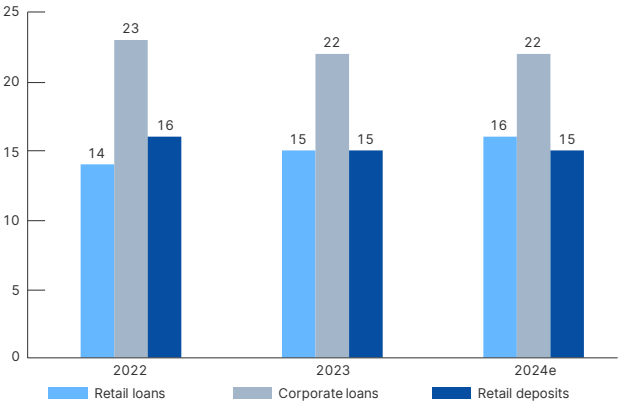
Financial intermediation – Croatia (in % of GDP)



Source: National Bank of Croatia, Erste Group

The profitability of the Croatian banking sector increased further. Revenues, especially net interest income, benefited significantly from the still high interest rate environment. Fee and commission income was significantly supported by asset management business. Despite wage inflation, operating expenses remained under control, and the cost/income ratio decreased to 39.9%. Asset quality improved further; the share of non-performing loans (NPL) as a percentage of gross loans declined to 2.4%, supported by favourable developments in both the corporate and retail businesses. The NPL coverage ratio equalled 66.3% at the end of the year. The capital adequacy ratio of the banking system remained robust at 23.8%. Overall, the country's banking sector achieved a return on equity of 16.4%.

Market shares – Croatia (in %)



Source: National Bank of Croatia, Erste Group

Erste Bank Croatia remained among the three largest banks in the country. The bank continued to benefit from its very strong brand and the digital platform George. Erste Bank Croatia increased its number of George users to 700,000. The digital sales ratio amounted to 55%. In addition to George, the digital platform KEKS Pay reached almost 500,000 users, 75% of which were not customers of Erste Bank Croatia. In terms of total assets, the bank had a market share of 17.9%. The bank's customer loan and customer deposit market shares were 18.9% and 17.2%, respectively. Its market share in asset management stood at 13.6%. The bank's loan-to-deposit ratio amounted to 76.9%.

Business review

Interview with Christoph Schöfböck, CEO of Erste Bank Croatia

How did the competitive environment change?
Given the successful realisation of Croatia's strategic goals – the entry into the euro zone and Schengen – and with OECD accession (the only step left to complete its full positioning on the international scene) expected as early as 2026, the country continued to fare well with rating agencies. Backed by macroeconomic fundamentals, such as above EU average GDP growth and imbalances remaining in check, we are happy to see Croatia for the first time being awarded 'A-' level equivalent rating by all three renowned rating agencies. Croatia has a strong position on the international investment map. Therefore, a growing interest of investors has been noticed, not only in the field of tourism but also in the ICT sector (N.B. information and communication technology), logistics, fast-moving consumer goods, the pharmaceutical industry and the segment of renewable energy.

The banking market saw no further consolidation in 2024, yet it continued to be highly competitive. The profitability of the sector remained, strong with cost efficiency further improving, capital ratios remaining high, and NPL edging further down to historic lows. Household credit growth was in the double-digit region, mostly owing to consumer credit, which grew close to 15%. Housing loans increased just shy of 10% despite the absence of state-subsidised schemes in 2024. On the other side, corporate loans saw another solid year with a growth rate in mid-single digits, as the easing rate environment created demand tailwinds. The exposure to the public sector largely stagnated, reflecting a changing structure away from bilateral credit and shifting towards direct exposure via securities holding. The deposit side also produced steady growth in the mid-single digits, where the retail segment, despite the ongoing issuing activity by the Ministry of Finance in the retail space, showed a moderate acceleration.

How did you manage to successfully differentiate your business activities from those of your competitors?
We are pleased that we continued stable business trends and achieved positive financial results in 2024. Total lending growth, with new lending volume up in retail and corporate business alike, upward trends in the use of our digital channels where we exceeded one million users in total, as well as stable growth of our deposit base and positive risk costs have further consolidated our position on the local market. With the integration of the card issuing part from Erste Card Club (ECC), we made a significant step towards the further improvement of the card operations business. Given our strong capital position, high level of liquidity, and the highest rating among banks in the Croatian market assigned to us by the rating agencies ("A-", Fitch, 2024), we were able not only to provide adequate support to our clients but to provide an additional boost to the continued growth and development of the entire Croatian economy.

Looking back at the year, what major achievements or challenges were especially noteworthy?
In January 2024, we issued our inaugural green preferred senior bond on the international capital market. The EUR 400 million bond was issued under Erste Group's Sustainable Finance Framework and is the first green bond issued by any issuer in the Republic of Croatia. This issue was printed to fulfil the MREL requirement (Minimum requirement for own funds and eligible liabilities). The funds raised further improved the diversification of our funding sources, while being used to promote green and sustainable investments and projects. By the respective, in total eighth issue of bonds of our bank in the domestic and international capital markets, we have once again confirmed our position as the most active non-government bond issuer in Croatia. I am also proud of the fact that our bank received the prestigious "Best Private Bank" award from the highly regarded PWM/The Banker and Global Finance publications, having been declared the leading private bank in Croatia.

Financial review

in EUR million	2023	2024	Change
Net interest income	403	421	4.4%
Net fee and commission income	124	133	7.4%
Net trading result and gains/losses from financial instruments at FVPL	16	17	6.2%
Operating income	552	580	5.0%
Operating expenses	-264	-280	6.4%
Operating result	289	300	3.8%
Cost/income ratio	47.7%	48.3%	
Impairment result from financial instruments	46	18	-60.6%
Other result	-43	-20	-52.9%
Net result attributable to owners of the parent	164	164	-0.2%
Return on allocated capital	22.3%	23.1%	

Net interest income in the Croatia segment (comprising Erste Bank Croatia Group) increased due to higher average interest rates, higher customer loan volumes as well as higher income from securities. Net fee and commission income went up mainly on higher payment fees. Net trading result and gains/losses from financial instruments at FVPL remained largely stable. Operating expenses increased on the back of higher personnel, IT as well as legal and consultancy costs. The contribution to the deposit insurance fund amounted to EUR 3 million (EUR 9 million). Despite the increase in the operating result the cost/income ratio worsened marginally. Impairment result from financial instruments still benefited from net releases due to upgrades and recoveries from defaults, albeit at a lower level. The improvement of other result was mainly driven by lower selling losses from bonds and lower provisions for legal expenses. Overall, the net result attributable to the owners of the parent remained stable, driven, among others, by an additional windfall tax in the amount of EUR 6 million booked in the taxes on the income line.

Credit risk

In the Croatia segment, credit risk exposure rose significantly to EUR 16.6 billion (+11.4%). Loans to customers increased to EUR 9.9 billion (+5.3%). The share of loans to customers of Erste Group's total loans to customers remained stable at 4.5%. The share of the retail segment of the loan portfolio increased to 46.3%, while the share of the corporate segment decreased to 53.7%. The NPL ratio was relatively stable at 3.1% (3.0%). The NPL coverage ratio based on loan loss provisions decreased to 94.2% (107.6%) as loan loss provisions decreased with the increasing volume of loans to customers.

Serbia

Economic review

In 2024, the Serbian economy outperformed the CEE average. Economic growth was mainly attributable to domestic demand, in particular household consumption, supported by a robust labour market and real wage gains. Investment activity remained strong in both the public and private sectors. The inflow of foreign direct investments, most notably to the manufacturing industry, was substantial. Agricultural output, on the other hand, was weak. The contribution of exports to economic growth was only moderate. External demand was relatively weak, driven by the slow growth of the country's main trading partners, especially Germany. Serbia's unemployment rate decreased to 8.5%. Overall, real GDP increased by 3.9%, and GDP per capita amounted to EUR 12,600.

Serbia maintained a sound fiscal stance, and its general government deficit decreased slightly. While revenues benefitted from booming domestic demand, expenses were significantly up by defence-related spending. Belgrade, Serbia's capital, will host EXPO 2027, the first world exposition in the country. This event already required investments in 2024. Serbia's general government deficit decreased to 2.0%. Public debt as a percentage of GDP improved further to 47.3%.

Inflation significantly declined, driven by falling food and transportation prices. Inflation, however, started to gradually rise again after bottoming in June. This was mainly due to higher services and housing prices. Overall, average consumer prices increased by 4.6%, slightly above the central bank's target range of 3% ± 1.5 percentage points. The Serbian dinar was again one of the most stable currencies in CEE, trading at around RSD 117 against the euro throughout the year. The National Bank of Serbia reduced the reference interest rate in three steps in June, July, and September by 25 basis points each, bringing it down to 5.75% by the end of the year.

Rating agencies acknowledged Serbia's favourable economic developments in 2024. Standard & Poor's awarded the country with the agency's first-ever investment grade credit rating of BBB- with a stable outlook. Fitch confirmed its BB+ rating and improved the outlook from stable to positive. Moody's confirmed its long-term credit ratings of Ba2 and also improved its outlook from stable to positive.

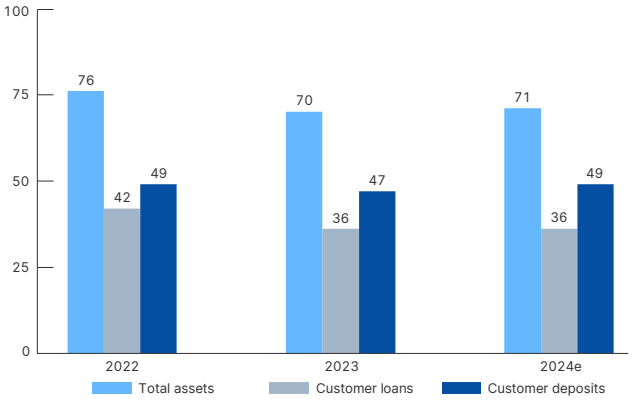
Key economic indicators – Serbia	2021	2022	2023	2024e
Population (average, million)	6.8	6.6	6.6	6.5
GDP (nominal, EUR billion)	55.9	63.5	75.2	82.3
GDP/capita (in EUR thousand)	8.2	9.6	11.4	12.6
Real GDP growth	7.9	2.6	3.8	3.9
Private consumption growth	7.6	3.5	0.6	4.1
Exports (share of GDP)	39.1	43.5	38.1	35.4
Imports (share of GDP)	51.7	61.4	49.0	47.4
Unemployment (Eurostat definition)	11.0	9.4	9.5	8.5
Consumer price inflation (average)	4.1	11.9	12.5	4.6
Short term interest rate (3 months average)	0.9	2.5	5.6	5.3
EUR FX rate (average)	117.6	117.5	117.3	117.1
EUR FX rate (eop)	117.6	117.3	117.2	117.0
Current account balance (share of GDP)	-4.1	-6.6	-2.4	-6.1
General government balance (share of GDP)	-3.9	-3.0	-2.1	-2.0

Source: Erste Group

Market review

Reflecting the favourable macroeconomic developments, the Serbian banking market grew impressively in 2024. At 8.9%, customer loan growth was significantly supported by the lower interest rate environment and the numerous interest rate and fee caps introduced already in the last quarter of 2023. In retail business, both consumer and mortgage lending grew significantly. Corporate loan growth was mainly attributable to working capital loans. At 14.1%, customer deposit growth was even higher than that of customer loans and equally distributed between retail and corporate businesses. Overall, the banking system's loan to deposit ratio decreased further to 74.0%.

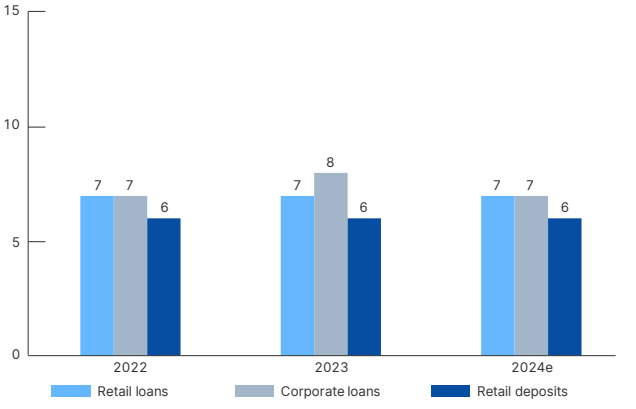
Financial intermediation – Serbia (in % of GDP)



Source: National Bank of Serbia, Erste Group

In 2024, Serbia's banking system continued to be profitable. Despite interest rate caps on mortgage loans, cash and consumer loans, overdrafts and credit card fees, the operating income of the banking sector grew substantially. Operating expenses increased only moderately despite rising personnel expenses. The number of branches decreased further. Digitalisation was boosted significantly due to the banks' continuous efforts to migrate customers to digital channels. The number of digital users increased further. Asset quality trends remained favourable, with the sector non-performing loan ratio improving to 2.5%. Risk costs remained low. The National Bank of Serbia did not change the capital requirements throughout 2024 and kept the countercyclical buffer unchanged at 0%. At 21.9%, the banking system's capital adequacy remained strong, and its return on equity improved to 20.2%. After several mergers and acquisitions that took place in 2023 there was no further consolidation of the banking sector in 2024.

Market shares – Serbia (in %)



Source: National Bank of Serbia, Erste Group

Despite losing market shares in the lending business Erste Bank Serbia defended its top ten position on the market. In terms of total assets, the bank's market share decreased slightly to 6.1%. Its market share in customer loans decreased to 6.9% mainly due to aggressive pricing policies of some competitors. At 7.1%, the bank's market share in corporate loans was marginally higher than in retail loans. Erste Bank Serbia's customer deposit market share remained almost unchanged at 6.4%. Euro-denominated deposits significantly outgrew Serbian dinar deposits. Overall, the bank's loan-to-deposit ratio stood at a healthy 84.1%.

Business review

Interview with Jasna Terzić, CEO of Erste Bank Serbia

How did the competitive environment change?
In 2024, despite a downward trend in Euribor, interest rates remained high at 7 to 8%, which significantly impacted loan demand. As a result, the corporate loan book in Serbia grew by only around 2.5%. Many businesses postponed borrowing, anticipating further rate cuts, while some banks introduced lower fixed-rate loans, betting on falling market rates. At the same time, we observed significant excess liquidity on the liability side, leading to cheaper deposits. However, at Erste Bank Serbia, we saw only a modest 25 basis points reduction in corporate interest expenses.

The solid economic momentum from late 2023 continued into 2024, and Serbia achieved approximately 4% real GDP growth, one of the best in the region. Declining inflation, a tight labour market, and rising wages have boosted real disposable income and domestic spending. Additionally, strong public investments and continued foreign direct investments have supported growth. The growth contribution from the external balance declined slightly, as imports grew faster than exports.

On the credit side, retail lending expanded, with cash loans growing at a double-digit rate, while the corporate business posted mid-single-digit growth as businesses awaited ECB and National Bank of Serbia monetary easing. Mortgage loans also saw strong growth, supported by the NBS interest rate cap.

Importantly, Serbia achieved its first-ever investment-grade credit rating, BBB- from S&P, in 2024, while Fitch and Moody's remain below investment grade but with positive outlooks.

How did you manage to successfully differentiate your business activities from those of your competitors?
At Erste Bank Serbia, our key differentiator has always been a strong client focus — rather than simply selling products, we strive to provide real solutions tailored to customer needs. This approach has been well recognised, as reflected in our SME CXI index results-confirming high client satisfaction.

Additionally, we have maintained a leading role in financing renewable energy projects, setting ourselves apart through a strong commitment to sustainability. Beyond financing, we actively contribute to decarbonisation by improving our own energy efficiency, reducing transport emissions, and fostering a culture of sustainability. This holistic approach has allowed us to significantly expand our green financing and strengthen our position as a market leader.

Moreover, sustainability is embedded in our retail banking strategy. By prioritising ESG principles, we have introduced innovative products such as green mortgages with better pricing, loans for housing associations, and energy-efficiency loans for home renovations. Our continuous focus on customer experience and responsible banking ensures that we remain among the top banks in Serbia when it comes to client satisfaction and sustainable financial solutions.

Looking back at the year, what major achievements or challenges were especially noteworthy?
Looking back, we take pride in several major achievements that reaffirm our leadership in key areas. As a payment bank and one of the six issuer banks for Serbia's largest corporate bond (EUR 900 million), we played a pivotal role in capital markets development. Our FX sales performance was another highlight, exceeding last year's results by 37%. Erste Bank Serbia was the first bank in the country to sign an MREL-eligible loan with the International Finance Corporation in a volume of EUR 65 million.

Our leadership in sustainability and ESG excellence was widely recognised. We became the first bank in Serbia to receive the ESG Leader 2024 award from PwC for our environmental strategy. The EBRD Gold Sustainability Award honoured us for pioneering the first loan to a housing association, while we also earned the EBRD Certificate of Excellence for Environmental Innovation. Additionally, our commitment to sustainable finance was reinforced through the CSP Programme (N.B. Certified Sustainability Professional) and the launch of Go Green. Beyond the environmental impact, we were recognised as the Most Inclusive Employer 2024 for our dedication to social responsibility and named Sustainability Champions 2024 for driving climate action.

These milestones reflect both our achievements and the ongoing challenge of driving meaningful change in an evolving financial landscape.

Financial review

in EUR million	2023	2024	Change
Net interest income	101	112	10.8%
Net fee and commission income	24	27	14.8%
Net trading result and gains/losses from financial instruments at FVPL	7	12	62.3%
Operating income	134	156	16.3%
Operating expenses	-91	-96	5.8%
Operating result	43	60	38.3%
Cost/income ratio	67.7%	61.6%	
Impairment result from financial instruments	-9	-9	0.2%
Other result	1	2	>100.0%
Net result attributable to owners of the parent	26	38	46.4%
Return on allocated capital	10.3%	13.0%	

The segment analysis is done on a constant currency basis. The Serbian Dinar (RSD) was largely stable against the EUR compared to the same period of the last year. Net interest income in the Serbia segment (comprising Erste Bank Serbia Group) increased due to higher loan volumes and higher average interest rates. Net fee and commission income increased mainly due to higher payment, documentary and insurance brokerage fees. The net trading result and gains/losses from financial instruments at FVPL improved on a higher contribution of foreign currency transactions. Operating expenses rose mainly due to higher personnel expenses and depreciation. The contribution to the deposit insurance fund amounted to EUR 6 million (EUR 5 million). Consequently, operating result increased, and the cost/income ratio improved significantly. Impairment result from financial instruments remained stable. Other result improved on lower provisions for legal expenses. Overall, the net result attributable to owners of the parent increased.

Credit risk

Credit risk exposure in the Serbia segment rose significantly to EUR 4.3 billion (+10.0%). Loans to customers increased to EUR 2.3 billion (+3.9%). Retail loans grew at a faster pace (+5.5%) than corporate loans (+2.3%). Non-performing loans improved slightly to 2.6% (2.7%) of total loans to customers. Loan loss provisions stood at 103.5% (108.8%) of non-performing loans.