Coface Country Risk Conference

What are the major trends shaping the world economy? Sustainability on its riskiest point. Focus CEE.

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Deputy Chairman EFFAS
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October 2016, Bucharest

ERSTE Group

Question to the audience

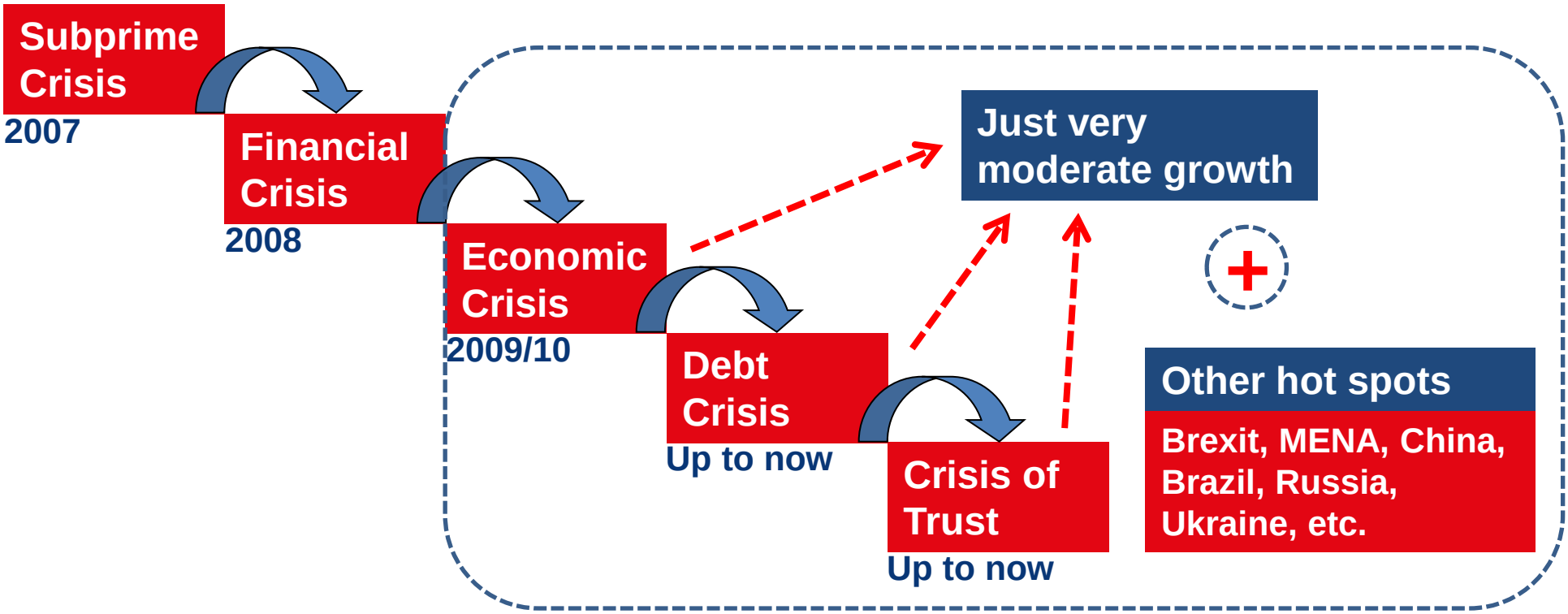
Do you believe that the crisis is over, or that the aftermath of the crisis is over?

Some think - because of some indicators: Yes.
(This of course also depends on the definition of a crisis.)

But these facts make me wonder:

- **Economic growth is generated only at very low levels,**
- **this growth is not solid or delivered on a sustainable basis.**

Different phases of the crises

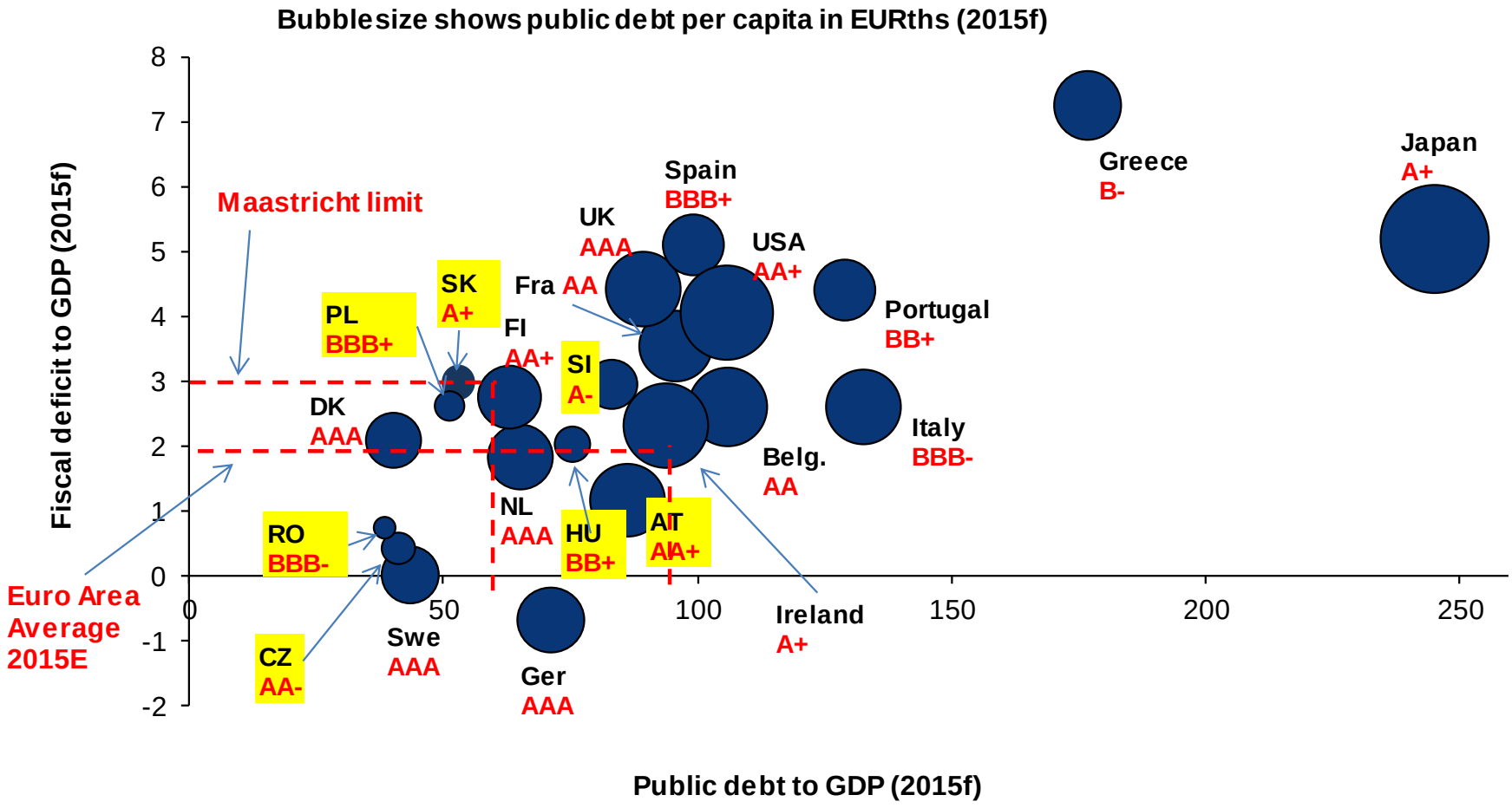


- Since 2007, there have been different incarnations of crisis; the next one will also be different,
- The effects of the original crisis from 2007 are still not solved (sovereign debt, trust).

Source: Erste Group Research

The debt crisis is global and not solved

Gross public debt and fiscal deficit per capita (EUR tsd)



Quelle: Erste Group Research, European Commission, S&P

Four possible options to reduce sovereign debt

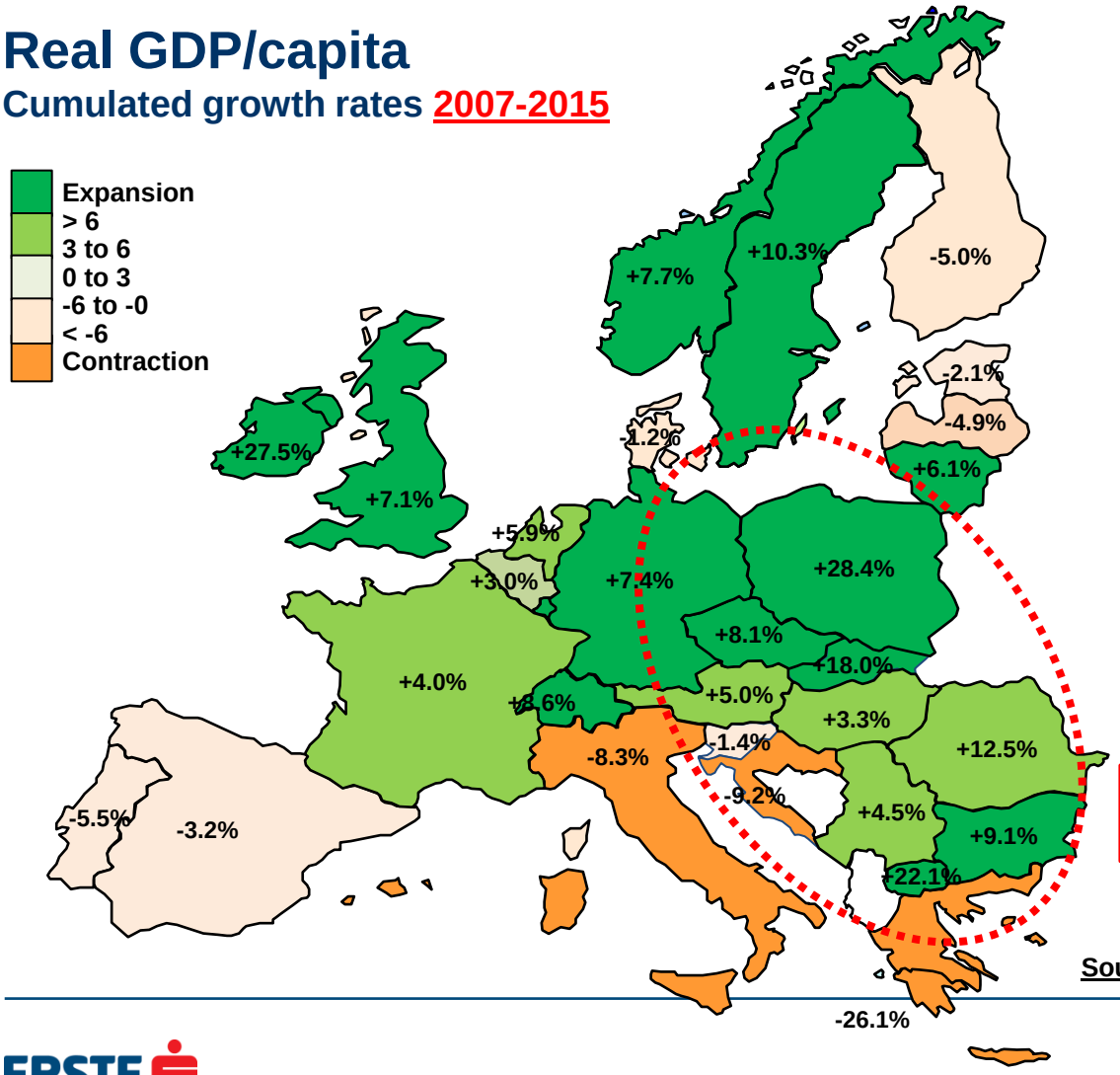
- **Growth,** 
- **Reduction of spending, cost savings,** 
- **Investments, deficit spending,** 
- **Inflation.** 

None of the various options have worked - in such an economic situation - properly so far.

CEE outgrew the average of Eurozone after the crisis - The region benefits from strong fundamentals

Real GDP/capita

Cumulated growth rates 2007-2015



CEE will continue to improve its competitiveness and attract investments based on:

- Viable wage levels
- Increased productivity
- Reasonable tax systems
- Favourable location
- Lower indebtedness

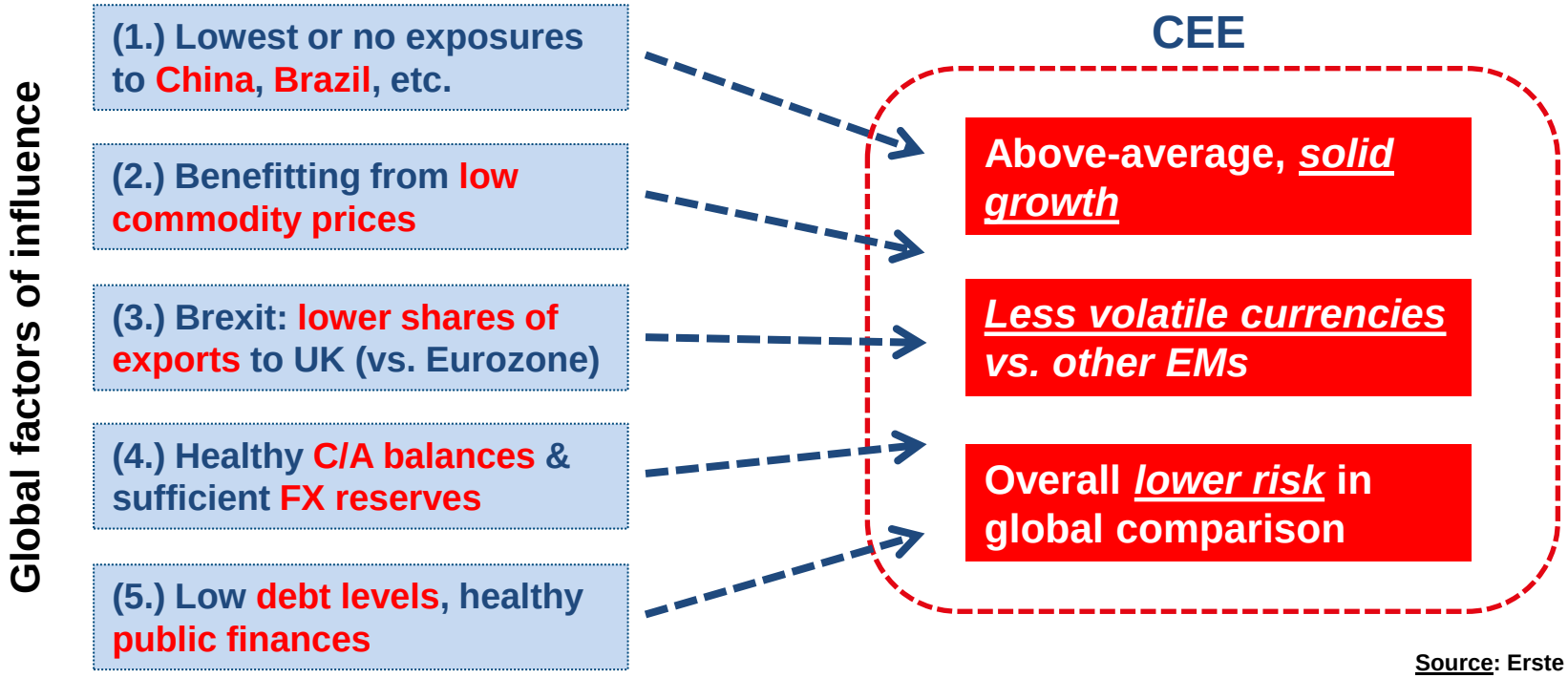
CEE8: +16.1%
(weighted by size of economies)

CEE8: CZ, HR, HU, PL, RO, SR, SK, SL

Sources: Erste Group Research, Eurostat, Trading Economics

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CEE
Global environment mix speaks in favor of CEE cocktail



Source: Erste Group Research

- Globally, little exposure to large emerging economies,
- CEE less exposed to UK (vs. total number of exports & GDP),
- CEE - within EM segment - in better position than China, Latin America and Arab states.

Thanks for your attention!

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Appendix

A glimpse at our forecasts 2016 & 2017

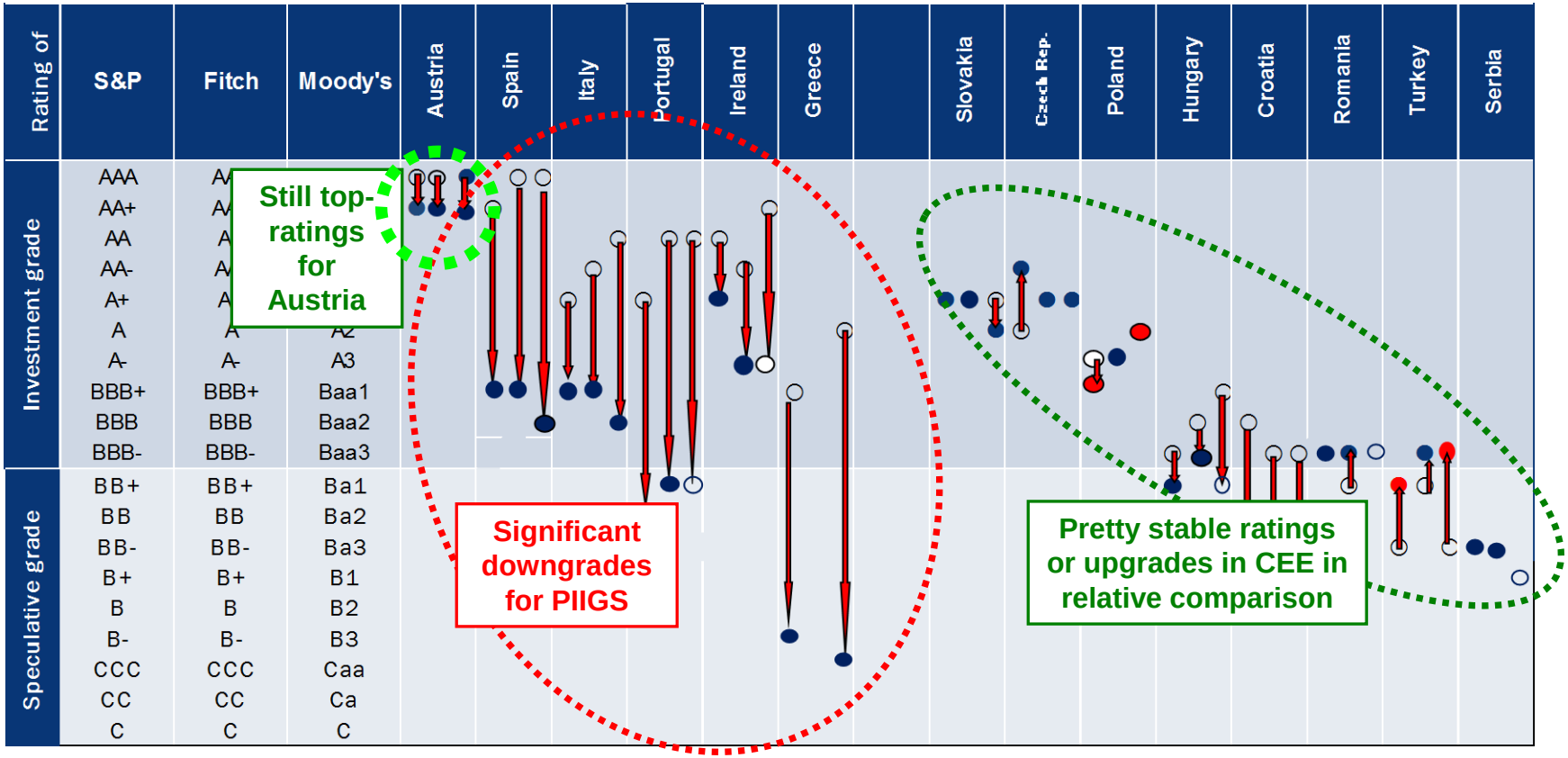
Real GDP growth

Real GDP growth (%)	2014	2015	2016f	2017f
Croatia	-0.4	1.6	2.2	2.0
Czech Republic	2.0	4.6	2.6	3.1
Hungary	3.7	2.9	2.0	2.8
Poland	3.3	3.6	3.1	3.3
Romania	3.0	3.8	4.5	3.4
Serbia	-1.8	0.7	2.3	2.6
Slovakia	2.5	3.6	3.2	3.2
Slovenia	3.0	2.9	1.8	2.1
CEE8 average	**2.7**	**3.5**	**3.0**	**3.1**
Austria	0.6	1.0	1.4	1.6
Eurozone	0.9	1.5	1.3	1.6

- **All CEE countries managed to escape from economic decline and is now showing notable expansion for 1-2 years. Household consumption has started to become the backbone of growth on the back of wage and employment increases, which have not yet translated into a notable growth of inflation. This helps to mitigate a slight slowdown stemming from lower EU fund inflow in 2016.**
- **The important point is that, from today's perspective, the weighted average growth rate of the CEE8 countries is more robust and should outperform the Eurozone average significantly in 2016 and 2017 (2016e: +3.0% vs. +1.3%, 2017e: +3.1% vs. +1.6%).**

Sources: Erste Group Research, Eurostat

Rating Developments - Overview



blue/white/red = stable/positive/negative outlook
the rating as of Jan 2010
change since Jan 2010

Our primary coverage universe

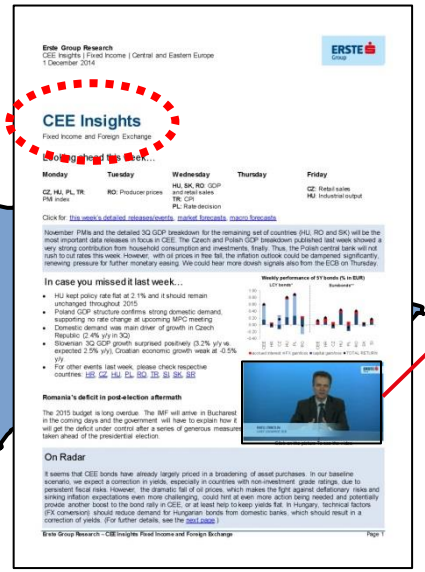
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- **Presence in all markets where Erste Group as a bank is present**
- **Additionally**
  (1.) Poland: Erste Securities Polska, **(2.) Turkey**: Erste Securities Istanbul



<u>Our advantage</u>: Deep insights based on <u>local knowledge/experts.</u>

- **9 markets: A, PL, CZ, SK, HU, HR, RS, RO, TY,**
- **~150 covered stocks, ~3.300 PDF reports p.a.**



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