

Vienna, 30 April 2009

Erste Group posts net profit of EUR 232 million in Q1 09 – Continued strong operating result; higher risk costs

Highlights :

- Erste Group posted record operating profit of EUR 838.5 million in Q1 09 (up 10.3% and 4.4% on Q1 08 and Q4 08, respectively). Strong growth in operating income (EUR 1,814.4 million, up 5.2% and 3.6% on Q1 08 and Q4 08, respectively) and limited cost growth – operating expenses were up by just 1.2% to EUR 975.9 million against Q1 08 and 2.9% compared to Q4 08 – contributed equally.
- Net interest income and net trading result were major operating income drivers in Q1 09. Despite the absence of loan growth – customer loans remained flat at EUR 126 billion in Q1 09 vs Q4 08 – and thanks to stable net interest margins across all geographies, net interest income remained strong at EUR 1,226.0 million (up 6.5% on Q1 08 although down 8.5% on Q4 08), supported by a strong performance of the Retail & SME segment. The excellent net trading result was mainly due to a strong performance of the fixed income and money markets businesses.
- Risk costs rose to EUR 370.2 million (up 127.0% on Q1 08, but down 21.1% on Q4 08) or 117 bps of average customer loans. The NPL ratio (based on total exposure) increased from 2.9% in Q4 08 to 3.3% in Q1 09.
- Erste Group did not take advantage of reclassifying assets as a result of the change in accounting rules. Results from all categories of financial assets were primarily impacted by revaluation requirements on the ABS/CDO portfolio: the negative P&L effect in Q1 09 equalled EUR 54.8 million (pre-tax), while the negative impact on shareholders' equity was EUR 88.0 million.
- Net profit amounted to EUR 232.1 million in Q1 09 (Q1 08: EUR 315.6 million, Q4 08: EUR - 603.4 million). All countries, except for Ukraine, in which Erste Group has only a small presence, remained profitable in Q1 09.
- The reported tier 1 ratio improved to 7.8% at Q1 09 (2008: 7.2%) following the provision underwriting of EUR 1 billion by the Republic of Austria as part of the EUR 2.7 billion participation capital transaction ahead of the completion of the public offer. Risk-weighted assets grew by 2.2% to EUR 106 billion in Q1 09.
- Successful placement of participation capital. Erste Group has placed EUR 540 million of participation capital with private and institutional investors. The Republic of Austria has already subscribed for participation capital in a nominal amount of EUR 1.0 billion in March 2009 and will subscribe for additional participation capital in accordance with the agreement in principle. The volume of the participation capital will in aggregate amount to approximately EUR 1.75 bn. Subsequently, an amount of up to EUR 1 bn of hybrid capital is intended to be issued by Erste Bank der oesterreichischen Sparkassen AG, a 100% subsidiary of Erste Group, to the Republic of Austria. As previously announced, the aggregate volume of participation and hybrid capital shall therefore amount to EUR 2.7 billion on a consolidated basis.

Earnings performance in brief

The operating result grew by 10.3% to EUR 838.5 million in Q1 09, compared to EUR 760.5 million in Q1 08. This improvement was primarily a result of rising operating income, which increased by 5.2% to EUR 1,814.4 million due to rising net interest income (+6.5% to EUR 1,226.0 million) and a very good net trading result (+74.7% to EUR 143.8 million). General administrative expenses only rose slightly by 1.2% to EUR 975.9 million. The cost/income ratio improved to 53.8% (full year 2008: 57.2%).

Net profit after minorities declined by 26.5% to EUR 232.1 million, primarily due to higher risk costs – risk provisions amounted to EUR 370.2 million in Q1 09 after EUR 163.1 million in Q1 08. This was a reflection of the economic downturn triggered by the financial crisis, which did not affect Q1 08. Even though the economic downturn has impacted our retail and SME customers in Austria and Central and Eastern Europe, our long-term and cautious business approach has created a solid foundation

for successfully coping with the consequences of a long-lasting economic downturn, such as higher risk costs.

Return on equity (cash, i.e. after elimination of linear depreciation for the customer base) rose from 10.1% (reported value: 9.6%) in 2008 to the current 11.8% (reported value: 11.4%).

Cash earnings per share stood at EUR 0.71 in Q1 09 (reported value: EUR 0.68), compared with EUR 1.04 (reported value: EUR 1.01) in Q1 08.

Total assets declined slightly in Q1 09 and amounted to EUR 199.1 billion as of 31 March 2009, a fall of 1.2% compared with year-end 2008, resulting from a decrease in interbank business.

Erste Group offered participation capital up to a total nominal value of EUR 2.7 billion for subscription from 15 to 29 April 2009. Of this, the Republic of Austria already underwrote EUR 1 billion in March 2009.

The solvency ratio related to credit risk improved from 10.1% as at year-end 2008 to 10.4% as of 31 March 2009 due to the issuance of participation capital in the amount of EUR 1 billion, underwritten by the Republic of Austria. Therefore, it was still comfortably above the legal minimum requirement of 8.0%. The tier 1 ratio in relation to credit risk amounted to 7.8% as of 31 March 2009, compared to 7.2% at year-end 2008.

Outlook

The first quarter results provide a solid base for assessing the position of Erste Group in the current crisis. We are convinced that Erste Group's dominant position as a retail bank in all its core markets, supported by a strong deposit base, pricing power and conservative lending policy, offers a sound basis to offset the higher risk costs that inevitably accompany an economic downturn. This assessment is also underpinned by a balanced business mix and the fact that more than 95% of our 17 million customers are residents of EU member countries.