

Erste Group posts net profit of EUR 226 million in Q1 15 amid robust CEE business environment; outlook for 2015 confirmed

Financial data

| Income statement | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| in EUR million | Q1 14 | Q4 14 | Q1 15 | 1–3 14 | 1–3 15 |
| Net interest income | 1,123.9 | 1,125.6 | 1,098.5 | 1,123.9 | 1,098.5 |
| Net fee and commission income | 452.1 | 497.1 | 461.0 | 452.1 | 461.0 |
| Net trading and fair value result | 50.4 | 75.8 | 72.4 | 50.4 | 72.4 |
| Operating income | 1,690.6 | 1,760.5 | 1,689.1 | 1,690.6 | 1,689.1 |
| Operating expenses | -963.3 | -1,003.6 | -948.1 | -963.3 | -948.1 |
| Operating result | 727.3 | 756.9 | 741.0 | 727.3 | 741.0 |
| Net impairment loss on non-fair value financial assets | -364.2 | -484.3 | -183.1 | -364.2 | -183.1 |
| Post-provision operating result | 363.0 | 272.6 | 557.8 | 363.0 | 557.8 |
| Net result attributable to owners of the parent | 103.3 | 42.0 | 225.8 | 103.3 | 225.8 |
| Net interest margin (on average interest-bearing assets) | 2.62% | 2.66% | 2.55% | 2.62% | 2.55% |
| Cost/income ratio | 57.0% | 57.0% | 56.1% | 57.0% | 56.1% |
| Provisioning ratio (on average gross customer loans) | 1.14% | 1.51% | 0.57% | 1.14% | 0.57% |
| Tax rate | 41.6% | 49.6% | 28.6% | 41.6% | 28.6% |
| Return on equity | 3.6% | 1.7% | 9.0% | 3.6% | 9.0% |
| Balance sheet | | | | | |
| in EUR million | Mar 14 | Dec 14 | Mar 15 | Dec 14 | Mar 15 |
| Cash and cash balances | 10,373 | 7,835 | 8,223 | 7,835 | 8,223 |
| Trading, financial assets | 52,270 | 50,131 | 52,285 | 50,131 | 52,285 |
| Loans and receivables to credit institutions | 9,962 | 7,442 | 8,345 | 7,442 | 8,345 |
| Loans and receivables to customers | 119,805 | 120,834 | 123,437 | 120,834 | 123,437 |
| Intangible assets | 2,408 | 1,441 | 1,415 | 1,441 | 1,415 |
| Miscellaneous assets | 9,085 | 8,604 | 8,865 | 8,604 | 8,865 |
| Total assets | 203,903 | 196,287 | 202,570 | 196,287 | 202,570 |
| Financial liabilities - held for trading | 7,042 | 7,746 | 8,988 | 7,746 | 8,988 |
| Deposits from banks | 24,421 | 14,803 | 16,389 | 14,803 | 16,389 |
| Deposits from customers | 119,445 | 122,583 | 124,752 | 122,583 | 124,752 |
| Debt securities issued | 31,043 | 31,140 | 30,852 | 31,140 | 30,852 |
| Miscellaneous liabilities | 6,883 | 6,573 | 7,635 | 6,573 | 7,635 |
| Total equity | 15,069 | 13,443 | 13,956 | 13,443 | 13,956 |
| Total liabilities and equity | 203,903 | 196,287 | 202,570 | 196,287 | 202,570 |
| Loan/deposit ratio | 100.3% | 98.6% | 98.9% | 98.6% | 98.9% |
| NPL ratio | 9.6% | 8.5% | 8.1% | 8.5% | 8.1% |
| NPL coverage (exc collateral) | 62.6% | 68.9% | 67.9% | 68.9% | 67.9% |
| CET 1 ratio (phased-in) | 11.1% | 10.6% | 10.5% | 10.6% | 10.5% |

Highlights

January-March 2015 compared with January-March 2014; 31 March 2015 compared with 31 December 2014

Net interest income declined to EUR 1,098.5 million (EUR 1,123.9 million), mainly due to the persistently low interest rate environment and, as expected, lower loan volumes in Romania and Hungary. **Net fee and commission income** increased to EUR 461.0 million (EUR 452.1 million) on the back of an improved result from asset management and payment transfers. Of the significant rise in the **net trading and fair value result** to EUR 72.4 million (EUR 50.4 million), almost one half was attributable to one-off effects, such as valuation results for financial liabilities in the Czech Republic. **Operating income** consequently remained unchanged at EUR 1,689.1 million (-0.1%; EUR 1,690.6 million).

General administrative expenses decreased to EUR 948.1 million (-1.6%, EUR 963.3 million), mostly due to a decline in other administrative expenses and in depreciation and amortisation. This led to a rise in the **operating result** to EUR 741.0 million (+1.9%; EUR 727.3 million) and an improved **cost/income ratio** of 56.1% (57.0%).

Net impairment loss on financial assets not measured at fair value through profit or loss decreased significantly to EUR 183.1 million or 57 basis points of average customer loans (-49.7%, EUR 364.2 million or 114 basis points) as a result of the substantial decline in Romania. **The NPL ratio** improved further to 8.1% (8.5%). **The NPL coverage ratio** decreased slightly to 67.9% (68.9%).

Other operating result amounted to EUR -153.5 million (EUR -119.8 million). This was largely due to provisions made for the full-year contributions to national resolution funds estimated to total EUR 54.9 million in 2015. At EUR 91.8 million (EUR 99.8 million), banking and financial transaction taxes were again significant: EUR 29.5 million (EUR 30.4 million) in Austria, EUR 5.8 million (EUR 10.3 million) in Slovakia, and EUR 56.5 million (EUR 59.1 million) in Hungary (including the full Hungarian banking tax of EUR 46.0 for 2015).

Taxes on income rose to EUR 118.6 million. This rise is primarily due to improved profitability and the assumption that contributions to resolution funds will not be tax-deductible. **The net result attributable to owners of the parent** increased to EUR 225.8 million (EUR 103.3 million).

Total capital rose to EUR 14.0 billion (EUR 13.4 billion). **Common equity tier 1 capital** (CET 1, Basel 3 phased-in) edged up to EUR 10.7 billion (EUR 10.6 billion). **Total risk (risk-weighted assets** including credit, market and operational risk, Basel 3 phased-in) increased to EUR 101.8 billion (EUR 100.6 billion). **The common equity tier 1 ratio** (CET 1, Basel 3 phased-in) stood at 10.5% (10.6%), **the total capital ratio** (Basel 3 phased-in) at 15.8% (15.7%).

Total assets rose to EUR 202.6 billion (EUR 196.3 billion), driven mainly by an increase in loan volume – with **loans and receivables to customers (net)** rising to EUR 123.4 billion (EUR 120.8 billion) – as well as in trading and investment securities and loans and receivables to credit institutions (net). Within liabilities, **customer deposits** increased to EUR 124.8 billion (EUR 122.6 billion). **The loan-to-deposit ratio** stood at 98.9% (98.6%).

Outlook

Operating environment anticipated to be conducive to credit expansion. Real GDP growth is expected to be between 2% and 3% in all major CEE markets, except Croatia, driven by solid domestic demand. For Austria, a real GDP growth below 1% is forecast.

Return on tangible equity (ROTE) expected at 8-10% in 2015 (YE 14 TE: EUR 8.4 billion). Operating result is expected to decline in the mid-single digits on the back of lower but sustainable operating results in Hungary (due to FX conversion related effects of lower average volume) and Romania (lower unwinding impact) as well as the persistent low interest rate environment.

For 2015, loan growth in the low single digits and a decline in risk costs to about EUR 1.0-1.2 billion are anticipated. Banking levies are expected to amount to about EUR 360 million in 2015, including parallel contributions to national as well as European bank resolution and deposit insurance funds. Related discussions with the Austrian government are still ongoing.

Risks to guidance. Consumer protection initiatives as well as geopolitical risks could have negative economic impacts.

Presentation of results via audio webcast and telephone conference for portfolio managers and analysts

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| Date | Thursday 7 May 2015 |
| Time | 9:00 Vienna / 8:00 London / 3:00 New York The presentation will be held in English. |
| Live audio webcast | http://www.erstegroup.com/investorrelations (slide presentation) |
| Dial-in for analysts | UK: +44 (0) 20 3427 0503 0800 279 5004 US: +1 646 254 3360 1877 280 2296 Confirmation Code 9775505 |
| Replay | Will be available at http://www.erstegroup.com/en/Investors/Webcasts-Videos . |

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