

## Erste Group posts net profit of EUR 487.2 million in H1 15; NPL ratio improves to 7.7%, CET 1 ratio (B3FL) advances to 11.3%

### Financial data

Income statement					
in EUR million	Q2 14	Q1 15	Q2 15	1–6 14	1–6 15
Net interest income	1,119.7	1,098.5	1,113.4	2,243.6	2,211.9
Net fee and commission income	454.9	461.0	456.3	907.0	917.4
Net trading and fair value result	87.7	72.4	64.1	138.0	136.5
Operating income	1,731.1	1,689.1	1,710.3	3,421.7	3,399.4
Operating expenses	–933.1	–948.1	–948.7	–1,896.4	–1,896.8
Operating result	798.0	741.0	761.6	1,525.3	1,502.6
Net impairment loss on non-fair value financial assets	–431.9	–183.1	–190.8	–796.1	–373.9
Post-provision operating result	366.1	557.8	570.8	729.1	1,128.6
<b>Net result attributable to owners of the parent</b>	<b>–1,033.1</b>	<b>225.8</b>	<b>261.4</b>	<b>–929.7</b>	<b>487.2</b>
Net interest margin (on average interest-bearing assets)	2.61%	2.55%	2.59%	2.62%	2.58%
Cost/income ratio	53.9%	56.1%	55.5%	55.4%	55.8%
Provisioning ratio (on average gross customer loans)	1.35%	0.57%	0.58%	1.25%	0.58%
Tax rate	–30.2%	28.6%	28.2%	–62.0%	28.4%
Return on equity	–37.6%	9.0%	10.2%	–16.8%	9.6%
Balance sheet					
in EUR million	Jun 14	Mar 15	Jun 15	Dec 14	Jun 15
Cash and cash balances	7,267	8,223	7,011	7,835	7,011
Trading, financial assets	52,288	52,285	49,044	50,131	49,044
Loans and receivables to credit institutions	8,548	8,345	8,775	7,442	8,775
Loans and receivables to customers	120,005	123,437	123,504	120,834	123,504
Intangible assets	1,438	1,415	1,395	1,441	1,395
Miscellaneous assets	8,852	8,865	7,802	8,604	7,802
<b>Total assets</b>	<b>198,398</b>	<b>202,570</b>	<b>197,532</b>	<b>196,287</b>	<b>197,532</b>
Financial liabilities - held for trading	7,152	8,988	6,632	7,746	6,632
Deposits from banks	18,803	16,389	15,704	14,803	15,704
Deposits from customers	120,250	124,752	124,534	122,583	124,534
Debt securities issued	31,033	30,852	29,914	31,140	29,914
Miscellaneous liabilities	7,081	7,635	6,732	6,573	6,732
Total equity	14,080	13,956	14,015	13,443	14,015
<b>Total liabilities and equity</b>	<b>198,398</b>	<b>202,570</b>	<b>197,532</b>	<b>196,287</b>	<b>197,532</b>
Loan/deposit ratio	99.8%	98.9%	99.2%	98.6%	99.2%
NPL ratio	9.4%	8.1%	7.7%	8.5%	7.7%
NPL coverage (exc collateral)	64.0%	67.9%	68.2%	68.9%	68.2%
CET 1 ratio (phased-in)	11.7%	10.5%	11.6%	10.6%	11.6%

## Highlights

January-June 2015 compared with January-June 2014; 30 June 2015 compared with 31 December 2014

**Net interest income** declined to EUR 2,211.9 million (EUR 2,243.6 million), mainly due to the persistently low interest rate environment and expected developments in Romania and Hungary. **Net fee and commission income** rose to EUR 917.4 million (EUR 907.0 million) on the back of better results from the securities and custody business and payment transfers. The **net trading and fair value result** declined to EUR 136.5 million (EUR 138.0 million). **Operating income** declined marginally to EUR 3,399.4 million (-0.7%; EUR 3,421.7 million).

**General administrative expenses** were unchanged at EUR 1,896.8 million (EUR 1,896.4 million). The **operating result** decreased to EUR 1,502.6 million (-1.5%; EUR 1,525.3 million). The **cost/income ratio** amounted to 55.8% (55.4%).

**Net impairment loss on financial assets not measured at fair value through profit or loss** dropped significantly to EUR 373.9 million or 58 basis points of average gross customer loans (-53.0%; EUR 796.1 million or 125 basis points), primarily due to a substantial decline in Romania but also due to a positive trend in all Austrian segments. The **NPL ratio** improved further to 7.7% (8.5%). The **NPL coverage ratio** stood at 68.2% (68.9%).

**Other operating result** amounted to EUR -200.6 million (EUR -1,271.8 million). The significant positive change was attributable to the non-recurrence of high negative one-off effects in the first half year of 2014 (primarily intangible writedowns). Provisions for the 2015 full-year contributions to national resolution funds in the projected total amount of EUR 55.2 million are already included. At EUR 137.2 million (EUR 154.1 million), banking and financial transaction taxes were again significant: EUR 60.1 million (EUR 63.2 million) in Austria, EUR 11.6 million (EUR 20.7 million) in Slovakia, and EUR 65.5 million (EUR 70.1 million) in Hungary (including the full Hungarian banking tax of EUR 46.0 million for 2015).

Taxes on income amounted to EUR 273.4 million (EUR 335.6 million), translating into a tax rate of 28.4%. Due to the good risk development at the Savings Banks and the turnaround in Romania, the minority charge reached a historic high at EUR 203.4 million (EUR 52.7 million). The **net result attributable to owners of the parent** increased to EUR 487.2 million (EUR -929.7 million).

**Total equity (IFRS)** rose to EUR 14.0 billion (EUR 13.4 billion). Including the interim profit, **common equity tier 1 capital** (CET1, Basel 3 phased-in) increased to EUR 11.6 billion (EUR 10.6 billion), total eligible **own funds** (Basel 3 phased-in) amounted to EUR 16.8 billion (EUR 15.8 billion). Total risk, i.e. **risk-weighted assets** including credit, market and operational risk (Basel 3 phased-in) decreased to EUR 100.3 billion (EUR 100.6 billion). The **common equity tier 1 ratio** (CET1, Basel 3 phased-in) stood at 11.6% (10.6%), the **total capital ratio** (Basel 3 phased-in) at 16.8% (15.7%).

**Total assets** rose to EUR 197.5 billion (EUR 196.3 billion), driven mainly by the increase in customer lending volume – with **loans and receivables to customers (net)** rising to EUR 123.5 billion (EUR 120.8 billion) – as well as in loans and receivables to credit institutions (net). Within liabilities, customer deposits increased to EUR 124.5 billion (EUR 122.6 billion). The **loan-to-deposit ratio** stood at 99.2% (98.6%).

## Outlook

**Operating environment anticipated to be conducive to credit expansion.** Real GDP growth is expected to be between 2% and 4% 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 0.9-1.1 billion are anticipated. Banking levies are expected to amount to about EUR 360 million, 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 such as a potential CHF borrower support scheme in Croatia as well as geopolitical risks could have negative economic impacts.

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

Date	Friday 7 August 2015
Time	9:00 Vienna / 8:00 London / 3:00 New York The presentation will be held in English.
Live audio webcast	<a href="http://www.erstegroup.com/investorrelations">http://www.erstegroup.com/investorrelations</a> (slide presentation)
Dial-in for analysts	UK: +44 (0)20 3427 1904 0800 279 4841 US: +1 212 444 0895 1877 280 1254  Confirmation Code 1038822
Replay	Will be available at <a href="http://www.erstegroup.com/en/Investors/Webcasts-Videos">http://www.erstegroup.com/en/Investors/Webcasts-Videos</a> .

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