

## Erste Group: preliminary results 2015

**Net profit of EUR 968.2m in 2015 (ROTE: 10.8%) on return of volume growth to CEE, normalisation in risk costs and reduced one-offs – solid capital position underpins dividend proposal of EUR 0.5 per share**

### Financial data

#### Income statement

in EUR million	Q4 14	Q3 15	Q4 15	2014 restated	2015
Net interest income	1,125.6	1,112.3	1,120.4	4,495.2	4,444.7
Net fee and commission income	497.1	455.2	489.2	1,869.8	1,861.8
Net trading and fair value result	75.8	56.4	17.2	242.3	210.1
Operating income	1,760.5	1,691.6	1,680.9	6,877.9	6,771.8
Operating expenses	-1,003.6	-955.6	-1,016.5	-3,787.3	-3,868.9
Operating result	756.9	735.9	664.4	3,090.7	2,902.9
Net impairment loss on non-fair value financial assets	-484.3	-144.4	-210.7	-2,083.7	-729.1
Post-provision operating result	272.6	591.5	453.7	1,006.9	2,173.8
<b>Net result attributable to owners of the parent</b>	<b>42.0</b>	<b>276.9</b>	<b>204.0</b>	<b>-1,382.6</b>	<b>968.2</b>
Net interest margin (on average interest-bearing assets)	2.66%	2.57%	2.59%	2.65%	2.59%
Cost/income ratio	57.0%	56.5%	60.5%	55.1%	57.1%
Provisioning ratio (on average gross customer loans)	1.51%	0.44%	0.64%	1.63%	0.56%
Tax rate	49.6%	20.3%	0.7%	-71.7%	22.2%
Return on equity	1.7%	10.5%	7.5%	-13.0%	9.3%

#### Balance sheet

in EUR million	Dec 14	Sep 15	Dec 15	Dec 14	Dec 15
Cash and cash balances	7,835	11,097	12,350	7,835	12,350
Trading, financial assets	50,131	47,910	47,542	50,131	47,542
Loans and receivables to credit institutions	7,442	8,384	4,805	7,442	4,805
Loans and receivables to customers	120,834	124,521	125,897	120,834	125,897
Intangible assets	1,441	1,393	1,465	1,441	1,465
Miscellaneous assets	8,604	7,867	7,685	8,604	7,685
<b>Total assets</b>	<b>196,287</b>	<b>201,171</b>	<b>199,743</b>	<b>196,287</b>	<b>199,743</b>
Financial liabilities - held for trading	7,746	6,364	5,867	7,746	5,867
Deposits from banks	14,803	17,414	14,212	14,803	14,212
Deposits from customers	122,583	125,439	127,946	122,583	127,946
Debt securities issued	31,140	30,620	29,654	31,140	29,654
Miscellaneous liabilities	6,573	6,896	7,257	6,573	7,257
Total equity	13,443	14,437	14,807	13,443	14,807
<b>Total liabilities and equity</b>	<b>196,287</b>	<b>201,171</b>	<b>199,743</b>	<b>196,287</b>	<b>199,743</b>
Loan/deposit ratio	98.6%	99.3%	98.4%	98.6%	98.4%
NPL ratio	8.5%	7.4%	7.1%	8.5%	7.1%
NPL coverage (exc collateral)	68.9%	69.2%	64.5%	68.9%	64.5%
CET 1 ratio (phased-in)	10.6%	11.5%	12.3%	10.6%	12.3%

## Highlights

P&L 2015 compared with 2014; balance sheet 31 December 2015 compared with 31 December 2014

**Net interest income** declined to EUR 4,444.7 million (EUR 4,495.2 million) mainly due to the persistently low interest rate environment which was not fully offset by loan growth. **Net fee and commission income** declined slightly to EUR 1,861.8 million (EUR 1,869.8 million) due to lower income from lending business and payment services. The **net trading and fair value result** decreased to EUR 210.1 million (EUR 242.3 million). **Operating income** went down moderately to EUR 6,771.8 million (-1.5%; EUR 6,877.9 million). **General administrative expenses** rose to EUR 3,868.9 million (+2.2%; EUR 3,787.3 million). This resulted in a decline of the **operating result** to EUR 2,902.9 million (-6.1%; EUR 3,090.7 million). The **cost/income ratio** amounted to 57.1% (55.1%).

**Net impairment loss on financial assets not measured at fair value through profit or loss (net)** fell significantly to EUR 729.1 million or 56 basis points of average gross customer loans (-65.0%; EUR 2,083.7 million or 163 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 7.1% (8.5%). The **NPL coverage ratio** stood at 64.5% (68.9%).

**Other operating result** amounted to EUR -635.6 million (EUR -1,752.9 million). The significant positive change was attributable to the non-recurrence of high negative one-off effects in 2014 (primarily intangible write-downs). Current figures include the expense of contributions to national resolution funds in the amount of EUR 51.3 million payable in 2015 for the first time as well as losses in the amount of EUR 129.5 million resulting from legislation requiring the conversion of customer loans (Swiss francs to euro) in Croatia. In addition, provisions were recognised in the amount of EUR 101.6 million for risks related to Romanian consumer protection claims. At EUR 236.2 million (EUR 256.3 million), banking and financial transaction taxes were again significant: EUR 128.6 million (EUR 130.5 million) in Austria, EUR 23.6 million (EUR 31.5 million) in Slovakia, and EUR 84.0 million (EUR 94.2 million) in Hungary.

Due to the good risk development at the Savings Banks and the turnaround in Romania, the minority charge was high at EUR 307.0 million (EUR 133.4 million). The net result attributable to owners of the parent rose to EUR 968.2 million (EUR -1,382.6 million).

**Total equity** rose to EUR 14.8 billion (EUR 13.4 billion). **Common equity tier 1 capital** (CET1, Basel 3 phased-in) increased to EUR 12.1 billion (EUR 10.6 billion), total eligible **own funds** (Basel 3 phased-in) amounted to EUR 17.6 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 98.3 billion (EUR 100.6 billion). The **common equity tier 1 ratio** (CET1, Basel 3 phased-in) stood at 12.3% (10.6%), the **total capital ratio** (Basel 3 phased-in) at 17.9% (15.7%).

**Total assets** increased to EUR 199.7 billion (EUR 196.3 billion), driven mainly by the increase in customer lending volume, with **loans and receivables to customers (net)** rising to EUR 125.9 billion (EUR 120.8 billion). Within liabilities, **customer deposits** rose to EUR 127.9 billion (EUR 122.6 billion). The **loan-to-deposit ratio** stood at 98.4% (98.6%).

## Outlook

**Operating environment anticipated to be conducive to credit expansion.** Real GDP growth in 2016 is expected to be between 1.5% and 3.8% in all major CEE markets, including Austria, driven by solid domestic demand.

**Return on tangible equity (ROTE) expected at about 10-11% in 2016 underpinning continued dividend payout.** Support factors include re-emerging loan growth; continued improvement in asset quality amid a benign risk environment as well as a positive one-off impact related to the sale of a participation in VISA in the amount of about EUR 127 million pre-tax. Headwinds are the persistent low interest rate environment affecting group operating income, primarily net interest income, as well as lower operating results in Hungary (lower volumes) and Romania (following asset re-pricing). Banking levies (comprising banking taxes, financial transaction tax, resolution funds and deposit insurance fund contributions) will have a negative pre-tax impact of about EUR 360 million in 2016. It is expected that banking taxes and FTT are booked pro rata (except the Hungarian banking tax that is booked upfront in Q1 2016) and resolution fund contributions upfront in Q1 2016, all in the line item other operating result. Deposit insurance contributions are expected to be booked partly pro rata and partly upfront in Q1 2016 in operating expenses.

**Risks to guidance.** Geopolitical risks and global economic risks, impact from negative interest rates, consumer protection initiatives.

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

Date	Friday 26 February 2016
Time	9:00 Vienna / 8:00 London / 3:00 New York
Live audio webcast	(slide presentation) The presentation will be held in English.
Dial-in for analysts	Please dial in 5-10 minutes prior to the start time using one of the following numbers and the Confirmation Code 8072447  UK: +44(0)20 7136 2055 National free phone 0800 279 4841  US: +1646 254 3360 National free phone 1877 280 2296
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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