

## Erste Group posts net profit of EUR 1,179.2 million in 1-9 2016 and announces outlook for 2017

### Financial data

Income statement					
in EUR million	Q3 15	Q2 16	Q3 16	1-9 15	1-9 16
Net interest income	1,112.3	1,101.9	1,073.4	3,324.3	3,267.5
Net fee and commission income	455.2	441.8	434.9	1,372.6	1,319.8
Net trading and fair value result	56.4	64.0	84.1	193.0	191.6
Operating income	1,691.6	1,687.3	1,643.1	5,090.9	4,959.7
Operating expenses	-955.6	-971.5	-982.7	-2,852.4	-2,963.0
Operating result	735.9	715.8	660.4	2,238.5	1,996.6
Net impairment loss on non-fair value financial assets	-144.4	30.6	-37.4	-518.4	-63.2
Post-provision operating result	591.5	746.4	622.9	1,720.1	1,933.4
<b>Net result attributable to owners of the parent</b>	<b>276.9</b>	<b>567.0</b>	<b>337.4</b>	<b>764.2</b>	<b>1,179.2</b>
Net interest margin (on average interest-bearing assets)	2.57%	2.57%	2.43%	2.58%	2.50%
Cost/income ratio	56.5%	57.6%	59.8%	56.0%	59.7%
Provisioning ratio (on average gross customer loans)	0.44%	-0.09%	0.11%	0.53%	0.06%
Tax rate	20.3%	20.8%	22.3%	25.9%	22.1%
Return on equity	10.5%	19.7%	11.1%	9.9%	13.5%
Balance sheet					
in EUR million	Sep 15	Jun 16	Sep 16	Dec 15	Sep 16
Cash and cash balances	11,097	12,982	14,743	12,350	14,743
Trading, financial assets	47,910	49,452	49,064	47,542	49,064
Loans and receivables to credit institutions	8,384	5,626	5,191	4,805	5,191
Loans and receivables to customers	124,521	127,407	128,985	125,897	128,985
Intangible assets	1,393	1,437	1,443	1,465	1,443
Miscellaneous assets	7,867	7,601	7,386	7,685	7,386
<b>Total assets</b>	<b>201,171</b>	<b>204,505</b>	<b>206,811</b>	<b>199,743</b>	<b>206,811</b>
Financial liabilities - held for trading	6,364	6,146	6,272	5,867	6,272
Deposits from banks	17,414	16,367	15,228	14,212	15,228
Deposits from customers	125,439	130,417	134,023	127,946	134,023
Debt securities issued	30,620	28,014	27,300	29,654	27,300
Miscellaneous liabilities	6,896	7,584	7,459	7,257	7,459
Total equity	14,437	15,977	16,529	14,807	16,529
<b>Total liabilities and equity</b>	<b>201,171</b>	<b>204,505</b>	<b>206,811</b>	<b>199,743</b>	<b>206,811</b>
Loan/deposit ratio	99.3%	97.7%	96.2%	98.4%	96.2%
NPL ratio	7.4%	5.8%	5.5%	7.1%	5.5%
NPL coverage (exc collateral)	69.2%	65.6%	67.7%	64.5%	67.7%
Texas ratio	49.2%	40.5%	37.4%	48.1%	37.4%
CET 1 ratio (phased-in)	11.5%	13.3%	13.2%	12.3%	13.2%

## Highlights

P&L: January-September 2016 compared with January-September 2015; balance sheet: 30 September 2016 compared with 31 December 2015

**Net interest income** declined to EUR 3,267.5 million (-1.7%; EUR 3,324.3 million), mainly due to a market environment of persistently low interest rates and the continued NPL sales not fully offset by lending growth. **Net fee and commission income** decreased to EUR 1,319.8 million (-3.8%; EUR 1,372.6 million), primarily due to lower income from securities business and payment services. **Net trading and fair value result** was marginally lower at EUR 191.6 million (-0.7%; EUR 193.0 million). Consequently, **operating income** declined to EUR 4,959.7 million (-2.6%; EUR 5,090.9 million). **General administrative expenses** rose to EUR 2,963.0 million (+3.9%; EUR 2,852.4 million), driven mainly by higher IT costs and personnel expenses of EUR 1,724.7 million (+3.4%; EUR 1,667.5 million). This resulted in a decline of the **operating result** to EUR 1,996.6 million (-10.8%; EUR 2,238.5 million). The **cost/income ratio** stood at 59.7% (56.0%). **Gains from financial assets and liabilities not measured at fair value through profit and loss (net)** include a gain, posted in the second quarter, from the sale of shares in VISA Europe in the amount of EUR 138.7 million.

**Net impairment loss on financial assets not measured at fair value through profit or loss** dropped significantly to EUR 63.2 million or 6 basis points of average gross customer loans (-87.8%; EUR 518.4 million or 53 basis points) on the back of a substantial decline of non-performing loans and higher income from the recovery of loans already written off in Romania and Hungary. The **NPL ratio** improved further to 5.5% (7.1%). The **NPL coverage ratio** stood at 67.7% (64.5%).

**Other operating result** amounted to EUR -252.4 million (EUR -377.4 million). This includes expenses for the annual contributions to resolution funds in the amount of EUR 64.6 million (EUR 56.2 million). Banking and financial transaction taxes declined to EUR 151.7 million (EUR 187.7 million), which was attributable to the significant reduction of the Hungarian banking levies to EUR 47.4 million (EUR 74.6 million). In Austria, banking levies declined slightly to EUR 85.6 million (EUR 95.6 million) and in Slovakia amounted to EUR 18.6 million (EUR 17.5 million).

As the earnings contributions of savings banks covered by the cross-guarantee system declined from historically very high levels, the minority charge decreased to EUR 245.6 million (EUR 275.0 million). The **net result attributable to owners of the parent** rose to EUR 1,179.2 million (EUR 764.2 million).

**Total equity** increased to EUR 16.5 billion (EUR 14.8 billion). After regulatory deductions and filtering according to the CRR, **common equity tier 1 capital** (CET1, Basel 3 phased-in) rose to EUR 13.3 billion (EUR 12.1 billion); total eligible **own funds** (Basel 3 phased in) amounted to EUR 18.5 billion (EUR 17.6 billion). While half-year interim profit is included in the above figures, third quarter profit is not included; third quarter risk cost are deducted. Total risk, i.e. **risk-weighted assets** including credit, market and operational risk (Basel 3 phased-in) rose to EUR 100.7 billion (EUR 98.3 billion). The **common equity tier 1 ratio** (CET 1, Basel 3 phased-in) stood at 13.2% (12.3%), the **total capital ratio** (Basel 3 phased-in) at 18.4% (17.9%).

**Total assets** increased to EUR 206.8 billion (EUR 199.7 billion). **Loans and receivables to customers (net)** were moderately higher at EUR 129.0 billion (+2.4%; EUR 125.9 billion). Securities held for trading rose to EUR 9.7 billion (EUR 8.7 billion). On the liabilities side, deposits from banks rose to EUR 15.2 billion (EUR 14.2 billion) and **customer deposits** increased to EUR 134.0 billion (+4.7%; EUR 127.9 billion). Debt securities in issue, mainly bonds and mortgage covered bonds, declined to EUR 27.3 billion (-7.9%; EUR 29.7 billion). The **loan-to-deposit ratio** stood at 96.2% (98.4%).

## Outlook

**Operating environment anticipated to be conducive to credit expansion.** While in 2016 real GDP growth is expected to be between 1.3% and 4.5% in all major CEE markets, including Austria, in 2017 a range of 2-3% is estimated in CEE, about 1.5% in Austria. Real GDP growth should be driven by solid domestic demand, whereby real wage growth and declining unemployment should support economic activity in CEE. Solid public finances across CEE should prevail.

**Return on tangible equity (ROTE) expectations.** Confirmed at above 12% in 2016 (based on average tangible equity in 2016); for 2016; on track for a dividend of EUR 1 per share (+100% vs 2015), which corresponds to a dividend yield of about 3.5%. ROTE for 2017 is targeted at above 10% (based on average tangible equity in 2017 based on the following assumptions: the Austrian banking tax one-off payment will already take place in 2016 and for 2017 at best flat revenues (assuming 5%+ net loan growth); cost inflation of 1-2% due to digitalisation; increase in risk costs, albeit remaining at historically low levels; positive swing in other operating result due to lower Austrian banking tax.

**Risks to guidance.** Impact from expansionary monetary central bank policies including negative interest rates; political risks such as timely implementation of Austrian banking tax reduction; geopolitical risks and global economic risks; consumer protection initiatives.

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

Date	Friday 4 November 2016
Time	8:00 London / 9:00 Vienna / 4:00 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 20 7026 5967 0800 358 6377 US: +1 719 325 4756 800 263 0877 Confirmation Code 6760103
Replay	Will be available at <a href="https://www.erstegroup.com/en/investors/events/irevents">https://www.erstegroup.com/en/investors/events/irevents</a> .

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