

## Erste Group progressing as planned: on track for 10%+ ROTE in 2017; stable outlook for 2018

### Financial data

Income statement					
in EUR million	Q3 16	Q2 17	Q3 17	1-9 16	1-9 17
Net interest income	1,073.4	1,091.7	1,086.3	3,267.5	3,229.3
Net fee and commission income	434.9	453.2	451.0	1,319.8	1,361.9
Net trading result	98.7	54.3	36.5	218.7	139.3
Operating income	1,643.1	1,675.2	1,644.2	4,959.7	4,936.9
Operating expenses	-982.7	-985.2	-1,010.1	-2,963.0	-3,013.6
Operating result	660.4	690.0	634.1	1,996.6	1,923.4
Net impairment loss on financial assets	-37.4	-38.6	32.9	-63.2	-71.5
Post-provision operating result	622.9	651.5	667.0	1,933.4	1,851.9
<b>Net result attributable to owners of the parent</b>	<b>337.4</b>	<b>362.5</b>	<b>363.0</b>	<b>1,179.2</b>	<b>987.6</b>
Net interest margin (on average interest-bearing assets)	2.43%	2.44%	2.39%	2.50%	2.39%
Cost/income ratio	59.8%	58.8%	61.4%	59.7%	61.0%
Provisioning ratio (on average gross customer loans)	0.11%	0.11%	-0.09%	0.06%	0.07%
Tax rate	22.3%	22.0%	23.3%	22.1%	22.5%
Return on equity	11.1%	11.1%	11.7%	13.5%	10.5%
Balance sheet					
in EUR million	Sep 16	Jun 17	Sep 17	Dec 16	Sep 17
Cash and cash balances	14,743	25,842	22,104	18,353	22,104
Trading, financial assets	49,064	44,886	43,539	47,586	43,539
Loans and receivables to credit institutions	5,191	4,347	10,358	3,469	10,358
Loans and receivables to customers	128,985	135,122	138,005	130,654	138,005
Intangible assets	1,443	1,458	1,474	1,390	1,474
Miscellaneous assets	7,386	6,501	6,234	6,775	6,234
<b>Total assets</b>	<b>206,811</b>	<b>218,156</b>	<b>221,715</b>	<b>208,227</b>	<b>221,715</b>
Financial liabilities - held for trading	6,272	3,960	3,551	4,762	3,551
Deposits from banks	15,228	17,883	19,226	14,631	19,226
Deposits from customers	134,023	145,574	148,363	138,013	148,363
Debt securities issued	27,300	26,602	25,661	27,192	25,661
Miscellaneous liabilities	7,459	6,621	6,945	7,027	6,945
Total equity	16,529	17,515	17,969	16,602	17,969
<b>Total liabilities and equity</b>	<b>206,811</b>	<b>218,156</b>	<b>221,715</b>	<b>208,227</b>	<b>221,715</b>
Loan/deposit ratio	96.2%	92.8%	93.0%	94.7%	93.0%
NPL ratio	5.5%	4.7%	4.3%	4.9%	4.3%
NPL coverage (exc collateral)	67.7%	68.5%	69.5%	69.1%	69.5%
Texas ratio	37.4%	33.3%	31.3%	34.6%	31.3%
CET 1 ratio (phased-in)	13.2%	13.2%	12.8%	13.4%	12.8%

## Highlights

P&L: January-September 2017 compared with January- September 2016; balance sheet: 30 September 2017 compared with 31 December 2016

**Net interest income** declined to EUR 3,229.3 million (-1.2%; EUR 3,267.5 million) despite lending growth, mostly due to lower interest income from the government bond portfolio and a lower unwinding effect. **Net fee and commission income** increased to EUR 1,361.9 million (+3.2%; EUR 1,319.8 million). Income from the securities business and from asset management was up substantially, while income from the lending business declined. **Net trading result** decreased significantly to EUR 139.3 million (-36.3%; EUR 218.7 million). While **operating income** was nearly stable at EUR 4,936.9 million (-0.5%; EUR 4,959.7 million), **general administrative expenses** rose to EUR 3,013.6 million (+1.7%; EUR 2,963.0 million) in line with expectations. This was attributable to an increase in other administrative expenses and in depreciation and amortisation (+1.7% and +3.9%, respectively) as well as higher personnel expenses of EUR 1,747.2 million (+1.3% to EUR 1,724.7 million). Almost all projected deposit insurance payments for 2017 in the amount of EUR 74.7 million (EUR 83.4 million) are already included in this line item. Consequently, the **operating result** decreased to EUR 1,923.4 million (-3.7%; EUR 1,996.6 million). The **cost/income ratio** rose marginally to 61.0% (59.7%).

**Net impairment loss on financial assets** remained low at EUR 71.5 million or 7 basis points of average gross customer loans (EUR 63.2 million or 6 basis points). As in the previous year, substantial income from the recovery of loans already written off, mostly in Hungary, had a positive impact. The **NPL ratio** improved again to 4.3% (4.9%). The **NPL coverage ratio** was stable at 69.5% (69.1%)

**Other operating result** amounted to EUR -296.6 million (EUR -252.4 million). This line item includes the annual contributions to resolutions funds in the amount of EUR 65.6 million (EUR 64.6 million), banking and financial transaction taxes of EUR 82.1 million (EUR 151.7 million), and expenses of EUR 45.0 million for losses from loans to consumers incurred as a result of supreme court rulings regarding negative interest reference rates in Austria.

The minority charge rose to EUR 272.6 million (+11.0%; EUR 245.6 million) due to a rise in the earnings contributions of the savings banks. The **net result attributable to owners of the parent** declined to EUR 987.6 million (-16.2%; EUR 1,179.2 million), which was primarily due to a gain from the sale of shares in VISA Europe in the amount of EUR 138.7 million (pre-tax) in the previous year.

**Total equity** not including AT1 instruments rose to EUR 17.0 billion (EUR 16.1 billion). After regulatory deductions and filtering according to the CRR, **common equity tier 1 capital** (CET1, Basel 3 phased-in) increased to EUR 14.2 billion (EUR 13.6 billion). Total **own funds** (Basel 3 phased-in) went up to EUR 19.9 billion (EUR 18.8 billion). While half-year interim profit is included in the above figures, third quarter profit is not included. Due to net releases in the third quarter no risk costs were deducted. Total risk (**risk-weighted assets** including credit, market and operational risk, Basel 3 phased-in) rose to EUR 110.8 billion (EUR 101.8 billion). The **common equity tier 1 ratio** (CET1, Basel 3 phased-in) stood at 12.8% (13.4%), the **total capital ratio** (Basel 3 phased-in) at 18.0% (18.5%).

**Total assets** increased to EUR 221.7 billion (+6.5%; EUR 208.2 billion). On the asset side, cash and cash balances rose to EUR 22.1 billion (EUR 18.4 billion), loans and receivables to credit institutions increased to EUR 10.4 billion (EUR 3.5 billion). **Loans and receivables to customers** rose to EUR 138.0 billion (+5.6%; EUR 130.7 billion). On the liability side, deposits from banks increased to EUR 19.2 billion (EUR 14.6 billion) and **customer deposits** continued to grow – most notably in the Czech Republic and in Austria – to EUR 148.4 billion (+7.5%; EUR 138.0 billion). The **loan-to-deposit** ratio stood at 93.0% (94.7%).

## Outlook 2017 & 2018

**Operating environment anticipated to be conducive to credit expansion in 2018.** Real GDP growth is expected to be between 2% and 4% in Erste Group's CEE core markets, including Austria, in 2018. Real GDP growth should primarily be driven by solid domestic demand as real wage growth and declining unemployment should support economic activity in CEE. Fiscal discipline is expected to be maintained across CEE.

**Business outlook.** Erste Group confirms an expected return on tangible equity (ROTE) of more than 10% in 2017 and aims to achieve a ROTe of more than 10% in 2018 (based on average tangible equity in 2018). The underlying assumptions for 2018 are flat to slightly growing revenues (assuming 5%+ net loan growth and interest rate hikes in the Czech Republic and Romania), currency-adjusted flat costs ( $\pm$  1%) due to lower project-related costs and an increase in risk costs, albeit remaining at historically low levels.

**Risks to guidance.** Impact of longer than expected expansionary monetary policies by central banks including negative interest rates; political risks including consumer protection initiatives and geopolitical risks and global economic risks.

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

Date	Friday 3 November 2017
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 (0) 330 336 9411 0800 279 7204 US: 1 323-794-2093 866-548-4713 Confirmation Code 7881499
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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Erste Group shares (ISIN AT0000652011) are traded in Vienna, Prague Bucharest. The issues of Erste Group Bank AG are admitted to trading on the following regulated markets: Vienna, Luxembourg, Budapest, Bucharest, Zagreb, Stuttgart. The five biggest listed issues of Erste Group Bank AG in terms of issue volume have the following ISINs: AT0000A17ZZ3, AT0000A17ZV2, XS0743547183, XS0580561545, XS0432079381

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