

PRESS RELEASE

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Erste Bank und Sparkassen extends EUR 15.7 bn in new loans in 2016

- Sparkassen Group acquired 235,000 new customers in 2016
- Every 70th Euro in value added in Austria is connected with Sparkassen Group
- Enabling effect: every EUR 1 mn advanced by Sparkassen Group creates the basis for EUR 1.81 mn in total economic output
- George has already attracted more than 900,000 users

Erste Bank und Sparkassen – which collectively form the Austrian savings banks group (“Sparkassen Group”) – have once again concluded a successful financial year. As Gerhard Fabisch, President of the Austrian Sparkassen Association, and Stefan Doerfler, Chief Executive Officer of Erste Bank Österreich, reported at the presentation of Sparkassen Group’s 2016 annual results, the group extended **new loans** totaling **EUR 15.7 bn** (+18.3%) and acquired **235,000 new customers** (+19.9%), despite the Austrian economy’s persistent relative weakness, low interest rates and the rising cost of compliance with regulatory requirements.

Solid Loan Growth

Loans and advances to customers of Sparkassen Group increased from EUR 68.8 bn to **EUR 71 bn**, a net gain of 3.3%. **Corporate loans** grew by 2.4% in 2016, from EUR 28.9 bn to **EUR 29.5 bn**. **Loans to households** increased as well, growing from EUR 34 bn to **EUR 35.3 bn**. (+3.9%). After a 4.8% decline in the previous financial year, lending to the public sector rebounded, rising from EUR 3.4 bn to EUR 3.5 bn.

“Our net new loan growth of 2.4 billion euros is not only an achievement that our employees are rightly proud of, but it also highlights that the recovery in Austria’s economy is continuing,” Stefan Doerfler remarked.

Rising Customer Deposits and Net Interest Income

There was a moderately positive trend in the growth of **customer deposits** compared to the previous year: they increased to **EUR 71.7 bn** (+5.2%) in 2016. The amount of money deposited in **checking accounts**, which grew from EUR 37.9 bn to **EUR 42 bn** (+11%), currently exceeds the volume of savings placed in **time deposits**, which decreased from EUR 30.3 bn to **EUR 29.7 bn** (-2%).

Net interest income, which represents the most important income component, rose by 3% in 2016, from EUR 1.57 bn to **EUR 1.62 bn**. **Commission income** decreased by 5.7% from EUR 810 mn to **EUR 764.2 mn**. The bulk of this decrease was attributable to a revision of intra-group processes. On the customer side, general uncertainty with respect to investments in financial markets was a crucial driver, which in turn led to growth in deposits. The **operating result** eased from EUR 869.1 mn to **EUR 814.8 mn** (-6.2%). *“Considering the burden of compliance costs associated with regulatory requirements, we delivered a highly successful annual result,”* Doerfler stressed.

The **number of branches** across Sparkassen Group by and large remained constant. The decline in the total to **1,103 locations** (including OMV banking service points) was primarily focused on Lower Austria and Vienna. **Staff levels** decreased slightly in 2016 compared to 2015, to around **15,400 employees**.

The **number of customers** rose to **3.54 mn** in 2016, reflecting the addition of 235,000 new customers compared to 2015.

Leading Innovator with George

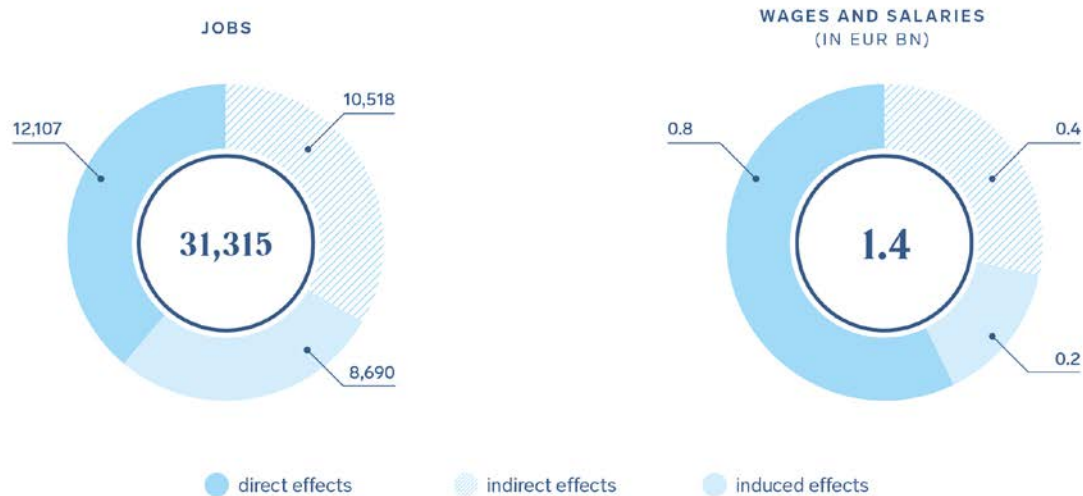
George continues to be a successful model and a flagship product for Erste Bank und Sparkassen. *“Two years after its introduction, more than 900,000 people are already using Austria's most advanced online banking solution,”* notes Gerhard Fabisch, pleased with the success of the group's digital offensive. With George, Sparkassen Group decided to tackle the issue of digital banking by actively taking charge of the market. With success: in 2016, more than **13 mn transactions** totaling more than **EUR 10 bn** were performed via George. That compares to just 5 mn transactions involving a total of EUR 4 bn in 2015. The average George user is 37 years of age and every fifth user is above the age of 50.

Value Added by Sparkassen Group

The Institute for Industrial Research (Industriewissenschaftliches Institut/ IWI) calculated the economic footprint of the savings banks and its effects on the regional economy on behalf of Sparkassen Group. *“This study provides a detailed overview of the real impact we have on Austria's domestic economy,”* explains Fabisch. IWI managing director Herwig Schneider highlights that the social security and tax payments of Sparkassen Group generated more than **EUR 1.5 bn in fiscal and social security contributions** in 2016.

“As a leading financial institution, the activities of Sparkassen Group strengthen Austria as a business location and generate economic output and added value in Austria on a direct, indirect and induced level,” Schneider points out. That impact takes place both directly through the business activities of the Sparkassen Group itself, and indirectly through companies that are integrated into the chain of production by providing intermediate inputs. Induced effects are the result of consumer spending made possible by employment and capital spending generated (directly and indirectly) in Austria's economy.

The Sparkassen Group generated total economic output valued at EUR 8.5 bn in Austria's economy in 2016 (2015: 7.8 bn). The amount of economic output represents the value of all goods and services produced by activities of Erste Bank und Sparkassen, including intermediate inputs of suppliers; this metric is essentially equivalent to sales figures for companies. The amount of economic output includes EUR 3.9 bn in direct effects from activities directly attributable to the operating business of Sparkassen Group. In addition, it encompasses EUR 2.6 bn in indirect effects from intermediate inputs of suppliers and service providers, as well as EUR 2.0 bn in induced effects due to consumer and capital spending. **Every 70th Euro in value added in Austria's economy is connected with Erste Bank und Sparkassen**, according to Schneider's calculations.



Overall, **31,315 jobs** were secured in Austria in 2016 through the activities of Erste Bank und Sparkassen. That represents nearly three times as many people as are employed by the research and development sector in Austria. Around **EUR 1.4 bn in wages** were paid to these employees.

EUR 1 million in investment financed by Erste Bank und Sparkassen in Austria, creates the basis for

€ 1.81 mn

in total economic output

€ 0.82 mn

in value added



employment for 12 persons

The Sparkassen Group invested a total of **EUR 18.8 mn in regional social, charitable and cultural, youth and education projects** in 2016. By doing so, the savings banks group returned a noteworthy part of the profit it had generated to the regions – thus putting into practice the idea of advancing the public interest.

The 2016 Annual Report (in German only) can be downloaded at:

www.sparkasse.at/jahresbericht

www.sparkassenverband.at/jahresbericht

Sparkassen Group Oesterreich Income Statement 2016 (in accordance w. IFRS)	12/2015	12/2016	
Net interest income	1,569.3	1,616.3	3.0%
Net commission income	810.0	764.2	-5.7%
Dividend income	32.5	24.5	-24.8%
Trading income inc. valuation result (fair value adjustments)	2.6	21.5	729%
Income from real estate held as financial investment	59.5	75.3	26.6%
Administrative expenses	-1,606.3	-1,688.6	5.1%
Personnel expenses	-969.6	-976.8	0.7%
Material expenses	-517.9	-590.7	14.1%
Depreciation	-117.9	-121.1	3.5%
Profit/loss from disposal of financial assets/liabilities not carried at fair value	45.8	23.7	-48.3%
Impairments/write-ups of financial assets not carried at fair value	-142.6	-83.5	-41.5%
Other operating income/loss	-65.1	-99.1	52.2%
Earnings before taxes from continuing operations	707.1	655.9	-22.2%
Tax expense/income	-164.0	-211.0	28.6%
Annual profit/loss	543.1	444.9	-18.1%
Operating revenues	2,475.3	2,503.5	1.1%
Operating expenses	-1,606.3	-1,688.6	5.1%
Operating earnings	869.1	814.8	-6.2%

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This press release can be downloaded at www.sparkassenverband.at/presse and www.erstebank.at/presse

Erste Bank und Sparkassen Group is among the largest providers of financial services in Austria. Around 15,400 employees serve more than 3.5 million customers at more than 1,100 branches and OMV banking service points. In 2016 Erste Bank und Sparkassen made the dream of home ownership come true for more than 19,000 people, paid 296 mn Euro in interest to domestic savers and supported around 6,500 young entrepreneurs in realizing their business ideas.

Erste Group is the leading financial services provider in the eastern part of the EU. Around 47,000 employees serve 15.9 million customers in 2,600 branches in 7 countries (Austria, Czech Republic, Slovakia, Romania, Hungary, Croatia, Serbia). As of the end of 2016 Erste Group had EUR 208.2 billion in total assets, and posted net earnings of EUR 1.26 billion and a tier-1 capital ratio (CET-1, Basel III, phased in) of 13.4%.