Press release 5 May 2017

Erste Group posts a net profit of EUR 262.2 million after a strong first quarter of 2017

„We've had a good start to the year, as reflected by our first quarter net profit of 262 million euros. This performance was also supported by the healthy macroeconomic environment across CEE and the continuation of last year's positive trends: lending volumes grew at a stable level especially in retail banking, risk costs remained historically low, asset quality remained very solid with a NPL ratio below five percent, and we were able to maintain a high level of capitalization, with a core tier one capital ratio (phased-in) of 13.0 percent.

Our cost base rose during the first quarter, partly reflecting spending needed to address regulatory requirements, but mainly driven by investments in further expanding the services we can offer digitally to customers -- a field in which we are already regularly recognized as being at the forefront of the banking industry in Europe.

We're pleased that our performance was also recently acknowledged by rating agencies, with Standard and Poor's and Fitch raising our long-term ratings to A- (Positive) and A- (Stable), respectively. The trends that we see at the Group level are also reflected locally: all our subsidiaries had a profitable first quarter in 2017," said Andreas Treichl, CEO of Erste Group Bank AG.

Highlights

In the interim management report, financial results from January-March 2017 are compared with those from January-March 2016 and balance sheet positions as of 31 March 2017 with those as of 31 December 2016.

Net interest income declined to EUR 1,051.3 million (-3.7%; EUR 1,092.2 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 457.7 million (+3.3%; EUR 443.1 million). Income from the securities business and from asset management was up while income from lending business declined. The **net trading result** decreased to EUR 48.6 million (-5.1%; EUR 51.2 million). **Operating income** was almost stable at EUR 1,617.5 million (-0.7%; EUR 1,629.3 million). **General administrative expenses** rose to EUR 1,018.3 million (+0.9%; EUR 1,008.8 million), which was mainly attributable to higher personnel expenses of EUR 571.7 million (+1.1%; EUR 565.4 million). This item already includes the upfront booking of almost all projected full-year deposit insurance payments for 2017 in the amount of EUR 64.7 million (EUR 71.7 million). The **operating result** consequently decreased to EUR 599.2 million (-3.4%; EUR 620.5 million). The **cost/income ratio** stood at 63.0% (61.9%).

Net impairment loss on financial assets remained close to historical lows at EUR 65.8 million or 19 basis points of average gross customer loans (EUR 56.4 million or 17 basis points). The **NPL ratio** remained at 4.9% (4.9%). The **NPL coverage ratio** declined slightly to 67.6% (69.1%).

Other operating result amounted to EUR -127.1 million (EUR -139.5 million). This includes expenses for the annual contributions to resolution funds in the amount of EUR 77.5 million (EUR 64.7 million). Banking and financial transaction taxes amounted to EUR 35.8 million (EUR 62.8 million). The decline was primarily due to the significantly lower Austrian banking tax in the amount of EUR 5.6 million (EUR 29.5 million) after a substantial one-off payment of banking tax in the fourth quarter of 2016. Banking levies in Hungary declined to EUR 23.6 million (EUR 26.9 million) and in Slovakia amounted to EUR 6.6 million (EUR 6.2 million).

The minority charge rose to EUR 76.8 million (+60.6%; EUR 47.8 million) due to a rise in the earnings contributions of savings banks. The **net result attributable to owners of the parent** declined to EUR 262.2 million (-4.6%; EUR 274.7 million).

Total equity not including AT1 instruments rose to EUR 16.4 billion (EUR 16.1 billion). After regulatory deductions and filtering according to the CRR, **common equity tier 1 capital** (CET1, Basel 3 phased-in) slipped to EUR 13.4 billion (EUR 13.6 billion). Total **own funds** (Basel 3 phased in) increased to EUR 19.0 billion (EUR 18.8 billion). Interim profit is not included in the above figures, but first-quarter risk costs are deducted. Total risk (**risk-weighted assets** including credit, market and operational risk; Basel 3 phased-in) rose to EUR 103.6 billion (EUR 101.8 billion). The **common equity tier 1 ratio** (CET1, Basel 3 phased-in) stood at 13.0% (13.4%), the **total capital ratio** (Basel 3 phased-in) at 18.4% (18.5%).

Total assets increased to EUR 222.8 billion (+7.0%; EUR 208.2 billion). On the asset side, cash and cash balances were up at EUR 24.7 billion (EUR 18.4 billion), likewise loans and receivables to credit institutions (net) at EUR 10.4 billion (EUR 3.5 billion). **Loans and receivables to customers (net)** rose to EUR 133.0 billion (+1.8%; EUR 130.7 billion). On the liability side, deposits from banks increased to EUR 22.9 billion (EUR 14.6 billion) and **customer deposits** grew again – most notably in the Czech Republic and in Austria – to EUR 144.7 billion (+4.9%; EUR 138.0 billion). The **loan-to-deposit ratio** stood at 91.9% (94.7%).

OUTLOOK 2017

Operating environment anticipated to be conducive to credit expansion. Real GDP growth is expected to be between 1.5% and 4.5% in Erste Group's CEE core markets, including Austria, in 2017. Real GDP growth should primarily be driven by solid domestic demand, whereby 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 aims to achieve a return on tangible equity (ROTE) of more than 10% (based on average tangible equity in 2017). The underlying assumptions are: at best flat revenues (assuming 5%+ net loan growth); cost inflation of 1–2% due to regulatory projects and 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 of expansionary monetary policies by central banks including negative interest rates; political risks such as various elections in key EU economies; geopolitical risks and global economic risks; consumer protection initiatives.

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Key financial data

Income statement

in EUR million	Q1 16	Q4 16	Q1 17	1-3 16	1-3 17
Net interest income	1,092.2	1,107.0	1,051.3	1,092.2	1,051.3
Net fee and commission income	443.1	463.2	457.7	443.1	457.7
Net trading result	51.2	65.1	48.6	51.2	48.6
Operating income	1,629.3	1,731.5	1,617.5	1,629.3	1,617.5
Operating expenses	-1,008.8	-1,065.1	-1,018.3	-1,008.8	-1,018.3
Operating result	**620.5**	**666.4**	**599.2**	**620.5**	**599.2**
Net impairment loss on financial assets	-56.4	-132.5	-65.8	-56.4	-65.8
Post-provision operating result	**564.1**	**533.9**	**533.4**	**564.1**	**533.4**
Other operating result	-139.5	-412.5	-127.1	-139.5	-127.1
Levies on banking activities	-62.8	-237.1	-35.8	-62.8	-35.8
Pre-tax result from continuing operations	427.0	121.7	434.7	427.0	434.7
Taxes on income	-104.5	-9.7	-95.6	-104.5	-95.6
Net result for the period	**322.6**	**112.0**	**339.0**	**322.6**	**339.0**
Net result attributable to non-controlling interests	47.8	26.4	76.8	47.8	76.8
Net result attributable to owners of the parent	**274.7**	**85.6**	**262.2**	**274.7**	**262.2**
Earnings per share	0.64	0.20	0.61	0.64	0.61
Cash earnings per share	0.65	0.34	0.62	0.65	0.62
Return on equity	9.8%	2.8%	8.7%	9.8%	8.7%
Cash return on equity	9.9%	4.9%	8.7%	9.9%	8.7%
Net interest margin (on average interest-bearing assets)	2.51%	2.52%	2.33%	2.51%	2.33%
Cost/income ratio	61.9%	61.5%	63.0%	61.9%	63.0%
Provisioning ratio (on average gross customer loans)	0.17%	0.39%	0.19%	0.17%	0.19%
Tax rate	24.5%	8.0%	22.0%	24.5%	22.0%

Balance sheet

in EUR million	Mar 16	Dec 16	Mar 17	Dec 16	Mar 17
Cash and cash balances	14,641	18,353	24,731	18,353	24,731
Trading, financial assets	48,680	47,586	46,145	47,586	46,145
Loans and receivables to credit institutions	6,680	3,469	10,448	3,469	10,448
Loans and receivables to customers	126,740	130,654	132,992	130,654	132,992
Intangible assets	1,447	1,390	1,378	1,390	1,378
Miscellaneous assets	8,182	6,775	7,105	6,775	7,105
Total assets	**206,369**	**208,227**	**222,798**	**208,227**	**222,798**
Financial liabilities - held for trading	6,612	4,762	4,314	4,762	4,314
Deposits from banks	17,330	14,631	22,935	14,631	22,935
Deposits from customers	128,640	138,013	144,707	138,013	144,707
Debt securities issued	30,060	27,192	27,127	27,192	27,127
Miscellaneous liabilities	8,509	7,027	6,822	7,027	6,822
Total equity	15,218	16,602	16,894	16,602	16,894
Total liabilities and equity	**206,369**	**208,227**	**222,798**	**208,227**	**222,798**
Loan/deposit ratio	98.5%	94.7%	91.9%	94.7%	91.9%
NPL ratio	6.7%	4.9%	4.9%	4.9%	4.9%
NPL coverage (exc collateral)	66.5%	69.1%	67.6%	69.1%	67.6%
CET 1 ratio (phased-in)	12.1%	13.4%	13.0%	13.4%	13.0%

Ratings	Mar 16	Dec 16	Mar 17
Fitch			
Long-term	BBB+	BBB+	A-
Short-term	F2	F2	F1
Outlook	Stable	Stable	Stable
Moody´s			
Long-term	Baa2	Baa1	Baa1
Short-term	P-2	P-2	P-2
Outlook	Positive	Stable	Stable
Standard & Poor´s			
Long-term	BBB+	BBB+	A-
Short-term	A-2	A-2	A-2
Outlook	Negative	Stable	Positive