Erste Group's solid performance continues in the first quarter

- Development in loan volume (+0.1%) and customer deposits (+1.1%) reflects subdued macro environment in the quarter
- Strong equity base: CET1 ratio (pro forma) at 15.5%
- NPL ratio remains at a low level of 2.3%
- Number of securities savings plans increases by 24% year-on-year

Erste Group Bank AG achieved an operating result of 1.51 billion euros in the first quarter of 2024 (Q1 2023: EUR 1.26 bn). At 208.1 billion euros, the loan volume was unchanged compared to the end of 2023, while customer deposits rose slightly to 235.3 billion euros (+1.1%). Risk costs were booked in the first quarter of 2024, unlike in the same period of 2023; however, at 95 million euros, these remained at a moderate level from a longer-term perspective. The NPL ratio of 2.3% was unchanged compared to the previous quarter. The cost/income ratio improved to 46.0% (Q1 2023: 49.7%). The number of securities savings plans rose to 1.24 million in the first three months of 2024, an increase of 24% year-on-year. The net profit for the quarter amounted to 783 million euros (Q1 2023: EUR 594 mn).

"The first quarter was a good one for our banking group. Risk costs are at a moderate level compared to the long-term average. The fundamental stability of our business model is also evident in our solid equity ratio. Because we have for many years been using our good business performance to strengthen our capital base, we are in a position to support the people in our region with their growth and financing plans," says **Willi Cernko**, CEO of Erste Group.

"A solid development in net interest income and net commission income, as well as risk costs that remain at a still moderate level -- these factors helped us to post first-quarter results that build on last year's good results. Thanks to this performance, we believe we are well positioned for the changing interest rate environment and the forecast economic development in our region," commented **Stefan Dörfler**, CFO of Erste Group.

Financial results (profits & loss) from January-March 2024 are compared with those for January-March 2023; balance sheet positions as of 31 March 2024 with those as of 31 December 2023.

Earnings rise on higher market interest rates, larger loan volume

Net interest income increased to EUR 1,852 million (+4.7%; EUR 1,769 million), most strongly in Austria, on the back of higher market interest rates and larger loan volume. **Net fee and commission income** rose to EUR 712 million (+10.8%; EUR 643 million). Growth was registered across all core markets, most notably in asset management and payment services. **Net trading result** declined to EUR 106 million (EUR 117 million); the line item **gains/losses from financial instruments measured at fair value through profit or loss** increased to EUR 33 million (EUR -81 million). The development of these two line items was mostly attributable to valuation effects. **Operating income** increased to EUR 2,788 million (+11.6%; EUR 2,499 million).

Operating result up 19.8%, cost/income ratio improves to 46.0%

General administrative expenses were up at EUR 1,283 million (+3.3%; EUR 1,242 million). Personnel expenses rose to EUR 746 million (+7.0%; EUR 698 million) driven by salary increases. Other administrative expenses declined to EUR 402 million (-1.6%; EUR 409 million) as contributions to deposit insurance schemes – mostly already posted upfront for the full year of 2024 – declined to EUR 76 million (EUR 113 million), most notably in Austria; IT expenses were up at EUR 143 million (EUR 124 million). Amortisation and depreciation amounted to EUR 134 million (-1.3%; EUR 136 million). Overall, the **operating result** increased markedly to EUR 1,505 million (+19.8%; EUR 1,257 million), the **cost/income ratio** improved to 46.0% (49.7%).

NPL ratio remains unchanged at 2.3%

The **impairment result from financial instruments** ("risk costs") amounted to EUR -95 million or 18 basis points of average gross customers loans (EUR 21 million or 4 basis points). Allocations to provisions for loans and advances were posted in all core markets with the exception of Croatia and Hungary. Positive contributions came from the recovery of loans already written off, most notably in Austria. The **NPL ratio** based on gross customer loans was stable at 2.3% (2.3%). The **NPL coverage ratio** (excluding collateral) declined slightly to 83.7% (85.1%).

Improved other operating result helps boost net profit

Other operating result amounted to EUR -123 million (EUR -274 million). Expenses for annual contributions to resolution funds included in this line item already for the full year of 2024 declined significantly to EUR 27 million (EUR 138 million), as no regular annual contributions will be collected in the euro zone in 2024. Banking levies are currently payable in four core markets. EUR 86 million (EUR 99 million) are reflected in other operating result: Thereof, EUR 67 million (EUR 89 million) were charged in Hungary. In Austria, banking tax equaled EUR 10 million (EUR 10 million), in Romania EUR 9 million (newly introduced). The banking tax in Slovakia of EUR 21 million is booked directly in the line item taxes on income.

Taxes on income amounted to EUR 257 million (EUR 186 million). The rise in the minority charge to EUR 244 million (EUR 224 million) was attributable to better results from the savings banks – primarily due to higher net interest income and no contributions to the resolution fund. The **net result attributable to owners of the parent** rose to EUR 783 million (EUR 594 million) on the back of the strong operating result and improved other operating result.

Loan volume largely unchanged, while deposit volume 1.1% higher

Total equity not including AT1 instruments rose to EUR 26.9 billion (EUR 26.1 billion). After regulatory deductions and filtering in accordance with the Capital Requirements Regulation (CRR), **common equity tier 1 capital** (CET1, final) equalled EUR 22.7 billion (EUR 22.9 billion), total **own funds** (final) EUR 28.7 billion (EUR 29.1 billion). Interim profit for the first quarter of the year is not included in the above figures, risk costs are deducted. Total risk (**risk-weighted assets** including credit, market and operational risk, CRR final) rose to EUR 149.9 billion (EUR 146.5 billion). The **common equity tier 1 ratio** (CET1, final) stood at 15.2% (15.7%), the **total capital ratio** at 19.2% (19.9%).

Total assets increased to EUR 342.7 billion (+1.6%; EUR 337.2 billion). On the asset side, cash and cash balances declined to EUR 29.4 billion (EUR 36.7 billion); loans and advances to banks rose – most notably in Austria and the Czech Republic – to EUR 30.9 billion (EUR 21.4 billion). **Loans and advances to customers** were largely unchanged versus year-end 2023 at EUR 208.1 billion (+0.1%; EUR 207.8 billion). On the liability side, deposits from banks declined to EUR 19.7 billion (EUR 22.9 billion). **Customer deposits** rose – most strongly in the Czech Republic and Romania – to EUR 235.3 billion (+1.1%; EUR 232.8 billion). The **loan-to-deposit ratio** stood at 88.4% (89.3%)

Outlook 2024

The expectation by economists is for Erste Group’s core markets to post **improved real GDP growth** in 2024. **Inflationary pressures** are expected to **continue their downward trend** in 2024. **Continued strong labour markets** should be supportive of economic performance in all of Erste Group’s markets. Current account balances are projected to remain at sustainable levels in most countries, while fiscal deficits should continue their path of consolidation. **Public debt to GDP** in all Erste Group markets is projected **to be broadly stable**, and hence remain materially below the euro zone average.

Against this backdrop, Erste Group expects **net loan growth of about 5%**. Based on the macro outlook presented above, **risk costs should remain at a low level** in 2024. While precise forecasting is hard at current low risk cost levels, Erste Group believes that in 2024 risk costs will be below 25 basis points of average gross customer loans.

Erste Group’s goal for 2024 is to achieve a **return on tangible equity (ROTE) of about 15%.** The **CET1 ratio** is expected to remain strong, providing enhanced capital return and/or M&A flexibility, despite Erste Group targeting the execution of a **share buyback** in the amount of EUR 500 million in 2024.

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KEY FINANCIAL DATA - Q1 2024

Income statement

in EUR mn	1-3 2023	1-3 2024	% change
Net interest income	1,769	1,852	4.7
Net fee and commission income	643	712	10.8
Net trading result and gains/losses from financial instruments at FVPL	35	139	297.1
Operating income	2,499	2,788	11.6
Operating expenses	-1,242	-1,283	3.3
Operating result	1,257	1,505	19.8
Impairment result from financial instruments ("risk costs")	21	-95	n/a
Post-provision operating result	1,277	1,411	10.5
Net result attributable to owners of the parent	**594**	**783**	32.0

Key income statement ratios	1-3 2023	1-3 2024	change
Earnings per share (in EUR)	1.39	1.87	34.5%
Return on equity	13.5%	16.0%	2.5 PP
Net interest margin (on average interest-bearing assets)	2.50%	2.49%	-0.01 PP
Cost/income ratio	49.7%	46.0%	-3.7 PP
Provisioning ratio (on average gross customer loans)	-0.04%	0.18%	0.22 PP

Balance sheet

in EUR mn	Dec 23	Mar 24	% change
Loans and advances to customers	207,828	208,086	0.1
Risk-weighted assets (RWA)	146,500	149,900	2.3
Deposits from customers	232,815	235,336	1.1
Total assets	**337,155**	**342,699**	**1.6**

Key balance sheet ratios	Dec 23	Mar 24	change
Loan/deposit ratio	89.3%	88.4%	-0.9 PP
NPL ratio	2.3%	2.3%	-
NPL coverage ratio (based on AC loans, excl. collateral)	85.1%	83.7%	-1.4 PP
CET1 ratio (final)	15.7%	15.2%	-0.5 PP