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AD HOC INFORMATION

Erste Group posts net profit of EUR 483.5 million in 2012; improves core tier 1 ratio to 11.2%

HIGHLIGHTS

- **Net interest income** declined to **EUR 5,235.3 million** in 2012 (2011: EUR 5,569.0 million), which was mainly due to the economic environment and the subdued credit demand as well as the continuing reduction of non-core assets. **Net fee and commission income** decreased from EUR 1,787.2 million to **EUR 1,720.8 million** due to weaker lending and securities business. At **EUR 273.4 million**, the **net trading result** was significantly higher than in the previous year (EUR 122.3 million).
- **Operating income** totalled **EUR 7,229.5 million** (-3.3% versus 2011: EUR 7,478.5 million). Strict cost management reduced **general administrative expenses** by 2.4% from EUR 3,850.9 million to **EUR 3,756.7 million** in 2012. This led to an **operating result** of **EUR 3,472.8 million** (2011: EUR 3,627.6 million). The **cost/income ratio** was stable at **52.0%** (2011: 51.5%).
- **Risk costs** showed a positive trend and declined by 12.7% to **EUR 1,980.0 million**, or **148 basis points** of average customer loans, in 2012 from EUR 2,266.9 million, or 168 basis points, in 2011. Provisioning levels declined or were stable in all core markets, with the exception of Romania and Croatia. For the second consecutive quarter the NPL volume declined while the **NPL ratio** remained stable and stood at **9.2%** as of 31 December 2012 (year-end 2011: 8.5%). The **NPL coverage ratio** improved to **62.6%** (year-end 2011: 61.0%).
- **Other operating result** amounted to **EUR -724.3 million** (2011: EUR -1,589.9 million). The strong improvement was attributable to considerably smaller one-off effects in 2012: In particular, the buyback of tier 1 and tier 2 instruments had a favourable effect in the amount of EUR 413.2 million. Negative influences came from the adjustment of goodwill, including EUR 469.4 million for Banca Comercială Română. Banking taxes levied in Austria, Hungary and Slovakia had a negative impact of EUR 244.0 million (2011: EUR 132.1 million).
- Erste Group's **net profit after minorities**¹ amounted to **EUR 483.5 million** for 2012 despite net negative one-off effects of EUR 360.7 million. The management board will propose to the annual general meeting to pay a **dividend** of **EUR 0.4** per share for the financial year 2012 and to fully service participation capital.
- **Shareholders' equity**² improved to **EUR 12.9 billion** (year-end 2011: EUR 12.0 billion). The substantial rise in **core tier 1 capital** to **EUR 11.8 billion** (year-end 2011: EUR 10.7 billion) and the strong reduction of **risk-weighted assets** by 7.6% to **EUR 105.3 billion** as of 31 December 2012 (year-end 2011: EUR 114.0 billion) led to a significant increase in the **core tier 1 ratio** (total risk; Basel 2.5) to **11.2%** (year-end 2011: 9.4%).
- The **total balance sheet** as of 31 December 2012 stood at **EUR 213.8 billion**, up 1.8% year to date. The rise was primarily due to deposit growth in several core markets and investments in highly liquid assets. Lending volume decreased by 2.1% to EUR 131.9 billion.
- In view of the bank's exceptionally strong liquidity situation, with customer deposits up 3.5% to EUR 123.1 billion and the loan-to-deposit ratio down to 107.2% (year-end 2011: 113.3%) in 2012, Erste Group **repaid EUR 4.0 billion** borrowed under the ECB's long-term refinancing operations (LTRO) early.

¹The term "net profit/loss for the year after minorities" corresponds to the term "net profit/loss for the year attributable to the owners of the parent"

² The term "shareholders' equity" corresponds to the term "total equity attributable to the owners of the parent".

Outlook

Erste Group expects a slight improvement in economic performance for Central and Eastern Europe in 2013, even though growth will remain moderate. Accordingly, Erste Group targets a stable operating result for 2013. This is expected to be achieved by offsetting slightly lower operating income as a result of moderate loan demand and the low interest rate environment with lower operating costs. Erste Group expects to show a better year-on-year operating performance in the last three quarters of 2013 than in the first quarter of 2013.

For group risk costs a double-digit percentage decline is expected for 2013, mainly due to the likely improvement of the risk situation in Romania. Erste Group continues to expect that its Romanian subsidiary BCR will return to profitability in the financial year 2013.

For more information, please contact:

Erste Group, Investor Relations, Graben 21, 1010 Vienna, Austria, Fax: +43 (0) 5 0100 9 13112

e-mail: investor.relations@erstegroup.com

Internet: <http://www.erstegroup.com/investorrelations> <http://twitter.com/ErsteGroupIR> http://slideshare.net/Erste_Group

Thomas Sommerauer Tel. +43 (0)5 0100 ext. 17326, e-mail: thomas.sommerauer@erstegroup.com

Peter Makray Tel. +43 (0)5 0100 ext. 16878, e-mail: peter.makray@erstegroup.com

Simone Pilz Tel. +43 (0)5 0100 ext. 13036, e-mail: simone.pilz@erstegroup.com

Gerald Krames Tel. +43 (0)5 0100 ext. 12751, e-mail: gerald.krames@erstegroup.com

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