Ad hoc release Vienna, 27 February 2015

Erste Group: preliminary results 2014; outlook confirmed

2014 closed with profitable quarter, as loan growth re-emerges, asset quality improves and capital position strengthens

Financial data

Income statement					
in EUR million	**Q4 13**	**Q3 14**	**Q4 14**	**2013**	**2014**
Net interest income	1,169.2	1,126.0	1,125.6	4,685.0	4,495.2
Net fee and commission income	462.8	465.8	497.1	1,806.5	1,869.8
Net trading and fair value result	34.6	28.4	75.8	218.8	242.3
Operating income	1,731.8	1,695.8	1,760.5	6,995.1	6,877.9
Operating expenses	−971.7	−887.3	−1,003.6	−3,896.1	−3,787.3
Operating result	760.1	808.5	756.9	3,099.0	3,090.7
Net impairment loss on non-fair value financial assets	−529.4	−878.8	−484.3	−1,774.4	−2,159.2
Post-provision operating result	230.8	−70.3	272.6	1,324.7	931.4
Net result attributable to owners of the parent	**−370.3**	**−554.2**	**42.0**	**60.3**	**−1,442.0**
Net interest margin (on average interest-bearing assets)	2.73%	2.68%	2.66%	2.69%	2.65%
Cost/income ratio	56.1%	52.3%	57.0%	55.7%	55.1%
Provisioning ratio (on average gross customer loans)	1.65%	2.75%	1.51%	1.37%	1.69%
Tax rate	−67.2%	−23.7%	49.6%	47.2%	−63.4%
Return on equity	−12.8%	−21.7%	1.7%	0.5%	−13.6%

Balance sheet					
in EUR million	**Dec 13**	**Sep 14**	**Dec 14**	**Dec 13**	**Dec 14**
Cash and cash balances	9,301	8,010	7,835	9,301	7,835
Trading, financial assets	51,269	51,051	50,131	51,269	50,131
Loans and receivables to credit institutions	8,377	7,166	7,442	8,377	7,442
Loans and receivables to customers	119,945	120,451	120,834	119,945	120,834
Intangible assets	2,441	1,456	1,441	2,441	1,441
Miscellaneous assets	8,786	8,839	8,604	8,786	8,604
Total assets	**200,118**	**196,973**	**196,287**	**200,118**	**196,287**
Financial liabilities - held for trading	6,475	8,488	7,746	6,475	7,746
Deposits from banks	17,299	16,483	14,803	17,299	14,803
Deposits from customers	122,415	120,061	122,583	122,415	122,583
Debt securities issued	33,124	31,211	31,140	33,124	31,140
Miscellaneous liabilities	6,020	7,078	6,573	6,020	6,573
Total equity	14,785	13,652	13,443	14,785	13,443
Total liabilities and equity	**200,118**	**196,973**	**196,287**	**200,118**	**196,287**
Loan/deposit ratio	98.0%	100.3%	98.6%	98.0%	98.6%
NPL ratio	9.6%	8.9%	8.5%	9.6%	8.5%
NPL coverage (exc collateral)	63.1%	68.8%	68.9%	63.1%	68.9%
CET 1 ratio (phased-in)	11.4%	10.8%	10.6%	11.4%	10.6%

Adoption of IFRS 10 led to retrospective consolidation of several entities and additionally the new implemented structure of income statement and balance sheet resulted in retrospective changes in the presentation.

HIGHLIGHTS

P&L 2014 compared with 2013; balance sheet 31 December 2014 compared with 31 December 2013

Net interest income declined to EUR 4,495.2 million (EUR 4,685.0 million), mainly due to the persistently low interest rate environment and FX translation effects. **Net fee and commission income** increased to EUR 1,869.8 million (EUR 1,806.5 million) on the back of an improved result from securities business and asset management. **The net trading and fair value** result rose to EUR 242.3 million (EUR 218.8 million). **Operating income** amounted to EUR 6,877.9 million (-1.7%; EUR 6,995.1 million).

General administrative expenses declined to EUR 3,787.3 million (-2.8%; EUR 3,896.1 million), mainly due to lower personnel expenses on the back of lower average headcount and decreased depreciation and amortisation. This led to an **operating result** of EUR 3,090.7 million (-0.3%; EUR 3,099.0 million) and an improved **cost/income ratio** of 55.1% (55.7%).

Net impairment loss on financial assets not measured at fair value through profit or loss went up to EUR 2,159.2 million or 169 basis points of average customer loans (+21.7%; EUR 1,774.4 million or 137 basis points). This rise was attributable in particular to additional risk costs in Romania incurred in connection with the accelerated NPL reduction. The NPL ratio declined substantially to 8.5% (9.6%) on the back of successful NPL sales in Romania. The **NPL coverage ratio** improved significantly to 68.9% (63.1%).

Other operating result amounted to EUR -1,752.9 million (EUR -1,008.6 million). This was primarily due to the write-down of goodwill in the amount of EUR 475.0 million as well as of brand and customer relationships in Romania of EUR 489.8 million in total. At EUR 256.3 million (EUR 311.0 million) levies on banking activities were again significant: EUR 130.5 million (EUR 166.5 million) in Austria, EUR 31.5 million (EUR 41.2 million) in Slovakia and EUR 94.2 million (EUR 103.4 million) in Hungary – including EUR 47.9 million in banking tax. In addition, the item other operating result included EUR 336.8 million in expenses resulting from the consumer loan law passed by the Hungarian parliament. The net burden of the law and the conversion of the foreign-currency loans was EUR 312.2 million.

Taxes on income rose to EUR 509.4 million due to a negative change in deferred taxes (net) in the amount of EUR 197.0 million. The **net result attributable to owners of the parent** amounted to EUR -1,442.0 million (EUR 60.3 million).

Total equity (IFRS) declined to EUR 13.4 billion (EUR 14.8 billion). **Common equity tier 1 capital** (CET 1, Basel 3 phased-in) decreased to EUR 10.6 billion versus EUR 11.2 billion (Basel 2.5). **Total risk** (**risk-weighted assets** including credit, market and operational risk, Basel 3 phased-in) increased to EUR 100.6 billion (EUR 97.9 billion). The **common equity tier 1 ratio** (CET 1, Basel 3 phased-in) stood at 10.6% versus 11.4% (Basel 2.5). The **common equity tier 1 ratio** (CET 1, Basel 3 final) increased quarter on quarter from 10.5% to 10.6%. The **total capital ratio** (Basel 3 phased-in) stood at 15.7% versus 16.3% (Basel 2.5).

Total assets amounted to EUR 196.3 billion (EUR 200.1 billion). **Loans and advances to customers (net)** increased moderately to EUR 120.8 billion (EUR 119.9 billion). The **loan-to-deposit ratio** stood at 98.6% (98.0%).

OUTLOOK

Operating environment anticipated to be conducive to credit expansion
Real GDP growth is expected to be between 2% and 3% in all major CEE markets, except Croatia, driven by rising domestic demand. For Austria, a real GDP growth below 1% is forecast.

Return on tangible equity (ROTE) expected at 8-10% in 2015 (YE 14 TE: EUR 8.4 billion)
Operating result is expected to decline in the mid-single digits on the back of lower but sustainable operating results in Hungary (due to FX conversion related effects of lower average volume and the expected reversal of a positive 2014 trading effect in 2015) and Romania (lower unwinding impact) as well as the persistent low interest rate environment.

For 2015, loan growth in the low single digits and a significant decline in risk costs are anticipated. Banking levies are expected to amount to about EUR 360 million in 2015, including contributions to European bank resolution and deposit insurance funds. Related discussions with the Austrian government are still ongoing.

Risks to guidance
Consumer protection initiatives for example potential pre-election CHF legislation in Croatia as well as geopolitical risks (Eastern Ukraine conflict, Greece) could have a negative impact on Erste Group's operating environment.

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

Date	Friday 27 February 2015
Time	9:00 Vienna / 8:00 London / 3:00 New York
Live audio webcast	http://www.erstegroup.com/investorrelations (slide presentation) The presentation will be held in English.
Dial-in for analysts	Please dial in 5-10 minutes prior to the start time using one of the following numbers and the Confirmation Code 2779502 UK: +44(0)20 3427 1908 National free phone 0800 279 5736 US: +1212 444 0896 National free phone 1877 280 2296
Replay	Will be available at http://www.erstegroup.com/en/Investors/Webcasts-Videos.

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