

# Erste Group starts well into the new year, posts net profit of EUR 783 million in Q1 2024

## Financial data

### Income statement

in EUR million	Q1 23	Q4 23	Q1 24	1-3 23	1-3 24
Net interest income	1,769	1,806	1,852	1,769	1,852
Net fee and commission income	643	702	712	643	712
Net trading result and gains/losses from financial instruments at FVPL	35	129	139	35	139
Operating income	2,499	2,699	2,788	2,499	2,788
Operating expenses	-1,242	-1,345	-1,283	-1,242	-1,283
Operating result	1,257	1,354	1,505	1,257	1,505
Impairment result from financial instruments	21	0	-95	21	-95
Post-provision operating result	1,277	1,354	1,411	1,277	1,411
<b>Net result attributable to owners of the parent</b>	<b>594</b>	<b>688</b>	<b>783</b>	<b>594</b>	<b>783</b>
Net interest margin (on average interest-bearing assets)	2.50%	2.47%	2.49%	2.50%	2.49%
Cost/income ratio	49.7%	49.8%	46.0%	49.7%	46.0%
Provisioning ratio (on average gross customer loans)	-0.04%	0.00%	0.18%	-0.04%	0.18%
Tax rate	18.5%	19.0%	20.0%	18.5%	20.0%
Return on equity	13.5%	13.7%	16.0%	13.5%	16.0%

### Balance sheet

in EUR million	Mar 23	Dec 23	Mar 24	Dec 23	Mar 24
Cash and cash balances	43,305	36,685	29,425	36,685	29,425
Trading, financial assets	61,683	63,690	66,630	63,690	66,630
Loans and advances to banks	27,299	21,432	30,874	21,432	30,874
Loans and advances to customers	202,668	207,828	208,086	207,828	208,086
Intangible assets	1,335	1,313	1,281	1,313	1,281
Miscellaneous assets	6,631	6,206	6,404	6,206	6,404
<b>Total assets</b>	<b>342,921</b>	<b>337,155</b>	<b>342,699</b>	<b>337,155</b>	<b>342,699</b>
Financial liabilities held for trading	3,139	2,304	1,805	2,304	1,805
Deposits from banks	29,876	22,911	19,737	22,911	19,737
Deposits from customers	238,074	232,815	235,336	232,815	235,336
Debt securities issued	38,246	43,759	48,566	43,759	48,566
Miscellaneous liabilities	7,103	6,864	7,932	6,864	7,932
Total equity	26,483	28,502	29,322	28,502	29,322
<b>Total liabilities and equity</b>	<b>342,921</b>	<b>337,155</b>	<b>342,699</b>	<b>337,155</b>	<b>342,699</b>
Loan/deposit ratio	85.1%	89.3%	88.4%	89.3%	88.4%
NPL ratio	2.1%	2.3%	2.3%	2.3%	2.3%
NPL coverage ratio (based on AC loans, ex collateral)	94.3%	85.1%	83.7%	85.1%	83.7%
Texas ratio	15.8%	16.6%	16.6%	16.6%	16.6%
CET1 ratio (final)	14.0%	15.7%	15.2%	15.7%	15.2%

## HIGHLIGHTS

P&L: 1-3 2024 compared with 1-3 2023

Balance sheet: 31 March 2024 compared with 31 December 2023

**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). **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%).

The **impairment result from financial instruments** 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%).

**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.

**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

Erste Group's goal for 2024 is to achieve a return on tangible equity (ROTE) of about 15%. Three key factors will support achievement of this goal: firstly, a moderate improvement in economic growth compared to 2023 in Erste Group's seven core markets (Austria, Czech Republic, Slovakia, Romania, Hungary, Croatia and Serbia) despite continued geopolitical risks, which, should they materialise, would likely negatively impact economic performance; secondly, a continued broadly positive, even if slightly deteriorating credit risk environment; and, finally, the continuous ability of Erste Group to attract new and retain existing customers through continuous development of its product portfolio and its brand. The key headwind to achievement of this goal is the magnitude and timing of the expected central bank rate cuts in all of Erste Group's markets. Overall, Erste Group expects a slight decline in operating result, which hit a historic high in 2023, and, consequently, a moderate deterioration in the cost/income ratio to a level of about 50%, also from a historic best in 2023 of 47.6%.

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%. Retail and corporate business should contribute in all markets towards the achievement of this goal. Loan growth is projected to offset some of the interest rate headwinds detailed above, resulting in a moderate decline of about 3% in net interest income versus 2023, following a historic upswing over the past two years. The second most important income component – net fee and commission income – is expected to rise by about 5%. As in 2023, growth momentum should again come from payment services, insurance brokerage fees as well as asset management and securities business with the latter being dependent on a constructive capital markets environment. The net trading and fair value result, which recovered significantly in 2023, is expected to normalise at historically observed levels in 2024. This, however, will depend substantially on the actual short- and long-term interest rate environment.

The remaining income components are forecast to remain, by and large, stable. Overall, operating income is therefore expected to decrease slightly in 2024, albeit from a historic high in 2023. Operating

expenses are expected to rise by approximately 5%. With this the cost/income ratio should remain at a solid level of about 50%.

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.

While a forecast for other operating result and various categories of gains and losses from financial instruments not measured at fair value is challenging, this combined item is likely to improve versus 2023 in the absence of significant one-off effects. Assuming an effective group tax rate of below 20% and lower minority charges compared to 2023, Erste Group aims to achieve a ROTE of about 15% in 2024. 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.

Potential risks to the guidance include (geo)political and economic (including monetary and fiscal policy impacts) developments, regulatory measures as well as changes to the competitive environment. International (military) conflicts, such as the war in Ukraine and in the Mid East do not impact Erste Group directly, as it has no operating presence in the regions involved. Indirect effects, such as financial markets volatility, sanctions-related knock-on effects, supply chain disruptions or the emergence of deposit insurance or resolution cases cannot be ruled out, though. Erste Group is moreover exposed to non-financial and legal risks that may materialise regardless of the economic environment. Worse than expected economic development may put goodwill at risk.

**For more information, please contact:**

**Erste Group, Investor Relations**, Am Belvedere 1, A-1100 Vienna

E-Mail: [investor.relations@erstegroup.com](mailto:investor.relations@erstegroup.com)

Internet: [www.erstegroup.com/investorrelations](http://www.erstegroup.com/investorrelations) [X.com/ErsteGroupIR](https://x.com/ErsteGroupIR)

Thomas Sommerauer, +43 50100 17326, E-Mail: [thomas.sommerauer@erstegroup.com](mailto:thomas.sommerauer@erstegroup.com)

Peter Makray, +43 50100 16878, E-Mail: [peter.makray@erstegroup.com](mailto:peter.makray@erstegroup.com)

Simone Pilz, +43 50100 13036, E-Mail: [simone.pilz@erstegroup.com](mailto:simone.pilz@erstegroup.com)

Gerald Krames, +43 50100 12751, E-Mail: [gerald.krames@erstegroup.com](mailto:gerald.krames@erstegroup.com)

This information is also available on: [www.erstegroup.com/en/investors/news](http://www.erstegroup.com/en/investors/news)