

Erste Bank and the savings banks achieve higher net profit of EUR 260 million

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- Net profit up by 12.1% to EUR 260.5 million
- Savings bank group granted EUR 10.4 billion in new loans (+ 33%)
- High demand for residential construction loans
- 90,336 new customers place their trust in our savings bank strategy
- Solvency ratio: 16.1% (2010: 15.5%),
- Loan-to-deposit ratio: 100.6% (2010: 99.6%).

The 50 Austrian savings banks (including Erste Bank Oesterreich and “Die Zweite Sparkasse” but excluding Erste Group Bank AG) attained a higher preliminary net profit up from EUR 232.4 million to EUR 260.4 million (+12.1%). This increase was driven by the growing customer business (plus 76,000 customers) and the wider interest margin which boosted net interest income to 6.9%. In total, Erste Bank and the savings bank segment granted EUR 10.4 billion in new loans last year.

“The trust placed in the savings banks is shown, above all, by the expansion achieved in the retail and corporates business and is an indicator that our savings bank business model is sound even in adverse market conditions. Net interest income is essentially the income earned from the savings and loans business and constitutes the principal source of income of a savings bank. Compared to last year, net interest income was nearly 7% higher,” announced Thomas Uher, Spokesman for the Management Board of Erste Bank.

“These results confirm that the Austrian savings banks are important for the domestic economy and in a position to achieve solid results even in years of turmoil on markets. We always stand by our customers and are pleased that they trust us as competent partners also in difficult times,” stated Christian Aichinger, President of “Österreichische Sparkassenverband”.

Operating income slightly higher

Net interest income rose versus the previous year by 6.9% to EUR 1,277 million. Operating net interest income (net interest income plus income from securities and investments) rose by 3.2% to EUR 1,476 million. The **interest margin** widened from 1.61% to 1.70%.

Net interest income	12/2011 in EUR thous	12/2010 in EUR thous	Y/Y 2011/2010 in %
Net interest income	1,277,385	1,195,220	6.9
Operating net interest income (Net interest income + income from securities and investments)	1,475,931	1,430,172	3.2

Net commission income dropped y/y by 2.1% to EUR 702.7 million mainly due to a decrease of 11.8% in commission income on securities. Commission income from the lending business increased +31.2% to EUR 110 million. Commission income from foreign exchange dealings dropped again by -4.9% to EUR 15.9 million. The item “other commissions” (includes building societies and insurance) fell markedly by -16.5% to EUR 120.3 million.

Net fee and commission income	2011	2010	%
Services business, total	702.664	717.802	-2.1
Securities transactions	206.657	234,411	-11.8
Lending business	110,017	83,876	31.2
Payment transfers	249,750	238,747	4.6
Foreign exchange transactions	15,912	16,730	-4.9
Other	120,328	144,038	-16.5

Operating income rose slightly versus the previous year by 0.4% to EUR 2,243 million.

Despite cost management at Erste Bank and the savings bank, and the cost synergies from the cooperation within the cross-guarantee system, it was not possible to lower the **general administrative expenses** last year: It rose by 2.3% to EUR 1,467 million.

General administrative expenses	2011	2010	%
General administrative expenses, total	1,467,331	1,434,233	2.3
Personnel expenses	914,194	903,197	1.2
Other administrative expenses	432,898	422,730	2.4
Depreciation and amortisation	97,563	92,196	5.8

The **operating result** decreased by 2.9% to EUR 775.5 million. Consequently, Erste Bank and the savings banks performed much better than the average for all banks (-7.9%). **Writedowns** on loans, securities and investees decreased from EUR 413.8 million to EUR 385.2 million. The profit on ordinary business activity rose by 1.4% to EUR 390.3 million. The **net profit after minorities** for 2011 improved from EUR 232.4 million to EUR 260.5 million thus rising by 12.1%

Balance sheet: growth in retail and corporates; interbank business constant

The **total assets** of the 50 members of the savings banks group (incl. Erste Bank Oesterreich and "Die Zweite Sparkasse" but excl. Erste Group Bank AG) increased by 1.5% to EUR 86.4 billion.

Total funds from the public rose y/y by 2.3% to a total of EUR 61.7 billion. By way of comparison: The industry figure for primary funds increased by 2.1%. Therefore, Erste Bank and the savings banks are slightly above the average of domestic banks. Savings deposits remained constant at EUR 36.9 billion.

	2011	2010	
Primary funds	61,674,250	60,260,639	2.3
savings deposits	36,878,451	36,860,667	0.0
sight deposits	13,246,596	12,686,134	4.4
term deposits	4,681,754	4,328,006	8.2
other deposits (subordinated)	23,505	22,605	4.0
debt issues evidenced by certificates	6,843,944	6,485,501	5.5

In 2011, Erste Bank and the savings banks granted a total of EUR 10.4 billion in new loans in Austria. The volume in 2010 was EUR 7.8 billion. This is an increase by 33%. Total lending (**loans and advances to customers**) by Erste Bank and the savings banks as of year-end 2011 was EUR 52.2 billion, i.e., EUR 1.5 billion or 2.8% more than one year ago.

Loans and advances to corporates rose by 4.7% to EUR 20.1 billion. Thus, Erste Bank and the savings banks clearly outperformed the market (+2.7% increase). Loans and advances to private individuals rose by 3.2% to EUR 25.8 billion. On the whole, Erste Bank and the savings banks are within the industry average as regards loans and advances to customers (+3.3%). The rise was the steepest for residential construction loans, specifically by 7.0% to EUR 18.1 billion. Lending to the public sector also developed well: the increase was +4.7% to EUR 2.4 billion. This is clearly related to the regional efforts of the savings bank group to acquire municipalities as customers. Loans and advances to credit institutions remained relatively constant at EUR 14.5 billion (+0.3%). In contrast, exposures to foreign customers decreased (-6.3%).

	2011	2010	%
Loans and advances to customers	55,163,633	53,680,869	2.8

Loans and advances to domestic customers	50,038,926	48,209,000	3.8
retail	25,804,787	25,000,632	3.2
residential	18,137,413	16,948,108	7.0
corporates	20,124,548	19,217,126	4.7
public sector	2,398,031	2,291,049	4.7
non-banks, financial intermediaries	1,711,560	1,700,192	0.7
Loans and advances to foreign customers	5,124,707	5,471,869	-6.3
Loans and advances to credit institutions	14,463,562	14,418,991	0.3

The own funds of the savings banks improved again in the past financial year. **Own funds** pursuant to § 23 Austrian Banking Act amounted to EUR 6.3 billion and were therefore up by 1.1% from EUR 6.2 billion. The minimum capital requirement of EUR 3.4 billion pursuant to the Austrian Banking Act was surpassed once again. The core capital (tier 1 capital) was EUR 4.9 billion at the end of 2011 (2010: EUR 4.7 billion). The solvency ratio was 16.1% (2010: 15.5%) and the core capital ratio was 13.6% (2010: 12.6%).

Operating ratios: Excellent loan-to-deposit ratio

Return on equity (RoE) improved from 5.0% in the preceding year to 5.4%.

The **cost/income ratio (CIR)** rose slightly from 64.2% to 65.4%.

The **loan to deposit ratio** was 100.6% for the savings bank group (2010: 99.6%). This means that the volume of deposits was roughly the same as loans outstanding. The average in Austria is 126.88%. Therefore, the savings bank group has an above average level of customer deposits. This made it possible for the savings banks to supply funding to medium-sized businesses even during the financial crisis throughout Austria including those in the structurally weak regions, and in this manner contributed to preventing the feared "credit crunch" and acted as a stabilizing factor.

The **number of employees** decreased versus year-end 2010 by 207 to 10,950 in full-time equivalents.

Erste Bank and the savings banks operate around **1,040 branches (2010: 1,044)** in Austria.

The **number of customers** increased to **3,219,212**.