## Strong operating performance and good risk performance mark the first half of the year

* Operating result of 2.7 billion euros
* NPL ratio remains at historically low level of 2.0%
* Strong capitalization: CET1 ratio rises to 14.9%
* Deposit growth outpaces loan demand
* Intended dividend of 2.70 euros per share for 2023

**Erste Group Bank AG reported an operating result of 2.7 billion euros for the first half of 2023. This year-on-year increase of 44.5% was driven by favorable developments across all earnings components, including the net trading result and net interest income. Erste Group's net profit amounted to 1.49 billion euros (H1 2022: 1.13 billion euros). The cost/income ratio improved to 47.9% (55.1%). The volume of loans to customers increased to 204.9 billion euros (+1.4% year-to-date), with around one billion euros in new green loans extended during the reporting period. Deposits increased by 7.6% to 241.1 billion euros. Despite the challenging stock market environment, the number of securities savings plans increased by 18.3% year-on-year to over one million for the first time.**

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*“The CEE economies will return to solid growth as early as next year. Our bank’s strong positioning means that we can and will support the economies of our region as they advance towards a more sustainable future. However, in addition to financing there is also a need for accompanying structural measures, such as removing bureaucratic hurdles to accessing subsidies and making progress in implementing the European Capital Markets Union,”* said **Willi Cernko**, CEO of Erste Group.

*“We’ve succeeded in achieving an excellent operating result in the first half of this year. We are strongly capitalized, successfully pursue a business model that is broad-based, and have the risk situation well under control. This strong performance enables us to make important strategic investments that will expand Erste Group's position as an innovation and market leader,”* said **Stefan Dörfler**, CFO of Erste Group.

Financial results from January to June 2023 compared with those from January to June 2022; balance sheet positions as of 30 June 2023 compared with those of 31 December 2022

#### Interest rate environment and net trading income as earnings drivers

Net interest income increased significantly to EUR 3,561.1 million (+25.5%; EUR 2,837.0 million) on the back of higher market interest rates as well as larger loan volume; the most pronounced rise was recorded in Austria. Net fee and commission incomerose to EUR 1,274.7 million (+4.9%; EUR 1,214.9 million). Growth was registered in nearly all core markets, most notably in payment services but also in asset management. Net trading result improved to EUR 270.4 million (EUR -532.5 million); the line item gains/losses from financial instruments measured at fair value through profit or loss declined to EUR -63.8 million (EUR 516.8 million). The development of these two-line items was mostly attributable to valuation effects. Operating incomeincreased to EUR 5,161.1 million (+24.5%; EUR 4,146.7 million).

#### improved cost/income ratio on back of increased operating result

General administrative expenses were up at EUR 2,472.2 million (+8.2%; EUR 2,285.4 million). Personnel expenses rose to EUR 1,459.1 million (+12.7%; EUR 1,294.7 million) driven by salary increases and retirement one-offs. The rise in other administrative expenses to EUR 738.2 million (+2.9%; EUR 717.7 million) was primarily due to higher IT and office-related expenses. Contributions to deposit insurance schemes included in other administrative expenses – already posted upfront for the full year of 2023 – declined to EUR 114.3 million (EUR 156.7 million). In the first half of 2022, the Sberbank Europe deposit insurance case had resulted in higher expenses in Hungary. Amortisation and depreciation amounted to EUR 274.9 million (+0.7%; EUR 273.0 million). Overall, the operating result increased markedly to EUR 2,688.9 million (+44.5%; EUR 1,861.3 million). The cost/income ratio improved to 47.9% (55.1%).

#### NPL ratio remains at historically low level

Theimpairment result from financial instruments amounted to EUR 28.9 million or 3 basis points of average gross customers loans (EUR 26.0 million or 3 basis points). Positive contributions came from net releases of provisions for commitments and guarantees as well as from income from the recovery of loans already written off, in both cases most notably in Austria. In the first half of the year, there were neither updates on forward-looking economic indicators (FLIs) nor any application of stage overlays. Overall, crisis-induced performing risk provisions stood unchanged at approximately EUR 900 million as of end of March. The **NPL ratio** based on gross customer loans was stable at 2.0% (2.0%). The **NPL coverage ratio** (excluding collateral) went up to 96.7% (94.6%).

#### Operating result and release of risk provisions drive increase in net profit

**Other operating result** amounted to EUR -283.1 million (EUR -199.2 million). Expenses for annual contributions to resolution funds included in this line item already for the full year of 2023 declined (most notably in Austria and the Czech Republic) to EUR 113.7 million (EUR 139.0 million). Banking levies – currently payable in two core markets – increased to EUR 121.1 million (EUR 110.9 million). Thereof, EUR 101.2 million were charged in Hungary: in addition to regular banking tax of EUR 16.5 million (EUR 17.7 million), a windfall profit tax of EUR 47.9 million (49.9 million) based on the preceding year’s net revenues was posted (both upfront for the full year of 2023). Hungarian transaction tax for the first half of the year amounted to EUR 35.6 million (EUR 27.0 million). In Austria, banking tax equalled EUR 19.8 million (EUR 16,3 million). In addition, other operating result was adversely affected by valuation effects.

Taxes on income amounted to EUR 438.6 million (EUR 315.2 million). The rise in the minority charge to EUR 508.1 million (EUR 207.0 million) was attributable to significantly better results from the savings banks – primarily due to higher net interest income. The **net result attributable to owners of the parent** rose to EUR 1,489.9 million (EUR 1,137.0 million) on the back of the strong operating result and the net release of risk provisions.

#### Strong capital levels

**Total equity not including AT1 instruments rose to EUR 24.5 billion (EUR 23.1 billion). After** regulatory deductions and filtering in accordance with the Capital Requirements Regulation (CRR), **common equity tier 1 capital** (CET1, final) rose to EUR 22.0 billion (EUR 20.4 billion), total **own funds** (final) to EUR 28.1 billion (EUR 26.2 billion). Interim profit for the first half of the year is included in the above figures. Total risk (**risk-weighted assets** including credit, market and operational risk, CRR final) rose to EUR 147.7 billion (EUR 143.9 billion). The **common equity tier 1 ratio** (CET1, final) stood at 14.9% (14.2%), the total capital ratio at 19.0% (18.2%).

**Total assets** increased to EUR 344.0 billion (+6.2%; EUR 323.9 billion). On the asset side, cash and cash balances declined to EUR 32.8 billion (EUR 35.7 billion), loans and advances to banks rose to EUR 33.5 billion (EUR 18.4 billion), most notably in Austria and the Czech Republic. **Loans and advances to customers** have risen year to date to EUR 204.9 billion (+1.4%; EUR 202.1 billion) with both retail and corporate loans volumes growing. On the liability side, deposits from banks declined to EUR 25.7 billion (EUR 28.8 billion). **Customer deposits** rose in nearly all core markets – most strongly in Austria and the Czech Republic – to EUR 241.1 billion (+7.6%; EUR 224.0 billion). The **loan-to-deposit ratio** stood at 85.0% (90.2%).

#### Outlook

The current expectation by economists is for Erste Group’s core markets to avoid recession in 2023 and, in fact, to **post real GDP growth**. After hitting double digit-levels in 2022 as a result of exceptionally high energy prices, **Inflationary pressures** are expected to subside in 2023. Continued strong **labour markets** should be supportive of economic performance in all of Erste Group’s markets. Current account balances are expected to improve in 2023, benefiting from a reversal in energy prices. Fiscal balances should likewise consolidate again after significant budget deficits in 2022. **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 2023 **net loan growth** in the mid-single digits. Based on the robust macro-outlook described above, Erste Group believes that risk costs in 2023 should remain below 10 basis points of average gross customer loans.

Erste Group aims to achieve a **ROTE** above 15%. Erste Group’s **CET1** **ratio** is expected to remain strong. Consequently, Erste Group plans for a **dividend** of EUR 2.70 per share for the 2023 fiscal year. In addition, Erste Group has filed an application seeking regulatory approval of a **share buy-back** in a volume of EUR 300 million in 2023.

