Erste Group with solid operating performance in the first half of 2024

- NPL ratio remains at a low level of 2.4%
- Common Equity Tier 1 ratio at 15.5%
- Volume of newly granted sustainable corporate loans up sharply
- Number of securities savings plans grows by a quarter compared to the previous year
- Dividend proposal for 2024 at EUR 3.00 per share

Erste Group Bank AG recorded an operating result of EUR 2.97 billion in the first half of 2024, a year-on-year increase of 10.6%. This reflects a positive development in all business segments and the significantly stronger increase in operating income (+7.0%) than in operating expenses (+3.1%). The cost/income ratio improved accordingly from 47.9% to 46.1%. The common equity tier 1 ratio was 15.5% (December 2023: 15.7%). Both the loan volume (+1.7%) and customer deposits (+3.2%) increased in the first six months. The volume of newly granted sustainable corporate loans doubled year-on-year to 2.1 billion euros. The number of customer securities savings plans grew by 23% to more than 1.3 million compared to June 2023. Erste Group's net profit in the first half of the year amounted to EUR 1.63 billion (H1 2023: EUR 1.49 billion). The Management Board of Erste Group proposes a dividend of EUR 3.00 per share for 2024, thus following the established dividend policy.

"The results for the first half of 2024 confirm the successful path of our banking group in Austria and CEE. Financing the energy transition and digital transformation in Europe requires strong banks that actively drive this development forward together with politicians and businesses. We want to play an even stronger role in this in the future. Our excellent results provide a good basis for this," explains **Peter Bosek**, CEO of Erste Group.

"The results we have achieved in the first six months of the year reflect the growth of our main revenue drivers as well as our solid work in risk and cost management. These results and the general environment in our region allow us to raise our forecast for the full year and to propose a dividend of three euros for the current financial year," explains **Stefan Dörfler**, CFO of Erste Group.

Financial results from January to June 2024 are compared with those from January to June 2023 and balance sheet positions as of 30 June 2024 with those as of 31 December 2023.

Earnings rise driven by larger loan volume, favourable market interest rates

Net interest income increased to EUR 3,687 million (+3.5%; EUR 3,561 million), in all core markets except Austria, on the back of higher market interest rates in the euro zone and larger loan volume. **Net fee and commission income** rose to EUR 1,423 million (+11.6%; EUR 1,275 million). Growth was registered across all core markets, most notably in asset management and payment services. **Net trading result** declined to EUR 137 million (EUR 270 million); the line item **gains/losses from financial instruments measured at fair value through profit or loss** increased to EUR 111 million (EUR -64 million). The development of these two line items was mostly attributable to valuation effects. **Operating income** increased to EUR 5,522 million (+7.0%; EUR 5,161 million).

Operating result up 10.6% to 2.97 billion euros

General administrative expenses were up at EUR 2,548 million (+3.1%; EUR 2,472 million). Personnel expenses rose to EUR 1,534 million (+5.1%; EUR 1,459 million) driven by salary increases. Other administrative expenses were up at EUR 745 million (+0.9%; EUR 738 million). While contributions to deposit insurance schemes included in other administrative expenses – mostly already posted upfront for the full year of 2024 – declined to EUR 69 million (EUR 114 million), IT expenses increased to EUR 301 million (EUR 265 million). Amortisation and depreciation amounted to EUR 270 million (-1.9%; EUR 275 million). Overall, the **operating result** increased markedly to EUR 2,974 million (+10.6%; EUR 2,689 million), the **cost/income ratio** improved to 46.1% (47.9%).

NPL ratio remains low at 2.4%

The **impairment result from financial instruments** (“risk costs”) amounted to EUR -126 million or 12 basis points of average gross customer loans (EUR 29 million or 3 basis points). Allocations to provisions for loans and advances were posted primarily in Austria and Romania. Positive contributions came from the recovery of loans already written off, most notably in Austria. The **NPL ratio** based on gross customer loans increased slightly to 2.4% (2.3%). The **NPL coverage ratio** (excluding collateral) declined to 80.6% (85.1%).

Improved bottom line performance reflects strong operating result

Other operating result amounted to EUR -254 million (EUR -283 million). This includes an allocation in the amount of EUR 90 million to a provision relating to the interbank exemption pursuant to Art 6 sec 1 subsec 28 (2nd sentence) Austrian VAT Act. This exemption might be classified by the European Court of Justice or the EU Commission as aid that is not compatible with EU law and might therefore have to be refunded. Expenses for annual contributions to resolution funds included in this line item already for the full year of 2024 declined significantly to EUR 28 million (EUR 114 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 134 million (EUR 121 million) are reflected in other operating result: thereof, EUR 96 million (EUR 101 million) were charged in Hungary. In Austria, banking tax equaled EUR 20 million (EUR 20 million), in Romania EUR 18 million (newly introduced in 2024). The banking tax in Slovakia of EUR 46 million is posted in the line item taxes on income.

Taxes on income amounted to EUR 531 million (EUR 439 million). The decline in the minority charge to EUR 431 million (EUR 508 million) was attributable to lower contributions from the savings banks. **The net result attributable to owners of the parent** ("net profit") rose to EUR 1,629 million (EUR 1,490 million) on the back of the strong operating result and improved other operating result.

Modest rises in lending and deposit volumes

Total equity not including AT1 instruments rose to EUR 26.3 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 23.7 billion (EUR 22.9 billion), total **own funds** (final) EUR 30.1 billion (EUR 29.1 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 153.2 billion (EUR 146.5 billion). The **common equity tier 1 ratio** (CET1, final) stood at 15.5% (15.7%), the **total capital ratio** at 19.6% (19.9%).

Total assets increased to EUR 344.1 billion (+2.1%; EUR 337.2 billion). On the asset side, cash and cash balances declined to EUR 26.2 billion (EUR 36.7 billion); loans and advances to banks rose – most notably in Austria and the Czech Republic – to EUR 35.0 billion (EUR 21.4 billion). **Loans and advances to customers** were higher at EUR 211.3 billion (+1.7%; EUR 207.8 billion). On the liability side, deposits from banks declined to EUR 17.5 billion (EUR 22.9 billion). **Customer deposits** rose – most strongly in the Czech Republic and Austria – to EUR 240.2 billion (+3.2%; EUR 232.8 billion). **The loan-to-deposit ratio** stood at 87.9% (89.3%).

Outlook

Following the good business development in the first half of the year, Erste Group **upgrades the outlook**. Erste Group now expects to achieve a **return on tangible equity (ROTE) of more than 15%** in 2024, a by and large **stable operating result**, and consequently, again a **cost/income ratio below 50%**.

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 economic 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. 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, considering the developments in the first half of the year Erste Group believes that in 2024 risk costs will be below 20 basis points (instead as originally assumed below 25 basis points) of average gross customer loans.

The **CET1 ratio** is expected to remain strong, providing enhanced capital return and/or M&A flexibility, despite Erste Group currently ongoing execution of a share buyback in the amount of EUR 500 million in 2024.

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FINANCIAL DATA - HY 2024

Income statement

in EUR mn	1-6 23	1-6 24	% change
Net interest income	3,561	3,687	3.5
Net fee and commission income	1,275	1,423	11.6
Net trading result and gains/losses from financial instruments at FVPL	207	248	19.8
Operating income	5,161	5,522	7.0
Operating expenses	-2,472	-2,548	3.1
Operating result	2,689	2,974	10.6
Impairment result from financial instruments	29	-126	
Post-provision operating result	2,718	2,848	4.8
Net result attributable to owners of the parent	**1,490**	**1,629**	9.3

Key income statement ratios	1-6 23	1-6 24	change
Earnings per share (in EUR)	3.36	3.73	11.0%
Return on equity	16.2%	16.2%	
Net interest margin (on average interest-bearing assets)	2.48%	2.47%	-0.01 PP
Cost/income ratio	47.9%	46.1%	-1.8 PP
Provisioning ratio (on average gross customer loans)	-0.03%	0.12%	

Balance sheet

in EUR mn	Dec 23	Jun 24	% YTD change
Loans and advances to customers	207,828	211,276	1.7
Risk-weighted assets (RWA)	146,500	153,200	4.6
Deposits from customers	232,815	240,238	3.2
Total assets	**337,155**	**344,141**	**2.1**

Key balance sheet ratios	Dec 23	Jun 24	YTD change
Loan/deposit ratio	89.3%	87.9%	-1.4 PP
NPL ratio	2.3%	2.4%	-0.1 PP
NPL coverage ratio (based on AC loans, excl. collateral)	85.1%	80.6%	-4.5 PP
CET1 ratio (final)	15.7%	15.5%	-0.2 PP