Press release
Vienna – 30 October 2023

Erste Group: Strong operating result and solid risk performance

- Rising customer loan volumes (+2.0%) despite subdued macro environment
- Very stable granular deposit base
- NPL ratio remains at low level of 2.0%
- Strong capitalization: CET1 ratio at 14.5%

The results of Erste Group Bank AG for the first nine months of 2023 are characterized by a significant increase in operating business. Customer loan volumes increased by two percent during the course of the year, mainly due to new lending in the corporate customer segment. Customer deposits grew more strongly, with a year-to-date rise of 5.3 percent. The number of securities savings plans was up one-fifth year-on-year, despite the challenging environment on the stock market. Customer use of digital channels also increased significantly: George now has 9.5 million users across the group and the digital share in overall product sales is well over one-third.

"The overall economic framework has deteriorated significantly during the course of the year. Nevertheless, we were able to increase our loan volumes during the past nine months. The quality of our loan portfolio remains excellent and the proportion of non-performing loans is historically low at around two percent across our markets. Our strong capitalization, good risk performance and continued cost discipline ensure that we will successfully meet the challenges and make use of the opportunities that lie ahead of us," said **Willi Cernko**, CEO of Erste Group.

Financial results from January – September 2023 are compared with those from January – September 2022 and balance sheet positions as of 30 September 2023 with those as of 31 December 2022

Earnings rise on higher net interest income, improved net FCI

Net interest income increased significantly to EUR 5,422.3 million (+23.7%; EUR 4,385.2 million), most strongly in Austria, on the back of higher market interest rates, as well as larger loan volume. **Net fee and commission income** rose to EUR 1,937.6 million (+5.9%; EUR 1,829.9 million). Growth was registered across all core markets, most notably in payment services but also in asset management. **Net trading result** improved to EUR 337.4 million (EUR -848.5 million); the line item **gains/losses from financial instruments measured at fair value through profit or loss** declined to EUR -17.7 million (EUR 743.3 million). The development of these two line items was mostly attributable to valuation effects. **Operating income** increased to EUR 7,852.8 million (+25.2%; EUR 6,270.7 million).

Cost/income ratio improves to 46.8%, reflecting rise in operating result

General administrative expenses were up at EUR 3,674.6 million (+8.7%; EUR 3,381.3 million). Personnel expenses rose to EUR 2,195.4 million (+11.6%; EUR 1,967.2 million) driven by salary increases. The rise in other administrative expenses to EUR 1,062.0 million (+5.8%; EUR 1,003.4 million) was primarily due to higher IT and marketing expenses. Contributions to deposit insurance schemes included in other administrative expenses – already posted upfront for the full year of 2023 – declined to EUR 119.0 million (EUR 158.4 million); most notably in Hungary (where in the comparable period of 2022, the Sberbank Europe deposit insurance case had resulted in higher expenses). Amortisation and depreciation amounted to EUR 417,3 million (+1.6%; EUR 410.7 million). Overall, the **operating result** increased markedly to EUR 4,178.1 million (+44.6%; EUR 2,889.4 million). The **cost/income ratio** improved to 46.8% (53.9%).

NPL ratio remains stable at historically low level of 2.0%

The **impairment result from financial instruments** ("risk costs") amounted to EUR -127.5 million or 8 basis points of average gross customer loans (EUR -158.3 million or 11 basis points). Net allocations to provisions for loans and advances were posted in all core markets, with the exception of Croatia. 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). 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%).

Strong operating result, low risk costs drive increase in net profit

Other operating result amounted to EUR -326.9 million (EUR -246.5 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 113.5 million (EUR 139.1 million). Banking levies – currently payable in two core markets – increased to EUR 147.8 million (EUR 133.2 million). Thereof, EUR 118.9 million were charged in Hungary. In Austria, banking tax rose to EUR 28.9 million (EUR 24.8 million). In addition, other operating result was adversely affected by valuation effects.

Taxes on income amounted to EUR 669.6 million (EUR 434.5 million). The rise in the minority charge to EUR 740.9 million (EUR 332.6 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** ("net profit") rose to EUR 2,309.6 million (EUR 1.647.0 million) on the back of the strong operating result and low risk costs.

Customer loan volumes rise across all core markets

Total equity not including AT1 instruments rose to EUR 25.3 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 21.4 billion (EUR 20.4 billion), total **own funds** (final) to EUR 27.7 billion (EUR 26.2 billion). While interim profit for the first half of the year is included in the above figures, profit of the third quarter is not. Total risk (**risk-weighted assets** including credit, market and operational risk, CRR final) rose to EUR 148.0 billion (EUR 143.9 billion). The **common equity tier 1 ratio** (CET1, final) stood at 14.5% (14.2%), the **total capital ratio** at 18.7% (18.2%).

Total assets increased to EUR 337.2 billion (+4.1%; EUR 323.9 billion). On the asset side, cash and cash balances declined to EUR 31.9 billion (EUR 35.7 billion), loans and advances to banks rose to EUR 28.1 billion (EUR 18.4 billion), most notably in Austria and the Czech Republic. **Loans and advances to customers** have risen in all core markets year to date to EUR 206.2 billion (+2.0%; EUR 202.1 billion) with both retail and corporate loans volumes growing. On the liability side, deposits from banks declined to EUR 23.2 billion (EUR 28.8 billion). **Customer deposits** rose in nearly all core markets – most strongly in Austria and the Czech Republic – to EUR 235.8 billion (+5.3%; EUR 224.0 billion). The **loan-to-deposit ratio** stood at 87.4% (90.2%).

Outlook

The expectation by economists is for Erste Group's core markets to avoid recession in 2023 and, in fact, to post **real GDP growth**. **Inflationary pressures** are expected to subside in 2023, following double digit-levels in 2022 as a result of exceptionally high energy prices. Continued **strong labour markets** should be supportive of economic performance in all of Erste Group's markets. Current account balances, which suffered significantly during 2022 on the back of exceptionally high energy prices, are expected to improve again 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 **net loan growth** of about 5%. Based on the macro outlook described above, **risk costs** should remain at a low level in 2023. While precise forecasting is hard at current low risk cost levels, Erste Group believes that in 2023 risk costs will be below 10 basis points of average gross customer loans.

Erste Group aims to achieve a return on tangible equity ("**ROTE**") above 15% for 2023. 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. The **share buy-back** in a volume of up to EUR 300 million is progressing well and already deducted from capital.

Based on the assumption of an improving economic environment, Erste Group's goal for 2024 is to again achieve a ROTE of around 15%.

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KEY FINANCIAL DATA FOR THE PERIOD 1-9/2023

FINANCIAL DATA

Income statement

in EUR mn	1-9 22	1-9 23	% change
Net interest income	4,385.2	5,422.3	23.7
Net fee and commission income	1,829.9	1,937.6	5.9
Net trading result and gains/losses from financial instruments at FVPL	-105.2	319.7	
Operating income	6,270.7	7,852.8	25.2
Operating expenses	-3,381.3	-3,674.6	8.7
Operating result	**2,889.4**	**4,178.1**	**44.6**
Impairment result from financial instruments ("risk costs")	-158.3	-127.5	-19.4
Post-provision operating result	2,731.1	4,050.6	48.3
Net result attributable to owners of the parent ("net profit")	**1,647.0**	**2,309.6**	40.2

Key income statement ratios	1-9 22	1-9 23	change
Earnings per share (in EUR)	3.73	5.26	1.53
Return on equity	13.2%	16.7%	3.5 PP
Net interest margin (on average interest-bearing assets)	2.19%	2.50%	0.31 PP
Cost/income ratio	53.9%	46.8%	-7.1 PP
Provisioning ratio (on average gross customer loans)	0.11%	0.08%	-0.03 PP

Balance sheet

in EUR mn	Dec 22	Sep 23	% YTD change
Loans and advances to customers	202,109	206,153	2.0
Risk-weighted assets (RWA)	143,900	148,000	2.8
Deposits from customers	223,973	235,773	5.3
Total assets	**323,865**	**337,161**	**4.1**

Key balance sheet ratios	Dec 22	Sep 23	YTD change
Loan/deposit ratio	90.2%	87.4%	-2.8 PP
NPL ratio	2.0%	2.0%	-
NPL coverage ratio (based on AC loans, excl. collateral)	94.6%	96.7%	2.1 PP
CET1 ratio (final)	14.2%	14.5%	0.3 PP