

## Erste Group posts net profit of EUR 103.3 million for the first quarter of 2014, customer loan volume stable

### Quarterly financial data

Income statement			
in EUR million	Q1 13	Q4 13	Q1 14
Net interest income	1,196.7	1,169.2	1,123.9
Net fee and commission income	447.4	462.8	452.1
Net trading and fair value result	30.7	34.6	50.4
Operating income	1,748.0	1,731.8	1,690.6
Operating expenses	-989.9	-971.7	-963.3
Operating result	758.1	760.1	727.3
Net impairment loss on non-fair value financial assets	-371.8	-529.4	-364.2
Post-provision operating result	386.3	230.8	363.0
<b>Net result attributable to owners of the parent</b>	<b>176.6</b>	<b>-370.3</b>	<b>103.3</b>
Net interest margin (on average interest-bearing assets)	2.71%	2.73%	2.62%
Cost/income ratio	56.6%	56.1%	57.0%
Provisioning ratio (on average gross customer loans)	1.13%	1.65%	1.14%
Tax rate	21.4%	-67.2%	41.6%
Return on equity	5.5%	-12.8%	3.6%
Balance sheet			
in EUR million	Mar 13	Dec 13	Mar 14
Cash and cash balances	8,453	9,301	10,373
Trading, financial assets	56,389	51,269	52,270
Loans and receivables to credit institutions	10,896	8,377	9,962
Loans and receivables to customers	122,703	119,945	119,805
Intangible assets	2,858	2,441	2,408
Miscellaneous assets	11,911	8,786	9,085
<b>Total assets</b>	<b>213,211</b>	<b>200,118</b>	<b>203,903</b>
Financial liabilities - held for trading	8,845	6,475	7,042
Deposits from banks	21,359	17,299	24,421
Deposits from customers	123,057	122,415	119,445
Debt securities issued	34,471	33,124	31,043
Miscellaneous liabilities	9,041	6,020	6,883
Total equity	16,438	14,785	15,069
<b>Total liabilities and equity</b>	<b>213,211</b>	<b>200,118</b>	<b>203,903</b>
Loan/deposit ratio	99.7%	98.0%	100.3%
NPL ratio	9.4%	9.6%	9.6%
NPL coverage (exc collateral)	62.4%	63.1%	62.6%
CET 1 ratio (phased-in)	11.2%	11.4%	11.1%

## Summary

January-March 2014 compared with January-March 2013; as of 31 March 2014 compared with 31 December 2013

**Net interest income** declined to EUR 1,123.9 million (EUR 1,196.7 million), mainly due to subdued loan demand in a persistently low interest rate environment and FX translation effects. While **net fee and commission income** rose slightly to EUR 452.1 million (EUR 447.4 million) driven by the securities business, the **net trading and fair value** result improved markedly to EUR 50.4 million (EUR 30.7 million). **Operating income** amounted to EUR 1,690.6 million (-3.3%; EUR 1,748.0 million).

Strict cost management reduced **general administrative expenses** by 2.7% to EUR 963.3 million (EUR 989.9 million). This led to an **operating result** of EUR 727.3 million (-4.1%; EUR 758.1 million) and an almost unchanged **cost/income ratio** of 57.0% (56.6%).

**Net impairment loss on financial assets (net)** declined by 2.0% to EUR 364.2 million or 114 basis points of average customer loans (EUR 371.8 million or 113 basis points, which was mainly attributable to the significant decline in the commercial real estate business. On an unchanged volume of customer loans, the **NPL ratio** was stable at 9.6% in the first quarter of 2014 (9.6%). The **NPL coverage ratio** declined slightly to 62.6% (63.1%).

**Other operating result** amounted to EUR -119.8 million (EUR -98.2 million) upon recognition of the full amount of the annual banking tax in Hungary. Overall, levies on banking activities amounted to EUR 99.8 million (EUR 71.6 million): EUR 30.4 million (EUR 41.6 million) in Austria, EUR 10.3 million (EUR 10.5 million) in Slovakia, and EUR 59.1 million (EUR 19.5 million) in Hungary. **Loss from financial assets and liabilities not measured at fair value** amounted to EUR 3.7 million versus a gain of EUR 22.0 million.

The tax rate rose to 41.6%, in line with expectations, as the Austrian tax group did not recognise any deferred tax assets. This also had an impact on Erste Group's net result: **Net result attributable to owners of the parent** amounted to EUR 103.3 million (EUR 176.6 million).

**Total capital** rose to EUR 15.1 billion (EUR 14.8 billion). **Common equity tier 1 capital** (CET 1, phased-in) stood at EUR 11.3 billion versus EUR 11.2 billion (Basel 2.5). The rise in **risk-weighted assets** by 4.4% to EUR 102.2 billion (EUR 97.9 billion) was largely the result of the first-time application of Basel 3 rules. The **common equity tier 1 ratio** (CET1, phased-in) stood at 11.1% versus 11.4% (Basel 2.5). The **total capital ratio** (Basel 3, phased-in) amounted to 15.4% versus 16.3% (Basel 2.5).

**Total assets** amounted to EUR 203.9 billion. **Loans and advances to customers (net)** were stable at EUR 119.8 billion (EUR 119.9 billion). The **loan-to-deposit ratio** stood at 100.3% (98.0%).

## Outlook

For 2014, Erste Group has planned with a stable operating environment in its markets in Austria and Central and Eastern Europe: while economic growth is forecast to average 1.9% (Erste Group Research), interest rates are expected to remain persistently low or fall even further in certain geographies. Against this backdrop, Erste Group aims to keep operating profit stable ( $\pm 2\%$ ) at about EUR 3.1 billion. Net customer loans are expected to remain equally stable ( $\pm 2\%$ ) at about EUR 120 billion. In light of the upcoming ECB Asset Quality Review, Erste Group does not expect a decline in risk costs beyond 5% or to about EUR 1.7 billion. Erste Group does not anticipate recognising deferred tax assets in the Austrian tax group in 2014, which will result in a significantly elevated tax rate of about 40%. The decline in banking taxes from EUR 311 million in 2013 to about EUR 270 million in 2014 should positively affect net profit.

## Presentation of results via audio webcast and telephone conference for analysts

Date	Wednesday 30 April 2014
Time	9:00 Vienna / 8:00 London / 3:00 New York The presentation will be held in English.
Audio webcast	<a href="http://www.erstegroup.com/investorrelations">http://www.erstegroup.com/investorrelations</a>
Dial-in for analysts	UK: +44 (0) 207 153 2027 or (0)800 358 0886 US: +1 480 629 9822 or +1 877 941 1469
Replay	Will be available at <a href="http://www.erstegroup.com/en/Investors/Webcasts-Videos">http://www.erstegroup.com/en/Investors/Webcasts-Videos</a> .

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