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Erste Group Bank: Erste Group improves net profit to EUR 346.5 million in Q1 2012

EBA capital requirement already met as of March 2012

Vienna (pta006/30.04.2012/07:00) - Net interest income improved by 2.7% from EUR 1,302.0 million in Q1 2011 to EUR 1,336.9 million in Q1 2012. At the same time, net fee and commission income declined by 5.5% to EUR 430.3 million (Q1 2011: EUR 455.2 million), mainly as a result of weaker securities business. The deterioration in net trading result from EUR 236.7 million to EUR 93.6 million was due to valuation gains in Q1 2011 which did not recur in Q1 2012. The underlying trading performance remained solid.

As a result, operating income declined by 6.7% from EUR 1,993.9 million in Q1 2011 to EUR 1,860.8 million. Reflecting continued strict cost management, general administrative expenses improved by 1.9% from EUR 963.0 million in Q1 2011 to EUR 945.1 million. This led to an operating result of EUR 915.7 million (Q1 2011: EUR 1,030.9 million), which was materially impacted by the weaker net trading result. Hence, the cost/income ratio was 50.8% (Q1 2011: 48.3%).

Risk costs rose by 26.2% from EUR 460.1 million to EUR 580.6 million in Q1 2012 or to 172 basis points of average customer loans. This was mainly due to additional provisions in Hungary in the amount of EUR 75.6 million relating to the interest subsidy scheme for performing FX loans imposed by legislation as well as in Romania in the amount of EUR 98.6 million, leading to a rise in the NPL coverage ratio. Asset quality remained stable in Austria, the Czech Republic and Slovakia. Overall, the NPL ratio rose to 8.8% as of 31 March 2012 (year-end 2011: 8.5%), while the NPL coverage ratio improved to 61.9% (31 December 2011: 61.0%).

The strong improvement in other operating result to EUR 131.2 million was exclusively due to one-off income of EUR 250.6 million from the buy-back of tier 1 and tier 2 instruments.

Net profit after minorities rose by 7.8% to EUR 346.5 million in Q1 2012, while return on equity also improved from 9.6% in Q1 2011 to 11.2%.

Supported by a strong bottom-line performance and a positive development in the available-for-sale reserve, shareholders' equity rose significantly to EUR 12.8 billion (year-end 2011: EUR 12.0 billion). Core tier 1 capital (excluding retained earnings for Q1 2012) improved markedly, to EUR 11.4 billion (year-end 2011: EUR 10.7 billion), due to the recognition of collateral in Romania in line with international rules (IFRS) and the Austrian Banking Act. Continued reductions in non core business and successful RWA optimisation resulted in a decline of total risk-weighted assets to EUR 111.8 billion as of 31 March 2012 (year-end 2011: EUR 114.0 billion). This resulted in an EBA capital ratio of 9.7% as of 31 March 2012 (year-end 2011: 8.9%) and a core tier 1 ratio (total risk; Basel 2.5) of 10.2% (year-end 2011: 9.4%).

Total assets, at EUR 216.7 billion, were up 3.2% from EUR 210.0 billion at year-end. The loan-to-deposit ratio improved to 110.2% as of 31 March 2012 (year-end 2011: 113.3%) on the back of increased customer deposits. Overall lending volume remained stable at EUR 134.8 billion.

In accordance with IAS 8, comparative figures in the financial results (Q1 and Q2 2011) have been restated. For further details see Annual Report 2011, Notes to the financial statements, C. Accounting policies/ Restatement (www.erstegroup.com/investorrelations). The term "net profit/loss for the period after minorities" corresponds to the term "net profit/loss for the period attributable to the owners of the parent". The term "shareholders' equity" corresponds to the term "total equity attributable to the owners of the parent".

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