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Press release

## Erste Group posts net profit of EUR 232 million in Q1 09 Continued strong operating result – higher risk costs

### Highlights<sup>1</sup>:

- Erste Group posted **record operating profit** of EUR 838.5 million in Q1 09 (up 10.3% and 4.4% on Q1 08 and Q4 08, respectively). Strongly growing operating income (EUR 1,814.4 million or up 5.2% and 3.6% on Q1 08 and Q4 08, respectively) and limited cost growth – operating expenses were up by 1.2% to EUR 975.9 million against Q1 08 and 2.9% compared to Q4 08 – contributed equally.
- **Net interest income and net trading result** were **major operating income drivers** in Q1 09. Despite the absence of loan growth – customers loans remained flat at EUR 126 billion in Q1 09 vs Q4 08 – and thanks to stable net interest margins across all geographies net interest income remained strong at EUR 1,226.0 million (up 6.5% on Q1 08 and down 8.5% on Q4 08), supported by a strong performance of the Retail & SME segment. The excellent net trading result was mainly due to a strong performance of the fixed income and money markets businesses.
- **Risk costs rose** to EUR 370.2 million (up 127.1% on Q1 08, but down 21.1% on Q4 08) or 117 bps of average customer loans. The NPL ratio (based on total exposure) increased from 2.9% in Q4 08 to 3.3% in Q1 09.
- Erste Group **did not take advantage of reclassifying assets** as a result of changed accounting rules. Results from all categories of financial assets were primarily impacted by revaluation requirements on the ABS/CDO portfolio: the negative P&L effect in Q1 09 equalled EUR 54.8 million (pre-tax), while the negative impact on shareholders' equity was EUR 88.0 million.
- **Net profit amounted to EUR 232.1 million** in Q1 09 (Q1 08: EUR 315.6 million, Q4 08: EUR -603.4 million). All countries, except for Ukraine, in which Erste Group has only a small presence, remained profitable in Q1 09.
- The **reported tier 1 ratio** improved to **7.8%** at Q1 09 (2008: 7.2%) following the provision of EUR 1 billion by the Republic of Austria as part of the EUR 2.7 billion participation capital transaction ahead of the completion of the public offer. Risk-weighted assets grew by 2.2% to EUR 106 billion in Q1 09.
- **Successful placement of participation capital.** Erste Group has placed EUR 540 million of participation capital with private and institutional investors. The Republic of Austria has already subscribed for participation capital in a nominal amount of EUR 1.0 billion in March 2009 and will subscribe for additional participation capital in accordance with the agreement in principle. The volume of the participation capital will in aggregate amount to approximately EUR 1.75 bn. Subsequently, an amount of up to EUR 1 bn of hybrid capital is intended to be issued by Erste Bank der oesterreichischen Sparkassen AG, a 100% subsidiary of Erste Group, to the Republic of Austria. As previously announced, the aggregate volume of participation and hybrid capital shall therefore amount to EUR 2.7 billion on a consolidated basis.

<sup>1</sup> In January 2009, Sparkasse Kufstein joined the *Haftungsverbund* (cross guarantee system of Austrian savings banks) and therefore was included in the consolidated financial statement from this point in time. In addition, Opportunity Bank a.d., Montenegro, acquired by Erste & Steiermärkische banka d.d. and Ringturm KAG were consolidated for the first time as of 31 March 2009. Furthermore, Investbanka a.d. Skopje, Macedonia, acquired by Steiermärkische Banken, has been part of the consolidated financial statement since 1 October 2008 and was not included during the entire reporting period for the previous year. As a result rates of change show a minor distortion when compared with the previous year.

## Earnings performance in brief

The **operating result** grew by 10.3% to EUR 838.5 million in Q1 09, after EUR 760.5 million in Q1 08. This improvement was primarily a result of rising operating income, which increased by 5.2% to EUR 1,814.4 million as a result of rising net interest income (+6.5% to EUR 1,226.0 million) and a very good net trading result (+74.7% to EUR 143.8 million). **General administrative expenses** only rose moderately by 1.2% to EUR 975.9 million. The **cost/income ratio** improved to 53.8% (full year 2008: 57.2%).

**Net profit after minorities** declined by 26.5% to EUR 232.1 million, primarily due to higher risk costs – risk provisions amounted to EUR 370.2 million in Q1 09 after EUR 163.1 million in Q1 08. This was a reflection of the economic downturn triggered by the financial crisis, which did not yet affect Q1 08. “Even though the economic downturn has impacted our retail and SME customers in Austria and Central and Eastern Europe, our long-term and cautious business approach has created a solid foundation for successfully coping with the consequences of a long-lasting economic downturn, such as higher risk costs”, Andreas Treichl, CEO of Erste Group Bank AG commented on the Q1 09 results.

**Return on equity** (cash, i.e. after elimination of linear depreciation for the customer base) rose from 10.1% (reported value: 9.6%) in 2008 to the current 11.8% (reported value: 11.4%).

**Cash earnings per share** stood at EUR 0.71 in Q1 09 (reported value: EUR 0.68), compared with EUR 1.04 (reported value: EUR 1.01) in Q1 08.

**Total assets** declined slightly in Q1 09 and amounted to EUR 199.1 billion as of 31 March 2009, a fall of 1.2% compared with year-end 2008, resulting from a decrease in interbank business.

Erste Group offered participation capital in a total nominal value of up to EUR 2.7 billion for subscription from 15 to 29 April 2009. Of this, the Republic of Austria already underwrote EUR 1 billion in March 2009.

The **solvency ratio** related to credit risk improved from 10.1% as at year-end 2008 to 10.4% as of 31 March 2009 due to the issuance of participation capital in the amount of EUR 1 billion, underwritten by the Republic of Austria. Therefore, it was still comfortably above the legal minimum requirement of 8.0%. The **tier 1 ratio**, in relation to credit risk, amounted to 7.8% as of 31 March 2009, after 7.2% at year-end 2008.

## Outlook

“The first quarter results offer a solid base for assessing the position of Erste Group in the current crisis”, Andreas Treichl commented on the outlook of Erste Group. “We are convinced that Erste Group’s dominant position as a retail bank in all its core markets, supported by a strong deposit base, pricing power and conservative lending policy, offers a sound basis to offset higher risk costs that inevitably accompany an economic downturn. This assessment is also underpinned by a balanced business mix and the fact that more than 95% of our 17 million customers are residents of EU member countries. Despite this it would be premature to issue detailed forecasts for 2009 and 2010”, Treichl concluded.

## EXCHANGE RATE DEVELOPMENT

Euro FX rates	End of period rates			Average rates		
	Mar 09	Dec 08	Change	1-3 09	1-3 08	Change
CZK/EUR	27.39	26.88	-1.9%	27.64	25.82	-7.1%
RON/EUR	4.24	4.02	-5.4%	4.27	3.70	-15.6%
HUF/EUR	308.18	266.70	-15.6%	294.61	259.19	-13.7%
HRK/EUR	7.48	7.36	-1.7%	7.41	7.27	-1.9%
RSD/EUR	94.64	89.73	-5.5%	93.99	82.17	-14.4%
UAH/EUR	10.72	10.85	1.2%	10.60	7.63	-39.0%

Positive change = appreciation vs EUR, negative change = depreciation vs EUR

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## APPENDIX

### I. CONSOLIDATED PROFIT AND LOSS ACCOUNT OF ERSTE GROUP (IFRS)

in EUR million	1-3 09	1-3 08	Change
Net interest income	1,226.0	1,151.1	6.5%
Risk provisions for loans and advances	-370.2	-163.1	>100.0%
Net fee and commission income	444.6	491.9	-9.6%
Net trading result	143.8	82.3	74.7%
General administrative expenses	-975.9	-964.8	1.2%
Other operating result	-39.9	-22.9	-74.2%
Result from financial assets - FV	-44.1	-72.9	39.5%
Result from financial assets - AfS	-10.8	-12.8	15.6%
Result from financial assets - HtM	-0.1	0.0	na
Pre-tax profit from continuing operations	373.4	488.8	-23.6%
Taxes on income	-84.0	-97.8	-14.1%
Net profit before minorities from continuing operations	289.4	391.0	-26.0%
Net profit before minorities	0.0	4.8	na
Net profit before minorities	289.4	395.8	-26.9%
Minority interests	-57.3	-80.2	-28.6%
<b>Net profit after minorities</b>	<b>232.1</b>	<b>315.6</b>	<b>-26.5%</b>

## II. BALANCE SHEET OF ERSTE GROUP (IFRS)

in EUR million	Mär 09	Dez 08	Change
<b>ASSETS</b>			
Cash and balances with central banks	5,897	7,556	-22.0%
Loans and advances to credit institutions	12,088	14,344	-15.7%
Loans and advances to customers	126,337	126,185	0.1%
Risk provisions for loans and advances	-4,008	-3,783	5.9%
Trading assets	7,864	7,534	4.4%
Financial assets - at fair value through profit or loss	3,667	4,058	-9.6%
Financial assets - available for sale	17,127	16,033	6.8%
Financial assets - held to maturity	14,117	14,145	-0.2%
Equity holdings in associates accounted for at equity	263	260	1.2%
Intangible assets	4,730	4,805	-1.6%
Property and equipment	2,341	2,386	-1.9%
Tax assets	831	859	-3.3%
Assets held for sale	477	526	-9.3%
Other assets	7,340	6,533	12.4%
<b>Total assets</b>	<b>199,071</b>	<b>201,441</b>	<b>-1.2%</b>
<b>LIABILITIES AND EQUITY</b>			
Deposits by banks	30,747	34,672	-11.3%
Customer deposits	108,707	109,305	-0.5%
Debt securities in issue	30,951	30,483	1.5%
Trading liabilities	2,695	2,519	7.0%
Other provisions	1,654	1,620	2.1%
Tax liabilities	325	389	-16.5%
Liabilities associated with assets held for sale	291	343	-15.2%
Other liabilities	5,571	4,968	12.1%
Subordinated liabilities	6,070	6,047	0.4%
Total equity	12,060	11,095	8.7%
Shareholder's equity	8,895	8,079	10.1%
Minority interests	3,165	3,016	4.9%
<b>Total liabilities and equity</b>	<b>199,071</b>	<b>201,441</b>	<b>-1.2%</b>

### III. SEGMENT REPORTING – ERSTE GROUP

#### Overview\*

	Retail & SME		GCIB		Group Markets		Corporate Center		Total group	
in EUR million	1-3 09	1-3 08	1-3 09	1-3 08	1-3 09	1-3 08	1-3 09	1-3 08	1-3 09	1-3 08
Net interest income	1,070.0	1,014.4	136.6	106.5	58.4	54.1	-39.0	-24.0	1,226.0	1,151.1
Risk provisions	-267.7	-131.1	-80.3	-18.5	0.0	0.0	-22.3	-13.6	-370.2	-163.1
Net fee and commission income	362.9	415.0	37.7	39.9	27.9	34.6	16.2	2.4	444.6	491.9
Net trading result	17.6	45.7	-0.3	0.4	127.2	44.2	-0.7	-8.0	143.8	82.3
General administrative expenses	-833.9	-834.0	-42.7	-43.1	-45.8	-47.9	-53.4	-39.7	-975.8	-964.8
Other result	-47.8	-61.9	-4.0	0.3	-1.1	-3.4	-42.1	-43.7	-94.9	-108.6
Pre-tax profit	301.1	448.2	47.0	85.6	166.6	81.6	-141.3	-126.6	373.5	488.8
Taxes on income	-68.4	-108.4	-10.0	-19.3	-35.9	-18.1	30.4	48.1	-84.0	-97.8
Post-tax profit from discontinuing ops	0.0	4.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.8
Minority interests	-57.9	-81.5	-2.4	-2.2	-6.1	-3.6	9.1	7.2	-57.3	-80.2
<b>Net profit after minorities</b>	<b>174.8</b>	<b>263.0</b>	<b>34.6</b>	<b>64.1</b>	<b>124.6</b>	<b>59.8</b>	<b>-101.8</b>	<b>-71.3</b>	<b>232.2</b>	<b>315.6</b>
Average risk-weighted assets	73,202.2	69,234.3	24,545.9	22,099.6	2,992.7	1,711.2	3,988.4	3,005.8	104,729.2	96,050.8
Average attributed equity	3,904.9	3,103.0	1,925.3	1,364.0	330.3	167.5	1,988.8	3,885.8	8,149.3	8,520.3
<b>Cost/income ratio</b>	<b>57.5%</b>	<b>56.5%</b>	<b>24.5%</b>	<b>29.3%</b>	<b>21.4%</b>	<b>36.1%</b>	<b>-226.9%</b>	<b>-134.3%</b>	<b>53.8%</b>	<b>55.9%</b>
<b>ROE based on net profit</b>	<b>17.9%</b>	<b>33.9%</b>	<b>7.2%</b>	<b>18.8%</b>	<b>150.9%</b>	<b>142.9%</b>	<b>-20.5%</b>	<b>-7.3%</b>	<b>11.4%</b>	<b>14.8%</b>

\*) The "Other result" for the Corporate Center includes the depreciation for the customer base amounting to EUR 15.8 million.

"Other result" summarises the four P&L positions, Other operating result, Results from financial assets – at fair value through profit or loss, - available for sale and - held to maturity.

## Austria segment\*

in EUR million	Savings Banks		EB Oesterreich		Austria	
	1-3 09	1-3 08	1-3 09	1-3 08	1-3 09	1-3 08
Net interest income	239.2	258.0	156.4	147.6	395.6	405.6
Risk provisions	-59.5	-37.2	-34.1	-24.8	-93.6	-62.1
Net fee and commission income	96.2	98.6	70.6	75.9	166.8	174.5
Net trading result	15.0	4.7	1.9	7.1	16.9	11.8
General administrative expenses	-232.7	-229.1	-157.3	-165.8	-390.0	-394.8
Other result	-18.5	-13.3	-5.4	-11.1	-23.9	-24.4
Pre-tax profit	39.7	81.8	32.1	28.9	71.8	110.6
Taxes on income	-14.3	-36.3	-7.8	-6.7	-22.2	-43.0
Post-tax profit from discontinuing ops	0.0	0.0	0.0	4.2	0.0	4.2
Minority interests	-26.9	-41.5	-0.8	2.1	-27.7	-39.4
<b>Net profit after minorities</b>	<b>-1.5</b>	<b>4.0</b>	<b>23.4</b>	<b>28.5</b>	<b>21.9</b>	<b>32.4</b>
Average risk-weighted assets	24,535.9	24,054.6	13,763.6	13,520.6	38,299.5	37,575.2
Average attributed equity	286.1	224.9	1,082.7	928.1	1,368.8	1,153.0
<b>Cost/income ratio</b>	<b>66.4%</b>	<b>63.4%</b>	<b>68.7%</b>	<b>71.9%</b>	<b>67.3%</b>	<b>66.7%</b>
<b>ROE based on net profit</b>	<b>-2.2%</b>	<b>7.0%</b>	<b>8.6%</b>	<b>12.3%</b>	<b>6.4%</b>	<b>11.2%</b>

\*) "Other result" summarises the four P&L positions, Other operating result, Results from financial assets – at fair value through profit or loss, - available for sale and - held to maturity.

## Central and Eastern Europe (CEE) segment\*:

	Czech Republic		Romania		Slovakia		Hungary		Croatia		Serbia		Ukraine	
in EUR million	1-3 09	1-3 08	1-3 09	1-3 08	1-3 09	1-3 08	1-3 09	1-3 08	1-3 09	1-3 08	1-3 09	1-3 08	1-3 09	1-3 08
Net interest income	264.6	249.0	193.2	166.6	82.0	74.9	70.8	65.4	47.6	43.4	7.7	6.0	8.3	3.5
Risk provisions	-37.0	-21.9	-69.0	-14.0	-22.7	-10.4	-21.3	-14.0	-8.1	-4.1	-1.4	-2.1	-14.6	-2.6
Net fee and commission income	94.0	100.6	38.3	64.7	26.1	24.9	18.0	31.2	17.1	17.0	2.4	1.6	0.1	0.6
Net trading result	-1.4	13.7	0.2	8.3	1.8	3.9	-4.6	2.4	1.3	2.7	0.8	0.6	2.7	2.4
General administrative expenses	-175.4	-175.3	-99.7	-102.6	-67.0	-56.2	-51.1	-55.9	-32.6	-30.8	-7.8	-7.8	-10.3	-10.8
Other result	-28.5	-37.5	11.2	-4.0	-4.3	-3.6	-1.5	3.3	-0.1	-0.2	-0.3	4.5	-0.3	0.1
Pre-tax profit	116.3	128.7	74.3	118.9	15.8	33.5	10.4	32.4	25.2	28.0	1.4	2.8	-14.1	-6.8
Taxes on income	-23.6	-27.4	-12.7	-19.5	-2.9	-5.3	-2.6	-9.2	-5.0	-5.7	-0.1	0.2	0.6	1.4
Post-tax profit from discontinuing ops	0.0	1.8	0.0	-1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	-2.1	-1.2	-19.9	-31.5	-0.2	0.0	0.0	0.0	-7.6	-8.7	-0.3	-0.7	0.0	0.0
<b>Net profit after minorities</b>	<b>90.6</b>	<b>101.9</b>	<b>41.7</b>	<b>66.7</b>	<b>12.8</b>	<b>28.2</b>	<b>7.8</b>	<b>23.3</b>	<b>12.7</b>	<b>13.6</b>	<b>0.9</b>	<b>2.3</b>	<b>-13.6</b>	<b>-5.4</b>
Average risk-weighted assets	10,488.8	10,740.9	9,882.4	8,134.3	5,046.4	3,691.5	4,474.0	4,527.6	3,618.1	3,418.9	815.4	696.3	577.6	449.6
Average attributed equity	883.0	757.1	560.8	387.2	424.1	263.1	369.9	311.7	195.1	156.8	53.7	39.0	49.5	35.1
<b>Cost/income ratio</b>	<b>49.1%</b>	<b>48.2%</b>	<b>43.0%</b>	<b>42.8%</b>	<b>61.0%</b>	<b>54.2%</b>	<b>60.6%</b>	<b>56.5%</b>	<b>49.4%</b>	<b>48.7%</b>	<b>71.9%</b>	<b>95.6%</b>	<b>93.0%</b>	<b>165.6%</b>
<b>ROE based on net profit</b>	<b>41.0%</b>	<b>53.8%</b>	<b>29.7%</b>	<b>68.9%</b>	<b>12.0%</b>	<b>42.8%</b>	<b>8.4%</b>	<b>29.8%</b>	<b>26.0%</b>	<b>34.8%</b>	<b>7.1%</b>	<b>23.4%</b>	<b>-109.8%</b>	<b>-61.7%</b>

\*) "Other result" summarises the four P&L positions, Other operating result, Results from financial assets – at fair value through profit or loss, - available for sale and - held to maturity.