Erste Group posts net profit of EUR 2,516 million in the first nine months of 2024

Financial data

Income statement					
in EUR million	**Q3.23**	**Q2.24**	**Q3.24**	**1-9 23**	**1-9 24**
Net interest income	1,861	1,835	1,903	5,422	5,591
Net fee and commission income	663	711	735	1,938	2,158
Net trading result and gains/losses from financial instruments at FVPL	113	109	110	320	358
Operating income	2,692	2,734	2,798	7,853	8,319
Operating expenses	-1,202	-1,265	-1,262	-3,675	-3,809
Operating result	1,489	1,468	1,536	4,178	4,510
Impairment result from financial instruments	-156	-31	-86	-128	-211
Post-provision operating result	1,333	1,437	1,451	4,051	4,299
Net result attributable to owners of the parent	**820**	**846**	**886**	**2,310**	**2,516**
Net interest margin (on average interest-bearing assets)	2.50%	2.43%	2.45%	2.50%	2.46%
Cost/income ratio	44.7%	46.3%	45.1%	46.8%	45.8%
Provisioning ratio (on average gross customer loans)	0.30%	0.06%	0.16%	0.08%	0.13%
Tax rate	18.0%	21.0%	20.5%	18.0%	20.5%
Return on equity	17.7%	16.1%	18.2%	16.7%	16.7%

Balance sheet					
in EUR million	**Sep 23**	**Jun 24**	**Sep 24**	**Dec 23**	**Sep 24**
Cash and cash balances	31,922	26,231	23,972	36,685	23,972
Trading, financial assets	63,504	64,161	68,446	63,690	68,446
Loans and advances to banks	28,094	34,966	33,212	21,432	33,212
Loans and advances to customers	206,153	211,276	213,462	207,828	213,462
Intangible assets	1,313	1,282	1,277	1,313	1,277
Miscellaneous assets	6,175	6,225	6,160	6,206	6,160
Total assets	**337,161**	**344,141**	**346,529**	**337,155**	**346,529**
Financial liabilities held for trading	2,428	2,003	1,770	2,304	1,770
Deposits from banks	23,223	17,484	16,889	22,911	16,889
Deposits from customers	235,773	240,238	239,734	232,815	239,734
Debt securities issued	41,089	47,917	51,265	43,759	51,265
Miscellaneous liabilities	6,961	7,527	6,759	6,864	6,759
Total equity	27,687	28,973	30,112	28,502	30,112
Total liabilities and equity	**337,161**	**344,141**	**346,529**	**337,155**	**346,529**
Loan/deposit ratio	87.4%	87.9%	89.0%	89.3%	89.0%
NPL ratio	2.0%	2.4%	2.4%	2.3%	2.4%
NPL coverage ratio (based on AC loans, ex collateral)	96.7%	80.6%	78.7%	85.1%	78.7%
Texas ratio	15.1%	17.6%	17.4%	16.6%	17.4%
CET1 ratio (final)	14.5%	15.5%	15.1%	15.7%	15.1%

HIGHLIGHTS

P&L: 1-9 2024 compared with 1-9 2023
Balance sheet: 30 September 2024 compared with 31 December 2023

Net interest income increased to EUR 5,591 million (+3.1%; EUR 5,422 million), in all core markets except Austria, on the back of larger loan volume and lower interest expenses on customer deposits.
Net fee and commission income rose to EUR 2,158 million (+11.4%; EUR 1,938 million). Growth was registered across all core markets, most notably in payment services and asset management.
Net trading result increased to EUR 428 million (EUR 337 million); the line item **gains/losses from financial instruments measured at fair value through profit or loss** deteriorated to EUR -70 million (EUR -18 million). The development of these two line items was mostly attributable to valuation effects.

Operating income increased to EUR 8,319 million (+5.9%; EUR 7,853 million). **General administrative expenses** were up at EUR 3,809 million (+3.7%; EUR 3,675 million). Personnel expenses rose to EUR 2,318 million (+5.6%; EUR 2,195 million) driven by salary increases. Other administrative expenses were higher at EUR 1,086 million (+2.3%; EUR 1,062 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 72 million (EUR 119 million), IT expenses increased to EUR 451 million (EUR 403 million). Amortisation and depreciation amounted to EUR 405 million (-2.9%; EUR 417 million). Overall, the **operating result** increased markedly to EUR 4,510 million (+7.9%; EUR 4,178 million), the **cost/income ratio** improved to 45.8% (46.8%).

The **impairment result from financial instruments** amounted to EUR -211 million or 13 basis points of average gross customer loans (EUR 128 million or 8 basis points). Allocations to provisions for loans and advances were posted primarily in Austria. Positive contributions came from the recovery of loans already written off, likewise 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 78.7% (85.1%).

Other operating result amounted to EUR -289 million (EUR -327 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 113 million), as no regular annual contributions will be collected in the euro zone in 2024. Banking levies have been paid in four core markets. EUR 194 million (EUR 148 million) are reflected in other operating result: thereof, EUR 137 million (EUR 119 million) were charged in Hungary. In Austria, banking tax equaled EUR 30 million (EUR 29 million), in Romania EUR 27 million (newly introduced in 2024). The banking tax in Slovakia of EUR 74 million is posted in the line item taxes on income.

Taxes on income amounted to EUR 817 million (EUR 670 million). The decline in the minority charge to EUR 653 million (EUR 741 million) was attributable to lower profitability at the savings banks.
The **net result attributable to owners of the parent** rose to EUR 2,516 million (EUR 2,310 million) on the back of the strong operating result and improved other operating result.

Total equity not including AT1 instruments rose to EUR 27.4 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 23.6 billion (EUR 22.9 billion), total **own funds** (final) EUR 29.9 billion (EUR 29.1 billion). While interim profit for the first half of the year is included in the above figures, interim profit for the third quarter is not. Total risk (**risk-weighted assets** including credit, market and operational risk, CRR final) rose to EUR 155.9 billion (EUR 146.5 billion). The **common equity tier 1 ratio** (CET1, final) stood at 15.1% (15.7%), the **total capital ratio** at 19.2% (19.9%).

Total assets increased to EUR 346.5 billion (+2.8%; EUR 337.2 billion). On the asset side, cash and cash balances declined to EUR 24.0 billion (EUR 36.7 billion); loans and advances to banks rose – most notably in Austria and the Czech Republic – to EUR 33.2 billion (EUR 21.4 billion). Year to date, **loans and advances to customers** rose to EUR 213.5 billion (+2.7%; EUR 207.8 billion). On the liability side, deposits from banks declined to EUR 16.9 billion (EUR 22.9 billion). **Customer deposits** rose – most strongly in the Czech Republic and Romania – to EUR 239.7 billion (+3.0%; EUR 232.8 billion). The **loan-to-deposit ratio** stood at 89.0% (89.3%).

OUTLOOK

Following the good business development in the first nine months of the year, Erste Group again upgrades its financial outlook for 2024, now targeting a return on tangible equity (ROTE) of more than 16%, as opposed to higher than 15% previously.

Better than expected net profitability is principally expected to be driven by higher net interest income, which is now forecast to grow by more than 2% versus 2023 (previously: flat year-on-year). This is attributable to positive effects from customer deposit and fixed rate customer loan repricing as well as loan growth of about 5% (unchanged) and better income from the bond portfolio, all of which more than offset the negative effect of interest rate cuts performed by central banks. The expectations for net fee and commission income growth (up by about 10% versus 2023) and operating expense inflation (up by about 5% vs 2023) remain unchanged.

Consequently, the outlook for operating efficiency has also improved. Erste Group now projects a cost/income ratio of around or less than 48%. The forecast for risk costs remains unchanged at 20 basis points of average gross customer loans, as economic performance of the countries in which Erste Group operates – while showing some GDP growth divergence in the range of approximately 0% to 4% for 2024 – remains broadly unchanged.

Potential risks to the guidance include (geo)political and economic (including monetary and fiscal policy impacts) developments, regulatory measures as well as changes to the competitive environment. International (military) conflicts, such as the war in Ukraine and in the Mid East do not impact Erste Group directly, as it has no operating presence in the regions involved. Indirect effects, such as financial markets volatility, sanctions-related knock-on effects, supply chain disruptions or the emergence of deposit insurance or resolution cases cannot be ruled out, though. Erste Group is moreover exposed to non-financial and legal risks that may materialise regardless of the economic environment. Worse than expected economic development may put goodwill at risk.

For more information, please contact:

Erste Group, Investor Relations, Am Belvedere 1, A-1100 Vienna
E-Mail: investor.relations@erstegroup.com
Internet: www.erstegroup.com/investorrelations X.com/ErsteGroupIR

Thomas Sommerauer, +43 50100 17326, E-Mail: thomas.sommerauer@erstegroup.com
Peter Makray, +43 50100 16878, E-Mail: peter.makray@erstegroup.com
Simone Pilz, +43 50100 13036, E-Mail: simone.pilz@erstegroup.com
Gerald Krames, +43 50100 12751, E-Mail: gerald.krames@erstegroup.com

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