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*Adhoc announcement according to article 48d section 1 BörseG*

## **Erste Group Bank AG: Despite net loss of EUR -929.7 mn in the first half of 2014 CET 1-ratio rises; improved asset quality**

Vienna (pta011/31.07.2014/07:30) - Despite net loss of EUR -929.7 million in the first half of 2014, CET 1-ratio rises; improved asset quality

Financial data (table see enclosed pdf)

### Highlights

January-June 2014 compared with January-June 2013; as of 30 June 2014 compared with 31 December 2013

Net interest income declined to EUR 2,243.6 million (EUR 2,339.9 million), mainly due to the persistently low interest-rate environment and FX translation effects. Net fee and commission income increased to EUR 907.0 million (EUR 894.1 million) driven by the securities business and the net trading and fair value result rose to EUR 138.0 million (EUR 103.6 million). Operating income amounted to EUR 3,421.7 million (-1.8%; EUR 3,483.0 million).

General administrative expenses declined by 3.3% to EUR 1,896.4 million (EUR 1,960.2 million), mainly due to lower personnel expenses. This led to an operating result of EUR 1,525.3 million (+0.2%; EUR 1,522.7 million) and an improved cost/income ratio of 55.4% (56.3%).

Despite the expected rise in 2014 risk costs announced in early July, net impairment loss on financial assets not measured at fair value through profit or loss (net) rose only moderately, by 1.5%, to EUR 796.1 million or 125 basis points of the average volume of customer loans (EUR 784.3 million or 120 basis points). This is attributable to the fact that a significant proportion of risk costs in Romania resulting from the sale of non-performing loans will only arise in the second half of the year. In addition, the item other operating result included EUR 130.3 million of the risk costs expected by Erste Group in relation to the consumer loan law passed by the Hungarian parliament in early July. On a stable volume of customer loans, the NPL ratio declined to 9.4% (9.6%) in the second quarter. The NPL coverage ratio improved to 64.0% (63.1%).

Other operating result amounted to EUR -1,271.8 million (EUR -377.6 million), primarily due to the write-down of intangible assets in the total amount of EUR 956.4 million, mostly in Romania (EUR 854.2 million). The entire goodwill (EUR 319.1 million), brand (EUR 294.6 million) and customer relationships (EUR 176.1 million) as well as other miscellaneous intangible assets (EUR 64.4 million) were written down - as well as goodwill related to business in Croatia. At EUR 154.1 million (EUR 184.7 million) levies on banking activities were again significant: EUR 63.2 million (EUR 83.3 million) in Austria, EUR 20.7 million (EUR 21.0 million) in Slovakia and EUR 70.1 million (EUR 80.4 million) in Hungary (included the full Hungarian banking tax of EUR 47.9 million for 2014).

Taxes on income rose to EUR 335.6 million mainly due to a negative change in deferred taxes (net) in the amount of EUR 164.2 million. The net result attributable to owners of the parent amounted to EUR -929.7 million (EUR 302.2 million), tax expenses accounted for EUR 489.7 million thereof.

Total IFRS-capital declined to EUR 14.1 billion (EUR 14.8 billion). Common equity tier 1 capital (CET 1, phased-in) increased to EUR 11.5 billion versus EUR 11.2 billion (Basel 2.5). Risk-weighted assets (phased-in) were unchanged at EUR 98.0 billion (EUR

97.9 billion). The common equity tier 1 ratio (CET 1, phased-in) improved to 11.7% versus 11.4% (Basel 2.5). The total capital ratio (Basel 3, phased-in) rose to 16.5% versus 16.3% (Basel 2.5).

Total assets amounted to EUR 198.4 billion (EUR 200.1 billion). Loans and advances to customers (net) were stable at EUR 120.0 billion (EUR 119.9 billion). The loan-to-deposit ratio stood at 99.8% (98.0%).

## Outlook

Erste Group confirms its guidance of 3 July 2014 for 2014 and 2015 as follows:

\* For the geographic segment Romania: a full normalisation of risk costs at 100-150 bps of average gross customer loans starting in 2015, accompanied by an accelerated NPL reduction (down about EUR 800 million or 25%, compared to year-end 2013) already in 2014; a significant rise in the NPL coverage ratio; a lower, but sustainable operating result due to a lower unwinding impact on net interest income;

\* For the geographic segment Hungary: a gradual normalisation of risk costs to 150-200 bps (by 2016) of average gross customer loans based on the assumption that all government actions will be completed in 2014; a lower, but sustainable operating result due to lower net interest income;

\* For Erste Group (consolidated):

\* A group operating result, which - despite stable underlying group operating trends - will be pushed slightly below guidance in 2014 due to

weaker operating results in Romania and Hungary;

\* Risk costs of EUR 2.1-2.4 billion depending on booking of Hungarian consumer loan law impact in risk provisions or other operating result;

\* A net loss for 2014 of EUR 1.4-1.6 billion;

\* A CET 1-ratio (fully loaded, based on current definitions) of about 10.0% at year-end;

\* Strongly improved post-provision result and net profit (ROTE: 8-10%) in 2015, despite still disproportionate banking levies.

Presentation of results via audio webcast and telephone conference for analysts

Date Thursday 31 July 2014

Time 9:00 Vienna / 8:00 London / 3:00 New York

The presentation will be held in English.

Audio webcast <http://www.erstegroup.com/investorrelations><http://www.erstegroup.com/investorrelations>

Dial-in for analysts

UK: +44 (0) 20 3427 1910

US: +1 877 280 2296

Confirmation Code 9166232

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emitter: Erste Group Bank AG  
Milchgasse 1  
1010 Wien  
Austria

contact person: Thomas Sommerauer/ Simone Pilz

phone: + 43 (0)5 0100 - 17741

e-mail: [investor.relations@erstegroup.com](mailto:investor.relations@erstegroup.com)

website: [www.erstegroup.com](http://www.erstegroup.com)

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