

Erste Group: Strong increase in operating result in 2008 - Financial crisis impacts net profit

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Highlights :

- Clear improvement of operating result: 19.3% increase compared to 2007 to EUR 2,997 million highlights the strength and sustainability of the Group's retail business model, especially in difficult times. General administrative expenses increased by only 9.9% to EUR 4,001.9 million from EUR 3,642.1 million.
- Insurance sale covers write-down of goodwill: Net profit after minorities for 2008 reached EUR 859.6 million following the assignment of the proceeds from the sale of the insurance business (EUR 601.8 million) to the full write-down of intangibles of the Ukrainian and Serbian operations (EUR 86.8 million) and the partial write-down of goodwill in Romania (EUR 480.0 million).
- Despite a deteriorating economic environment in Central and Eastern Europe all of Erste Group's CEE subsidiaries (excluding the start-up in Ukraine) were highly profitable in 2008 and reported substantial increases in their local results. The contribution to Group operating result from the Retail & SME segment in CEE increased by 49.0%.
- The increase in risk costs to EUR 1,071.4 million is also driven by a proactive response to the deteriorating economic environment. More than half of the EUR 616.7 million increase results from increases in the Austrian savings banks segment (EUR 180 million) and the Group Large Corporate segment (EUR 150 million – including the EUR 66 million risk provisions for the exposure to defaulted Icelandic banks) both of which reported very low risk provisions in 2007.
- The very negative performance of the financial markets in December is also reflected in the negative EUR 570.5 million total result from financial assets for the full year 2008. This includes a write-down of EUR 221.5 million for the exposure to defaulted Icelandic banks - which has been largely written-off - as well as negative revaluations from the ABS/CDO portfolio of EUR 158.4 million. Erste Group continues to have no impairments in its ABS/CDO portfolio.
- Further strengthening of capital: reported tier 1 ratio reached 7.2% at YE 2008 (2007: 7.0%). Following today's signing of an agreement with the Austrian government, already announced in October 2008, Erste Group will issue EUR 2.7 billion of non-dilutive, non-voting, non-cumulative tier 1 capital. On a pro-forma basis tier 1 ratio based on credit risk would have been 9.8% at year end 2008.
- The management board of Erste Group will propose a dividend of EUR 0.65 per share for the year 2008 to the Annual General Meeting in May (2007: EUR 0.75).



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“Our operating as well as our net profit, clearly demonstrates the real strength of the retail banking model, even in difficult economic times. This strength is also based on the fact that, over the past ten years, we have been able to expand our customer base to more than 17 million, and thereby secure very solid revenue flows. Furthermore, we have invested in the real economy, which will continue to exist during and after the crisis”, explained Andreas Treichl, CEO of Erste Group Bank AG at the presentation of the full year results for 2008. “All of our central European subsidiaries (with the exception of our Ukrainian start-up) are profitable, and even in 2008 have been able to increase their local results. As a retail bank

we are much more influenced by the region's micro- than macro-economic issues, and, thanks to our extensive client base, we believe that we can better understand and manage these factors", continued Treichl, concluding: "even if, as a result of the rapidly deteriorating environment, we expect an increase in risk costs, the earnings strength of a broad-based retail bank should not be underestimated."



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