

Erste Group – solid capitalisation confirmed by stress test results

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- Calculated Tier 1 ratio (total risk) of 8.0% in 2011 in worst case scenario (including additional sovereign risk) compared to 9.2% at year-end 2009

Erste Group Bank AG has been part of the 2010 EU-wide stress testing exercise coordinated by the Committee of European Banking Supervisors (CEBS), in cooperation with the European Central Bank, and the Austrian National Bank. This stress test complements the regular stress testing programmes conducted by Erste Group and the Austrian National Bank in order to assess the potential impact of negative economic developments on the bank's capital adequacy.

The present exercise was conducted based on scenarios, methodology and key assumptions provided by CEBS (aggregate report published on the CEBS website). These assumptions have been adjusted by the Austrian National Bank to better reflect the particular situation in the eastern part of the European Union. This modification resulted in a more conservative approach compared to the proposed CEBS parameters. As a consequence, the estimated Tier 1 ratio calculated according to CEBS parameters would have been significantly higher than in the scenario used by Erste Group.

As a result of the assumed shock under the adverse scenario, the calculated consolidated Tier 1 ratio would change to 8.1% in 2011, compared to 9.2% as of end-2009. An additional sovereign risk scenario would have a further impact of 0.1 percentage points on the estimated Tier 1 ratio, bringing it to 8.0% at the end of 2011, compared with the regulatory minimum of 4%.

"We are very pleased with the results of the stress test," commented Andreas Treichl, CEO of Erste Group, "particularly as the parameters used by the Austrian banks have been more stringent compared to the CEBS guidelines. With an calculated Tier 1 ratio of 8.0% in 2011 in the worst case scenario, our bank has passed the tests with a capital buffer of EUR 2,822m, comfortably above the minimum requirement of 6% which has been defined as the threshold solely for the purpose of this exercise. This was of particular importance for Erste Group as our Tier 1 ratio of 9.2% at year-end of 2009 was not the highest in a European context. Whereas we have in principle no problem with rankings, it should be noted, that in general retail banks with a substantially higher percentage of risk weighted assets than other financial institutions tend to have lower capital ratios which in our view does by no means point to a riskier business model. It is a simple fact, that at present, loans to the SME segment require up to 10 times more capital than any sovereign exposures within the European Union. Catering to the retail and SME segment in the eastern part of the European Union remains at the very core of Erste Group's retail banking strategy."

[Detailed Results \[pdf; 56.3 KB\]](#)

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