ERSTE Group

Erste Group posts net profit of EUR 61.0 million in 2013 and improves capital ratios

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HIGHLIGHTS

Net interest income declined to **EUR 4,858.1 million** in 2013 (2012: EUR 5,235.3 million), which was mainly due to subdued credit demand and the low-interest-rate environment. On the back of higher income from securities business **net fee and commission income** rose from EUR 1,720.8 million in 2012 to **EUR 1,810.0 million** and the **net trading result** from EUR 273.4 million to **EUR 293.2 million**.

Operating income amounted to **EUR 6,961.3 million** (-3.7% versus 2012: EUR 7,229.5 million). **General administrative expenses** declined due to strict cost management by 2.7% from EUR 3,756.7 million to **EUR 3,653.5 million** in 2013. This led to an **operating result** of **EUR 3,307.9 million** (-4.7% versus 2012: EUR 3,472.8 million) and an almost unchanged **cost/income ratio** of **52.5**% (2012: 52.0%).

Risk costs showed a positive trend and declined by 10.9% to **EUR 1,763.4 million** or **136 basis points** of average customer loans (2012: EUR 1,980.0 million or 148 basis points), mainly due to the substantial decline of risk costs in Romania. The **NPL ratio** was stable in the second half of the year despite decreasing gross customer loans and stood at **9.6%** as of 31 December 2013 (year-end 2012: 9.2%). The **NPL coverage ratio** improved to **63.1%** (year-end 2012: 62.6%).

Other operating result amounted to **EUR -1,081.9 million** (2012: EUR -724.3 million). The decline by EUR 357.6 million was largely due to the non-recurrence of a positive one-off effect in the amount of EUR 413.2 million from the buyback of tier 1 and tier 2 instruments in 2012. Negative influences in 2013 came from the sale of the Ukrainian subsidiary (EUR 76.6 million) and a goodwill write-down in a total amount of EUR 383.0 million, including EUR 283.2 million in Romania and EUR 52.2 million in Croatia. Banking and financial transaction taxes levied in Austria, Hungary and Slovakia had an additional negative impact of EUR 311.0 million (2012: EUR 244.0 million).

A significant increase in the tax rate due to the relatively lower recognition of deferred tax assets in the Austrian tax group in 2013 had an additional negative impact on net profit. Erste Group posted a **net profit after minorities** of **EUR 61.0 million**. The management board will propose to the annual general meeting to pay a dividend of EUR 0.2 per share for the financial year 2013 and the pro rata participation capital dividend.

The capital increase of EUR 660.6 million and the full redemption of the participation capital of EUR 1.76 billion had an impact on **shareholders' equity**, which at year-end 2013 stood at **EUR 11.3 billion (**year-end 2012: EUR 12.9 billion). **Core tier 1 capital** amounted to **EUR 11.2 billion** (year-end 2012: EUR 11.8 billion). The decline in **risk-weighted assets** by 7.1% to **EUR 97.9 billion** as of 31 December 2013 (year-end 2012: EUR 105.3 billion) mainly resulted from the deconsolidation of Ukraine, lower credit exposure and foreign exchange effects. The **core tier 1 ratio** (total risk; Basel 2.5) improved to **11.4%** (year-end 2012: 11.2%), the **common equity tier 1 ratio** (CET1, Basel 3, fully loaded) stood at **10.8%**.

Total assets amounted to **EUR 199.9 billion** as of 31 December 2013. The decline by 6.5% versus year-end 2012 was related to reductions in trading assets and derivatives (-23.0%), financial assets (-7.6%) and gross customer loans (-3.2%). Customer deposits were stable. The **loan-to-deposit ratio** improved to **104.3%** as of 31 December 2013 (year-end 2012: 107.2%).

“In 2013, the economic development of Central and Eastern Europe exceeded the expectations of many sceptics. While this had a positive impact on Erste Group’s risk costs, especially in Romania, it did not translate into a noticeable recovery of loan demand,” said Andreas Treichl, CEO of Erste Group Bank AG, when presenting the preliminary results for the financial year 2013. “The net profit of EUR 61 million should be seen against the backdrop of the significant increase in taxes on income versus the previous year as well as adverse extraordinary impacts – banking and transaction taxes in Austria, Hungary and Slovakia, goodwill write-downs and costs for the Ukraine exit – totalling almost EUR 770 million,” Treichl continued. "After a successful capital increase, in 2013, we were the first Austrian bank to repay the entire participation capital that had been provided by the Austrian government and private investors, and closed the year with a solid capital buffer. We will therefore propose to the annual general meeting to pay a dividend of EUR 0.2 per share,” Treichl concluded.

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