

07 August 2015

Erste Bank – 2Q15 Results Comment

Solid Capital Generation, Risk Costs Guidance Improved

Banks	CURRENT PRICE	28.0 EUR	BUY CURRENT RATING
CEE REGION /CZECH REPUBLIC	TARGET PRICE	Under Review	

Bloomberg	EBS AV
Reuters	ERST VI
www.erstegroup.com	
Market Cap	EUR 11,955m
Shares outst.	429.8m
Free float	75 %
Next corporate event	
Results 2Q15: 07 August 2015	
Performance	1M 3M 12M
Absolute	+11% +11% +46%

2Q15 Results Comment

Erste posted solid set of 2Q15 figs, particularly strong on risk costs side. **Net income of EUR 261mn beats consensus by 9.7%. The beat comes on risk costs that dropped 56% y/y and -23% vs cons** due to a substantial decline in Romania and positive trend in all Austrian segments. **The bank improved its FY15 guidance for provisioning as it now anticipates risk costs to decline to EUR 0.9-1.1bn vis a vis consensus of EUR 1.11bn.**

There was no significant surprise on the top line. Net interest income slightly declined y/y due to still low interest rate environment and expected developments in Romania and Hungary (mainly FX conversion related effect of lower average volume). The bank maintained its guidance for mid-single digit decline in operating result.

Other operating result amounted to EUR -47.1mn EUR vs. EUR -1.0bn a year ago. The significant positive change was attributable to the non-recurrence of high negative one-off effects in 2Q14.

Erste's fully loaded CET 1 reached 11.3% versus 10.2% in 1Q and 40 bps above our estimate due to strong profitability and the cease of temporary effects in 1Q15. The bank confirmed its outlook for ROTE at 8-10% in 2015.

Overall we find 2Q15 results as positive for Erste. We confirm our BUY rating and put our TP under review mode. Erste remain our preferred bank stock within the CEE region.

Erste Bank - 2Q15 results

EUR mln.	2Q14A	2Q15A	2Q15E Cons.	y/y	act/cons
Net interest income	1 120	1 113	1 095	-0,6%	1,7%
Net commission income	455	456	463	0,3%	-1,5%
Other oper. result	157	141	119	-10,4%	18,3%
Operating income	1 731	1 710	1 683	-1,2%	1,7%
Operating expenses	(933)	(949)	(941)	1,7%	0,8%
Operating result	798	762	743	-4,6%	2,5%
Risk provisions	(432)	(191)	(247)	-55,8%	-22,7%
Pre-tax profit	(781)	549	435	N/A	26,3%
Net profit	(1 033)	261	238	N/A	9,7%

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The company disclosures can be consulted on our website <http://www.patria.cz/stocks/research/recommendation.html>

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