

4 August 2016

Erste Bank – 2Q16 Preview

Key metrics already out, focus on NII, loans, CET 1

Banks	CURRENT PRICE	23.1 EUR	ACCUMULATE
CEE REGION /CZECH REPUBLIC	TARGET PRICE	26.5EUR	

Bloomberg	EBS AV
Reuters	ERST VI
www.erstegroup.com	
Market Cap	EUR 9.9bn
Shares outst.	429.8m
Free float	75 %
Next corporate event	
Results 2Q16: 5 August 2016	

2Q16 Results Preview

Erste will release full set of its 2Q16 results on August 5 at around 7:30 am CET. Three weeks ago, the company announced that it expects to report **2Q16 net profit of about EUR 560mn**. Company also mentioned that **2Q16 performance was primarily driven by releases of risk provisions in the amount of about EUR 30mn** (mainly in Hungary and Romania and declining risk costs in all other geographies) and **one-off gain from the VISA sale** in the pre-tax amount of about EUR 139mn.

Apart of that, **Erste revised upward its outlook for 2016** net profit to ROTE>12% (from 10-11% previously).

As company already announced preliminary net profit and indicated other important metrics (cost of risks etc), investors will likely look primarily at the NII development trends (we expect 0.8% y/y decline), loan growth (we expect 3% y/y growth), development of bad loan provisions and Basel 3 CET1 capital ratio in tomorrow's reading.

Erste – 2Q16 Preview

EUR mn	2Q16 E	2Q15 A	y/y
Net interest income	1 105	1 113	-0.8%
Net fees & commissions	436	456	-4.5%
Other operating income	265	141	88.9%
Total operating income	1 806	1 710	5.6%
Operating costs	-941	-949	-0.8%
Risk provisions	-141	-191	-26.0%
Net profit	561	261	114.6%

Source: Patria Research, Bloomberg,

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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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DCF and DDM: the advantage of these methods is that future financial results are calculated; their disadvantage is that such forecast of future financial results is affected by the analyst's own judgment.

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Company	Conflicts of Interest
Erste bank	1, 2

Summary of price targets in the past 12 months:

Financials	Recommendation
Erste Bank	14.3.16 (Accum; EUR 26.5), 21.9.15 (Buy; EUR 30), 30.4.15 (Buy; EUR 28), 26.1.15 (Buy; EUR 24), 4.11.14 (Accum; EUR 22.5)
Komerční Banka	14.3.16 (Buy; CZK 5 700), 23.11.15 (Buy, CZK 5 850), 30.4.15 (Hold; CZK 5 600), 19.1.15 (Accum; CZK 5 200), 7.11.14 (Accum; CZK 5 100)
Vienna Insurance Group	22.10.15 (U/R), 19.9.14 (Hold; EUR 39.5), 19.8.13 (Accum; EUR 42.5), 28.1.13 (Hold; EUR 37.5), 7.12.12 (Hold; EUR 40)
Moneta	6.5.16 (Buy, CZK 83)
PKO Bank Polski	14.3.16 (Hold; EUR 27)
Bank Pekao	14.3.16 (Reduce; PLN 150)
Telecoms	Recommendation
O2CR	28.7.16 (Buy, CZK 265), 23.2.16 (Buy; CZK 301), 22.10.15 (U/R), 17.10.14 (Reduce; CZK 230), 1.8.14 (Hold; CZK 265), 16.6.14 (Sell; CZK 265)
Magyar Telekom	19.4.16 (Accum; HUF 510), 16.3.16 (Accum; HUF 494)
Orange Polska	27.7.16 (Accumulate; PLN 6.2), 5.5.16 (Hold; PLN 6.0), 23.3.16 (Sell; PLN 6.0)
Cyfrowy Polsat	15.4.16 (Hold; PLN 25.2)
Utilities	Recommendation
CEZ	15.3.16 (U/R), 15.10.15 (Accum; CZK 555), 10.4.14 (Hold; CZK 625), 23.3.14 (Hold; CZK 600), 12.2.14 (Hold; CZK 600)
Oil & Gas	Recommendation
Unipetrol	12.1.16 (U/R), 18.5.15 (Hold; CZK 145), 1.7.14 (Hold; CZK 130), 13.3.14 (Sell; CZK 130), 13.6.13 (Sell; CZK 142)
Consumer Staples	Recommendation
Philip Morris	13.10.15 (Hold; CZK 11 850), 17.2.15 (Accum; CZK 11 000), 17.10.14 (Buy; CZK 11 000), 19.9.14 (Accum; CZK 11 000), 11.9.13 (Hold; CZK 11 000)
Pegas Nonwovens	9.2.16 (Accum; CZK 800), 30.9.15 (Suspended), 15.5.15 (Accum; CZK 800), 14.3.14 (Accum; CZK 664), 20.1.14 (Hold; CZK 560)
Consumer Cyclical	Recommendation
CETV	19.11.13 (Sell; USD 1.9), 1.11.13 (Sell; USD 1.9), 3.5.13 (Sell; USD 3.1), 8.3.13 (Sell; USD 4.6), 1.12.12 (Sell; USD 5.3)