

# Erste Bank

Banking

26 Nov 2013



Austria / CEE

## COMPANY DESCRIPTION

Erste Bank is the second largest commercial bank in Austria. The Group was founded in 1819 as the first Austrian savings bank. In 1997, Erste Group went public with a strategy to expand its retail business into Central and Eastern Europe (CEE). Since then Erste Group's customer base has grown through numerous acquisitions and organic growth from 600,000 to around 16.4 million. With 2,900 branches and 46,000 employees, Erste Group is today one of the largest financial services providers in the Eastern part of EU in terms of clients and total assets. It is the largest retail bank in the Czech Republic, Slovakia and Romania and is among the TOP5 players in number of other countries such as Hungary, or Croatia, for example.

**Main Shareholders:** Erste Stiftung (20.1%)  
Caixa Bank (9.9%)

## INCOME STATEMENT

EUR mil	2008	2009	2010	2011	2012
Interest Income	11,945	10,272	8,795	9,351	8,795
Interest Cost	7,053	5,064	3,403	3,790	3,576
<b>Net Interest Income</b>	<b>4,913</b>	<b>5,221</b>	<b>5,439</b>	<b>5,569</b>	<b>5,235</b>
Net Fee Income	1,971	1,773	1,843	1,787	1,721
Other Income	115	585	322	122	273
<b>Total Revenues</b>	<b>6,999</b>	<b>7,579</b>	<b>7,604</b>	<b>7,479</b>	<b>7,229</b>
Staff Cost	2,314	2,228	2,264	2,324	2,284
Depreciation	375	378	387	375	367
Other Cost	1,313	1,202	1,166	1,152	1,105
<b>Operating Cost</b>	<b>4,002</b>	<b>3,807</b>	<b>3,817</b>	<b>3,851</b>	<b>3,756</b>
<b>Operating Profit</b>	<b>2,997</b>	<b>3,771</b>	<b>3,628</b>	<b>3,628</b>	<b>3,473</b>
Provisions	1,071	2,057	2,021	2,267	1,980
Extra and Other Cost	1,349	454	442	1,683	692
<b>Pre-Tax Profit</b>	<b>576</b>	<b>1,261</b>	<b>1,324</b>	<b>-322</b>	<b>801</b>
Tax	177	285	281	240	170
Minorities	106	73	165	156	148
<b>Net Profit</b>	<b>860</b>	<b>903</b>	<b>879</b>	<b>-719</b>	<b>484</b>
Dividends	206	246	265	0	158

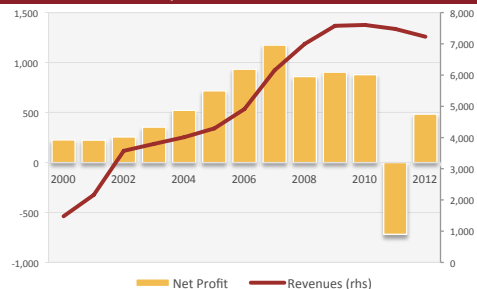
## Growth Rates

Revenues	13.7%	8.3%	0.3%	-1.6%	-3.3%
Operating Profit	19.3%	25.8%	0.4%	-4.2%	-4.3%
Net Profit	-26.8%	5.1%	-2.7%	-181.8%	-167.3%

## RATIOS & OTHER

	2008	2009	2010	2011	2012
ROE	7.6%	6.6%	5.4%	-4.5%	3.1%
ROA	0.4%	0.4%	0.4%	-0.3%	0.2%
Net Interest Margin	2.4%	2.6%	2.7%	2.7%	2.5%
Costs (As % Of Assets)	2.0%	1.9%	1.9%	1.9%	1.8%
Costs (As % Of Income)	57.2%	50.2%	50.2%	51.5%	52.0%
NPLs (As % Of Loans)	5.0%	6.6%	7.9%	9.2%	8.5%
Provisions (As % Of NPLs)	59.6%	58.0%	60.1%	62.6%	61.0%
Equity (As % Of Assets)	5.5%	8.0%	8.0%	7.2%	7.6%
Loans (As % Of Deposits)	112.0%	110.8%	107.9%	107.4%	101.0%

## REVENUES & PROFIT, EUR mil



## BALANCE SHEET

EUR mil	2008	2009	2010	2011	2012
Cash	7,556	5,996	5,839	9,413	9,740
Interbank Loans	14,344	13,140	12,496	7,578	9,074
<b>Customer Loans</b>	<b>122,402</b>	<b>124,180</b>	<b>126,215</b>	<b>127,723</b>	<b>124,284</b>
Debt Securities	41,770	42,884	48,465	54,939	60,576
Fixed Assets	7,191	7,211	7,121	5,893	5,122
<b>Total Assets</b>	<b>201,441</b>	<b>201,710</b>	<b>205,770</b>	<b>210,006</b>	<b>213,824</b>
<b>Shareholders' Equity</b>	<b>11,095</b>	<b>16,123</b>	<b>16,558</b>	<b>15,180</b>	<b>16,339</b>
Of Which Minority Interest	3,016	3,414	3,444	3,143	3,483
<b>Liabilities</b>	<b>190,346</b>	<b>185,587</b>	<b>189,212</b>	<b>194,826</b>	<b>197,485</b>
Interbank Borrowing	34,672	26,295	20,154	23,785	21,822
<b>Customer Deposits</b>	<b>109,305</b>	<b>112,042</b>	<b>117,016</b>	<b>118,880</b>	<b>123,053</b>
Issued Debt Securities	33,002	32,769	39,913	41,570	42,007
Other Liabilities	13,367	14,481	12,129	10,591	10,604
Employees	52,648	51,799	50,386	50,167	49,537
Non-Performing Loans	6,345	8,537	10,486	12,098	11,388
Loan Provisions	3,783	4,954	6,305	7,574	6,942

Loans	10.6%	1.5%	1.6%	1.2%	-2.7%
Deposits	9.2%	2.5%	4.4%	1.6%	3.5%
Assets	0.5%	0.1%	2.0%	2.1%	1.8%

	2008	2009	2010	2011	2012
Capital Adequacy Ratio	9.8%	12.7%	13.5%	14.4%	15.5%
Payout Ratio	24.0%	27.2%	30.2%	0.0%	32.7%
Market Share in Loans	20.3%	19.4%	18.1%	16.1%	15.5%
Market Share in Deposits	21.8%	19.7%	18.8%	16.9%	17.0%
Shares Outstanding (Average)	313.2	322.2	374.7	377.7	393.8
Share Price, Year-End EUR	16.2	26.1	35.1	13.6	24.0
Market Capitalisation (USD mil)	7,063	12,036	17,567	6,648	12,483
P/E	5.9	9.3	15.1	-7.1	19.6
P/BV	0.46	0.57	0.77	0.33	0.55

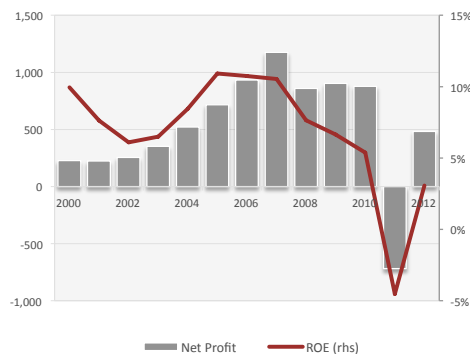
Source: Company data, Helgi Analytics calculation, Valuation multiples are based on year-end share price



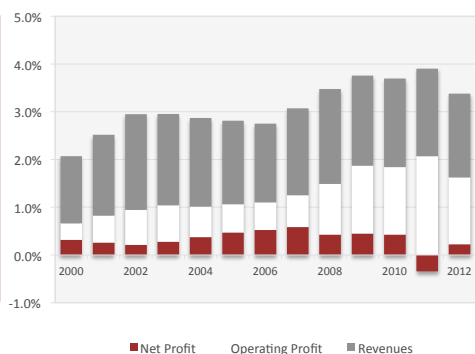
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## Financials

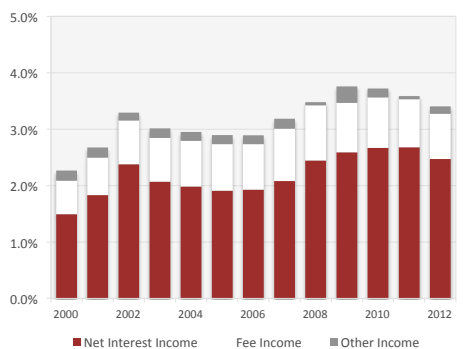
### PROFITABILITY (EUR mil)



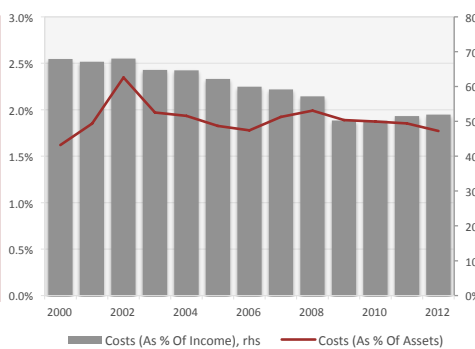
### RETURN ON ASSETS



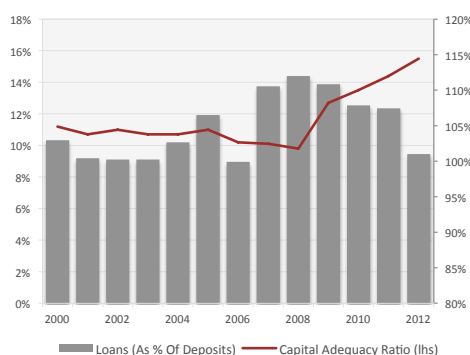
### REVENUE BREAKDOWN (AS OF ASSETS)



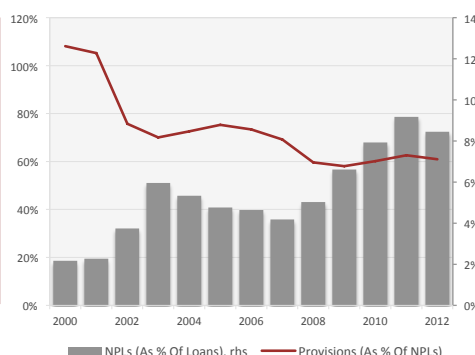
### COST EFFICIENCY



### LIQUIDITY & CAPITALIZATION



### ASSET QUALITY



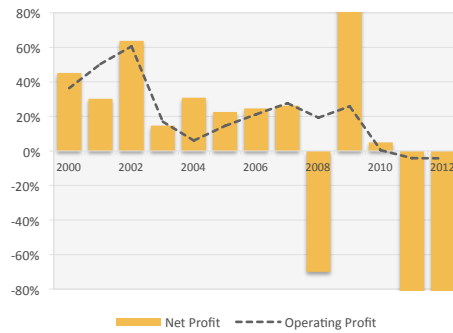
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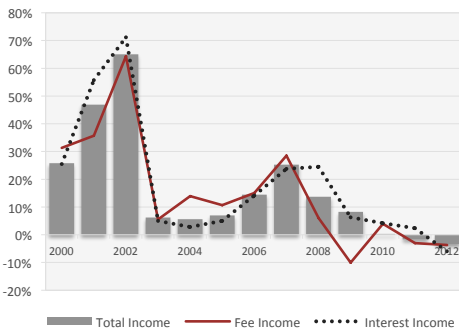
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## Momentum

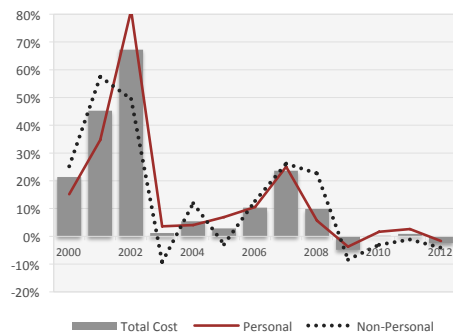
### PROFIT GROWTH



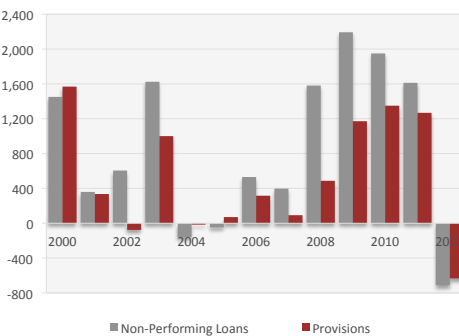
### SALES GROWTH



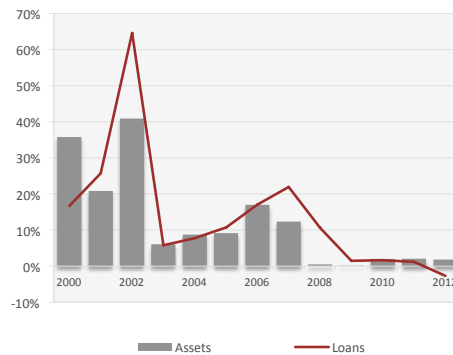
### COST GROWTH



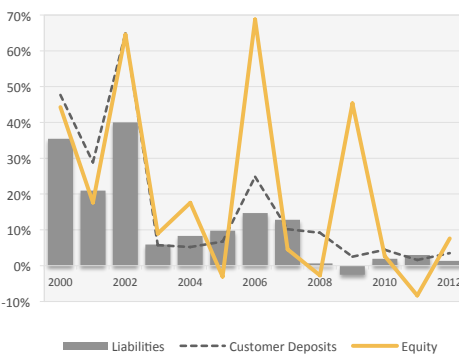
### INCREASE IN NON-PERFORMING LOANS (EUR mil)



### ASSET GROWTH



### EQUITY & LIABILITIES GROWTH



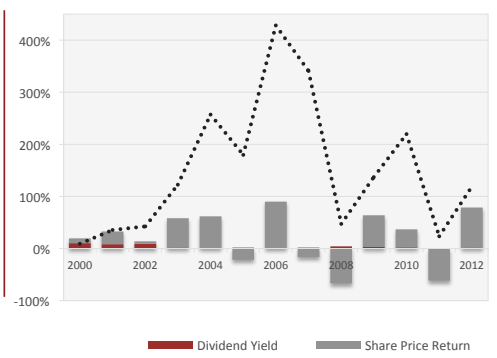
Source: Company data, Helgi Analytics calculation, Valuation multiples are based on year-end share price

## Valuation

### MARKET CAPITALISATION & SHARE PRICE



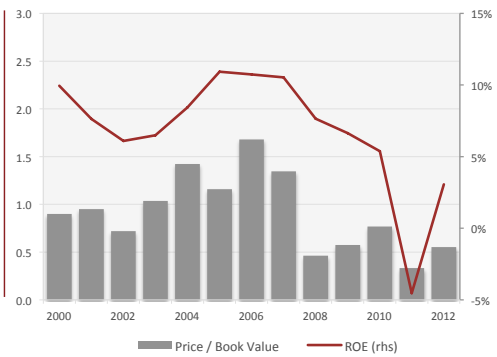
### TOTAL RETURN FROM HOLDING COMPANY SHARES



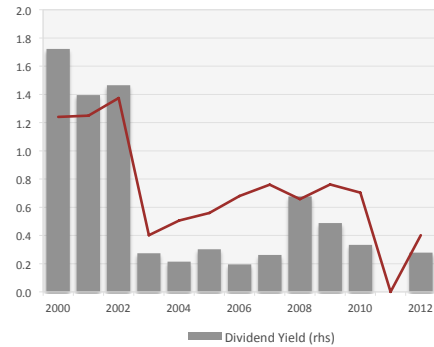
### PRICE TO EARNINGS & OPERATING PROFIT



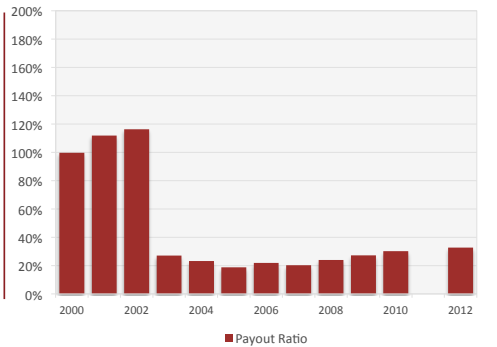
### PRICE TO BOOK VALUE



### DIVIDEND PER SHARE & DIVIDEND YIELD



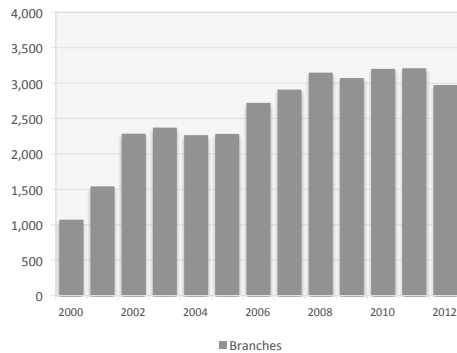
### DIVIDEND PAYOUT



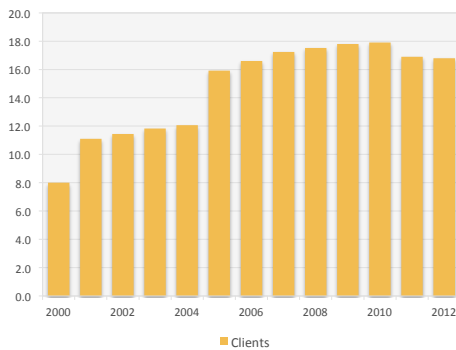
Source: Company data, Helgi Analytics calculation, Valuation multiples are based on year-end share price

## Business Specifics

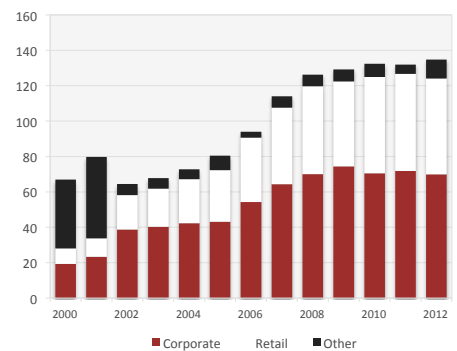
BRANCH NETWORK



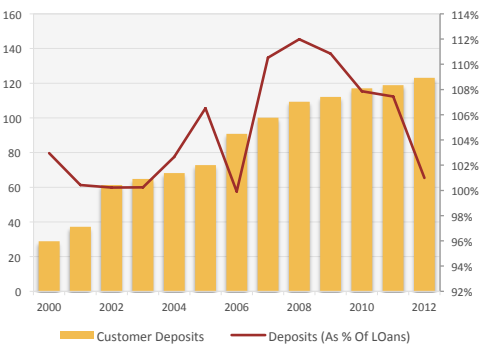
CLIENTS (mil)



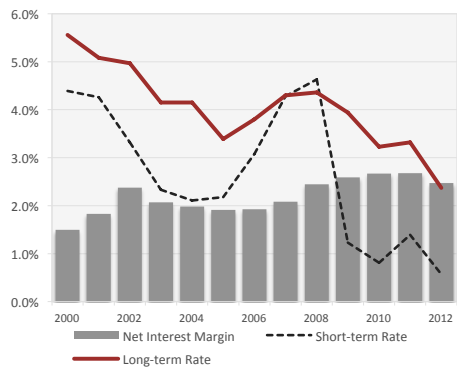
LOAN BOOK (EUR bil)



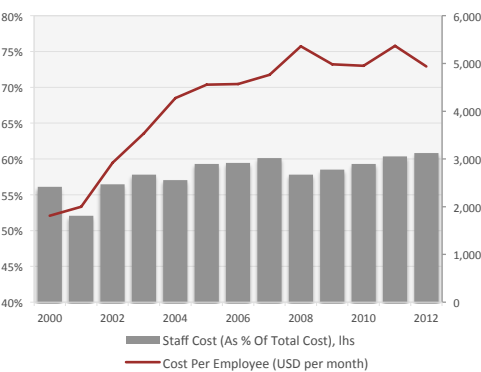
DEPOSIT STRUCTURE (EUR bil)



INTEREST RATES & NET INTEREST MARGIN



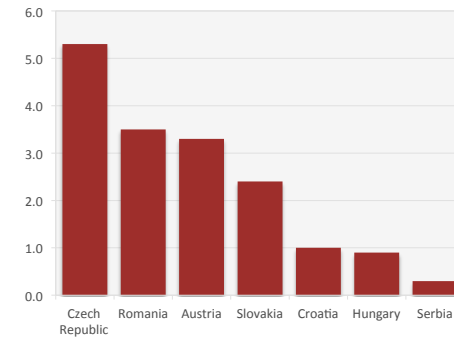
STAFF COSTS



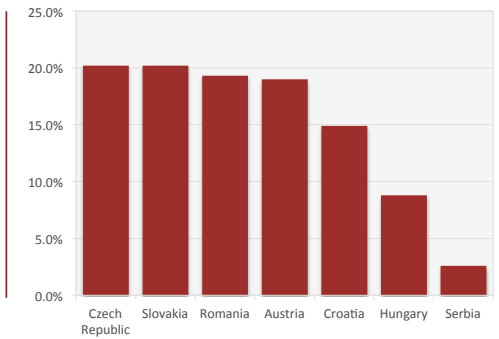
Source: Company data, Helgi Analytics calculation, Valuation multiples are based on year-end share price

## Market Share

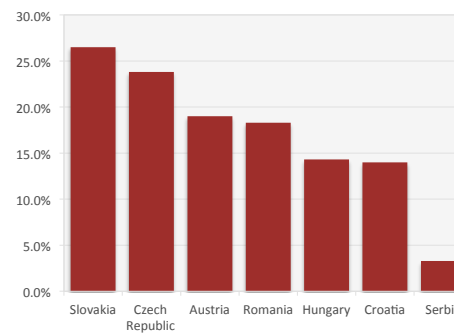
TOTAL CLIENTS (mil)



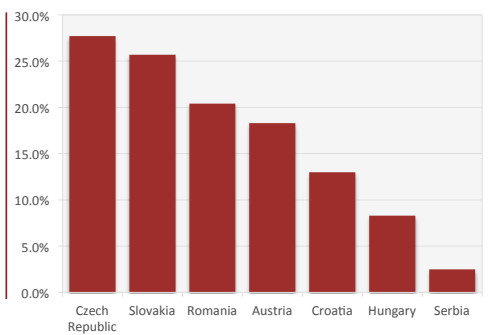
TOTAL ASSETS



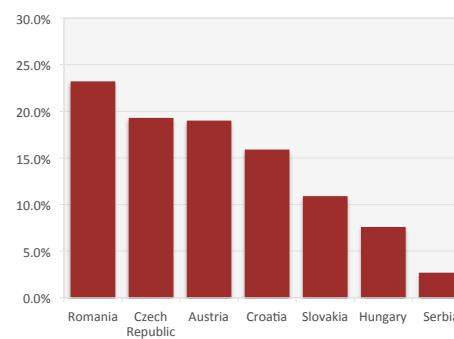
RETAIL LOANS



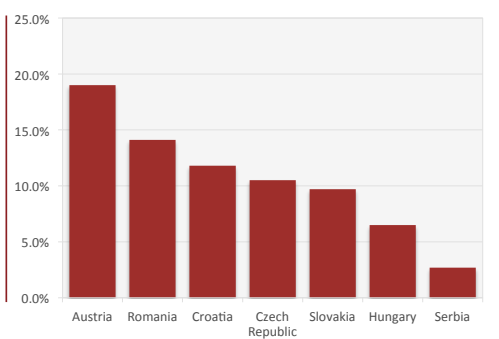
RETAIL DEPOSITS



CORPORATE LOANS



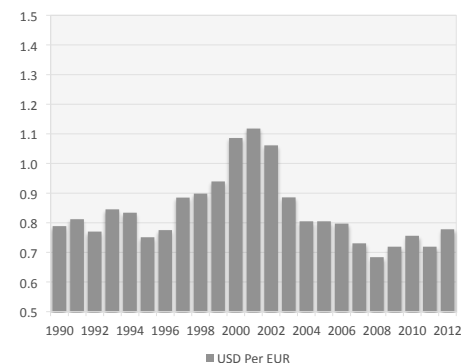
CORPORATE DEPOSITS



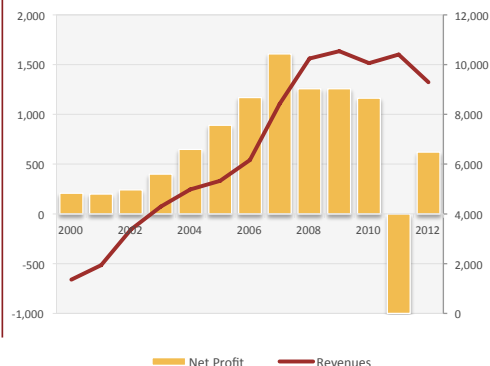
Source: Company data, Helgi Analytics calculation, Valuation multiples are based on year-end share price

## Financials (USD)

### FX RATES (Annual Average)



### REVENUES & PROFIT (USD mil)



### INCOME STATEMENT

USD mil	2008	2009	2010	2011	2012
Interest Income	14,287	11,635	13,005	11,303	11,303
Interest Cost		7,043	4,503	5,270	4,596
<b>Net Interest Income</b>	<b>7,188</b>	<b>7,262</b>	<b>7,196</b>	<b>7,745</b>	<b>6,728</b>
Net Fee Income	2,884	2,466	2,438	2,486	2,211
Other Income	168	814	426	170	351
<b>Total Revenues</b>	<b>10,240</b>	<b>10,541</b>	<b>10,059</b>	<b>10,401</b>	<b>9,290</b>
Staff Cost	3,385	3,098	2,995	3,232	2,935
Depreciation	549	525	512	521	471
Other Cost	1,921	1,672	1,542	1,603	1,421
<b>Operating Cost</b>	<b>5,855</b>	<b>5,296</b>	<b>5,049</b>	<b>5,356</b>	<b>4,827</b>
<b>Operating Profit</b>	<b>4,385</b>	<b>5,246</b>	<b>5,010</b>	<b>5,045</b>	<b>4,463</b>
Provisions	1,568	2,860	2,674	3,153	2,545
Extra and Other Cost	1,974	631	584	2,341	889
<b>Pre-Tax Profit</b>	<b>843</b>	<b>1,754</b>	<b>1,752</b>	<b>-448</b>	<b>1,030</b>
Tax	259	396	372	334	219
Minorities	155	102	218	217	190
<b>Net Profit</b>	<b>1,258</b>	<b>1,257</b>	<b>1,162</b>	<b>-1,000</b>	<b>621</b>
Dividends	301	342	351	0	203

### BALANCE SHEET

USD mil	2008	2009	2010	2011	2012
Cash	10,517	8,593	7,748	12,201	12,854
Interbank Loans	19,965	18,832	16,581	9,822	11,974
<b>Customer Loans</b>	<b>170,371</b>	<b>177,975</b>	<b>167,475</b>	<b>165,552</b>	<b>164,006</b>
Debt Securities	58,140	61,461	64,308	71,211	79,936
Fixed Assets	10,009	10,335	9,449	7,638	6,759
<b>Total Assets</b>	<b>280,386</b>	<b>289,091</b>	<b>273,036</b>	<b>272,205</b>	<b>282,164</b>
<b>Shareholders' Equity</b>	<b>15,443</b>	<b>23,107</b>	<b>21,971</b>	<b>19,676</b>	<b>21,560</b>
Of Which Minority Interest	4,198	4,893	4,570	4,074	4,596
<b>Liabilities</b>	<b>264,943</b>	<b>265,983</b>	<b>251,065</b>	<b>252,529</b>	<b>260,604</b>
Interbank Borrowing	48,260	37,686	26,742	30,830	28,797
<b>Customer Deposits</b>	<b>152,142</b>	<b>160,579</b>	<b>155,269</b>	<b>154,089</b>	<b>162,382</b>
Issued Debt Securities	45,935	46,965	52,961	53,882	55,432
Other Liabilities	18,606	20,754	16,094	13,728	13,993
Employees	52,648	51,799	50,386	50,167	49,537
Non-Performing Loans	8,832	12,236	13,914	15,681	15,028
Loan Provisions	5,266	7,100	8,366	9,817	9,161

### Growth Rates (USD-denominated)

Revenues	21.6%	2.9%	-4.6%	3.4%	-10.7%
Operating Profit	27.5%	19.6%	-4.5%	0.7%	-11.5%
Net Profit	-21.8%	-0.1%	-7.5%	-186.0%	-162.1%

Loans	5.4%	4.5%	-5.9%	-1.1%	-0.9%
Deposits	4.1%	5.5%	-3.3%	-0.8%	5.4%
Assets	-4.2%	3.1%	-5.6%	-0.3%	3.7%

### RATIOS & OTHER

	2008	2009	2010	2011	2012
ROE	7.6%	6.6%	5.4%	-4.5%	3.1%
ROA	0.4%	0.4%	0.4%	-0.3%	0.2%
Net Interest Margin	2.4%	2.6%	2.7%	2.7%	2.5%
Costs (As % Of Assets)	2.0%	1.9%	1.9%	1.9%	1.8%
Costs (As % Of Income)	57.2%	50.2%	50.2%	51.5%	52.0%
NPLs (As % Of Loans)	5.0%	6.6%	7.9%	9.2%	8.5%
Provisions (As % Of NPLs)	59.6%	58.0%	60.1%	62.6%	61.0%
Equity (As % Of Assets)	5.5%	8.0%	8.0%	7.2%	7.6%
Loans (As % Of Deposits)	112.0%	110.8%	107.9%	107.4%	101.0%

	2008	2009	2010	2011	2012
Capital Adequacy Ratio	9.8%	12.7%	13.5%	14.4%	15.5%
Payout Ratio	24.0%	27.2%	30.2%	0.0%	32.7%
Market Share in Loans	20.3%	19.4%	18.1%	16.1%	15.5%
Market Share in Deposits	21.8%	19.7%	18.8%	16.9%	17.0%
Shares Outstanding (Average)	313.2	322.2	374.7	377.7	393.8
Share Price, Year-End EUR	16.2	26.1	35.1	13.6	24.0
Market Capitalisation (USD mil)	7,063	12,036	17,567	6,648	12,483
P/E	5.9	9.3	15.1	-7.1	19.6
P/BV	0.5	0.6	0.8	0.3	0.6

Source: Company data, Helgi Analytics calculation, Valuation multiples are based on year-end share price

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