

Vienna, 30 July 2010

Erste Group posts net profit of EUR 472 million in H1 2010 on higher operating income and lower costs

Highlights:

- Erste Group continued its strong start to FY 2010, posting a robust operating result of **EUR 1,991.4 million** in H1 2010, up 12.1% on H1 2009, and net profit of **EUR 471.9 million**, down 4.1% on H1 2009. The cost/income ratio improved to **48.8%**, from 52.5% in H1 2009.
- The operating result was driven by record operating income, which rose by 4.1% to EUR 3,889.8 million, and a decline in operating expenses, which fell by 3.2% to EUR 1,898.4 million. **Net interest income** grew by 7.2% to EUR 2,684.8 million on the back of an improving net interest margin, which rose to 3.04%, from 2.92% in H1 2009. **Net commission income** performed strongly, growing by 8.6% to EUR 965.0 million in H1 2010, due to increased fees from securities business and payment transfers. **Net trading result** declined by 30.0% to EUR 240.0 million compared to an exceptional H1 2009.
- **Risk costs** rose to **EUR 1,084.2 million or 167 basis points** of average customer loans (H1 09: EUR 892.1 million and 141 bps, respectively), albeit at a markedly slowing pace of 21.5% compared to the previous year.
- Following **strong deceleration in NPL growth** seen in the second half of 2009, new NPL formation in H1 2010 remained at this lower level. As a result, the **NPL ratio** in relation to customer loans reached 7.3%, following 5.9% at 30 June 2009. The **NPL coverage ratio improved significantly to 59.7%**, compared to 55.2% at 30 June 2009.
- **Net profit after minorities*** declined by 4.1%, from EUR 492.1 million to **EUR 471.9 million** in H1 2010, on the back of a weaker other operating result and increased net profit attributable to minorities. **Cash return on equity** decreased from 9.7% in FY 2009 to 7.5% as a result of the significantly enlarged capital base.
- **Total assets** increased by 3.7% year-to-date to EUR 209.1 billion. This was mainly due to rising interbank and financial asset volumes, driven by strong growth in customer deposits (+4.0% year-to-date to EUR 116.6 billion). The loan-to-deposit ratio was **112.4%** (year-end 2009: 115.3%).
- Erste Group's **shareholders' equity**** continued to improve in H1 2010, driven by rising quarterly earnings and a positive change in the AFS reserve. In H1 2010, Erste Group's equity therefore rose by EUR 0.2 billion to EUR 12.9 billion. Alongside stagnant loan volumes, risk-weighted assets declined from EUR 106.4 billion at year-end 2009 to at EUR 104.9 billion. Prior to the inclusion of retained earnings, this resulted in a **tier 1 ratio (credit risk)** of **11.2%**, compared to 10.8% at year-end 2009 and a **core tier 1 ratio (total risk)** of **8.6%**, up from 8.3% at year-end 2009.

* The term "net profit after minorities" corresponds to the term "net profit attributable to owners of the parent".

** The term "shareholders' equity" corresponds to the term "total equity attributable to owners of the parent".