

Erste Group demonstrates strength in the crisis – operating result increased by 26.6% in the first three quarters 2009 –

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net profit of 720.1 million reflects higher risk costs

Highlights:

- Erste Group posted record operating profit of EUR 2,776.9 million in the first three quarters of 2009. This is an improvement of 26.6% on the first three quarters of 2008. Operating income grew by 7.8% to EUR 5,657.2 million while operating expenses were down by 5.7% to EUR 2,880.3 million.
- Net interest income and net trading result were the major operating income drivers in the first three quarters of 2009. Net interest income grew by 7.5% to EUR 3,840.9 million on the back of moderate loan growth – customer loans advanced by 3.0% to EUR 130 billion year-to-date – and stable net interest margins across all geographies. The excellent net trading result was mainly due to a strong performance of the fixed income business (bond trading, money market business) as well as foreign exchange and equity trading.
- Risk costs rose to EUR 1,449.2 million (up 140.6% on the first three quarters of 2008) or 151 bps of average customer loans. This development was mainly driven by the retail & SME business in Romania, Hungary and Slovakia as well as the increase in the NPL coverage ratio in the third quarter of 2009 from 55.2% to 56.7%. The rise in the NPL ratio slowed down in the third quarter of 2009 with the NPL ratio (based on total exposure) equalling 3.8%, after 2.9% at year-end 2008 and 3.6% in June 2009. The NPL ratio based on customer loans stood at 6.3% (2008 year-end: 4.7%, H1 09: 5.9%).
- The balance of the other operating result and the results from all categories of financial assets improved from EUR -269.4 million to EUR -249.8 million in the first three quarters of 2009. While the other operating result deteriorated substantially, the results from all categories of financial assets improved. The main drivers were improving securities valuations in the fair value portfolio, while the AfS portfolio was impacted by securities writedowns at the savings banks.
- Net profit amounted to EUR 720.1 million in the first three quarters of 2009 after EUR 1.463.0 million in the previous year (adjusted for the proceeds from the sale of the insurance business EUR 861.7 million). On an adjusted basis net profit was therefore down by 16.4%.
- The tier 1 ratio (credit risk) improved to 8.6% at 30 September 2009 (2008 year-end: 7.2%). This trend was also supported by the issuance of participation capital – EUR 1.224 billion subscribed for by the Republic of Austria and EUR 540 million by private investors. Risk-weighted assets grew by 2.8% to EUR 107 billion at 30 September 2009 and were down compared to the end of June 2009, mainly as a result of RWA optimisation.

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