

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

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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.

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