

Erste Group posts net profit of EUR 737 million in the first three quarters of 2010 on strong operating income, strict cost control

[Back](#)

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Highlights:

- Erste Group sustained its strong performance of the previous quarters and posted an excellent operating result of EUR 3,028.4 million in the first three quarters of 2010, up 9.1% on the corresponding period of 2009. Net profit rose by 2.3% to EUR 736.8 million in the first nine months of 2010. The cost/income ratio improved to 48.7%, from 50.9% in the first three quarters of 2009.
- The operating result was driven by record operating income, which rose by 4.3% to EUR 5,900.1 million, and a decline in operating expenses, which fell by 0.3% to EUR 2,871.7 million. Net interest income grew by 6.1% to EUR 4,075.5 million on the back of an improving net interest margin, which rose to 3.08%, from 2.98% in the first three quarters of 2009. Net commission income performed strongly, growing by 9.7% to EUR 1,440.7 million in the first nine months of 2010, due to increased fees from securities business and payment transfers. The net trading result declined by 23.7% to EUR 383.9 million compared to an exceptional result in the first three quarters of 2009.
- Risk costs increased by 9.6% to EUR 1,588.4 million or 162 basis points of average customer loans (1-9 09: EUR 1,449.2 million and 152 bps, respectively), confirming the significant deceleration in the growth rate already seen in the previous quarters.
- Following strong deceleration in NPL growth seen in the second half of 2009, quarterly new NPL formation in the first nine months of 2010 remained at this lower level. As a result, the NPL ratio in relation to customer loans reached 7.6%, following 6.6% at 31 December 2009. The NPL coverage ratio improved significantly to 60.9% compared to 57.2% at 31 December 2009.
- Net profit after minorities advanced by 2.3%, from EUR 720.1 million to EUR 736.8 million in the first three quarters of 2010, as the record operating result was offset by a weaker other operating result and increased net profit attributable to minorities. Cash return on equity decreased from 10.7% to 7.8% as a result of the significantly enlarged capital base. Net profit after minorities advanced by 2.3%, from EUR 720.1 million to EUR 736.8 million in the first three quarters of 2010, as the record operating result was offset by a weaker other operating result and increased net profit attributable to minorities. Cash return on equity decreased from 10.7% to 7.8% as a result of the significantly enlarged capital base.
- Total assets increased by 2.4% year-to-date to EUR 206.5 billion. This was mainly due to solid growth in customer deposits (+2.9% year-to-date to EUR 115.3 billion), which drove interbank and financial asset volumes higher. The loan-to-deposit ratio was 114.0% (year-end 2009: 115.3%).
- Erste Group's shareholders' equity continued to improve in the first nine months of 2010, driven by rising quarterly earnings and a positive change in the AfS reserve. In the first three quarters of 2010, Erste Group's equity therefore rose by EUR 0.7 billion to EUR 13.4 billion. Alongside stagnant loan volumes, total risk-weighted assets declined from EUR 123.9 billion at year-end 2009 to EUR 121.7 billion. Prior to the inclusion of retained earnings, this resulted in a tier 1 ratio (total risk) of 9.7%, compared to 9.2% at year-end 2009 and a core tier 1 ratio (total risk) of 8.7%, up from 8.3% at year-end 2009.

[Back](#)