

Erste Group takes extraordinary charges leading to a net loss of EUR 973.0 million in the first nine months of 2011 and significantly reduces CDS exposure

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Highlights:

As pre-announced on 10 October 2011, significant charges (write-down of goodwill in Hungary and Romania, additional risk provisions in Hungary, and expenses resulting from the change in the fair value of the CDS portfolio) resulted in a **net loss after minorities of EUR 973.0 million** (1-9 2010: net profit of EUR 633.8 million). Banking taxes in Austria and Hungary came to EUR 140.2 million (before taxes).

In the first nine months of 2011, **net interest income** rose by 0.9% to **EUR 4,134.1 million** (1-9 2010: EUR 4,095.8 million). Meanwhile, **net commission income** declined by 1.3% to **EUR 1,352.0 million** (1-9 2010: EUR 1,370.0 million). At **EUR 37.4 million**, the **net trading result** – substantially negatively affected by the volatility of the CDS portfolio – was 87.1% lower than in the first nine months of 2010 (EUR 290.4 million).

Despite higher inflation, **general administrative expenses** grew only by a moderate 0.7% to **EUR 2,891.6 million** (1–9 2010: EUR 2,871.7 million). The change in the fair value of the CDS caused the **operating result** to decline by 8.8% from EUR 2,884.5 million to **EUR 2,631.9 million** in the first nine months of 2011. The **cost/income ratio** stood at **52.4%** (same period 2010: 49.9%).

Risk costs were up 17.0% from EUR 1,588.4 million (162 basis points of average customer loans) in the first three quarters of 2010 to **EUR 1,859.2 million**, or **184 basis points**. This was largely due to the need for additional risk provisions in Hungary (partly a consequence of continuing political intervention). Asset quality improved in the Czech Republic, in Slovakia and in Austria. The **NPL ratio** in relation to customer loans rose to **8.2%** at 30 September 2011 (year-end 2010: 7.6%). The **NPL coverage ratio** improved to **63.9%** (year-end 2010: 60.0%).

Total assets, at **EUR 216.1 billion**, were up 5.0% for the year to date from EUR 205.8 billion. The **loan-to-deposit ratio** improved to **111.2%** at 30 September 2011 (year-end 2010: 113.1%). While customer deposits, at EUR 121.6 billion, were up 3.9% year to date, lending volume rose by just 2.2% to EUR 135.2 billion.

Erste Group's **shareholders' equity** amounted to **EUR 11.9 billion** at 30 September 2011 (year-end 2010: EUR 13.1 billion) and **core tier 1 capital** to **EUR 10.6 billion** (year-end 2010: EUR 11.0 billion). With loan volume stable, total **risk-weighted assets** were largely unchanged versus year-end 2010 at **EUR 119.9 billion**. The **tier 1 ratio (total risk)** stood at **9.8%** (year-end 2010: 10.2%) and the **core tier 1 ratio (total risk)** at **8.8%** (year-end 2010: 9.2%).

[Erste Group Q3 2011 results \[pdf; 216.3 KB\]](#)