

Erste Group posts net profit of EUR 453.6 million in first half of 2012 and increases EBA capital ratio (excluding retained earnings) to 9.9%

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Video message of Andreas Treichl

HIGHLIGHTS

Net interest income eased 1.9% to **EUR 2,651.7 million** in H1 2012 driven by the reduction of non-core assets and subdued credit demand. **Net fee and commission income** amounted to **EUR 865.5 million** in H1 2012, down 4.5% on H1 2011 due to weaker securities business. The deterioration in **net trading result** from EUR 288.8 million in H1 2011 to **EUR 121.5 million** in H1 2012 was due to valuation gains in H1 2011, which did not recur in H1 2012.

Driven by the lower net trading result, **operating income** was down 6.7% to **EUR 3,638.7 million** (H1 2011: EUR 3,898.8 million). Effective cost management resulted in a 2.0% drop in **general administrative expenses** from EUR 1,926.3 million in H1 2011 to **EUR 1,887.4 million** in H1 2012. Thus, the **operating result** amounted to **EUR 1,751.3 million** (H1 2011: EUR 1,972.5 million). The **cost/income ratio** stood at **51.9%** (H1 2011: 49.4%).

Risk costs rose 6.6% from EUR 920.8 million in H1 2011 to **EUR 981.8 million** in H1 2012, or to 146 basis points of average customer loans. With the exception of Romania and Croatia, the provisioning level for the core countries declined or remained stable. Asset quality was mixed, with Austria, the Czech Republic and Slovakia showing improving trends while Romania, Hungary and Croatia deteriorated. Overall, the **NPL ratio** increased to **9.2%** as of 30 June 2012 (year-end 2011: 8.5%), while the **NPL coverage ratio** improved to **61.2%** (year-end 2011: 61.0%).

Other operating result improved to **EUR -68.1 million** in H1 2012 compared to EUR -260.2 million. This was mainly due to a EUR 413.2 million contribution from the buy-back of tier 1 and tier 2 instruments, which was partly offset by a goodwill adjustment of EUR 210.0 million for Banca Comercială Română as well as a EUR 60.6 million charge related to the FX mortgage interest subsidy legislation in Hungary (booked as risk costs in Q1 2012 and now presented as other operating result). A banking tax charge of EUR 114.5 million continued to weigh on this position in H1 2012.

Thus, **net profit after minorities** declined by 12.9% to **EUR 453.6 million** in H1 2012.

Core tier 1 capital improved significantly to **EUR 11.3 billion** (year-end 2011: EUR 10.7 billion), resulting in a rise of the **core tier 1 ratio** (total risk; Basel 2.5) to **10.4%** (year-end 2011: 9.4%). The **EBA capital ratio** increased to **9.9%** (year-end 2011: 8.9%). Including retained earnings, the EBA capital ratio reached 10.4%. The continued improvement in capital ratios was supported by a decline in **total risk-weighted assets** of 4.4% to **EUR 109.0 billion** as of 30 June 2012 (year-end 2011: EUR 114.0 billion). **Shareholders' equity** rose substantially to **EUR 12.6 billion** (year-end 2011: EUR 12.0 billion).

Driven by deposit growth and investments into highly liquid assets, **total assets** grew by 2.5% to **EUR 215.2 billion** versus EUR 210.0 billion at year-end 2011. The **loan-to-deposit ratio** improved to **109.6%** as of 30 June 2012 (year-end 2011: 113.3%).

"Despite the challenging operating environment in Europe, Erste Group generated a net profit of EUR 453.6 million in the first half of 2012. This result was impacted by positive as well as negative one-off items, yet reflects the underlying strength of our franchise", said Andreas Treichl, Chief Executive Officer of Erste Group Bank AG, when presenting the results for the first half of 2012. "Moreover, we have significantly improved our capital position, reaching an EBA capital ratio of 9.9% as of 30 June 2012. Including retained earnings, the ratio improved to 10.4%. In addition, we continued to record good inflows of customer deposits", Treichl continued. "The on-going reduction of non-core assets demonstrates our commitment to the core retail and corporate customer business in Central and Eastern Europe. While we continued to deliver a resilient performance in Austria, the Czech Republic and Slovakia, we embarked on transforming our Romanian bank in order to take advantage of growth opportunities in the medium term", Treichl concluded.

[Erste Group - Half Year 2012 Results \[pdf; 246.2 KB\]](#)

[Presentation \[pdf; 415.4 KB\]](#)



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