Erste Group posts net profit of EUR 597.3 million and stable operating result in the first nine months of 2012

30.10.2012

HIGHLIGHTS

Net interest income eased to **EUR 3,968.9 million** in the first nine months of 2012 (1-9 2011: EUR 4,134.1 million) driven by the continuing reduction of non-core assets and subdued credit demand as a result of the economic environment. **Net fee and commission income** decreased by 5.0% to **EUR 1,284.3 million** due to weaker securities business. At **EUR 191.4 million**, the **net trading result** was significantly higher than in the first nine months of 2011 when at EUR 37.4 million it had been weighed down by valuation effects.

As a result, **operating income** slightly declined by 1.4% to **EUR 5,444.6 million** (1-9 2011: EUR 5,523.5 million). Strict cost management led to a decrease in **general administrative expenses** by 2.3% from EUR 2,891.6 million to **EUR 2,826.1 million** in the first nine months of 2012. The **operating result** was almost unchanged at **EUR 2,618.5 million** (1-9 2011: EUR 2,631.9 million). The **cost/income ratio** improved to **51.9%** (1-9 2011: 52.4%).

Risk costs amounted to **EUR 1,465.3 million**, or **146 basis points** of average customer loans, down 21.2% versus the first nine months of 2011 (EUR 1,859.2 million). Provisioning levels declined or were stable in all core countries, with the exception of Romania and Croatia. Asset quality trends were mixed, with a continued improvement in Austria, the Czech Republic and Slovakia. Compared to the previous quarter, however, NPL formation decreased also in Romania and Hungary. Overall, the **NPL ratio** remained at **9.2%** as of 30 September 2012 (30 June 2012: 9.2%, year-end 2011: 8.5%), while the
NPL coverage ratio improved to **63.1%** (year-end 2011: 61.0%).

Other operating result increased to **EUR -214.0 million** in the first nine months of 2012 (1-9 2011: EUR -1,460.4 million). The strong improvement was related to considerably smaller one-off effects with an overall positive impact in 2012. In particular, the buyback of tier 1 and tier 2 instruments had a favourable effect in the amount of EUR 413.2 million. Negative influences came from the adjustment of goodwill for Banca Comercială Română (EUR 210.0 million) and a charge related to FX mortgage interest subsidy legislation in Hungary (EUR 60.6 million). Increased banking taxes levied in Austria, Hungary and Slovakia had a negative impact of EUR 173.0 million (1-9 2011: EUR 140.2 million).

Thus, **net profit after minorities**[1] for the first nine months of 2012 amounted to **EUR 597.3 million** (1-9 2011: EUR -973.0 million).

Shareholders‘ equity[2] increased significantly to **EUR 12.9 billion** (year-end 2011: EUR 12.0 billion). The rise in **core tier 1 capital** to **EUR 11.3 billion** (year-end 2011: EUR 10.7 billion) led to an increase in the **core tier 1 ratio** (total risk; Basel 2.5) to **10.4%** (year-end 2011: 9.4%). The **EBA capital ratio** stood at **9.9%** (year-end 2011: 8.9%). The continued improvement in capital ratios was supported by a reduction of **risk-weighted assets** by 4.7% to **EUR 108.7 billion** as of 30 September 2012 (year-end 2011: EUR 114.0 billion).

The **total balance sheet** as of 30 September 2012 stood at **EUR 217.0 billion**, up 3.3% year to date. The rise was primarily due to deposit growth and investments in highly liquid assets while lending volume decreased slightly, by 0.9%, to EUR 133.5 billion. The **loan-to-deposit ratio** improved to **109.2%** (year-end 2011: 113.3%).

“Erste Group generated a net profit of EUR 597.3 million on the back of a stable operating result and lower risk costs,” said Andreas Treichl, CEO of Erste Group Bank AG, when presenting the results for the first nine months of 2012. “The continued good performance in the important core markets Austria, Czech Republic and Slovakia as well as a certain degree of stabilisation in Romania were crucial in this respect. Margins rose in Romania during the third quarter for the first time in six quarters, while NPL formation also declined," Treichl continued. "Our balance sheet structure remained exemplary with a loan-to-deposit ratio of 109.2% while our EBA capital ratio excluding retained earnings remained at 9.9%", Treichl concluded.

Erste Group posts net profit of EUR 597.3 million and stable operating result in the first nine months of 2012 [pdf; 242.8 KB]

---

[1] The term "net profit/loss for the period after minorities" corresponds to the term "net profit/loss for the period attributable to the owners of the parent"

[2] The term "shareholders' equity" corresponds to the term "total equity attributable to the owners of the parent".