

Erste Group posts net profit of EUR 301.2 million

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HIGHLIGHTS

Net interest income decreased to **EUR 2,431.2 million** in H1 2013 (H1 2012: EUR 2,651.7 million) against the backdrop of a continuing challenging environment with subdued credit demand and low market interest rates. **Net fee and commission income** rose from EUR 865.5 million in H1 2012 to **EUR 895.9 million** and the **net trading result** from EUR 121.5 million to **EUR 160.5 million** on the back of higher income from the securities business.

Operating income amounted to **EUR 3,487.6 million** (-4.2% versus H1 2012: EUR 3,638.7 million). Strict cost management reduced **general administrative expenses** by 2.4%, from EUR 1,887.4 million to **EUR 1,842.9 million** in H1 2013. This led to an **operating result** of **EUR 1,644.7 million** (H1 2012: 1,751.3 million) and a **cost/income ratio** of **52.8%** (H1 2012: 51.9%).

Risk costs showed a positive trend and declined by 15.3% to **EUR 831.8 million**, or **128 basis points** of average customer loans in H1 2013, from EUR 981.8 million, or 146 basis points, in H1 2012. The **NPL ratio** rose to **9.7%** as of 30 June 2013 (year-end 2012: 9.2%), driven by the decline in the loan book and NPL inflows in the commercial real estate business. The **NPL coverage ratio** stood at **61.7%** (year-end 2012: 62.6%).

Other operating result amounted to **EUR -397.7 million** versus EUR -68.1 million in H1 2012. This development was largely attributable to the non-recurrence of – on balance – positive one-off effects in H1 2012 as well as to negative one-off effects (sale of Ukraine subsidiary, extraordinary tax and advance payment of banking tax in Hungary) in the amount of EUR 115.4 million in H1 2013. Banking and financial transaction taxes levied in Austria, Hungary and Slovakia had a negative impact of EUR 184.6 million (H1 2012: EUR 114.5 million). **Taxes on income** benefited from a positive one-off effect in the amount of EUR 127.7 million in Romania.

Net profit after minorities^[1] amounted to **EUR 301.2 million** in H1 2013 versus a profit of EUR 453.6 million in the previous year that had been driven by one-off effects.

Shareholders' equity^[2] remained almost unchanged at **EUR 12.8 billion**. **Core tier 1 capital** amounted to **EUR 11.9 billion** as of 30 June 2013 (year-end 2012: EUR 11.8 billion). The reduction of **risk-weighted assets** to **EUR 100.9 billion** (year-end 2012: EUR 105.3 billion) was primarily due to the deconsolidation of the Ukrainian subsidiary and lower exposure. The **core tier 1 ratio** (total risk; Basel 2.5) stood at **11.8%** (year-end 2012: 11.2%); adjusted for the effects of the capital increase and the redemption of the participation capital it amounted to 10.7%.

The **balance sheet total** as of 30 June 2013 was **EUR 210.2 billion**. The slight decline year to date was primarily attributable to valuation changes, but also to declines in the customer business. The deposit base was largely stable at EUR 122.5 billion while loans and advances to customers declined to EUR 129.8 billion year to date. The latter reflected subdued loan demand in most business lines. The **loan-to-deposit ratio** improved to **105.9%** as of 30 June 2013 (year-end 2012: 107.2%).

“Erste Group posted a net profit of EUR 301.2 million for the first six months of 2013. This is a satisfactory result considering an operating environment that has become increasingly challenging for banks which do exactly what politicians and regulators would like them to do, i.e. taking deposits from and lending to real customers,” said Andreas Treichl, CEO of Erste Group Bank AG, when presenting the results for the first half of 2013. “We are happy that following the successful completion of the capital increase in early July Erste Group will be the first Austrian bank to repay the participation capital in full on 8 August 2013” Treichl continued. “We also strongly improved our capital ratios. Excluding half year profit and adjusted for the effects of the capital increase and participation capital

repayment our core tier 1 ratio rose to 10.7%," Treichl concluded.

[Erste Group - Half Year 2013 Results \[pdf; 177.7 KB\]](#)

[Presentation \[pdf; 725.5 KB\]](#)

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[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".