

## Erste Group posts net profit of EUR 1,228.3 million in 1-9 2018, volume growth and interest rate hikes drive operating performance

### Financial data

#### Income statement

in EUR million	Q3 17	Q2 18	Q3 18	1-9 17	1-9 18
Net interest income	1,086.3	1,131.2	1,158.2	3,229.3	3,372.0
Net fee and commission income	451.0	480.7	471.4	1,361.9	1,430.7
Net trading result	36.5	0.6	-62.2	139.3	-50.4
Operating income	1,644.2	1,719.0	1,722.1	4,936.9	5,096.2
Operating expenses	-1,010.1	-1,011.5	-1,025.8	-3,013.6	-3,102.3
Operating result	634.1	707.5	696.3	1,923.4	1,993.9
Impairment result from financial instruments	32.9	18.9	28.9	-71.5	102.2
Post-provision operating result	667.0	726.3	725.2	1,851.9	2,096.1
<b>Net result attributable to owners of the parent</b>	<b>363.0</b>	<b>438.2</b>	<b>454.0</b>	<b>987.6</b>	<b>1,228.3</b>
Net interest margin (on average interest-bearing assets)	2.39%	2.32%	2.27%	2.39%	2.29%
Cost/income ratio	61.4%	58.8%	59.6%	61.0%	60.9%
Provisioning ratio (on average gross customer loans)	-0.09%	-0.02%	-0.02%	0.07%	-0.09%
Tax rate	23.3%	18.4%	17.3%	22.5%	19.0%
Return on equity	11.7%	12.8%	14.4%	10.5%	12.5%

#### Balance sheet

in EUR million	Sep 17	Jun 18	Sep 18	Dec 17	Sep 18
Cash and cash balances	22,104	16,888	15,237	21,796	15,237
Trading, financial assets	43,539	43,899	44,333	42,752	44,333
Loans and advances to credit institutions	10,358	17,149	19,972	9,126	19,972
Loans and advances to customers	138,005	144,730	148,311	139,532	148,311
Intangible assets	1,474	1,507	1,483	1,524	1,483
Miscellaneous assets	6,234	5,705	5,491	5,929	5,491
<b>Total assets</b>	<b>221,715</b>	<b>229,878</b>	<b>234,827</b>	<b>220,659</b>	<b>234,827</b>
Financial liabilities held for trading	3,551	3,070	2,865	3,423	2,865
Deposits from banks	19,226	17,867	19,086	16,349	19,086
Deposits from customers	148,363	156,831	159,828	150,969	159,828
Debt securities issued	25,661	28,474	28,249	25,095	28,249
Miscellaneous liabilities	6,945	5,928	6,403	6,535	6,403
Total equity	17,969	17,708	18,396	18,288	18,396
<b>Total liabilities and equity</b>	<b>221,715</b>	<b>229,878</b>	<b>234,827</b>	<b>220,659</b>	<b>234,827</b>
Loan/deposit ratio	93.0%	92.3%	92.8%	92.4%	92.8%
NPL ratio	4.3%	3.6%	3.5%	4.0%	3.5%
NPL coverage (exc collateral)	69.5%	72.0%	70.7%	68.8%	70.7%
Texas ratio	31.3%	27.9%	27.1%	29.2%	27.1%
CET 1 ratio (phased-in)	12.8%	12.6%	12.5%	13.4%	12.5%

## HIGHLIGHTS

P&L 1-9 2018 compared with 1-9 2017; balance sheet as of 30 September 2018 compared with 31 December 2017

**Net interest income** increased – mainly in the Czech Republic and Romania – to EUR 3,372.0 million (+4.4%; EUR 3,229.3 million). **Net fee and commission income** rose to EUR 1,430.7 million (+5.1%; EUR 1,361.9 million), primarily on the back of significantly higher income from brokerage commissions – mostly insurance products –, but also from payment services, asset management and lending. While **net trading result** was down at EUR -50.4 million (EUR 139.3 million), the line item gains/losses from financial instruments measured at fair value through profit or loss improved to EUR 165.8 million (EUR 12.1 million). **Operating income** rose to EUR 5,096.2 million (+3.2%; EUR 4,936.9 million). The increase in **general administrative expenses** to EUR 3,102.3 million (+2.9%; EUR 3,013.6 million) was mainly attributable to higher personnel expenses of EUR 1,830.5 million (+4.8%; EUR 1,747.2 million). Depreciation and amortisation was up (+2.7%); administrative expenses were almost unchanged (-0.4%). Other administrative expenses included almost all payments to deposit insurance systems expected in 2018 in the amount of EUR 84.2 million (EUR 74.7 million). Overall, the **operating result** was higher at EUR 1,993.9 million (+3.7%; EUR 1,923.4 million). The **cost/income ratio** improved slightly to 60.9% (61.0%).

The **impairment result from financial instruments** amounted to EUR 102.2 million or, adjusted for net allocation of provisions for commitments and guarantees given, -9 basis points of average gross customer loans (net allocations of EUR 71.5 million or 7 basis points) due to net releases on the back of improved asset quality. This was attributable to the substantial improvement in net allocations to risk provisions for the lending business across almost all segments, most notably in Croatia and Austria. The **NPL ratio** based on gross customer loans improved again to 3.5% (4.0%), the **NPL coverage ratio** to 70.7% (68.8%).

**Other operating result** amounted to EUR -237.0 million (EUR -296.6 million). It included expenses for the annual contributions to resolution funds in the amount of EUR 70.4 million (EUR 65.6 million). Banking and transaction taxes increased to EUR 88.1 million (EUR 82.1 million), including EUR 13.8 million (EUR 12.6 million) in Hungarian banking taxes booked upfront for the full financial year. Other taxes decreased to EUR 6.4 million (EUR 31.3 million). In the comparative period, other operating result had included EUR 45.0 million in provisions for losses from loans to consumers resulting from supreme court rulings regarding negative reference interest rates in Austria.

The minority charge rose to EUR 285.8 million (+4.8%; EUR 272.6 million). The **net result attributable to owners of the parent** increased to EUR 1,228.3 million (+24.4%; EUR 987.6 million).

**Total equity** not including AT1 instruments rose to EUR 17.4 billion (EUR 17.3 billion). Transition to the new financial reporting standard IFRS 9 as of 1 January 2018 resulted in a reduction of total equity by EUR 0.7 billion. After regulatory deductions and filtering in accordance with CRR, **common equity tier 1 capital** (CET1, Basel 3 phased-in) amounted to EUR 14.7 billion (EUR 14.7 billion), total **own funds** (Basel 3 phased in) to EUR 20.1 billion (EUR 20.3 billion). While half-year interim profit is included in the above figures, third quarter profit is not. Due to net releases in the third quarter no risk costs were deducted. Total risk (**risk-weighted assets** including credit, market and operational risk, Basel 3 phased-in) rose to EUR 117.0 billion (EUR 110.0 billion). The **common equity tier 1 ratio** (CET 1, Basel 3 phased-in) stood at 12.5% (13.4%), the **total capital ratio** (Basel 3 phased-in) at 17.2% (18.5%).

**Total assets** were up at EUR 234.8 billion (+6.4%; EUR 220.7 billion). On the asset side, cash and cash balances decreased to EUR 15.2 billion (EUR 21.8 billion), while loans and advances to credit institutions increased to EUR 20.0 billion (EUR 9.1 billion). **Loans and advances to customers** rose to EUR 148.3 billion (+6.3%; EUR 139.5 billion). On the liability side, deposits from banks increased to EUR 19.1 billion (EUR 16.3 billion) and **customer deposits** grew again – most notably in Austria, the Czech Republic and Slovakia – to EUR 159.8 billion (+5.9%; EUR 151.0 billion). The **loan-to-deposit ratio** stood at 92.8% (92.4%).

## OUTLOOK

**Operating environment anticipated to be conducive to credit expansion.** Real GDP growth is expected to be approximately between 3% and 4% in Erste Group's CEE core markets, including Austria, in 2018. It should primarily be driven by solid domestic demand, as real wage growth and declining unemployment should support economic activity in CEE. Fiscal discipline is expected to be maintained across CEE.

**Business outlook.** Erste Group aims to achieve a return on tangible equity (ROTE) of more than 12% in 2018 (based on average tangible equity in 2018). The underlying assumptions are growing revenues (assuming 5%+ net loan growth and interest rate hikes in the Czech Republic and Romania) and flat expenses with risk costs remaining at historically low levels.

**Risks to guidance.** Impact from other than expected interest rate development; political or regulatory measures against banks; as well as geopolitical and global economic risks.

### Presentation of results via audio webcast and telephone conference for portfolio managers and analysts

Date	Friday, 2 November 2018
Time	9:00 am Vienna / 8:00 am London / 4:00 am New York
Live audio webcast	<a href="http://www.erstegroup.com/investorrelations">http://www.erstegroup.com/investorrelations</a> (slide presentation) The presentation will be held in English.
Dial-in for analysts	Please dial in approx. 5 minutes prior to the start time using one of the following numbers and the Confirmation Code 675868
	AT: 0800 006 251 Tollfree/Freephone
	UK: +44 (0)330 336 9401 0800 279 4827 Tollfree/Freephone
	US: +1 929-477-0443 US & Canada: 800-289-0459 Tollfree/Freephone
Replay	Will be available at <a href="https://www.erstegroup.com/en/investors/events/irevents">https://www.erstegroup.com/en/investors/events/irevents</a> .

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Erste Group shares (ISIN AT0000652011) are traded in Vienna, Prague Bucharest.

The issues of Erste Group Bank AG are admitted to trading on the following regulated markets: Vienna, Luxembourg, Budapest, Bucharest and Stuttgart. The five biggest listed issues of Erste Group Bank AG in terms of issue volume have the following ISINs: XS0743547183, XS1750974658, XS0580561545, AT0000A17ZY6, AT0000A17ZX8.

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