

Erste Group: Preliminary results 2018

Erste Group posts net profit of EUR 1,793.4 million in 2018 (ROTE: 15.2%); proposes dividend of EUR 1.4 per share

Financial data

Income statement

in EUR million	Q4 17	Q3 18	Q4 18	2017	2018
Net interest income	1,123.9	1,158.2	1,210.0	4,353.2	4,582.0
Net fee and commission income	489.7	471.4	477.7	1,851.6	1,908.4
Net trading result and gains/losses from financial instruments at FVPL	59.1	36.9	78.3	210.5	193.7
Operating income	1,732.1	1,722.1	1,819.5	6,669.0	6,915.6
Operating expenses	-1,144.7	-1,025.8	-1,078.8	-4,158.2	-4,181.1
Operating result	587.5	696.3	740.6	2,510.8	2,734.6
Impairment result from financial instruments	-60.5	28.9	-42.9	-132.0	59.3
Post-provision operating result	526.9	725.2	697.7	2,378.8	2,793.8
Net result attributable to owners of the parent	328.6	454.0	565.2	1,316.2	1,793.4
Net interest margin (on average interest-bearing assets)	2.41%	2.27%	2.33%	2.40%	2.30%
Cost/income ratio	66.1%	59.6%	59.3%	62.4%	60.5%
Provisioning ratio (on average gross customer loans)	0.17%	-0.02%	0.11%	0.09%	-0.14%
Tax rate	9.8%	17.3%	-3.6%	19.7%	13.3%
Return on equity	9.1%	14.4%	16.0%	10.1%	13.4%

Balance sheet

in EUR million	Dec 17	Sep 18	Dec 18	Dec 17	Dec 18
Cash and cash balances	21,796	15,237	17,549	21,796	17,549
Trading, financial assets	42,752	44,333	43,930	42,752	43,930
Loans and advances to banks	9,126	19,972	19,103	9,126	19,103
Loans and advances to customers	139,532	148,311	149,321	139,532	149,321
Intangible assets	1,524	1,483	1,507	1,524	1,507
Miscellaneous assets	5,929	5,491	5,382	5,929	5,382
Total assets	220,659	234,827	236,792	220,659	236,792
Financial liabilities held for trading	3,423	2,865	2,508	3,423	2,508
Deposits from banks	16,349	19,086	17,658	16,349	17,658
Deposits from customers	150,969	159,828	162,638	150,969	162,638
Debt securities issued	25,095	28,249	29,738	25,095	29,738
Miscellaneous liabilities	6,535	6,403	5,381	6,535	5,381
Total equity	18,288	18,396	18,869	18,288	18,869
Total liabilities and equity	220,659	234,827	236,792	220,659	236,792
Loan/deposit ratio	92.4%	92.8%	91.8%	92.4%	91.8%
NPL ratio	4.0%	3.5%	3.2%	4.0%	3.2%
NPL coverage (exc collateral)	68.8%	70.7%	73.0%	68.8%	73.0%
Texas ratio	29.2%	27.1%	24.5%	29.2%	24.5%
CET 1 ratio (phased-in)	13.4%	12.5%	13.5%	13.4%	13.5%

HIGHLIGHTS

P&L 2018 compared with 2017; balance sheet as of 31 December 2018 compared with 31 December 2017

Net interest income increased – mainly in the Czech Republic and in Romania, but also in Austria – to EUR 4,582.0 million (+5.3%; EUR 4,353.2 million). **Net fee and commission income** rose to EUR 1,908.4 million (+3.1%; EUR 1,851.6 million), primarily on the back of significantly higher income from payment services and asset management. While **net trading result** was down at EUR -1.7 million (EUR 222.8 million), the line item **gains/losses from financial instruments measured at fair value through profit or loss** improved to EUR 195.4 million (EUR -12.3 million). **Operating income** rose to EUR 6,915.6 million (+3.7%; EUR 6,669.0 million). **General administrative expenses** were nearly stable at EUR 4,181.1 million (+0.5%; EUR 4,158.2 million). This was mostly attributable to the reduction of other administrative expenses to EUR 1,234.9 million (-5.7%; EUR 1,309.6 million). Payments to deposit insurance systems included in this line item amounted to EUR 88.6 million (EUR 82.8 million). This reduction almost fully compensated the rise in personnel expenses to EUR 2,474.2 million (+3.6%; EUR 2,388.6 million) and in depreciation and amortisation (+2.6%). Overall, the **operating result** improved to EUR 2,734.6 million (+8.9%; EUR 2,510.8 million) and the **cost/income ratio** to 60.5% (62.4%).

The **impairment result from financial instruments** amounted to EUR 59.3 million due to net releases on the back of improved asset quality or, adjusted for net allocation of provisions for commitments and financial guarantees given, -14 basis points of average gross customer loans (net allocations of EUR 132.0 million or 9 basis points). 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 3.2% (4.0%), the **NPL coverage ratio** to 73.0% (68.8%).

Other operating result improved to EUR -304.5 million (EUR -457.4 million). It included expenses for the annual contributions to resolution funds in the amount of EUR 70.3 million (EUR 65.8 million). Banking and transaction taxes increased to EUR 112.2 million (EUR 105.7 million). Other taxes were positive at EUR 1.0 million (EUR -37.7 million) due to one-off effects. In the financial year 2017, 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.

Taxes on income decreased significantly to EUR 332.4 million (EUR 410.1 million) as deferred tax assets were recognised, resulting in deferred tax income. The minority charge increased to EUR 369.1 million (+5.0%; EUR 351.5 million). The **net result attributable to owners of the parent** rose to EUR 1,793.4 million (+36.3%; EUR 1,316.2 million).

Total equity not including AT1 instruments rose to EUR 17.9 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 15.5 billion (+5.3%; EUR 14.7 billion), total **own funds** (Basel 3 phased in) to EUR 20.9 billion (EUR 20.3 billion). Total risk (**risk-weighted assets** including credit, market and operational risk, Basel 3 phased-in) rose to EUR 114.6 billion (EUR 110.0 billion). The **common equity tier 1 ratio** (CET 1, Basel 3 phased-in) stood at 13.5% (13.4%), the **total capital ratio** (Basel 3 phased-in) at 18.2% (18.5%).

Total assets were up at EUR 236.8 billion (+7.3%; EUR 220.7 billion). On the asset side, cash and cash balances decreased to EUR 17.5 billion (EUR 21.8 billion), while loans and advances to credit institutions increased to EUR 19.1 billion (EUR 9.1 billion). **Loans and advances to customers** rose to EUR 149.3 billion (+7.0%; EUR 139.5 billion). On the liability side, deposits from banks increased to EUR 17.7 billion (EUR 16.3 billion) and **customer deposits** grew again – in all core markets – to EUR 162.6 billion (+7.7%; EUR 151.0 billion). The **loan-to-deposit ratio** stood at 91.8% (92.4%).

OUTLOOK

Erste Group targets a return on tangible equity (ROTE) of above 11% in 2019. The expected solid macro-economic development in the core markets Czech Republic, Slovakia, Hungary, Romania, Croatia, Serbia and Austria, compared to 2018 only moderately rising interest rate levels in several of our markets and still historically low risk costs should be supportive factors to achieve this target. On the other hand, a global or regional slow-down of economic growth as well as potential – and as yet unquantifiable – political or regulatory risks might jeopardize achieving the target.

In 2019, the positive development of the economy should be reflected in growth rates (real GDP growth) of around 3% in Erste Group's CEE core markets. All other economic parameters are currently expected to be similarly robust. Unemployment rates should remain at historic lows – in the Czech Republic and in Hungary they are already among the lowest in the EU. Inflation is forecast to remain broadly stable. Strong competitive positions should again lead to current account surpluses in most countries. The fiscal situation and public debt levels are also projected to remain sound. Austria should see continued dynamic economic growth at a rate of above 2%. Overall, growth continues to be driven by domestic demand across all economies. The contribution of exports is forecast as neutral.

Against this backdrop, Erste Group expects mid-single digit net loan growth. Net interest income should thus increase further in 2019. The second key income component, net fee and commission income, is also expected to rise moderately. As in 2018, some positive momentum should again come from fund management and payment services. The other income components are expected to remain stable, by and large, despite the volatility of the net trading and fair value results. Consequently, operating income should continue to grow in 2019. Operating expenses are expected to rise in 2019, albeit not to the same extent as operating income, mostly due to anticipated further wage increases in all core markets of Erste Group. However, Erste Group will continue to invest in digitalisation and thereby its future competitiveness in 2019. The focus will be on product simplification, process standardisation as well as the group-wide implementation and expansion of the digital platform George. The roll-out of George will continue in Hungary and Croatia in 2019. Overall, the operating result is projected to rise in 2019.

Risk costs should remain low in 2019. Amid a stable low interest rate environment, risk costs should go up only slightly. Further improvements in asset quality, however, should have a dampening effect. Overall, Erste Group does not expect a recurrence of the historically low risk cost level of 2018 of -14 basis points of average gross customer loans. While precise forecasts are difficult in the current environment, Erste Group projects for 2019 risk costs of 10 to 20 basis points of average gross customer loans.

The Romanian banking tax will have a negative impact on other operating result in 2019, even though the magnitude remains as yet unclear.

Assuming a tax rate of below 20% and a similar level of minority charges, Erste Group aims to achieve a return on tangible equity (ROTE) of above 11%.

Due to its limited presence in the United Kingdom, Erste Group does not anticipate any material impact from Brexit at the current time.

Potential risks to the guidance are interest rate trends that differ from expectations, political or regulatory measures targeting banks as well as geopolitical and global economic developments.

PERFORMANCE IN DETAIL

January-December 2018 compared with January-December 2017

in EUR million	2017	2018	Change
Net interest income	4,353.2	4,582.0	5.3%
Net fee and commission income	1,851.6	1,908.4	3.1%
Net trading result and gains/losses from financial instruments at FVPL	210.5	193.7	-8.0%
Operating income	6,669.0	6,915.6	3.7%
Operating expenses	-4,158.2	-4,181.1	0.5%
Operating result	2,510.8	2,734.6	8.9%
Impairment result from financial instruments	-132.0	59.3	n/a
Other operating result	-457.4	-304.5	-33.4%
Levies on banking activities	-105.7	-112.2	6.2%
Pre-tax result from continuing operations	2,077.8	2,495.0	20.1%
Taxes on income	-410.1	-332.4	-18.9%
Net result for the period	1,667.7	2,162.5	29.7%
Net result attributable to non-controlling interests	351.5	369.1	5.0%
Net result attributable to owners of the parent	1,316.2	1,793.4	36.3%

Net interest income

Net interest income rose to EUR 4,582.0 million (EUR 4,353.2 million). The marked increase in the Czech Republic was attributable to the rising interest rate environment and robust growth in lending to customers. A significant rise in net interest income was also posted in Romania driven by higher market interest rates and in Austria on the back of stronger loan growth. In all other core markets interest income was largely stable. As interest-bearing assets, not least because of the doubling of interbank assets, rose faster than net interest income, the net interest margin (net interest income as a percentage of average interest-bearing assets) narrowed to 2.27% (2.40%).

Net fee and commission income

Net fee and commission income increased to EUR 1,908.4 million (EUR 1,851.6 million). Solid rises were seen in Austria, specifically in income from payment services, asset management and lending. In Slovakia, income from brokerage commissions was increased significantly. There was also a solid rise in Hungary, while net fee and commission income was largely stable in all other markets.

Net trading result & gains/losses from financial instruments measured at fair value through profit or loss

Net trading result declined substantially to EUR -1.7 million (EUR 222.8 million), due mostly to negative contributions from securities and derivatives trading. On the other hand, gains/losses from financial instruments measured at fair value through profit or loss amounted to EUR 195.4 million (EUR 12.3 million) on the back of positive valuation effects.

General administrative expenses

in EUR million	2017	2018	Change
Personnel expenses	2,388.6	2,474.2	3.6%
Other administrative expenses	1,309.6	1,234.9	-5.7%
Depreciation and amortisation	460.0	472.0	2.6%
General administrative expenses	4,158.2	4,181.1	0.5%

General administrative expenses amounted to EUR 4,181.1 million (EUR 4,158.2 million). **Personnel expenses** increased – mainly in Austria – to EUR 2,474.2 million (EUR 2,388.6 million) while **other administrative expenses** were reduced to EUR 1,234.9 million (EUR 1,309.6 million). Contributions to deposit insurance funds increased to EUR 88.6 million (EUR 82.8 million) on the back of continued strong deposit growth. This development was particularly visible in Austria with expenses rising to EUR 51.2 million (EUR 48.7 million) while in all other core markets contributions were up to a lesser extent. **Depreciation and amortisation** increased to EUR 472.0 million (EUR 460.0 million).

Headcount as of end of the period

	Dec 17	Dec 18	Change
Austria	16,283	16,137	-0.9%
Erste Group, EB Oesterreich and subsidiaries	9,144	9,022	-1.3%
Haftungsverbund savings banks	7,140	7,115	-0.3%
Outside Austria	31,419	31,260	-0.5%
Česká spořitelna Group	10,171	10,115	-0.5%
Banca Comercială Română Group	7,265	7,237	-0.4%
Slovenská sporiteľňa Group	4,250	4,105	-3.4%
Erste Bank Hungary Group	3,047	3,124	2.5%
Erste Bank Croatia Group	3,201	3,168	-1.0%
Erste Bank Serbia Group	1,069	1,108	3.6%
Savings banks subsidiaries	1,184	1,204	1.6%
Other subsidiaries and foreign branch offices	1,233	1,199	-2.7%
Total	47,702	47,397	-0.6%

Operating result

Operating income rose to EUR 6,915.6 million (+3.7%; EUR 6,669.0 million) on the back of improved net interest and net fee and commission income. General administrative expenses were nearly stable at EUR 4,181.1 million (+0.5%; EUR 4,158.2 million) as the reduction of other administrative expenses offset the increase in personnel expenses and higher depreciation and amortisation. The operating result improved to EUR 2,734.6 million (+8.9%; EUR 2,510.8 million). The cost/income ratio improved likewise to 60.5% (62.4%).

Gains/losses from derecognition of financial instruments not measured at fair value through profit or loss

Gains from the derecognition of financial instruments not measured at fair value through profit or loss (net) amounted to EUR 5.7 million (EUR 156.4 million). This item includes primarily gains from the sale of securities in Austria and Croatia.

Impairment result from financial instruments

Due to net releases, the impairment result from financial instruments amounted to EUR 59.3 million (net allocations of EUR 132.0 million) or, adjusted for net allocation of provisions for commitments and financial guarantees given, -14 basis points (7 basis points) of average gross customer loans and thus remained at a historically benign level. This was mostly attributable to the improvement in net allocations to risk provisions for the lending business, which offset the decline in income received from the recovery of loans already written off. From 1 January 2018, this line item also reflects the balance of allocations/releases for commitments and guarantees given in the amount of EUR 6.6 million (previously shown in the line item other operating result).

Other operating result

Other operating result improved to EUR -304.5 million (EUR -457.4 million). **Levies on banking** activities rose to EUR 112.2 million (EUR 105.7 million). While levies payable in Austria were unchanged at EUR 23.0 million (EUR 23.0 million), banking tax in Slovakia rose to EUR 30.3 million (EUR 27.4 million). Hungarian banking tax amounted to EUR 13.5 million (EUR 12.8 million). Including financial transaction tax of EUR 45.4 million (EUR 42.4 million), bank levies in Hungary totalled EUR 58.9 million (EUR 55.3 million).

Allocation/release of other provisions improved to EUR 13.3 million (EUR 133.7 million). In the comparative period, this line item 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. In addition, other operating result also reflects the annual contributions to resolution funds in the amount of EUR 70.3 million (EUR 65.8 million). In Austria, contributions increased to EUR 36.7 million (EUR 26.7 million), but declined in Romania to EUR 5.5 million (EUR 14.3 million).

Net result

The pre-tax result from continuing operations amounted to EUR 2,495.0 million (EUR 2,077.8 million). Taxes on income decreased significantly to EUR 332.4 million (EUR 410.1 million) as deferred tax assets were recognised, resulting in deferred tax income. The minority charge rose to EUR 369.1 million (EUR 351.5 million). The net result attributable to owners of the parent improved to EUR 1,793.4 million (EUR 1,316.2 million).

FINANCIAL RESULTS – QUARTER-ON-QUARTER COMPARISON

Fourth quarter of 2018 compared to third quarter of 2018

in EUR million	Q4 17	Q1 18	Q2 18	Q3 18	Q4 18
Income statement					
Net interest income	1,123.9	1,082.6	1,131.2	1,158.2	1,210.0
Net fee and commission income	489.7	478.6	480.7	471.4	477.7
Dividend income	6.2	2.6	14.8	4.8	6.7
Net trading result	83.5	11.3	0.6	-62.2	48.7
Gains/losses from financial instruments measured at fair value through profit or loss	-24.4	30.3	36.3	99.2	29.6
Net result from equity method investments	5.7	1.8	5.2	3.0	3.1
Rental income from investment properties & other operating leases	47.6	47.9	50.2	47.7	43.6
Personnel expenses	-641.3	-604.5	-612.1	-613.8	-643.8
Other administrative expenses	-384.4	-344.5	-283.0	-294.0	-313.4
Depreciation and amortisation	-118.9	-115.9	-116.3	-118.0	-121.7
Gains/losses from financial assets and liabilities not at FVPL, net	85.7	0.0	0.0	0.0	0.0
Gains/losses from derecognition of financial assets at AC	0.0	0.1	-0.4	0.5	-0.1
Other gains/losses from derecognition of financial instruments not at FVPL	0.0	4.1	4.7	1.0	-4.1
Net impairment loss on financial assets	-60.5	0.0	0.0	0.0	0.0
Impairment result from financial instruments	0.0	54.4	18.9	28.9	-42.9
Other operating result	-160.9	-128.0	-76.6	-32.4	-67.6
Levies on banking activities	-23.6	-38.6	-24.7	-24.8	-24.1
Pre-tax result from continuing operations	451.7	520.7	654.0	694.3	626.0
Taxes on income	-44.2	-114.6	-120.4	-120.0	22.5
Net result for the period	407.5	406.2	533.6	574.2	648.5
Net result attributable to non-controlling interests	78.9	70.1	95.4	120.3	83.3
Net result attributable to owners of the parent	328.6	336.1	438.2	454.0	565.2

Net interest income rose, primarily in the Czech Republic and Austria, to EUR 1,210.0 million (+4.5%; EUR 1,158.2 million). **Net fee and commission income** increased, mostly due to a strong fourth quarter in Austria, to EUR 477.7 million (+1.3%; EUR 471.4 million). **Dividend income** rose to EUR 6.7 million (EUR 4.8 million). **Net trading result** improved substantially to EUR 48.7 million (EUR -62.0 million) after the previous quarter had been adversely affected by a negative impact from the valuation of derivatives. **Gains from financial instruments measured at fair value through profit or loss** declined to EUR 29.6 million (EUR 99.2 million).

General administrative expenses rose to EUR 1,078.8 million (+5.2%; EUR 1,025.8 million). Personnel expenses increased to EUR 643.8 million (+4.9%; EUR 613.8 million), most notably in Austria, Romania and Slovakia. Other administrative expenses rose to EUR 313.4 million (+6.6%; EUR 294.0 million), driven mainly by higher consulting costs in Austria. Depreciation and amortisation was higher at EUR 121.7 million (+3.1%; EUR 118.0 million). The **cost/income ratio** stood at 59.3% (59.6%).

Gains/losses from the derecognition of financial instruments not measured at fair value through profit or loss (net) declined to EUR -4.2 million (EUR 1.5 million). This item includes losses from the sale of securities in Austria.

Impairment result from financial instruments amounted to EUR -42.9 million (net releases of EUR 28.9 million) due to net allocations primarily in the Czech Republic, Austria and Croatia.

Other operating result declined to EUR -67.6 million (EUR -32.4 million). Levies on banking activities were nearly unchanged at EUR 24.1 million (EUR 24.8 million). Thereof, EUR 10.9 million (EUR 11.3 million) were charged in Hungary (this amount reflects almost exclusively transaction taxes as banking tax is generally posted upfront in the first quarter). In Slovakia, levies amounted to EUR 7.8 million (EUR 7.7 million), in Austria to EUR 5.4 million (EUR 5.9 million).

The **pre-tax result** declined to EUR 626.0 million (EUR 694.3 million). The recognition of deferred tax assets turned the line item taxes on income positive at EUR 22.5 million (expenses of EUR 120.0 million). The **net result attributable to owners of the parent** rose to EUR 565.2 million (EUR 454.0 million).

DEVELOPMENT OF THE BALANCE SHEET

31 December 2018 compared with 31 December 2017

in EUR million	Dec 17	Dec 18	Change
Assets			
Cash and cash balances	21,796	17,549	-19.5%
Trading, financial assets	42,752	43,930	2.8%
Loans and advances to banks	9,126	19,103	>100.0%
Loans and advances to customers	139,532	149,321	7.0%
Intangible assets	1,524	1,507	-1.1%
Miscellaneous assets	5,929	5,382	-9.2%
Total assets	220,659	236,792	7.3%
Liabilities and equity			
Financial liabilities held for trading	3,423	2,508	-26.7%
Deposits from banks	16,349	17,658	8.0%
Deposits from customers	150,969	162,638	7.7%
Debt securities issued	25,095	29,738	18.5%
Miscellaneous liabilities	6,535	5,381	-17.7%
Total equity	18,288	18,869	3.2%
Total liabilities and equity	220,659	236,792	7.3%

The decline in **cash and cash balances** to EUR 17.5 billion (EUR 21.8 billion) was primarily due to smaller cash balances held at central banks. **Trading and investment securities** held in various categories of financial assets increased to EUR 43.9 billion (EUR 42.8 billion).

Loans and receivables to credit institutions (net), including demand deposits other than overnight deposits, increased primarily in the Czech Republic and in the Holding to EUR 19.1 billion (EUR 9.1 billion). **Loans and receivables to customers (net)** rose – mainly in the Czech Republic, but also in Austria and Slovakia – to EUR 149.3 billion (+7.0%; EUR 139.5 billion) driven by retail and corporate loan growth. **Credit loss allowances for loans to customers** declined to EUR 3.6 billion (EUR 4.0 billion), mostly due to continuing asset quality improvement. The **NPL ratio** – non-performing loans as a percentage of gross customer loans – improved again to 3.2% (4.3%). The **NPL coverage ratio** (based on gross customer loans) rose to 73.0% (69.5%).

Intangible assets remained unchanged at EUR 1.5 billion (EUR 1.5 billion). **Miscellaneous assets** amounted to EUR 5.4 billion (EUR 5.9 billion).

Financial liabilities – held for trading decreased to EUR 2.5 billion (EUR 3.4 billion). **Deposits from banks**, primarily term deposits and overnight deposits, rose to EUR 17.7 billion (EUR 16.3 billion); **deposits from customers** increased to EUR 162.6 billion (EUR 151.0 billion), due to strong growth in overnight deposits in all markets. The **loan-to-deposit ratio** stood at 91.8% (92.4%). **Debt securities in issue** increased to EUR 29.7 billion (EUR 25.1 billion). **Miscellaneous liabilities** amounted to EUR 5.4 billion (EUR 6.5 billion).

Total assets grew to EUR 236.8 billion (+7.3%; EUR 220.7 billion). **Total equity** increased to EUR 18.9 billion (+3.1%; EUR 18.3 billion). Following two issuances in June 2016 and April 2017, this has included AT1 instruments in the amount of EUR 993 million. The transition to IFRS 9 as of 1 January 2018 resulted in a decline of Erste Group's total equity by EUR 0.7 billion due to the mandatory remeasurement of financial assets and the optional remeasurement of financial liabilities (own issues). After regulatory deductions and filtering according to the Capital Requirements Regulation (CRR) **common equity tier 1 capital** (CET1, Basel 3 phased-in) rose to EUR 15.5 billion (EUR 14.7 billion). Total **own funds** (Basel 3 phased-in) went up to EUR 20.9 billion (EUR 20.3 billion). **Total risk (risk-weighted assets)** including credit, market and operational risk, Basel 3 phased-in) increased to EUR 114.6 billion (EUR 110.0 billion).

The **total capital ratio** (Basel 3 phased-in), total eligible qualifying capital in relation to total risk pursuant to CRR, was 18.2% (18.5%), well above the legal minimum requirement. The **tier 1 ratio** (Basel 3 phased in) stood at 14.4% (14.0%), the **common equity tier 1 ratio** (Basel 3 phased-in) at 13.5% (13.4%).

SEGMENT REPORTING

January-December 2018 compared with January-December 2017

Erste Group's segment reporting is based on a matrix organisation. It provides comprehensive information to assess the business line and geographic performance. The tables and information below provide a brief overview and focus on selected and summarised items. At www.erstegroup.com/investorrelations additional information is available in Excel format.

Operating income consists of net interest income, net fee and commission income, net trading result, gains/losses from financial instruments measured at fair value through profit or loss, dividend income, net result from equity method investments and rental income from investment properties & other operating leases. The latter three listed items are not presented in the tables below. Net trading result and gains/losses from financial instruments measured at fair value through profit or loss are summarized under one position. Operating expenses equal the position general administrative expenses. Operating result is the net amount of operating income and operating expenses. Risk provisions for loans and receivables are included in the position impairment result from financial instruments. Impairments and provisions for commitments and guarantees given were part of other result in 2017 whereas in 2018 this line item is part of impairment result from financial instruments. Other result summarises the positions other operating result and gains/losses from financial instruments not measured at fair value through profit or loss, net. The cost/income ratio is calculated as operating expenses in relation to operating income. The return on allocated capital is defined as the net result after tax/before minorities in relation to the average allocated capital.

BUSINESS SEGMENTS

Retail

in EUR million	2017	2018	Change
Net interest income	2,155.7	2,267.5	5.2%
Net fee and commission income	1,003.8	1,054.4	5.0%
Net trading result and gains/losses from financial instruments at FVPL	114.0	116.3	2.0%
Operating income	3,304.4	3,467.8	4.9%
Operating expenses	-1,995.8	-2,030.9	1.8%
Operating result	1,308.6	1,436.9	9.8%
Cost/income ratio	60.4%	58.6%	
Impairment result from financial instruments	9.5	-24.7	n/a
Other result	-60.4	-52.9	-12.3%
Net result attributable to owners of the parent	960.7	1,064.9	10.8%
Return on allocated capital	40.5%	35.2%	

The Retail segment comprises the entire business with private individuals, free professionals and micros in the responsibility of account managers in the retail network of the local banks cooperating with their specialised subsidiaries (such as leasing and asset management companies).

The increase in net interest income was driven by higher contributions from deposit business in Romania, the Czech Republic, Croatia, Slovakia and Austria as well as lending business in Croatia, Serbia and Austria. These positive developments were supported by CZK exchange rate appreciation and the higher interest rate environment in the Czech Republic and Romania. The result was negatively impacted by the change of disclosure for brokerage fee expenses in the building society. Net fee and commission income increased substantially mainly due to the shift of brokerage fee expenses to the line item net interest income in Austria as well as higher insurance and asset management fees in Slovakia and increased cards and account related fees in Hungary. Due to higher foreign exchange income in Romania and Hungary net trading result and gains/losses from financial instruments at FVPL improved. Operating expenses increased primarily due to higher costs in the Czech Republic driven by higher personnel expenses as well as the CZK appreciation and in Romania due to higher personnel and IT expenses. Costs in Croatia went up as well on the back of higher IT and personnel expenses. Operating result and the cost/income ratio improved. The deterioration in impairment result from financial instruments was driven primarily by higher portfolio provisioning in Romania and the Czech Republic, while risk costs in Slovakia and Serbia declined. Other result improved mainly due to release of provisions for litigation in Romania. Overall, the net result attributable to the owners of the parent increased.

Corporates

in EUR million	2017	2018	Change
Net interest income	993.9	1,032.2	3.9%
Net fee and commission income	256.2	283.1	10.5%
Net trading result and gains/losses from financial instruments at FVPL	93.4	88.2	-5.5%
Operating income	1,469.9	1,524.0	3.7%
Operating expenses	-577.0	-572.3	-0.8%
Operating result	892.9	951.8	6.6%
Cost/income ratio	39.3%	37.5%	
Impairment result from financial instruments	-135.3	59.4	n/a
Other result	-13.9	7.1	n/a
Net result attributable to owners of the parent	580.3	801.5	38.1%
Return on allocated capital	18.8%	21.0%	

The Corporates segment comprises business done with SMEs (small and medium sized enterprises), Local Large Corporate and Group Large Corporate customers, as well as commercial real estate and public sector business.

Net interest income increased primarily due to higher loan volumes and deposit margins in the Czech Republic, supported by CZK appreciation and a higher interest rate environment, as well as higher contribution of lending business in Slovakia and Erste Bank Oesterreich. These effects were partially offset by the lower contribution of lending business in the Holding. A better result from supply chain financing and higher documentary business fees in the Holding largely contributed to the increased net fee and commission income. Fee income in Slovakia and Romania increased as well. Net trading result and gains/losses from financial instruments at FVPL decreased as a result of positive valuation effects in 2017 of a portfolio migrated in 2018 from the corporate business to ALM in Erste Bank Oesterreich as well as higher income from hedging activities in the Czech Republic in 2017. Overall, operating income improved. Moderately reduced operating expenses further contributed to the improvement in operating result and the cost income ratio. The net release of risk provisions (line item impairment result from financial instruments) resulted from improved quality of the loan portfolio, lower default rates, higher recoveries as well as releases of specific provisions. The biggest improvement was posted in Croatia and Austria. Other result improved partly due to the changed off-balance risk provisions disclosure (allocations posted in 2017 were part of the line item other result). The net result attributable to the owners of the parent increased notably.

Group Markets

in EUR million	2017	2018	Change
Net interest income	196.8	252.6	28.3%
Net fee and commission income	223.0	226.5	1.6%
Net trading result and gains/losses from financial instruments at FVPL	133.0	53.1	-60.1%
Operating income	554.1	533.7	-3.7%
Operating expenses	-229.5	-241.3	5.2%
Operating result	324.6	292.4	-9.9%
Cost/income ratio	41.4%	45.2%	
Impairment result from financial instruments	3.6	-0.4	n/a
Other result	-11.5	-21.3	84.5%
Net result attributable to owners of the parent	245.7	215.7	-12.2%
Return on allocated capital	36.9%	27.4%	

The Group Markets segment comprises trading and markets services as well as business done with financial institutions.

Net interest income increased primarily due to the increased volumes of reverse repo business in the Czech Republic and Austria. Net fee and commission income rose mainly due to the higher asset management and depository services fees in the Czech Republic. Net trading result and gains/losses from financial instruments at FVPL decreased due to last year's extraordinarily favourable market conditions for interest rate related products and lower valuation results of securities. Consequently, operating income declined. Operating expenses went up on the back of higher IT and project-related costs. Operating result thus declined and the cost/income ratio deteriorated. Other result slipped primarily due to higher payments into resolution funds and banking taxes. Overall, the net result attributable to the owners of the parent decreased.

Asset/Liability Management & Local Corporate Center

in EUR million	2017	2018	Change
Net interest income	-55.4	-91.6	65.4%
Net fee and commission income	-87.4	-102.8	17.7%
Net trading result and gains/losses from financial instruments at FVPL	-97.7	-32.1	-67.1%
Operating income	-191.2	-178.5	-6.6%
Operating expenses	-86.0	-67.8	-21.2%
Operating result	-277.2	-246.3	-11.1%
Cost/income ratio	-45.0%	-38.0%	
Impairment result from financial instruments	-8.3	12.4	n/a
Other result	-142.9	-131.2	-8.1%
Net result attributable to owners of the parent	-359.3	-289.1	-19.5%
Return on allocated capital	-17.7%	-10.6%	

The ALM & LCC segment includes all asset/liability management functions – local and of Erste Group Bank AG (Holding) – as well as the local corporate centers which comprise non-profit service providers and reconciliation items to local entity results.

Net interest income decreased primarily due lower contribution from balance sheet management in Romania, Croatia and the Holding which was partially compensated by increased interest rates in the Czech Republic. Net fee and commission income decreased mainly due to lower payment fees in Slovakia and Romania. Net trading result and gains/losses from financial instruments at FVPL improved due to valuation results in the Holding. Operating expenses declined due to a changed cost allocation in Erste Group Immorent, Erste Bank Oesterreich and Czech Republic, resulting in a shift to the Retail and Corporate Segments. Overall, operating result improved. Other result improved mainly due to releases of provisions for litigation in Erste Group Immorent. These effects were partially offset by the non-recurrence of the selling gains from bonds in the Czech Republic, Hungary and the Holding. The net result attributable to the owners of the parent improved.

Savings Banks

in EUR million	2017	2018	Change
Net interest income	982.0	1,016.4	3.5%
Net fee and commission income	446.2	459.8	3.0%
Net trading result and gains/losses from financial instruments at FVPL	10.2	-27.1	n/a
Operating income	1,492.9	1,497.4	0.3%
Operating expenses	-1,051.2	-1,073.3	2.1%
Operating result	441.7	424.1	-4.0%
Cost/income ratio	70.4%	71.7%	
Impairment result from financial instruments	12.6	19.8	57.5%
Other result	-38.0	-4.5	-88.1%
Net result attributable to owners of the parent	51.9	53.6	3.1%
Return on allocated capital	14.7%	12.2%	

The Savings Banks segment includes those savings banks which are members of the Haftungsverbund (cross-guarantee system) of the Austrian savings banks sector and in which Erste Group does not hold a majority stake but which are fully controlled according to IFRS 10. The fully or majority owned savings banks Erste Bank Oesterreich, Tiroler Sparkasse, Salzburger Sparkasse, and Sparkasse Hainburg are not part of the Savings Banks segment.

The increase in net interest income was primarily attributable to higher customer loan volumes. Net fee and commission income increased on the back of higher lending and payment fees. The deterioration of net trading result and gains/losses from financial instruments at FVPL was driven by valuation effects. Operating expenses rose due to increased personnel expenses. Deposit insurance contributions amounted to EUR 27.9 million (EUR 27.0 million). Operating result thus decreased and the cost/income ratio deteriorated. A higher net release of risk provisions was reflected in the impairment result from financial instruments. Other result improved due to the non-recurrence of the provisions for expected losses from customer loans due to supreme court rulings regarding negative interest reference rates in 2017 (EUR 31.3 million) as well as changed disclosure of provisions for off-balance exposure, which were partially offset by the non-recurrence of selling gains from bonds. Payments into the resolution fund increased to EUR 9.0 million (EUR 6.4 million). Banking tax amounted to EUR 4.0 million (EUR 4.4 million). Overall, the net result attributable to the owners of the parent increased.

Group Corporate Center

in EUR million	2017	2018	Change
Net interest income	74.9	77.9	4.0%
Net fee and commission income	13.0	-12.5	n/a
Net trading result and gains/losses from financial instruments at FVPL	-41.5	39.9	n/a
Operating income	73.1	124.2	69.9%
Operating expenses	-996.4	-980.4	-1.6%
Operating result	-923.3	-856.2	-7.3%
Cost/income ratio	>100.0%	>100.0%	
Impairment result from financial instruments	-14.1	-7.3	-48.5%
Other result	709.2	636.0	-10.3%
Net result attributable to owners of the parent	-163.2	-53.0	-67.5%
Return on allocated capital	-2.0%	-0.8%	

The Group Corporate Center segment covers mainly centrally managed activities and items that are not directly allocated to other segments. It includes the Corporate Center of Erste Group Bank AG as well as internal non-profit service providers. Therefore in particular the line items "other operating result" and "general administrative expenses" should be considered together with intragroup eliminations. Furthermore, the free capital of Erste Group is included.

Operating income increased mainly due to improved net trading result and gains/losses from financial instruments measured at FVPL driven by positive valuation effects in the Holding. As operating expenses declined, operating result improved. Other result went down on the non-recurrence of last year's selling gains. Overall the net result attributable to the owners of the parent improved.

GEOGRAPHICAL SEGMENTS

Erste Bank Oesterreich & Subsidiaries

in EUR million	2017	2018	Change
Net interest income	631.2	644.3	2.1%
Net fee and commission income	353.8	386.4	9.2%
Net trading result and gains/losses from financial instruments at FVPL	20.1	10.6	-47.6%
Operating income	1,053.7	1,088.1	3.3%
Operating expenses	-679.6	-678.9	-0.1%
Operating result	374.1	409.2	9.4%
Cost/income ratio	64.5%	62.4%	
Impairment result from financial instruments	26.1	14.3	-45.4%
Other result	-27.5	-39.6	44.1%
Net result attributable to owners of the parent	253.2	278.2	9.9%
Return on allocated capital	21.1%	18.7%	

The Erste Bank Oesterreich & Subsidiaries (EBOe & Subsidiaries) segment comprises Erste Bank der oesterreichischen Sparkassen AG (Erste Bank Oesterreich) and its main subsidiaries (e.g. sBausparkasse, Salzburger Sparkasse, Tiroler Sparkasse, Sparkasse Hainburg).

Net interest income increased due to higher loan and deposit volumes in combination with stable margins which offset the negative impact from a change of disclosure for brokerage fee expenses in the building society. Net fee and commission income increased substantially mainly due to the shift of brokerage fee expenses to the line item net interest income as well as higher payment fees, which was partially offset by lower securities fees. The deterioration of net trading result and gains/losses from financial instruments at FVPL was driven by valuation effects. Despite higher deposit insurance contributions of EUR 23.3 million (EUR 21.7 million), operating expenses remained stable. Operating result thus increased and the cost/income ratio improved. A lower net release of risk provisions (reflected in the impairment result from financial instruments) was mainly driven by corporate business. The worsening of other result was due to higher provisions for legal expenses. The payment into the resolution fund increased to EUR 10.2 million (EUR 6.1 million). Banking tax amounted to EUR 3.5 million (EUR 3.3 million). Overall, the net result attributable to the owners of the parent improved.

Savings Banks

The geographical segment Savings Banks is identical to the business segment Savings Banks.

Other Austria

in EUR million	2017	2018	Change
Net interest income	372.2	388.9	4.5%
Net fee and commission income	216.6	224.6	3.7%
Net trading result and gains/losses from financial instruments at FVPL	59.9	-26.2	n/a
Operating income	708.0	648.3	-8.4%
Operating expenses	-373.8	-369.4	-1.2%
Operating result	334.2	278.9	-16.6%
Cost/income ratio	52.8%	57.0%	
Impairment result from financial instruments	-40.0	87.7	n/a
Other result	3.4	25.9	>100.0%
Net result attributable to owners of the parent	228.6	313.2	37.0%
Return on allocated capital	15.5%	17.7%	

The Other Austria segment comprises the Corporates and Group Markets business of Erste Group Bank AG (Holding), Erste Group Im-morent, Erste Asset Management and Intermarket Bank.

Net interest income increased on higher volumes of reverse repo business in Group Markets, partially offset by lower lending margins in corporate business. Net fee and commission income increased due to higher supply chain financing and documentary business. The decrease of net trading result and gains/losses from financial instruments at FVPL was predominantly caused by last year's extraordinarily favourable market conditions for interest rate related products in Group Markets business and by a weaker valuation result, partially compensated by selling gains from securities. Although operating expenses declined moderately, operating result decreased and the cost/income ratio deteriorated. Impairment result from financial instruments improved markedly as a result of provision releases, while the previous year included provisions for the downgrading of selected corporate customers. Other result improved mostly due to releases of litigation provisions, partially off-set by increased impairments of non-financial assets. Other result also included the resolution fund contribution of EUR 6.1 million (EUR 3.6 million). Overall, the net result attributable to the owners of the parent improved.

Czech Republic

in EUR million	2017	2018	Change
Net interest income	942.3	1,062.2	12.7%
Net fee and commission income	334.4	332.9	-0.4%
Net trading result and gains/losses from financial instruments at FVPL	103.6	92.5	-10.7%
Operating income	1,393.4	1,501.4	7.8%
Operating expenses	-692.8	-714.5	3.1%
Operating result	700.6	786.9	12.3%
Cost/income ratio	49.7%	47.6%	
Impairment result from financial instruments	-1.3	-11.2	>100.0%
Other result	-35.2	-49.5	40.7%
Net result attributable to owners of the parent	532.9	582.8	9.4%
Return on allocated capital	26.3%	23.4%	

The segment analysis is done on a constant currency basis. The CZK appreciated by 2.6% against the EUR in the reporting period. Net interest income in the Czech Republic segment (comprising Česká spořitelna Group) increased primarily due to rising interest rates and higher loan volumes. Net fee and commission income decreased moderately on the back of lower income from current accounts which could not be fully compensated by higher fees from asset management and insurance brokerage. The decrease of net trading result and gains/losses from financial instruments at FVPL was driven by a lower contribution from foreign currency transactions. Higher personnel expenses and IT costs led to an increase in operating expenses. Deposit insurance contribution amounted to EUR 9.6 million (EUR 8.3 million). Overall, operating result increased, the cost/income ratio improved. The slightly worse impairment result from financial instruments was mostly attributable to the introduction of new parameters in the retail business. The other result deteriorated mainly due to the non-recurrence of property selling gains. The contribution to the resolution fund amounted to EUR 19.0 million (EUR 16.2 million). Altogether, these developments led to an increase in the net result attributable to the owners of the parent.

Slovakia

in EUR million	2017	2018	Change
Net interest income	434.3	438.7	1.0%
Net fee and commission income	112.7	128.8	14.3%
Net trading result and gains/losses from financial instruments at FVPL	13.3	11.8	-10.9%
Operating income	568.7	586.1	3.1%
Operating expenses	-281.1	-279.6	-0.6%
Operating result	287.6	306.6	6.6%
Cost/income ratio	49.4%	47.7%	
Impairment result from financial instruments	-30.1	-23.5	-21.8%
Other result	-39.5	-40.3	1.9%
Net result attributable to owners of the parent	166.2	189.4	14.0%
Return on allocated capital	24.7%	20.7%	

Net interest income in the Slovakia segment (comprising Slovenská sporiteľňa Group) increased due to higher loan volumes. Net fee and commission income improved on the back of higher insurance brokerage as well as higher lending and payment fees. Net trading result and gains/losses from financial instruments at FVPL remained largely stable in absolute terms. Operating expenses decreased slightly despite higher personnel costs. Deposit insurance contribution amounted to EUR 0.9 million (EUR 0.8 million). Overall, operating result increased and the cost/income ratio improved. Impairment result from financial instruments improved due to lower provisions in the retail business. Other result remained stable, as the increase of banking tax to EUR 30.3 million (EUR 27.4 million) was offset by the changed disclosure of provisions for commitments and guarantees. In 2017, this line item included a net allocation and was part of other result, from 2018 it is disclosed under impairment result from financial instruments. The payment into the resolution fund amounted to EUR 2.7 million (EUR 2.8 million). Overall, the net result attributable to the owners of the parent increased.

Romania

in EUR million	2017	2018	Change
Net interest income	365.5	394.5	7.9%
Net fee and commission income	153.4	151.9	-1.0%
Net trading result and gains/losses from financial instruments at FVPL	77.6	96.0	23.7%
Operating income	611.5	660.6	8.0%
Operating expenses	-338.0	-354.6	4.9%
Operating result	273.5	306.0	11.9%
Cost/income ratio	55.3%	53.7%	
Impairment result from financial instruments	-7.1	-26.0	>100.0%
Other result	-88.9	-18.4	-79.3%
Net result attributable to owners of the parent	120.7	219.9	82.2%
Return on allocated capital	12.5%	17.4%	

The segment analysis is done on a constant currency basis. The RON depreciated by 1.9% against the EUR in the reporting period. Net interest income in the Romania segment (comprising Banca Comercială Română Group) increased mainly on the back of sharply increased short-term market interest rates, despite being negatively impacted by a change in the segmental capital benefit calculation methodology. Net fee and commission income rose slightly in local currency terms. Net trading result and gains/losses from financial instruments at FVPL increased predominantly due to strong result from business with financial institutions, revaluation of FX participations and a better result from FX transactions in the retail business. Operating expenses increased due to higher costs related to the move to new headquarters and project costs as well as higher personnel costs. Deposit insurance contributions doubled to EUR 4.4 million (EUR 2.2 million). Overall, operating result increased and the cost/income ratio improved. Other result improved on the release of provisions for litigations and changed disclosure of provisions for commitments and guarantees given. The resolution fund contribution declined significantly to EUR 5.5 million (EUR 14.2 million). Consequently, the net result attributable to the owners of the parent increased.

Hungary

in EUR million	2017	2018	Change
Net interest income	198.4	198.8	0.2%
Net fee and commission income	157.4	170.2	8.1%
Net trading result and gains/losses from financial instruments at FVPL	35.1	45.4	29.4%
Operating income	395.0	418.4	5.9%
Operating expenses	-220.8	-212.4	-3.8%
Operating result	174.2	206.0	18.2%
Cost/income ratio	55.9%	50.8%	
Impairment result from financial instruments	35.1	36.3	3.3%
Other result	-28.6	-67.2	>100.0%
Net result attributable to owners of the parent	164.9	166.8	1.1%
Return on allocated capital	29.3%	20.8%	

The segment analysis is done on a constant currency basis. The HUF depreciated by 3.2% against the EUR in the reporting period. Net interest income in the Hungary segment (comprising Erste Bank Hungary Group) remained stable on the back of higher loan and deposit volumes, although a change in the segmental capital benefit calculation methodology had a negative effect. Net fee and commission income rose due to higher card, payments and securities fees. Net trading result and gains/losses from financial instruments at FVPL improved mainly due to the higher contribution from derivatives. Operating expenses decreased on the back of lower personnel and consultancy expenses. Deposit insurance contributions amounted to EUR 7.5 million (EUR 8.7 million). Consequently, operating result and the cost/income ratio improved. Marginally higher net releases of risk provisions (reflected in the impairment result from financial instruments) were posted in corporate business. Other result deteriorated due to the non-recurrence of provision releases and higher banking levies of EUR 58.9 million (EUR 55.3 million). This line item also included the contribution to the resolution fund of EUR 2.6 million (EUR 1.9 million). Overall, the net result attributable to the owners of the parent increased.

Croatia

in EUR million	2017	2018	Change
Net interest income	270.5	273.7	1.2%
Net fee and commission income	95.8	98.9	3.2%
Net trading result and gains/losses from financial instruments at FVPL	26.6	30.3	13.8%
Operating income	414.0	420.3	1.5%
Operating expenses	-206.3	-212.5	3.0%
Operating result	207.7	207.8	0.0%
Cost/income ratio	49.8%	50.6%	
Impairment result from financial instruments	-116.1	-33.1	-71.5%
Other result	-9.0	-1.3	-85.2%
Net result attributable to owners of the parent	37.7	95.7	>100.0%
Return on allocated capital	10.4%	19.1%	

The segment analysis is done on a constant currency basis. The HRK appreciated by 0.6% against the EUR in the reporting period. Net interest income in the Croatia segment (comprising Erste Bank Croatia Group) increased as higher contributions from deposits and consumer loans in the retail business offset a lower contribution from balance sheet management and lower corporate lending volumes. Net fee and commission income rose as higher card and payment fees in retail and corporate business entirely compensated non-recurring income from debt issuance realised last year. Net trading result and gains/losses from financial instruments at FVPL increased on the back of higher gains from foreign exchange transactions. Operating expenses went up due to higher personnel as well as IT costs and included a EUR 11.1 million (EUR 10.9 million) deposit insurance fund contribution. Overall, operating result remained stable while the cost/income ratio increased. The notable improvement of impairment result from financial instruments was primarily driven by significantly lower provisioning needs in the corporate business. Other result improved on the non-recurrence of last year's impairment of a participation. This line item included resolution fund contribution in the amount of EUR 3.8 million (EUR 4.0 million). Consequently, the net result attributable to the owners of the parent improved significantly.

Serbia

in EUR million	2017	2018	Change
Net interest income	51.3	50.7	-1.1%
Net fee and commission income	11.3	13.4	18.4%
Net trading result and gains/losses from financial instruments at FVPL	4.1	5.1	23.6%
Operating income	67.0	69.3	3.4%
Operating expenses	-45.1	-49.6	10.1%
Operating result	21.9	19.7	-10.3%
Cost/income ratio	67.3%	71.6%	
Impairment result from financial instruments	1.2	1.7	40.6%
Other result	-0.3	-0.5	60.9%
Net result attributable to owners of the parent	17.0	15.5	-8.9%
Return on allocated capital	15.5%	10.1%	

The segment analysis is done on a constant currency basis. The RSD appreciated by 2.6% against the EUR in the reporting period. Net interest income in the Serbia segment (comprising Erste Bank Serbia Group) decreased due to a lower contribution from the corporate business and balance sheet management despite better performance of the retail business on higher loan and deposit volumes. Net fee and commission income improved due to higher guarantee fees in the corporate business and higher payment fees in retail business. Net trading result and gains/losses from financial instruments at FVPL went up on the back of government bond valuation effects. The increase in operating expenses was driven by higher personnel and IT costs. Deposit insurance contribution rose to EUR 4.0 million (EUR 3.2 million). Operating result thus declined and the cost/income ratio deteriorated. The slight improvement of impairment result from financial instruments was primarily driven by model changes. Overall, the net result attributable to the owners of the parent decreased.

Other

in EUR million	2017	2018	Change
Net interest income	105.5	113.7	7.8%
Net fee and commission income	-30.0	-58.4	94.8%
Net trading result and gains/losses from financial instruments at FVPL	-140.2	-44.7	-68.1%
Operating income	-35.2	25.8	n/a
Operating expenses	-269.6	-236.3	-12.4%
Operating result	-304.8	-210.5	-30.9%
Cost/income ratio	>100.0%	>100.0%	
Impairment result from financial instruments	-12.6	-6.6	-47.5%
Other result	-37.5	-103.4	>100.0%
Net result attributable to owners of the parent	-256.8	-121.6	-52.7%
Return on allocated capital	-3.0%	-1.9%	

The residual segment Other consists mainly of centralised service providers, the Group Asset/Liability Management and the Corporate Center of Erste Group Bank AG as well as the reconciliation to the consolidated accounting result (e.g. intercompany elimination, dividend elimination) and free capital.

Operating income improved primarily due to a better valuation result in the line item gains/losses from financial instruments at FVPL. Operating expenses declined despite higher IT costs and operating result improved. Other result deteriorated on the non-recurrence of last year's selling gains. Overall the net result attributable to the owners of the parent improved.

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

Date	Thursday 28 February 2019
Time	9:00 Vienna / 8:00 London / 3:00 New York
Live audio webcast	http://www.erstegroup.com/investorrelations (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 538750 AT: 0800 005 386 Tollfree/Freephone UK: +44 (0)330 336 9104 0800 358 6374 Tollfree/Freephone US: +1 929-477-0443 US & Canada: 800-289-0459 Tollfree/Freephone
Replay	Will be available at https://www.erstegroup.com/en/investors/events/irevents .

For more information, please contact:

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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.

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This information is also available on <http://www.erstegroup.com/en/investors/news> and on the Erste Group Investor Relations App for iPad, iPhone and Android (http://www.erstegroup.com/en/Investors/IR_App)

Appendix

Preliminary results 2018 of Erste Group Bank AG (IFRS)

Consolidated income statement

in EUR thousand	Notes	2017	2018
Net interest income	1	4,353,154	4,581,977
Interest income	1	5,624,422	5,174,274
Other similar income	1	0	1,772,606
Interest expenses	1	-1,271,268	-1,003,447
Other similar expenses	1	0	-1,361,456
Net fee and commission income	2	1,851,567	1,908,449
Fee and commission income	2	2,329,384	2,377,020
Fee and commission expenses	2	-477,816	-468,571
Dividend income	3	43,726	29,043
Net trading result	4	222,802	-1,697
Gains/losses from financial instruments measured at fair value through profit or loss	5	-12,302	195,406
Net result from equity method investments		15,857	13,102
Rental income from investment properties & other operating leases	6	194,235	189,368
Personnel expenses	7	-2,388,581	-2,474,238
Other administrative expenses	7	-1,309,630	-1,234,893
Depreciation and amortisation	7	-460,022	-471,966
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	8	156,431	0
Gains/losses from derecognition of financial assets measured at amortised cost	9	0	58
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	10	0	5,658
Net impairment loss on financial assets	11	-132,017	0
Impairment result from financial instruments	12	0	59,253
Other operating result	13	-457,425	-304,549
Levies on banking activities	13	-105,658	-112,221
Pre-tax result from continuing operations		2,077,797	2,494,972
Taxes on income	14	-410,050	-332,439
Net result for the period		1,667,747	2,162,533
Net result attributable to non-controlling interests		351,529	369,087
Net result attributable to owners of the parent		1,316,218	1,793,446

Consolidated statement of comprehensive income

in EUR thousand	2017	2018
Net result for the period	1,667,747	2,162,533
Other comprehensive income		
Items that may not be reclassified to profit or loss	-640	122,218
Remeasurement of net liability of defined pension plans	-7,387	-127,413
Fair value changes of equity instruments at fair value through other comprehensive income	0	36,740
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in own credit risk	0	226,932
Deferred taxes relating to items that may not be reclassified	6,747	-14,041
Items that may be reclassified to profit or loss	15,030	-191,755
Available for sale reserve (including currency translation)	-184,575	0
Gain/loss during the period	-61,622	0
Reclassification adjustments	-122,953	0
Debt instruments at fair value through other comprehensive income	0	-152,264
Gain/loss during the period	0	-152,484
Reclassification adjustments	0	3,508
Credit loss allowances	0	-3,288
Cash flow hedge reserve	-105,288	-2,890
Gain/loss during the period	-73,898	28,025
Reclassification adjustments	-31,390	-30,915
Currency translation reserve	237,620	-72,079
Gain/loss during the period	237,620	-72,079
Reclassification adjustments	0	0
Deferred taxes relating to items that may be reclassified	67,273	35,479
Gain/loss during the period	23,264	30,321
Reclassification adjustments	44,009	5,158
Total other comprehensive income	14,391	-69,537
Total comprehensive income	1,682,137	2,092,996
Total comprehensive income attributable to non-controlling interests	277,144	322,652
Total comprehensive income attributable to owners of the parent	1,404,994	1,770,344

Group balance sheet

in EUR thousand	Notes	Dec 17	Dec 18
Assets			
Cash and cash balances	15	21,796,299	17,549,181
Financial assets held for trading		6,349,189	5,584,460
Derivatives	16	3,333,142	3,037,413
Other financial assets held for trading	17	3,016,047	2,547,047
Pledged as collateral		242,434	162,856
Financial assets at fair value through profit or loss	18	542,572	0
Non-trading financial assets at fair value through profit or loss	19	0	3,310,046
Pledged as collateral		0	37,237
Equity instruments		0	372,297
Debt securities		0	2,651,166
Loans and advances to customers		0	286,583
Financial assets available for sale	20	16,060,153	0
Pledged as collateral		756,537	0
Financial assets at fair value through other comprehensive income	21	0	9,271,881
Pledged as collateral		0	212,439
Equity instruments		0	238,876
Debt securities		0	9,033,005
Financial assets held to maturity	22	19,800,435	0
Pledged as collateral		1,568,387	0
Loans and receivables to credit institutions	23	9,125,673	0
Loans and receivables to customers	24	139,532,277	0
Financial assets at amortised cost	25	0	189,106,358
Pledged as collateral		0	959,617
Debt securities		0	26,050,153
Loans and advances to banks		0	19,102,754
Loans and advances to customers		0	143,953,451
Finance lease receivables	26	0	3,762,767
Hedge accounting derivatives	27	884,311	132,411
Property and equipment		2,386,767	2,292,792
Investment properties		1,111,561	1,159,330
Intangible assets		1,523,564	1,507,082
Investments in associates and joint ventures		198,373	198,093
Current tax assets		107,633	101,315
Deferred tax assets		257,933	402,190
Assets held for sale		213,897	213,127
Trade and other receivables	28	0	1,318,411
Other assets	29	768,795	882,387
Total assets		220,659,433	236,791,833

in EUR thousand	Notes	Dec 17	Dec 18
Liabilities and equity			
Financial liabilities held for trading		3,422,793	2,508,250
Derivatives	16	2,933,667	2,000,173
Other financial liabilities held for trading	30	489,126	508,077
Financial liabilities at fair value through profit or loss		1,801,245	14,121,895
Deposits from customers		48,559	211,810
Debt securities issued	31	1,752,686	13,445,678
Other financial liabilities		0	464,407
Financial liabilities at amortised cost		191,711,402	196,862,845
Deposits from banks	32	16,349,382	17,657,544
Deposits from customers	32	150,920,715	162,426,423
Debt securities issued	32	23,342,123	16,292,610
Other financial liabilities		1,099,182	486,268
Finance lease liabilities		0	6
Hedge accounting derivatives	27	360,379	276,968
Fair value changes of hedged items in portfolio hedge of interest rate risk		666,117	48
Provisions	33	1,647,963	1,704,526
Current tax liabilities		101,079	99,234
Deferred tax liabilities		61,454	22,886
Liabilities associated with assets held for sale		2,752	3,310
Other liabilities	34	2,595,932	2,323,146
Total equity		18,288,316	18,868,719
Equity attributable to non-controlling interests		4,416,402	4,494,030
Additional equity instruments		993,275	993,242
Equity attributable to owners of the parent		12,878,639	13,381,447
Subscribed capital		859,600	859,600
Additional paid-in capital		1,476,689	1,476,689
Retained earnings and other reserves		10,542,350	11,045,159
Total liabilities and equity		220,659,433	236,791,833

Segment reporting

Business segments (1)

in EUR million	Retail		Corporates		Group Markets		ALM&LCC	
	2017	2018	2017	2018	2017	2018	2017	2018
Net interest income	2,155.7	2,267.5	993.9	1,032.2	196.8	252.6	-55.4	-91.6
Net fee and commission income	1,003.8	1,054.4	256.2	283.1	223.0	226.5	-87.4	-102.8
Dividend income	1.0	0.4	0.6	1.0	1.2	1.5	13.4	11.7
Net trading result	114.0	118.0	91.6	70.6	123.8	60.1	-74.3	-206.8
Gains/losses from financial instruments at FVPL	0.0	-1.7	1.8	17.7	9.2	-7.0	-23.4	174.7
Net result from equity method investments	8.4	6.8	0.2	0.0	0.0	0.0	4.4	3.4
Rental income from investment properties & other operating leases	21.6	22.4	125.6	119.6	0.0	0.0	31.5	33.0
General administrative expenses	-1,995.8	-2,030.9	-577.0	-572.3	-229.5	-241.3	-86.0	-67.8
Gains/losses from financial assets and liabilities not at FVPL, net	0.3		7.0		1.7		47.0	
Gains/losses from derecognition of financial assets at AC		0.0		0.0		0.0		-0.1
Other gains/losses from derecognition of financial instruments not at FVPL		1.1		10.0		0.0		-5.8
Net impairment loss on financial assets	9.5		-135.3		3.6		-8.3	
Impairment result from financial instruments	0.0	-24.7	0.0	59.4	0.0	-0.4	0.0	12.4
Other operating result	-60.7	-54.0	-20.9	-3.0	-13.3	-21.3	-189.9	-125.4
Levies on banking activities	-50.6	-60.4	-14.9	-21.5	-1.6	-3.6	-18.9	-7.2
Pre-tax result from continuing operations	1,257.7	1,359.3	743.7	1,018.2	316.7	270.7	-428.4	-365.1
Taxes on income	-237.0	-253.7	-136.9	-180.0	-65.2	-51.5	37.7	69.9
Net result for the period	1,020.8	1,105.6	606.8	838.2	251.5	219.1	-390.7	-295.2
Net result attributable to non-controlling interests	60.1	40.7	26.5	36.7	5.8	3.5	-31.4	-6.1
Net result attributable to owners of the parent	960.7	1,064.9	580.3	801.5	245.7	215.7	-359.3	-289.1
Operating income	3,304.4	3,467.8	1,469.9	1,524.0	554.1	533.7	-191.2	-178.5
Operating expenses	-1,995.8	-2,030.9	-577.0	-572.3	-229.5	-241.3	-86.0	-67.8
Operating result	1,308.6	1,436.9	892.9	951.8	324.6	292.4	-277.2	-246.3
Risk-weighted assets (credit risk, eop)	19,097	20,199	37,029	38,702	3,405	3,985	4,546	5,298
Average allocated capital	2,518	3,145	3,222	3,989	682	800	2,210	2,773
Cost/income ratio	60.4%	58.6%	39.3%	37.5%	41.4%	45.2%	-45.0%	-38.0%
Return on allocated capital	40.5%	35.2%	18.8%	21.0%	36.9%	27.4%	-17.7%	-10.6%
Total assets (eop)	58,952	62,434	49,661	52,710	31,106	46,257	58,619	49,155
Total liabilities excluding equity (eop)	80,446	86,252	28,032	27,044	28,592	37,207	49,041	47,746
Impairments	-0.3	-35.4	-96.5	57.2	4.7	-0.4	-68.3	-46.9
Net impairment loss on loans and receivables to credit institutions/customers	9.5		-135.0		3.3		-6.4	
Net impairment loss on other non-FV financial assets	0.0		-0.3		0.3		-2.0	
Net impairment loss on financial assets AC		-32.4		53.9		-1.7		1.0
Net impairment loss on financial assets FVOCI		0.0		-0.9		0.0		2.2
Net impairment loss on finance lease receivables		-0.2		10.4		0.0		0.1
Net impairment loss on commitments and guarantees given	-6.6	7.9	34.3	-4.1	0.4	1.3	1.1	9.2
Impairment of goodwill	0.0	-2.6	0.0	0.0	0.0	0.0	-0.5	2.6
Net impairment on investments in subsidiaries, joint ventures and associates		0.0		-0.3		0.0		0.3
Net impairment on other non-financial assets	-3.2	-8.1	4.5	-1.9	0.7	0.0	-60.6	-62.2

Business segments (2)

in EUR million	Savings Banks		Group Corporate Center		Intragroup Elimination		Total Group	
	2017	2018	2017	2018	2017	2018	2017	2018
Net interest income	982.0	1,016.4	74.9	77.9	5.2	27.0	4,353.2	4,582.0
Net fee and commission income	446.2	459.8	13.0	-12.5	-3.2	0.0	1,851.6	1,908.4
Dividend income	16.7	8.9	11.0	5.6	-0.2	0.0	43.7	29.0
Net trading result	10.2	1.9	-41.5	-0.8	-0.9	-44.5	222.8	-1.7
Gains/losses from financial instruments at FVPL	0.0	-28.9	0.1	40.7	0.0	0.0	-12.3	195.4
Net result from equity method investments	0.0	0.0	2.9	2.9	0.0	0.0	15.9	13.1
Rental income from investment properties & other operating leases	37.8	39.4	12.7	10.4	-35.0	-35.4	194.2	189.4
General administrative expenses	-1,051.2	-1,073.3	-996.4	-980.4	777.6	784.8	-4,158.2	-4,181.1
Gains/losses from financial assets and liabilities not at FVPL, net	30.4		70.0		0.0		156.4	
Gains/losses from derecognition of financial assets at AC		1.3		0.7		-1.8		0.1
Other gains/losses from derecognition of financial instruments not at FVPL		0.6		-0.3		0.0		5.7
Net impairment loss on financial assets	12.6		-14.1		0.0		-132.0	
Impairment result from financial instruments	0.0	19.8	0.0	-7.3	0.0	0.0	0.0	59.3
Other operating result	-68.4	-6.4	639.2	635.6	-743.4	-730.1	-457.4	-304.5
Levies on banking activities	-4.4	-4.1	-15.3	-15.4	0.0	0.0	-105.7	-112.2
Pre-tax result from continuing operations	416.3	439.4	-228.2	-227.5	0.0	0.0	2,077.8	2,495.0
Taxes on income	-101.3	-106.0	92.5	188.9	0.0	0.0	-410.1	-332.4
Net result for the period	315.0	333.4	-135.7	-38.6	0.0	0.0	1,667.7	2,162.5
Net result attributable to non-controlling interests	263.1	279.8	27.4	14.4	0.0	0.0	351.5	369.1
Net result attributable to owners of the parent	51.9	53.6	-163.2	-53.0	0.0	0.0	1,316.2	1,793.4
Operating income	1,492.9	1,497.4	73.1	124.2	-34.1	-52.9	6,669.0	6,915.6
Operating expenses	-1,051.2	-1,073.3	-996.4	-980.4	777.6	784.8	-4,158.2	-4,181.1
Operating result	441.7	424.1	-923.3	-856.2	743.5	731.9	2,510.8	2,734.6
Risk-weighted assets (credit risk, eop)	21,625	23,334	1,083	1,691	0	0	86,784	93,209
Average allocated capital	2,136	2,741	6,776	4,685	0	0	17,544	18,133
Cost/income ratio	70.4%	71.7%	>100%	>100%	>100%	>100%	62.4%	60.5%
Return on allocated capital	14.7%	12.2%	-2.0%	-0.8%			9.5%	11.9%
Total assets (eop)	60,108	63,364	2,797	5,178	-40,583	-42,305	220,659	236,792
Total liabilities excluding equity (eop)	55,486	58,648	1,328	3,380	-40,555	-42,354	202,371	217,923
Impairments	0.2	20.2	-24.7	-37.0	0.0	0.0	-184.9	-42.3
Net impairment loss on loans and receivables to credit institutions/customers	17.8		5.7		0.0		-105.0	
Net impairment loss on other non-FV financial assets	-5.2		-19.8		0.0		-27.0	
Net impairment loss on financial assets AC		-8.1		25.9		0.0		38.6
Net impairment loss on financial assets FVOCI		1.4		0.9		0.0		3.5
Net impairment loss on finance lease receivables		0.3		0.0		0.0		10.6
Net impairment loss on commitments and guarantees given	-11.7	26.3	0.0	-34.1	0.0	0.0	17.5	6.6
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	-0.5	0.0
Net impairment on investments in subsidiaries, joint ventures and associates		0.0		0.0		0.0		0.0
Net impairment on other non-financial assets	-0.7	0.4	-10.6	-29.7	0.0	0.0	-69.9	-101.6

Geographical segmentation – overview

in EUR million	Austria		Central and Eastern Europe		Other		Total Group	
	2017	2018	2017	2018	2017	2018	2017	2018
Net interest income	1,985.4	2,049.6	2,262.3	2,418.7	105.5	113.7	4,353.2	4,582.0
Net fee and commission income	1,016.6	1,070.8	865.0	896.1	-30.0	-58.4	1,851.6	1,908.4
Dividend income	28.1	18.4	4.8	5.1	10.8	5.6	43.7	29.0
Net trading result	79.7	-16.8	263.4	270.8	-120.3	-255.6	222.8	-1.7
Gains/losses from financial instruments at FVPL	10.5	-25.9	-3.0	10.4	-19.8	210.9	-12.3	195.4
Net result from equity method investments	3.9	0.6	9.1	9.6	2.9	2.9	15.9	13.1
Rental income from investment properties & other operating leases	130.4	137.2	48.1	45.5	15.8	6.7	194.2	189.4
General administrative expenses	-2,104.6	-2,121.6	-1,784.0	-1,823.2	-269.6	-236.3	-4,158.2	-4,181.1
Gains/losses from financial assets and liabilities not at FVPL, net	43.6		30.0		82.9		156.4	
Gains/losses from derecognition of financial assets at AC		0.9		0.6		-1.4		0.1
Other gains/losses from derecognition of financial instruments not at FVPL		2.1		5.6		-2.0		5.7
Net impairment loss on financial assets	-1.2		-118.2		-12.6		-132.0	
Impairment result from financial instruments	0.0	121.8	0.0	-55.9	0.0	-6.6	0.0	59.3
Other operating result	-105.6	-21.2	-231.4	-183.4	-120.4	-100.0	-457.4	-304.5
Levies on banking activities	-7.7	-7.6	-82.6	-89.2	-15.3	-15.4	-105.7	-112.2
Pre-tax result from continuing operations	1,086.7	1,215.7	1,346.0	1,599.8	-354.9	-320.6	2,077.8	2,495.0
Taxes on income	-268.7	-264.1	-266.7	-281.7	125.4	213.4	-410.1	-332.4
Net result for the period	818.0	951.6	1,079.3	1,318.1	-229.5	-107.2	1,667.7	2,162.5
Net result attributable to non-controlling interests	284.2	306.7	40.0	47.9	27.3	14.4	351.5	369.1
Net result attributable to owners of the parent	533.8	644.9	1,039.3	1,270.2	-256.8	-121.6	1,316.2	1,793.4
Operating income	3,254.6	3,233.8	3,449.6	3,656.1	-35.2	25.8	6,669.0	6,915.6
Operating expenses	-2,104.6	-2,121.6	-1,784.0	-1,823.2	-269.6	-236.3	-4,158.2	-4,181.1
Operating result	1,150.0	1,112.2	1,665.6	1,832.9	-304.8	-210.5	2,510.8	2,734.6
Risk-weighted assets (credit risk, eop)	47,237	50,053	37,909	40,914	1,637	2,242	86,784	93,209
Average allocated capital	4,918	6,143	5,031	6,400	7,595	5,590	17,544	18,133
Cost/income ratio	64.7%	65.6%	51.7%	49.9%	>100%	>100%	62.4%	60.5%
Return on allocated capital	16.6%	15.5%	21.5%	20.6%	-3.0%	-1.9%	9.5%	11.9%
Total assets (eop)	143,757	156,325	101,036	107,377	-24,134	-26,910	220,659	236,792
Total liabilities excluding equity (eop)	118,263	126,772	90,816	96,790	-6,708	-5,639	202,371	217,923
Impairments	-14.0	105.9	-141.0	-111.3	-30.0	-37.0	-184.9	-42.3
Net impairment loss on loans and receivables to credit institutions/customers	3.4		-115.6		7.2		-105.0	
Net impairment loss on other non-FV financial assets	-4.6		-2.6		-19.8		-27.0	
Net impairment loss on financial assets AC		28.8		-16.2		25.9		38.6
Net impairment loss on financial assets FVOCI		0.6		1.9		1.0		3.5
Net impairment loss on finance lease receivables		11.2		-0.5		-0.1		10.6
Net impairment loss on commitments and guarantees given	-7.9	81.2	26.1	-41.2	-0.7	-33.5	17.5	6.6
Impairment of goodwill	0.0	0.0	-0.5	0.0	0.0	0.0	-0.5	0.0
Net impairment on investments in subsidiaries, joint ventures and associates		0.0		0.0		0.0		0.0
Net impairment on other non-financial assets	-4.9	-15.9	-48.4	-55.4	-16.7	-30.3	-69.9	-101.6

Geographical area – Austria

in EUR million	EBOe & Subsidiaries		Savings Banks		Other Austria		Austria	
	2017	2018	2017	2018	2017	2018	2017	2018
Net interest income	631.2	644.3	982.0	1,016.4	372.2	388.9	1,985.4	2,049.6
Net fee and commission income	353.8	386.4	446.2	459.8	216.6	224.6	1,016.6	1,070.8
Dividend income	9.8	6.8	16.7	8.9	1.6	2.7	28.1	18.4
Net trading result	18.9	7.3	10.2	1.9	50.7	-25.9	79.7	-16.8
Gains/losses from financial instruments at FVPL	1.3	3.3	0.0	-28.9	9.2	-0.3	10.5	-25.9
Net result from equity method investments	2.7	1.3	0.0	0.0	1.2	-0.7	3.9	0.6
Rental income from investment properties & other operating leases	36.1	38.7	37.8	39.4	56.5	59.1	130.4	137.2
General administrative expenses	-679.6	-678.9	-1,051.2	-1,073.3	-373.8	-369.4	-2,104.6	-2,121.6
Gains/losses from financial assets and liabilities not at FVPL, net	4.1		30.4		9.1		43.6	
Gains/losses from derecognition of financial assets at AC		-0.5		1.3		0.0		0.9
Other gains/losses from derecognition of financial instruments not at FVPL		1.5		0.6		0.0		2.1
Net impairment loss on financial assets	26.1		12.6		-40.0		-1.2	
Impairment result from financial instruments	0.0	14.3	0.0	19.8	0.0	87.7	0.0	121.8
Other operating result	-31.6	-40.6	-68.4	-6.4	-5.7	25.9	-105.6	-21.2
Levies on banking activities	-3.3	-3.5	-4.4	-4.1	0.0	0.0	-7.7	-7.6
Pre-tax result from continuing operations	372.7	383.8	416.3	439.4	297.7	392.5	1,086.7	1,215.7
Taxes on income	-102.2	-88.0	-101.3	-106.0	-65.3	-70.1	-268.7	-264.1
Net result for the period	270.6	295.8	315.0	333.4	232.4	322.4	818.0	951.6
Net result attributable to non-controlling interests	17.4	17.6	263.1	279.8	3.7	9.3	284.2	306.7
Net result attributable to owners of the parent	253.2	278.2	51.9	53.6	228.6	313.2	533.8	644.9
Operating income	1,053.7	1,088.1	1,492.9	1,497.4	708.0	648.3	3,254.6	3,233.8
Operating expenses	-679.6	-678.9	-1,051.2	-1,073.3	-373.8	-369.4	-2,104.6	-2,121.6
Operating result	374.1	409.2	441.7	424.1	334.2	278.9	1,150.0	1,112.2
Risk-weighted assets (credit risk, eop)	11,621	12,162	21,625	23,334	13,992	14,557	47,237	50,053
Average allocated capital	1,285	1,582	2,136	2,741	1,497	1,820	4,918	6,143
Cost/income ratio	64.5%	62.4%	70.4%	71.7%	52.8%	57.0%	64.7%	65.6%
Return on allocated capital	21.1%	18.7%	14.7%	12.2%	15.5%	17.7%	16.6%	15.5%
Total assets (eop)	43,141	44,948	60,108	63,364	40,509	48,012	143,757	156,325
Total liabilities excluding equity (eop)	41,260	43,013	55,486	58,648	21,516	25,111	118,263	126,772
Impairments	27.9	14.5	0.2	20.2	-42.1	71.2	-14.0	105.9
Net impairment loss on loans and receivables to credit institutions/customers	26.0		17.8		-40.5		3.4	
Net impairment loss on other non-FV financial assets	0.1		-5.2		0.5		-4.6	
Net impairment loss on financial assets AC		4.0		-8.1		32.9		28.8
Net impairment loss on financial assets FVOCI		0.0		1.4		-0.8		0.6
Net impairment loss on finance lease receivables		-0.6		0.3		11.5		11.2
Net impairment loss on commitments and guarantees given	2.6	10.8	-11.7	26.3	1.2	44.1	-7.9	81.2
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on investments in subsidiaries, joint ventures and associates		0.0		0.0		0.0		0.0
Net impairment on other non-financial assets	-0.8	0.2	-0.7	0.4	-3.4	-16.5	-4.9	-15.9

Geographical area - Central and Eastern Europe

in EUR million	Czech Republic		Slovakia		Romania		Hungary		Croatia		Serbia		Central and Eastern Europe	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Net interest income	942.3	1,062.2	434.3	438.7	365.5	394.5	198.4	198.8	270.5	273.7	51.3	50.7	2,262.3	2,418.7
Net fee and commission income	334.4	332.9	112.7	128.8	153.4	151.9	157.4	170.2	95.8	98.9	11.3	13.4	865.0	896.1
Dividend income	2.4	3.0	1.1	1.0	0.9	0.8	0.3	0.1	0.1	0.1	0.0	0.0	4.8	5.1
Net trading result	103.9	83.8	13.8	9.7	77.3	92.0	37.7	50.4	26.6	29.8	4.1	5.1	263.4	270.8
Gains/losses from financial instruments at FVPL	-0.3	8.7	-0.5	2.1	0.4	4.0	-2.6	-4.9	0.0	0.5	0.0	0.0	-3.0	10.4
Net result from equity method investments	0.3	2.1	7.1	5.5	0.2	0.6	0.0	0.0	1.3	1.4	0.2	0.0	9.1	9.6
Rental income from investment properties & other operating leases	10.3	8.6	0.3	0.3	13.9	16.8	3.8	3.8	19.6	15.8	0.1	0.1	48.1	45.5
General administrative expenses	-692.8	-714.5	-281.1	-279.6	-338.0	-354.6	-220.8	-212.4	-206.3	-212.5	-45.1	-49.6	-1,784.0	-1,823.2
Gains/losses from financial assets and liabilities not at FVPL, net	10.3		0.3		0.0		18.6		0.7		0.0		30.0	
Gains/losses from derecognition of financial assets at AC		0.6		0.0		0.0		0.0		0.0		0.0		0.6
Other gains/losses from derecognition of financial instruments not at FVPL		0.3		-0.1		0.5		1.1		3.7		0.1		5.6
Net impairment loss on financial assets	-1.3		-30.1		-7.1		35.1		-116.1		1.2		-118.2	
Impairment result from financial instruments	0.0	-11.2	0.0	-23.5	0.0	-26.0	0.0	36.3	0.0	-33.1	0.0	1.7	0.0	-55.9
Other operating result	-45.5	-50.4	-39.8	-40.2	-88.9	-18.9	-47.2	-68.2	-9.7	-5.1	-0.3	-0.6	-231.4	-183.4
Levies on banking activities	0.0	0.0	-27.4	-30.3	0.0	0.0	-55.3	-58.9	0.0	0.0	0.0	0.0	-82.6	-89.2
Pre-tax result from continuing operations	664.2	726.2	218.0	242.8	177.5	261.5	180.8	175.1	82.6	173.3	22.8	20.8	1,346.0	1,599.8
Taxes on income	-125.8	-144.0	-51.9	-53.4	-48.6	-41.3	-15.9	-8.3	-22.9	-33.2	-1.6	-1.5	-266.7	-281.7
Net result for the period	538.4	582.3	166.2	189.4	128.9	220.2	164.9	166.8	59.7	140.1	21.2	19.4	1,079.3	1,318.1
Net result attributable to non-controlling interests	5.5	-0.5	0.0	0.0	8.2	0.3	0.0	0.0	22.1	44.4	4.1	3.8	40.0	47.9
Net result attributable to owners of the parent	532.9	582.8	166.2	189.4	120.7	219.9	164.9	166.8	37.7	95.7	17.0	15.5	1,039.3	1,270.2
Operating income	1,393.4	1,501.4	568.7	586.1	611.5	660.6	395.0	418.4	414.0	420.3	67.0	69.3	3,449.6	3,656.1
Operating expenses	-692.8	-714.5	-281.1	-279.6	-338.0	-354.6	-220.8	-212.4	-206.3	-212.5	-45.1	-49.6	-1,784.0	-1,823.2
Operating result	700.6	786.9	287.6	306.6	273.5	306.0	174.2	206.0	207.7	207.8	21.9	19.7	1,665.6	1,832.9
Risk-weighted assets (credit risk, eop)	17,615	18,373	5,560	6,310	5,409	5,954	3,826	3,816	4,357	5,005	1,143	1,456	37,909	40,914
Average allocated capital	2,049	2,492	673	914	1,034	1,266	563	802	575	734	137	191	5,031	6,400
Cost/income ratio	49.7%	47.6%	49.4%	47.7%	55.3%	53.7%	55.9%	50.8%	49.8%	50.6%	67.3%	71.6%	51.7%	49.9%
Return on allocated capital	26.3%	23.4%	24.7%	20.7%	12.5%	17.4%	29.3%	20.8%	10.4%	19.1%	15.5%	10.1%	21.5%	20.6%
Total assets (eop)	52,055	55,455	16,338	17,435	15,228	15,340	7,151	7,987	8,840	9,378	1,423	1,782	101,036	107,377
Total liabilities excluding equity (eop)	47,317	50,685	14,807	15,930	13,631	13,546	6,057	6,872	7,758	8,179	1,245	1,580	90,816	96,790
Impairments	-29.1	-36.8	-34.7	-24.2	-46.1	-49.0	89.8	32.2	-121.7	-35.2	0.8	1.7	-141.0	-111.3
Net impairment loss on loans and receivables to credit institutions/customers	-1.4		-30.0		-6.9		36.6		-115.4		1.6		-115.6	
Net impairment loss on other non-FV financial assets	0.1		0.0		-0.2		-1.4		-0.7		-0.4		-2.6	
Net impairment loss on financial assets AC		13.9		-26.0		-11.2		35.1		-28.7		0.7		-16.2
Net impairment loss on financial assets FVOCI		2.1		0.0		-0.2		0.0		-0.3		0.4		1.9
Net impairment loss on finance lease receivables		-1.6		0.1		-0.2		0.9		0.4		0.0		-0.5
Net impairment loss on commitments and guarantees given	-2.4	-25.6	-3.6	2.4	-27.3	-14.4	58.3	0.2	1.4	-4.5	-0.4	0.7	26.1	-41.2
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.5	0.0	0.0	0.0	-0.5	0.0
Net impairment on investments in subsidiaries, joint ventures and associates		0.0		0.0		0.0		0.0		0.0		0.0		0.0
Net impairment on other non-financial assets	-25.4	-25.6	-1.1	-0.7	-11.6	-23.0	-3.6	-4.1	-6.6	-2.0	-0.1	0.0	-48.4	-55.4

